

Financial Information

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Directors' Report

General

The Board of Directors have pleasure in presenting their report to the members, together with the Audited Consolidated Financial Statements of Janashakthi Insurance PLC, a public limited liability company incorporated in Sri Lanka on 29th October 1992 under Companies Act No 17 of 1982 and subsequently re-registered under Companies Act No. 7 of 2007. The Company was listed on the Colombo Stock Exchange on July 21, 2008.

The details given below provide information required by the Companies Act No.7 of 2007, The Colombo Stock Exchange Listing rules and are guided by the recommended best accounting practices.

Principal Activities

There were no changes in the nature of principal activities of the Company. The principal activity of the Company constitutes the provision of Life and General Insurance in Sri Lanka.

Vision, Mission and Corporate Conduct

The Company's Vision and Mission are given on page 02. These have been approved by the Board of Directors of the Company. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission.

Review of Business

A review of the Company's performance during the year with an analysis of financial results and future developments, is included in Chairman's Review (Pages 10-11), Managing Directors Review (Pages 12-13), Management Discussion Analysis (Pages 24-32) and in the Financial Performance Analysis (Pages 67-74)

Future Developments

An overview of the future developments of the Company is presented in the Chairman's Review (Pages 10-11) and Managing Director's Review (Pages 12-13).

Initial Public Offer

The Initial Public Offer for the issue of shares of the Company was made on the June 16, 2008. A value of LKR 396 Mn was credited to Stated Capital of the Company as a result of the IPO.

The funds were utilized to liquidate high cost borrowings of the Company to significantly improve the Risk Profile of the Balance Sheet. In addition, the funds received, together with other funds generated from operation, were utilized to invest in Information Technology Infrastructure enhancements and

in Staff Training. The planned Branch expansion has been deferred until external conditions warrant such an initiative. More details relating to the IPO are contained on page 23 and in the Chairman's Report (Pages 10-11), Managing Director's Review (Pages 12-13.) and the Financial Performance Review report (Pages 67-74).

Life Assurance Fund

The Actuary determines the Funds. As at the end of December 31, 2008 the Life Fund stood at LKR 2,393.1 Mn for Janashakthi Insurance and LKR 853 Mn for National Insurance Corporation. (2007 LKR 1,915Mn for JIC and LKR 889 Mn for NIC) before transferring to Income Statement.

In accordance with the Actuaries' valuation, a sum of LKR 320.5 Mn (2007 LKR 278.6 Mn) has been transferred from the Life Assurance Fund to the Income Statement and LKR 12 Mn (2007 LKR 12 Mn) to the Solvency Margin Reserve. Subsequent to the transfer the fund stands at LKR 2,072.6 Mn (2007 LKR 1,635.5 Mn) for JIC. There were no transfers from the NIC Life fund.

In 2008, as per the Valuation Report received, NIC Life Fund now reflects a surplus and does not require a set aside from General Funds. This surplus has been retained within the NIC Life Fund.

Results

The Net Profit after Tax and before Appropriation for the year was LKR 449.1 Mn against LKR 522.1 Mn in the year 2007.

A detailed breakdown of the Income Statement is given below;

Financial Results

	2008	2007
	Rs' 000	Rs' 000
Profit earned before interest	596,627	778,934
Interest Paid	(93,434)	(233,399)
Profit before Tax	503,193	545,534
Provision for Taxation including Social Responsibility Levy	(54,036)	(23,347)
Profit after Tax	449,157	522,187
Balance brought forward from the previous year	599,477	902,290
Amount available for appropriation	1,048,634	1,424,477
Appropriations		
Issue of Bonus Shares	-	(825,000)
Interim Dividend of Rs.0.50 per share	(181,500)	-
Unappropriated Profit carried forward	867,134	599,477

Accounting Policies

Details of accounting policies have been discussed in Notes 1-2 (Pages 98-103) to the Financial Statements.

Actuary's Report

The Directors recognize the important role played by an Actuary in a Life Insurance Company. Therefore, this Annual Report has a report from the Actuaries for both Janashakthi Insurance PLC, and the former National Insurance Corporation Ltd. The Actuaries have stated that they are satisfied with the progress achieved by the Companies to-date and of the performance of the Companies during the year under review.

Declaration of Bonus to the Life Policyholders

The Directors are pleased to announce that the 2008 bonuses are now being declared as follows.

In respect of participating (with profit) policies as follows:

JIPLC

- Under the Plan Lakshmi LKR 20.00 per thousand in respect of policies issued before January 1, 2003. LKR 22.50 per thousand in respect of policies issued after 1 January 2003
- Under the Plan Shanthi (before revision) LKR 22.50 per thousand
- Under the Plan Gitanjali (old) LKR 25.00 per thousand
- Under the Plan Dhanalakshmi LKR 22.50 per thousand

NIC

- Under the Plan Whole Life LKR 17.50 per thousand sum assured
- Under the Plan Endowment LKR 17.50 per thousand sum assured
- Under the Plan Anticipated Endowment LKR 15.00 per thousand sum assured before the first stage payment. LKR 10.00 per thousand sum assured after the first stage payment, but before the second stage payment. LKR 7.50 per thousand sum assured after the second stage payment
- Under the Plan Multi Benefit Endowment LKR 9.50 per thousand sum assured
- Under the Plan Jathika Thilina Du Daru LKR 10.80 per thousand sum assured
- Under the Plan Jathika Sathuta Yuvathipathi LKR 9.30 per thousand sum assured
- Under the Plan Education Endowment LKR 12.50 per thousand sum assured
- Under the Plan Endowment for FT and Seasonal Workers respectively LKR 12.50 per thousand sum assured
- Under the Plan Pension Policy LKR 1.00 per thousand monthly pension

- Under the Plan Lakshmi LKR 12.00 per thousand sum assured

Non Participating Policies

- LKR 25.00 per thousand under the plan Shanthi (Revised). In the case of policies issued under this plan on or after 01.09.2003, this guaranteed bonus is payable only if the policy runs up to maturity
- LKR 25.00 per thousand under the plan Githanjali (Revised) – payable only if the policy runs up to maturity
- LKR 25.00 per thousand under the plan Shilpashakthi
- LKR 25.00 per thousand under the plan Prarthana
- LKR 100.00 per thousand basic sum assured, payable on the 25th, 35th, 45th and 50th birthdays, on survival up to these dates, in respect of policies issued before August 1, 2003 under the Jeevan Vandana (Participating) Plan

Taxation

LKR 54 Mn was made as provision for Taxation in the current year. The comparable value in 2007, amounted to LKR 23.3 Mn. Further details are provided in Note 28 (Page 117) to the Financial Statements.

Property, Plant and Equipment

As at the Balance Sheet date the book value of the PPE amounted to LKR 331.4 Mn. Details of PPE and their movements during the year are given in Note 06 (Page xx) to the Financial Statements.

Market value of Freehold Properties

The market value of freehold property is considered not materially different to the book value as given in the notes to the Financial Statements.

Reserves

The movement in reserves during the year is set out in Note 18 (Page 114) to the Financial Statement.

Investments

Investments of the Company amounted to LKR 6,123 Mn. Detailed description of the investments held as at the Balance Sheet date are given in Note 04 to the Financial Statements (Pages 104-106)

Investment Income

The income from investments in fixed income securities and equities was LKR 739.5 Mn as against LKR 748.1 Mn last year. Of this amount LKR 365.9 Mn is credited to the shareholder's Income Statement with the remainder of LKR 373.6 Mn credited to the Life Assurance Fund.

Directors' Report *contd.*

Shareholders Funds

The total Capital and Reserves stood at LKR 2,363 Mn as at December 31, 2008. (LKR 1.7 Bn as at 2007), details of which are provided in Notes 17 & 18 (Pages 113-114) to the Financial Statements.

Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The Company's operations are directed and controlled within the corporate governance framework outlined on pages 54-66

Human Resources

The Company implemented human resource management policies to develop employees and optimize their capabilities that in turn helped to achieve Company objectives. More details on our Human Resources is reflected on pages 33-37.

Board Audit Committee

The composition of the Board Audit Committee is given in page 85. The report of the Board Audit Committee is given on page 86.

Risk Management

A detailed report on the risk management process of the Company is given on pages 47-53 of this Annual Report.

System of Internal Controls

The Company has put in place a system of internal controls to carry on the business of Insurance in an orderly and efficient manner, so as to safeguard its assets and ensure as far as possible the accuracy and reliability of financial records. Controls over the financial reporting were also reviewed during the year to ensure that the financial reporting process in place is up to date and effective. The Company has also outsourced the internal audit function to MSL Management Audit Services (Private) Ltd., the specialized Internal Audit arm of Messers Ernst & Young, a leading firm of Chartered Accountants who review and report on the effectiveness of Financial, Operational and compliance controls.

Auditors Report

Auditor's reports on the financial statements are on page 87 of this Annual Report.

Dividend

The Directors approved the payment of an Interim Dividend prior to the end of the financial year. The total value paid out as dividend amounted to LKR 181.5 Mn.

Information to Shareholders

The Board strives to be transparent and ensures the provision of accurate information to shareholder in all published material.

Share Information

Information relating to earnings, dividends, net assets and market value per share are available in the 10 year summary on page 25 Information on share trading is given on page 123 of this report.

Shareholdings

There were 6,316 registered shareholders holding ordinary shares as at 31st December 2008. The distribution of shareholding is given on page 123 of this report.

Substantial Shareholdings

The list of top twenty five shareholders is given on page 124 of this report.

Directors' Interest

In terms of the Companies Act No 7 of 2007 an Interests register was maintained during the accounting period under review. The particulars of the entries entered into the Interests Register during the accounting period under review are given below.

a) Directors' interest in contracts with the Company

Directors' interests in contracts of the Company, both direct and indirect have been included in Note 30 (Pages 119-121) in the related party disclosures to the Financial Statements.

b) Directors' dealings with the shares of the Company.

Disclosures in respect of shares held as at 31st December 2008

Name of Director	Number of Shares	Class of Shares	Nature of the relevant interest
Mr. C.T.A Schaffter	12	Ordinary Shares	Personal Ownership
Ms. A. Coomaraswamy	75,000	Ordinary Shares	Personal Ownership

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

Ms. A. Coomaraswamy was issued 75,000 Ordinary Shares through the IPO.

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

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

e) Use of Company information by the Directors.
Only for purpose of the Company, in the normal course of duties as Directors.

f) Details of the remuneration and fees paid to the directors are set out in page 120 of the notes to the Financial Statements. The Board of Directors of the Company has duly approved these.

Details of Directors' fees and Directors' emoluments paid during the year are as follows.

	2008	2007
Directors' fees	LKR 1,223,000	LKR 620,000
Directors' emoluments	LKR 16,400,000	Note *

Note *

There were no reimbursements made in respect of Directors emoluments to Janashakthi Ltd during 2007. Payments to Executive Directors had been made directly by the Holding Company of Janashakthi Insurance PLC during the period when the Company was a Private Limited Company.

g) Indemnity provided to Directors and or Officers of the Company.

A Directors & Officers Liability Policy has been effected by Janashakthi. The terms and conditions of the D&O policy is disclosed in the policy document number LML2008-1.

Terms of the Policy Cover

- Limit of Liability - LKR 25,000,000/-
- The Premium - LKR 291,366.55
- Period of Insurance - From 15-3-2008 to 15-3-2009
- Coverage - Section 1 - Standard Cover (Wrongful Act)
- Section 2 - Additional Covers
 - Public Relations Cover
 - Retirement Cover
 - Employment Practices Cover
 - Outside Directorship Cover

Directorate

There were no changes in the Directorates of the Company during the year under review.

The present Directors of the Company are given on page 25 to 27 of the Annual Report.

Directors and their Shareholdings as at 31.12.2008 were as follows:

	2008	2007
Mr. W.T. Ellawala	Nil	Nil
Mr. C.T.A Schaffter	12	04
Mr. P.A. Schaffter	Nil	Nil
Mr. R. Schaffter	Nil	Nil
Ms. M. Mathews	Nil	Nil
Mr. A.D.E.I Perera	Nil	Nil
Ms. A. Coomaraswamy	75,000	Nil
Mr. L.C.R. de C. Wijetunge	Nil	Nil
Deshamanya Dr T N Jinasena	8	5

Directors' Meetings

Name of Director	No. of Meetings held	No. of Meetings attended
Mr. M T Ellawala	8	7
Mr. C T A Schaffter	8	7
Mr. P A Schaffter	8	8
Mr. L C R De C Wijetunga	8	6
Deshamanya Dr T N Jinasena	8	5
Ms. M Matthews	8	4
Mr. R Schaffter	8	8
Mr. A D E I Perera	8	8
Ms. A Coomaraswamy	8	7

Board Audit Committee Meetings

Name of Director	No. of Meetings held	No. of Meetings attended
Mr. M T Ellawala	5	5
Deshamanya Dr T N Jinasena	5	3
Ms. A Coomaraswamy	5	3

Directors' Report *contd.*

Board Remuneration Committee Meetings

Name of Director	No. of Meetings held	No. of Meetings attended
Mr. A D E I Perera	2	2
Deshamanya Dr T N Jinasena	2	2
Ms. A Coomaraswamy	2	2

Directors Responsibility for Financial Reporting

The financial statements of the company are prepared in conformity with Sri Lanka Accounting Standards (SLAS), provide information required by the Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000 and the Colombo Stock Exchange Listing requirements.

Donations

There were no donations granted during the year under review.

Provisions

The Directors have taken all reasonable steps to ensure adequate provisioning for unearned premiums, unexpired risks and claims, including claims incurred but not reported.

The Directors have arranged external actuaries to value the Life Fund and General claims and premium liabilities.

As at date of the report, the Directors are not aware of any circumstances, which would render as inadequate to the amounts provided for in the Financial Statements.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made in time.

Compliance with Laws and Regulations

The company has complied with all applicable laws and regulations. A detailed report on this is available under the risk management article on page 51 of this report and in the Corporate Governance and Compliance report on page 66.

Environment

The company has not engaged in any activity that is harmful to the environment.

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.

Events After Balance Sheet Date

There were no material events occurring after the Balance Sheet date.

Going Concern

The Board of Directors has reviewed the company's business plan and is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly Financial Statements are prepared based on the going concern concept.

Auditors

The accounts for the year have been audited by Messers SJMS Associates who are recommended for reappointment. A sum of LKR.1Mn was paid to them as audit fees during the year under review. Based on the declaration from Messers. SJMS Associates and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than those disclosed in this paragraph.

Appointment of Auditors

The present Auditors Messers SJMS Associates have signified their willingness to continue in office, and a resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Notice of Meeting

Notice of the meeting relating to the 16th Annual General Meeting is provided on page 136.

By Order of the Board,

(Sgd)

K H L Corporate Services Ltd
Secretaries

Colombo

19 February, 2009

Actuarial Reports



1st Floor, 434, R. A. De Mel Mawatha, Colombo 03, Sri Lanka. Telephone: (94) 11 2575 280/(94) 11 2301079 Fax: (94) 11 2301079

To the Shareholders of Janashakthi Insurance PLC

ACTUARIAL VALUATION OF THE LONG TERM INSURANCE BUSINESS AS AT 31 DECEMBER 2008

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December 2008. We hereby certify that, in our opinion,

- 1) Proper records have been kept by the Company which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long Term Insurance Fund;
- 2) Adequate and proper reserves have been provided as at 31 December 2008, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
- 3) The Long Term Insurance Fund as included in the audited accounts as at 31 December 2008, exceed the required actuarial reserves as at 31 December 2008 by Rs 634.608 million before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.
- 4) The solvency margin required under the Regulation of Insurance Industry Act No. 43 of 2000 is Rs 89.142 million, including the solvency margin for the new reversionary bonus allotted as at 31 December 2008.

M POOPALANATHAN
ACTUARY

19 February 2009

Actuarial Reports *contd.*



Actuarial & Management
Consultants (Pvt) Limited

1st Floor, 434, R. A. De Mel Mawatha, Colombo 03, Sri Lanka. Telephone: (94) 11 2575 280/(94) 11 2301079 Fax: (94) 11 2301079

To the Shareholders of the Former National Insurance Corporation Ltd

ACTUARIAL VALUATION OF THE LONG TERM INSURANCE BUSINESS AS AT 31 DECEMBER 2008

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December 2008. We hereby certify that, in our opinion,

- 1) Proper records have been kept by the Company which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long Term Insurance Fund;
- 2) Adequate and proper reserves have been provided as at 31 December 2008, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
- 3) The Long Term Insurance Fund as included in the audited accounts as at 31 December 2008, exceed the required actuarial reserves as at 31 December 2008 by Rs 89.165 million before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.
- 4) The solvency margin required under the Regulation of Insurance Industry Act No. 43 of 2000 is Rs 44.575 million, including the solvency margin for the new reversionary bonus allotted as at 31 December 2008.

M POOPALANATHAN
ACTUARY

19 February 2009

Statement of Directors' Responsibility

The following sets out the responsibilities of the Directors in relation to the Financial Statements of the Company.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the Company as at end of the financial year and the profit and loss for the financial year. The directors are required to prepare these Financial Statements on the going concern basis, unless it is not appropriate.

The Directors have ensured that the Company adheres to the following principles when preparing the Financial Statements:

- a. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any have been disclosed and explained.
- b. All applicable accounting standards as relevant have been followed.
- c. Reasonable and prudent judgments and estimates have been made.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the Financial Statements continue to be prepared on the going concern basis.

The Directors have a responsibility for ensuring that the companies within the company keep accounting records, which discloses with reasonable accuracy the financial position of the company and which enables them to ensure that Financial Statements comply with the Companies Act No. 07 of 2007; Regulation of Insurance Industry Act No. 43 of 2000 and the Listing Rules of Colombo Stock Exchange.

The Directors have a general responsibility for taking steps to maintain appropriate systems of internal control to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have provided the Auditors of the Company with the opportunity to carry out necessary audit work to conduct their audit.

They confirm further that to the best of their knowledge all statutory payments payable by the Company as at Balance Sheet date have been paid or where relevant, provided for.

The Directors are confident that they have discharged their responsibilities as set out in this statement.

BY ORDER OF THE BOARD

(Sgd)
KHL CORPORATE SERVICES LIMITED
Company Secretaries

19th February, 2009

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No.07 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000. There are no departures from the prescribed Accounting Standards in their adoption. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied, (material departures, if any, have been disclosed and explained).

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflects in a true and fair manner, the form and the substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding Assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic

audits to provide reasonable assurance that the established Policies and Procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any System of Internal controls and accounting.

The Financial Statements were audited by Messrs SJMS Associates, Chartered Accountants, the External Auditors.

The Audit Committee of the Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting Insurance Business.



Prakash Shaffter
Managing Director / Chief Executive Officer



Bertal Pinto - Jayawardena
General Manager – Finance & Planning / Chief Financial Officer

19th February, 2009

Board Audit Committee Report

Statement of Purpose

The purpose of the Committee is to provide assistance to the Board of Directors in overseeing

- i. The review and integrity of the Company's Financial Statements,
- ii. The Company's compliance with legal and regulatory requirements,
- iii. Review in depth periodic reports issued by the Internal Auditors & the Management Letter issued by the External Auditors, to ensure that all necessary follow up actions have been initiated.
- iv. The performance of the Company's internal audit function and its independent auditor; and
- v. Review Compliance & Corporate Governance issues relating to Internal Controls of the Organization, the context of regulatory and statutory requirements.

Organization

a. Mandate of Operation.

The full Board of Directors shall approve this Mandate. At least annually, this Mandate shall be reviewed and reassessed by this Committee and any proposed changes shall be submitted to the Board of Directors for approval.

b. Members.

The Audit Committee consists of three Independent Non Executive Directors of the Board, headed by the Chairman of the company. The Committee draws on the expertise of members with leadership backgrounds in finance, audit, legal, human resource management and regulatory institutions. The Board Audit Committee comprises of the following Non Executive Directors.

- Mr. W T Ellawala
- Deshamanya Dr. N Jinasena
- Ms. A Coomaraswamy

The members of the Committee are appointed by the Board of Directors. Each member of the Committee meets the independence requirements of the Rules for Corporate Governance for Listed Companies issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission. All Audit Committee members have extensive commercial expertise and financial acumen that is required to efficiently carry out its duties.

c. Meetings.

In order to discharge its responsibilities, the Committee shall each year establish a schedule of meetings and shall meet at least four times per year or more frequently as circumstances require.

The Committee met five times during the year under review. These meetings were held to review on quarterly basis the Quarterly Audit Reports submitted by MSL Management Audit (Private) Ltd., the appointed Internal Auditors of the Company. In addition, the Committee reviewed Annual and half-yearly Financial Statements. The Managing Director, General Manager (Finance & Planning) and Senior Manager (Finance) were present by invitation at all meetings. In addition, the Senior Management personnel were invited as and when required, to attend meetings.

Meetings with External Auditors

A meeting was arranged with the Senior Partner of the External Auditors to discuss and review issues of concern if any.

This meeting was held on an independent basis, where Executive Officers, including the Managing Director, were excluded from the meeting, to ensure maximum independence of discussion.

Authority and Responsibilities

The Committee has the authority and responsibility to make recommendation to the Board pertaining to appointment, retention and, when deemed appropriate by the Committee, replace the Company's independent auditor (subject, if applicable, to shareholder ratification). The Committee shall be directly responsible for the compensation, evaluation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

The Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent professional consultants, accountants, auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company and to any advisors employed by the Committee, as well as funding for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

- a. Review and discuss with senior management and the independent auditor the annual audited Financial Statements and quarterly financial statements.

Board Audit Committee Report *contd.*

- b. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's Financial Statements, including any significant changes in the Company's selection or application of accounting principles.
- c. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- d. Review and discuss analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Financial Statements.
- e. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's Financial Statements.
- f. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- g. Review and discuss with management and the independent auditor any major issues as to the adequacy of the Company's internal controls, any special steps adopted in light of identified material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.

Oversight of the Company's Relationship with the Independent Auditor

- a. Periodically have a meeting to discuss with the Independent Auditor (a) internal quality-control procedures, (b) all relationships that the Independent Auditor has with the Company.
- b. Meet with the Independent Auditor and Senior Financial Management of the Company to review the scope of the proposed audit and generally review the procedures to be utilised in conducting such audit, as is relevant.

Oversight of the Company's Internal Audit Function

- a. Review the internal audit function of the Company and the proposed audit plans for each year.
- b. Review significant internal audit reports to management and management's responses.

Oversight of the Company's External Actuary Function

- a. Review written representations from the Independent External Actuary, summarizing observations and comments with regard to the work performed valuing Life policyholder liabilities.

Compliance Oversight Responsibilities

- a. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submissions by employees of concerns regarding any questionable matters of concern.
- b. Discuss with the Independent Auditor all correspondence with regulators or government agencies or published reports that raise material issues, if any, regarding the integrity of the Company's Financial Statements or accounting policies.
- c. Discuss with the Company's General Legal Counsel legal matters that may have a material impact on the Financial Statements or the Company's compliance policies and internal controls.
- d. Review, approve and/or ratify Related Person Transactions in accordance with the Company's Policy with respect to Related Party Transactions.

The Audit Committee is satisfied that the company's accounting policies, operational controls, and risk & compliance management processes provide reasonable assurance that the affairs of the company are managed in accordance with company policies and that company assets are properly accounted for and adequately safeguarded.

This report was reviewed and approved by the Board on the 19th February 2009.



W.T. Ellawala
Chairman - Board Audit Committee

19th February, 2009

Independent Auditor's Report



TO THE SHAREHOLDERS OF JANASHAKTHI INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Janashakthi Insurance PLC, the Consolidated Financial Statements of the Company and its subsidiaries which comprise the Balance Sheet as at December 31, 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for

the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2008 and the Financial Statements give a true and fair view of the Company's state of affairs as at December 31, 2008 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at December 31, 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our Opinion

1. These financial statements also comply with the requirements of Section 151(2) and Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.
2. The accounting records of Janashakthi Insurance PLC have also been maintained by the management in the manner required by the rules and regulations of the Insurance Board of Sri Lanka established under the Regulation of Insurance Industry Act No 43 of 2000 so as to clearly indicate the true and fair view of the financial position of the insurer.

Chartered Accountants

Colombo
February 19, 2009

Balance Sheet

As At 31 December 2008	Notes	Group		Company	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets					
Investments	4	6,123,973	6,402,976	6,123,973	6,402,976
Intangible Assets	5	27,953	20,578	27,953	20,578
Property, Plant and Equipment	6	331,428	319,358	331,428	319,358
Policyholder and Other Loans	7	376,890	344,246	376,890	344,246
Investments in Subsidiaries	8	-	-	34,044	34,044
Reinsurance Receivable		710,906	681,730	710,906	681,730
Premium Receivable	9	1,014,261	822,423	1,014,261	822,423
Other Assets	10	1,187,772	664,015	1,187,772	664,015
Cash in Hand and at Bank	11	227,389	443,901	227,389	443,901
Total Assets		10,000,572	9,699,227	10,034,616	9,733,271
Liabilities and Shareholders' Equity					
Liabilities					
Insurance Provision - Long Term	12	2,925,931	2,525,793	2,925,931	2,525,793
Insurance Provision - Non Life	13	3,208,753	3,004,996	3,208,753	3,004,996
Obligation to Repurchase Securities		-	982,202	-	982,202
Other Liabilities	14	1,147,413	1,037,940	1,181,457	1,071,984
Interest Bearing Liabilities	15	269,495	373,134	269,495	373,134
Provision for Retirement Benefits	16	85,846	75,685	85,846	75,685
Total Liabilities		7,637,438	7,999,750	7,671,482	8,033,794
Shareholders' Equity					
Stated Capital	17	1,496,000	1,100,000	1,496,000	1,100,000
Revenue Reserves	18	867,134	599,477	867,134	599,477
Total Shareholders' Equity		2,363,134	1,699,477	2,363,134	1,699,477
Total Liabilities and Shareholders' Equity		10,000,572	9,699,227	10,034,616	9,733,271

I certify that the Financial Statements of the Company give a true and fair view of the affairs as at 31 December 2008 and of its profit for the period then ending.



Bertal Pinto-Jayawardene

General Manager - Finance & Planning

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



W.T. Ellawala

Chairman



Prakash Schaffter

Managing Director

The accounting policies on pages 98 to 103 and notes on pages 104 to 121 are an integral part of these Financial Statements.

Colombo

19th February, 2009

Statement of Income

For The Year Ended 31 December 2008		Group			Company		
	Notes	2008 Rs. '000	2007 Rs. '000	Variance %	2008 Rs. '000	2007 Rs. '000	Variance %
Revenue	3	5,555,057	5,203,116	6.76%	5,555,057	5,199,527	6.84%
Gross Written Premium	19	5,363,445	4,884,257	9.81%	5,363,445	4,884,257	9.81%
Less: Premium Ceded to Reinsurers		(655,155)	(600,676)	9.07%	(655,155)	(600,676)	9.07%
Net Written Premium		4,708,290	4,283,581	9.91%	4,708,290	4,283,581	9.91%
Net Change in Reserve for Unearned Premium		(146,213)	(169,195)	(13.58%)	(146,213)	(169,195)	(13.58%)
Net Earned Premium		4,562,077	4,114,386	10.88%	4,562,077	4,114,386	10.88%
Benefits and Losses							
Insurance Claims and Benefits (Net)	20	(2,369,819)	(2,288,711)	3.54%	(2,369,819)	(2,288,711)	3.54%
Underwriting & Net Acquisition Costs	21	(837,740)	(642,238)	30.44%	(837,740)	(642,238)	30.44%
Increase in Long Term Insurance Fund		(400,137)	(202,589)	97.51%	(400,137)	(202,589)	97.51%
Underwriting Results		954,381	980,848	(2.70%)	954,381	980,848	(2.70%)
Other Revenue							
Fee and Commission Income	22	131,052	131,169	(0.09%)	131,052	131,169	(0.09%)
Income from Investments	23	739,505	748,075	(1.15%)	739,505	748,075	(1.15%)
Other Income	24	122,423	146,947	(16.69%)	122,423	146,947	(16.69%)
Profit on disposal of subsidiaries		-	62,539	(100.00%)	-	58,949	(100.00%)
		992,980	1,088,730	(8.79%)	992,980	1,085,140	(8.49%)
Expenses							
Other Operating, Investment Related and Administrative Expenses	25	(1,237,646)	(1,185,973)	4.36%	(1,237,646)	(1,185,973)	4.36%
Depreciation and Amortisation Expense		(113,088)	(101,082)	11.88%	(113,088)	(101,082)	11.88%
Profit from Operations	26	596,627	782,523	(23.76%)	596,627	778,933	(23.40%)
Finance Cost	27	(93,434)	(233,399)	(59.97%)	(93,434)	(233,399)	(59.97%)
Profit before Taxation		503,193	549,124	(8.36%)	503,193	545,534	(7.76%)
Income Tax	28	(54,036)	(23,347)	131.45%	(54,036)	(23,347)	131.45%
Profit after Taxation		449,157	525,777	(14.57%)	449,157	522,187	(13.99%)
Retained Profit		449,157	525,777	(14.57%)	449,157	522,187	(13.99%)
Earnings per share							
Basic earnings per share	29	1.29	5.88		1.29	5.84	
Restated earnings per share	29	-	1.70		-	1.69	

The accounting policies on pages 98 to 103 and notes on pages 104 to 121 are an integral part of these Financial Statements.

Colombo
19th February, 2009

Statement of Changes in Equity

For The Year Ended 31 December 2008

		Stated Capital	Accumulated Profit/ (Loss)	Total
	Note	Rs. '000	Rs. '000	Rs. '000
Group				
Balance as at 31 December 2006		275,000	898,700	1,173,700
Bonus Share Issue		825,000	(825,000)	-
Net Profit for the year		-	525,777	525,777
Dividends		-	-	-
Balance as at 31 December 2007		<u>1,100,000</u>	<u>599,477</u>	<u>1,699,477</u>
New Share Issue	18	396,000	-	396,000
Net Profit for the year		-	449,157	449,157
Dividends		-	(181,500)	(181,500)
Balance as at 31 December 2008		<u><u>1,496,000</u></u>	<u><u>867,134</u></u>	<u><u>2,363,134</u></u>
Company				
Balance as at 31 December 2006		275,000	902,290	1,177,290
Bonus Share Issue		825,000	(825,000)	-
Net Profit for the year		-	522,187	522,187
Dividends		-	-	-
Balance as at 31 December 2007		<u>1,100,000</u>	<u>599,477</u>	<u>1,699,477</u>
New Share Issue	18	396,000	-	396,000
Net Profit for the year		-	449,157	449,157
Dividends		-	(181,500)	(181,500)
Balance as at 31 December 2008		<u><u>1,496,000</u></u>	<u><u>867,134</u></u>	<u><u>2,363,134</u></u>

The accounting policies on pages 98 to 103 and notes on pages 104 to 121 are an integral part of these Financial Statements.

Colombo
19th February, 2009

Cash Flow Statement

For The Year Ended 31 December 2008		Group		Company	
		2008	2007	2008	2007
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows from / (Used in) Operating Activities					
Premium Received from Customers		5,140,249	4,798,574	5,140,249	4,798,574
Reinsurance Premium Paid		(631,774)	(565,996)	(631,774)	(565,996)
Claims Paid		(2,524,106)	(2,666,107)	(2,524,106)	(2,666,107)
Reinsurance Receipt in Respect of Claims		351,488	322,977	351,488	322,977
Interest Received		561,634	378,787	561,634	378,787
Dividends Received		-	14,573	-	14,573
Other Operating Cash Payments		(2,104,447)	(1,649,843)	(2,104,447)	(1,649,843)
Cash Flows from Operating Activities	A	793,044	632,964	793,044	632,964
Gratuity Paid		(6,054)	(5,298)	(6,054)	(5,298)
Income Tax Paid		(126,729)	(54,223)	(126,729)	(54,223)
Net Cash Generated by Operating Activities		660,261	554,448	660,261	554,448
Cash Flows from / (Used in) Investing Activities					
Net drawdown of Investments					
excluding Investment Properties		395,428	(979,422)	395,428	(979,422)
Purchase of Property, Plant and Equipment		(119,462)	(149,738)	(119,462)	(149,738)
Purchases of Intangible Assets		(9,597)	(12,774)	(9,597)	(12,774)
Proceeds on sale of Investment Property		49,644	446,459	49,644	446,459
Payments for Investment Property		(155,954)	-	(155,954)	-
Proceeds on sale of Subsidiary		-	165,000	-	165,000
Net Cash from Investing Activities		160,059	(530,475)	160,059	(530,475)
Net Cash Flows Before Financing Activities		820,320	23,973	820,320	23,973
Cash Flows from / (Used in) Financing Activities					
Proceeds from Issue of Shares		396,000	-	396,000	-
Net Drawdown of Borrowings		(1,085,085)	261,784	(1,085,085)	261,784
Interest Paid on Borrowings		(93,434)	(232,810)	(93,434)	(232,810)
Dividend Paid		(181,500)	(36,760)	(181,500)	(36,760)
Net Cash from Financing Activities		(964,019)	(7,786)	(964,019)	(7,786)
Cash & Cash Equivalents Transferred		-	(1,477)	-	-
Increase / (Decrease) in Cash and Cash Equivalents	B	(143,699)	33,706	(143,699)	35,183

The accounting policies on pages 98 to 103 and notes on pages 104 to 121 are an integral part of these Financial Statements.

Cash Flow Statement *contd.*

NOTES TO THE CASH FLOW STATEMENT

For The Year Ended 31 December 2008	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
A Cash Flow from Operating Activities				
Profit before Tax	503,193	549,124	503,193	545,534
Finance Cost	93,434	233,399	93,434	233,399
(Profit)/Loss on sale of:				
Investments	(10,982)	(23,877)	(10,982)	(23,877)
Investment Property	430	45,541	430	45,541
Fair Value (Gains)/Losses on:				
Quoted Equities	1,376	78,949	1,376	78,949
Investment Properties	-	(258,046)	-	(258,046)
Gain on disposal of Subsidiaries	-	(62,539)	-	(58,950)
Provision for Gratuity	16,215	24,881	16,215	24,881
Depreciation and Amortisation Expenses	113,088	101,082	113,088	101,082
Provision for Bad Debts	17,081	8,182	17,081	8,182
Net Foreign Exchange Loss	43	1,320	43	1,320
Changes in Working Capital				
Increase in Premium and Other Receivables	(680,558)	(179,345)	(680,558)	(179,345)
Increase in Life Insurance Fund	400,137	220,095	400,137	220,095
Decrease in Non Life Insurance Fund	203,757	(141,308)	203,757	(141,308)
Increase/(Decrease) in Creditors	135,830	35,507	135,830	35,507
Net Cash Flow from Operating Activities	793,044	632,964	793,044	632,964
	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.
B Increase / (Decrease) in Cash and Cash Equivalents				
Cash at Bank and Cash Equivalents	227,389	443,901	227,389	443,901
Bank Overdrafts	(269,495)	(342,308)	(269,495)	(342,308)
Net Cash and Cash Equivalents for the Current Year	(42,105)	101,593	(42,105)	101,593
Net Cash and Cash Equivalents for the Previous Year	101,593	67,887	101,593	66,410
Increase / (Decrease) During the Year	(143,699)	33,706	(143,699)	35,183

The accounting policies on pages 98 to 103 and notes on pages 104 to 121 are an integral part of these Financial Statements.

Insurance Revenue Accounts

- Segmental Review

For The Year Ended 31 December 2008

	2008				2007			
	Non Life Insurance	Long Term Insurance	Eliminations	Total	Non Life Insurance	Long Term Insurance	Eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Revenue	<u>3,758,594</u>	<u>1,796,463</u>		<u>5,555,057</u>	<u>3,616,506</u>	<u>1,586,610</u>		<u>5,203,116</u>
Gross Written Premium	3,937,285	1,426,160		5,363,445	3,678,224	1,206,033		4,884,257
Premium Ceded to Reinsurers	<u>(623,091)</u>	<u>(32,064)</u>		<u>(655,155)</u>	<u>(569,479)</u>	<u>(31,197)</u>		<u>(600,676)</u>
Net Written Premium	3,314,194	1,394,096		4,708,290	3,108,745	1,174,836		4,283,581
Net change in Reserves for Unearned Premium	<u>(146,213)</u>	-		<u>(146,213)</u>	<u>(169,195)</u>	-		<u>(169,195)</u>
Net Earned Premium	<u>3,167,981</u>	<u>1,394,096</u>		<u>4,562,077</u>	<u>2,939,550</u>	<u>1,174,836</u>		<u>4,114,386</u>
Benefits and Losses								
Insurance Claims and Benefits (Net)	(2,075,589)	(294,230)		(2,369,819)	(1,969,556)	(319,155)		(2,288,711)
Underwriting & Net Acquisition Costs	(477,374)	(360,366)		(837,740)	(354,662)	(287,576)		(642,238)
Increase in Long Term Insurance Fund			(400,137)	(400,137)			(202,589)	(202,589)
Underwriting Results	<u>615,018</u>	<u>739,500</u>		<u>937,642</u>	<u>615,332</u>	<u>568,105</u>		<u>980,848</u>
Other Revenue								
Fee and Commission Income	121,947	9,105		131,052	124,979	6,190		131,169
Income from Investments	365,876	373,629		739,505	376,024	372,051		748,075
Other Income	102,790	19,633		122,423	113,414	33,533		146,947
Profit on disposal of Subsidiaries	-	-		-	62,539	-		62,539
Expenses								
Other Operating, Investment Related and Administrative Expenses	(868,380)	(369,266)		(1,237,646)	(801,591)	(384,381)		(1,185,973)
Depreciation and Amortisation Expense	(109,441)	(3,647)		(113,088)	(97,435)	(3,647)		(101,082)
Inter Segment Transfers	320,541	(320,541)		-	278,636	(278,636)		-
Profit from Operations	<u>548,351</u>	<u>448,413</u>		<u>596,627</u>	<u>671,898</u>	<u>313,215</u>		<u>782,523</u>
Interest Expense	(45,158)	(48,276)		(93,434)	(122,774)	(110,625)		(233,399)
Profit Before Taxation	<u>503,193</u>	<u>400,137</u>		<u>503,193</u>	<u>549,124</u>	<u>202,590</u>		<u>549,124</u>

The notes from page 104 to 121 form an integral part of these Financial Statements.

Insurance Revenue Accounts - Segmental Review *contd.*

For The Year Ended 31 December 2008

	2008				2007			
	Non Life	Long Term	Eliminations	Total	Non Life	Long Term	Eliminations	Total
	Insurance	Insurance			Insurance	Insurance		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Company								
Revenue	<u>3,758,594</u>	<u>1,796,463</u>		<u>5,555,057</u>	<u>3,612,917</u>	<u>1,586,610</u>		<u>5,199,527</u>
Gross Written Premium	3,937,285	1,426,160		5,363,445	3,678,224	1,206,033		4,884,257
Less- Premium Ceded to Reinsurers	(623,091)	(32,064)		(655,155)	(569,479)	(31,197)		(600,676)
Net Written Premium	<u>3,314,194</u>	<u>1,394,096</u>		<u>4,708,290</u>	<u>3,108,745</u>	<u>1,174,836</u>		<u>4,283,581</u>
Net change in Reserves for Unearned Premium	(146,213)	-		(146,213)	(169,195)	-		(169,195)
Net Earned Premium	<u>3,167,981</u>	<u>1,394,096</u>		<u>4,562,077</u>	<u>2,939,550</u>	<u>1,174,836</u>		<u>4,114,386</u>
Benefits and Losses								
Insurance Claims and Benefits (Net)	(2,075,589)	(294,230)		(2,369,819)	(1,969,556)	(319,155)		(2,288,711)
Underwriting & Net Acquisition Costs	(477,374)	(360,366)		(837,740)	(354,662)	(287,577)		(642,238)
Increase in Long Term Insurance Fund	-	-	(400,137)	(400,137)			(202,589)	(202,589)
Underwriting Results	<u>615,018</u>	<u>739,500</u>		<u>937,642</u>	<u>615,332</u>	<u>568,105</u>		<u>980,848</u>
Other Revenue								
Fee and Commission Income	121,947	9,105		131,052	124,979	6,190		131,169
Income from Investments	365,876	373,629		739,505	376,025	372,051		748,075
Other Income	102,790	19,633		122,423	113,414	33,533		146,947
Profit on disposal of subsidiaries	-	-		-	58,949	-		58,949
Expenses								
Other Operating, Investment Related and Administrative Expenses	(868,380)	(369,266)		(1,237,646)	(801,591)	(384,381)		(1,185,973)
Depreciation and amortisation expense	(109,441)	(3,647)		(113,088)	(97,435)	(3,647)		(101,082)
Inter Segment Transfers	<u>320,541</u>	<u>(320,541)</u>		<u>-</u>	<u>278,636</u>	<u>(278,636)</u>		<u>-</u>
Profit from Operations	<u>548,351</u>	<u>448,413</u>		<u>596,627</u>	<u>668,308</u>	<u>313,215</u>		<u>778,933</u>
Interest Expense	(45,158)	(48,276)		(93,434)	(122,774)	(110,625)		(233,399)
Profit before Taxation	<u>503,193</u>	<u>400,137</u>		<u>503,193</u>	<u>545,534</u>	<u>202,590</u>		<u>545,534</u>

The notes from page 104 to 121 form an integral part of these Financial Statements.

Cash Flow Statement - Segmental Review

For The Year Ended 31 December 2008

Group	2008			2007			
	Non Life Insurance	Long Term Insurance	Total	Non Life Insurance	Long Term Insurance	Venture Capital	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From / (Used in)							
Operating Activities							
Premium Received from Customers	3,745,447	1,394,802	5,140,249	3,590,322	1,208,252		4,798,574
Reinsurance Premium Paid	(608,555)	(23,219)	(631,774)	(531,579)	(34,416)		(565,995)
Claims Paid	(2,229,514)	(294,592)	(2,524,106)	(2,282,791)	(383,316)		(2,666,107)
Reinsurance Receipt in Respect of Claims	365,713	(14,225)	351,488	307,537	15,439		322,976
Interest Received	165,727	395,907	561,634	149,274	229,512		378,786
Dividends Received	-	-	-	2,241	12,332		14,573
Other Operating Cash Payments / Receipts	(848,476)	(1,255,971)	(2,104,447)	(1,154,206)	(495,637)		(1,649,843)
Cash Flows from Operating Activities	590,342	202,702	793,044	80,798	552,166		632,964
Gratuity Paid	(6,054)	-	(6,054)	(5,298)	-		(5,298)
Income Tax Paid	(126,729)	-	(126,729)	(54,223)	-		(54,223)
Net Cash Generated by Operating Activities	457,559	202,702	660,261	5,342	552,166		573,444
Cash Flows from / (Used in) Investing Activities							
Net drawdown of Investments excluding							
Investment Properties	(137,325)	532,753	395,428	270,119	(1,249,541)		(979,422)
Purchase of Property, Plant and Equipment	(109,253)	(10,209)	(119,462)	(149,653)	(86)		(149,739)
Purchase of Intangible Assets	(9,597)	-	(9,597)	(12,774)	-		(12,774)
Proceeds on sale of Investment Property	49,644	-	49,644	223,230	223,230		446,460
Payments for Investment Property	(155,954)	-	(155,954)	-	-		-
Proceeds on sale of Subsidiary	-	-	-	165,000	-		165,000
Net Cash from Investing Activities	(362,485)	522,544	160,059	495,922	(1,026,397)		(530,475)
Net Cash Flows before Financing Activities	95,074	725,246	820,320	501,264	(474,231)		42,968
Cash Flows from / (Used in) Financing Activities							
Proceeds from Issue of Shares	396,000	-	396,000				
Net Drawdown of Borrowings	(566,606)	(518,479)	(1,085,085)	(302,459)	564,243		261,784
Interest Paid on Borrowings	(45,158)	(48,276)	(93,434)	(126,054)	(106,756)		(232,810)
Dividend Paid	(181,500)	-	(181,500)	(36,760)	-		(36,760)
Net Cash from Financing Activities	(397,264)	(566,755)	(964,019)	(465,273)	457,487		(7,786)
Cash & Cash Equivalents Transferred	-	-	-	-	-	(1,477)	(1,477)
Increase/ (Decrease) in Cash and Cash Equivalents	(302,190)	158,491	(143,699)	51,927	(16,744)	(1,477)	33,706

The notes from page 104 to 121 form an integral part of these Financial Statements.

Long Term Insurance Balance Sheet - Supplemental

As At 31 December 2008

	2008 Rs. '000	2007 Rs. '000
Assets		
Investments	1,945,614	2,351,473
Property, Plant & Equipment	95,496	85,458
Policyholder and Other Loans	6,298	4,661
Reinsurance Receivable	14,225	13,708
Other Assets	106,045	100,816
Cash and Cash Equivalents	119,924	115,398
Total Assets	2,287,602	2,671,514
Liabilities		
Insurance Provision - Long Term	2,072,623	1,636,505
Obligation to Repurchase Securities	-	521,850
Interest bearing Borrowings	11,999	40,236
Reinsurance Creditors	-	3,911
Other Liabilities	202,980	469,012
Total Liabilities	2,287,602	2,671,514

The above Long Term Balance Sheet should be read in conjunction with the Company's Balance Sheet on page 88, Accounting Policies and Notes to the Accounts from page 98 to 121

Long Term Insurance Balance Sheet - Supplemental

(Long Term Insurance Fund of the former National Insurance Corporation Ltd)

As At 31 December 2008

	2008 Rs. '000	2007 Rs. '000
Assets		
Investments	801,636	928,530
Policyholder and Other Loans	32,205	31,543
Other Assets	142,292	159,869
Cash and Cash Equivalents	6,305	17,200
Total Assets	982,438	1,137,142
Liabilities		
Insurance Provision - Long Term	853,308	889,289
Obligation to Repurchase Securities	-	94,800
Interest bearing Borrowings	22,685	44,775
Other Liabilities	106,445	108,278
Total Liabilities	982,438	1,137,142

The above Long Term Balance Sheet should be read in conjunction with the Company's Balance Sheet on page 88, Accounting Policies and Notes to the Accounts from page 98 to 121

Notes to the Financial Statements

1. GENERAL

Corporate Information

Janashakthi Insurance PLC ("the Company") is a limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The registered office of the Company is at No. 55/72, Vauxhall Lane, Colombo 02, while principal places of business are located at No. 24 Staples Street, Colombo 02, No. 46, Muttiah Road, Colombo 02 and No. 118, Muthukuda Building, Braybrook Place, Colombo 02.

Principal Activities and Nature of Operations

Company

The principal activities of the Company are carrying out all classes of Long Term Insurance and Non Life Insurance business, insurance related services and investments.

Subsidiary

Principal activities of the Company's subsidiary, Janashakthi General Insurance Company Limited (JGICL) are carrying out all classes of Non Life Insurance business and investments.

Parent Enterprise

The Company's parent undertaking and controlling party is Janashakthi Limited, which is incorporated in Sri Lanka.

Date of Authorization for Issue

The Financial Statements of the Company for the year ended 31 December 2008 were authorized for issue by the Directors on 19th February 2009.

1.1 PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

The Consolidated Balance Sheet, Income Statement, Changes in Equity and Cash Flows, together with Accounting Policies and Notes (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards, the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Regulations of Insurance Industry Act No. 43 of 2000.

The format and disclosures are also in accordance with the Statement of Recommended Practice for Insurance Contracts (SORP), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

Basis of Preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for revaluation of Non-current

Assets and the re-measuring of Investment Properties and Current Investments at market values as explained in Note 04 to the Financial Statements.

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

These Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest thousand (LKR '000) unless otherwise indicated.

Principles of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the Net Assets (excluding Goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the selection and application of the Group's accounting policies the Management is required to make judgments, assumptions and use assumptions that affect items reported in the Financial Statements. These estimates are based on Management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may always differ from such estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods, only if the revision affects both current and future periods.

The following are those items that the directors consider particularly susceptible to changes in estimates and assumptions.

Item	Policy
Insurance Provision (Life and Non – Life)	12 & 13
Deferred acquisition costs	2.14
Re-valued property and equipment	2.4
Retirement gratuity	2.12

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Financial Investments

Quoted Equities and Debt Instruments

Shares, Debentures and Unit Trust Investments that are quoted are stated at lower of cost and market value determined on an aggregate portfolio basis, in total. The cost of an Investment is the cost of acquisition inclusive of brokerages, duties and bank charges.

Unquoted Equities and Debt Instruments

Unquoted Shares and Debt Instruments are held on a long-term basis and stated at cost less provisions for any non – temporary diminution in value.

Government securities

Investments in Treasury Bills, Treasury Bonds and Reverse Repurchase Agreements are stated at cost and interest is accrued up to year-end.

Investments in Subsidiaries

These are treated as held on a long-term basis and stated at cost in accordance with SLAS 26 – Consolidated and Separate Financial Statements.

2.2 Investment Properties

Investment Properties are measured initially at cost, including transaction costs. The carrying amount 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 an Investment Property. Subsequent to initial recognition, Investment Properties are stated at fair value, which reflects market

conditions at the Balance Sheet date. Gains or losses arising from changes in the fair values of Investment Properties are included in the Income Statement in the year in which they arise.

Investment Properties are de-recognised when either they have been disposed of or when the Investment Property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an Investment Property are recognised in the Income Statement in the year of retirement or disposal.

2.3 Intangible Assets

Intangible Assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful life and the amortization method for Groups' Intangible Assets are as follows:

The class of Intangible Assets	Useful Life	Amortisation Method
Computer Software	04 years	Straight-line method

Gains or losses arising from de-recognising of an Intangible Asset are measured as the difference between the net disposable proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is de-recognised.

2.4 Property, Plant and Equipment

Cost

Property, Plant and Equipment are stated at cost or valuation less subsequent accumulated depreciation and any subsequent accumulated impairment losses. All items of Property, Plant and Equipment are initially recorded at cost. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use. Where items of Property, Plant and Equipment are subsequently re-valued, the entire class of such assets is re-valued.

Notes to the Financial Statements *contd.*

When an asset is re-valued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Items of Property, Plant and Equipment are de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de-recognised.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business are treated as capital expenditure

Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or revaluation of all Property, Plant and Equipment other than Freehold Land, in order to write off such amounts over the following estimated useful lives;

	Years
Buildings	40
Equipment	3-4
Furniture & Fixtures	4-5
Others	4

Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the leased period are treated as Operating Leases. Payments made under the Operating Leases are recognized in the Income Statement when it falls due.

Cost of non-recurring nature improvements are capitalized and amortized over the shorter of the useful lives or the lease period.

2.5 Impairment of Tangible and Intangible Assets other than Goodwill

At each Balance Sheet date, the Group reviews the carrying amounts of its Tangible and Intangible Assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash-Generating Unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual Cash-Generating Units, or otherwise they are allocated to the smallest group of Cash-Generating Units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or Cash-Generating Unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or Cash-Generating Unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.6 Premiums and Reinsurance Receivables

Reinsurance Assets include the balances due from Reinsurance Companies for claims incurred. Amounts recoverable from Reinsurers are estimated in a manner consistent with the claim liability or settled claim associated with the reinsured policies and in accordance with the relevant insurance contract. Reinsurance receivable is recorded at gross value in the Group Balance Sheet unless a right to set-off exists and is stated at the amount estimated to realise.

2.7 Other Assets

Prepaid Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as Prepaid Expenditure. Such expenditure is written off over the period, to which it relates, on a time proportion basis.

Other Assets

Other Assets and dues from Related Parties are recognized at cost less provision for bad and doubtful receivables.

2.8 Cash and Cash Equivalents

Cash and Cash Equivalents comprise Cash in hand and Demand Deposits and Short-term highly liquid Investments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of Cash Flow Statement, Cash and Cash Equivalents consist of Cash in hand and Deposits in banks net of outstanding Bank Overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as Cash Equivalents.

2.9 Insurance Liabilities

Liabilities

All known liabilities have been accounted for in preparing the Financial Statement.

2.10 Actuarial Valuation for Long Term Insurance Provision

The Directors agree to the Life Insurance business provisions for the Company on the recommendation of the Reporting Actuaries following their annual investigation of the Life insurance business.

The Actuarial Valuation takes into account of all liabilities including Contingent Liabilities and is based on assumptions recommended by the Consultant Actuaries

2.11 Provisions (excluding Insurance Contracts)

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.12 Retirement Benefit Obligations

Defined Benefit Plans

The Group is liable to pay Gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. A provision for the Group's obligations under this Act is determined based on an Actuarial Valuation, using the Projected Unit Credit Method, carried out by a Professional Actuary as at each Balance Sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of defined benefit obligations are amortised over the expected average remaining working lives of the employees and the liability is not externally funded.

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15 % and 3 % of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. These contributions are included in the Income Statement as an expense in the period in which the contribution was due.

2.13 Other Payables

Other payables are stated at their historical cost.

2.14 NON LIFE INSURANCE BUSINESS

Gross Written Premium

Premium is generally recognized as written upon inception of the policy. Upon inception of the contract, premium is recorded as written and earned primarily on a pro-rata basis over the term of the related policy coverage. 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

Reinsurance Premium

Reinsurance Premium expense is accounted for in the same accounting period as the Gross Written Premium to which it relates or in accordance with the pattern of Reinsurance services received.

Unearned Premium

Unearned Premium is the portion of Gross Written Premium and Reinsurance Premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated based on 1/24th basis except for Marine and Title Insurance Business.

Marine and Title Policies are as follows:

Marine Policies

60% in the same year
40% in the subsequent year

Title Policies

50% in the same year
50% is deferred until the validity of the policy expires

Deferred Acquisition Expenses

Acquisition costs, represents Commissions and other Underwriting Expenses, which vary with and are directly

Notes to the Financial Statements *contd.*

related to the production of business, are deferred and amortized over the period in which the related Written Premium is earned.

Claims

Claims expenses and liabilities for outstanding Claims are recognized in respect of direct and inwards Reinsurance business. The liability covers Claims reported but not yet paid, Incurred But Not Reported claims ("IBNR") and the anticipated direct and indirect cost of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Whilst the Directors consider that the provision 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 and the estimates made are reviewed regularly.

2.15 Long Term Insurance Business

Gross Written Premium

Premium from traditional Long Term Insurance contracts, including participating contracts and Annuity Policies with Long Term Contingencies, are recognized as revenue when cash is received from the policyholders. Benefits and expenses are provided against such revenue to recognize such profits over the estimated life of the policies.

Reinsurance Contracts

Outward Reinsurance Premiums are recognized when payable. Reinsurance recoveries are credited to match the relevant gross claims.

Benefits, Losses and Expenses

Expenses relating to the acquisition and maintenance of the Long Term Insurance business are charged to the Income Statement.

Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable include direct cost of settlement.

Survival benefit payments are accounted on due date and on notification and surrenders are accounted for only at the time of settlement.

2.16 Foreign Currency Transactions

The Consolidated Financial Statements are presented in Sri Lankan rupees, which is the Group's functional and presentation currency.

All transactions in currencies other than the functional currency are recorded in Sri Lankan Rupees, using the exchange rates prevailing at the time the transactions were effected. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are re-translated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the Balance Sheet date. Non-monetary assets and liabilities denominated in foreign currencies are not re-translated. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognised in profit or loss in the year in which they arise.

2.17 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.18 Taxation

Current Taxes

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities. The provision for current tax is based on the taxable profit for the year and computed based on the provisions of Inland Revenue Act. Taxable profits differ from profit as reported in the Company Income Statement because it exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Taxation

Deferred taxes are recognised, using the Balance Sheet liability method, on temporary differences between the carrying amounts of assets and liabilities at the Balance Sheet date and the corresponding tax bases used for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill or from initial

recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the Balance Sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and intends to settle its current assets and liabilities on a net basis. Deferred income tax relating to items recognized directly in Equity is recognized in Equity and not in the Income Statement

2.19 Other Income

Other income is recognized on an accrual basis. Other income primarily relates to insurance related fees and commission earnings.

Net Gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.20 Events after the Balance Sheet Date

The Directors monitor events closely and where necessary adjustments or disclosures are made in respect of material post Balance Sheet events as appropriate.

2.21 Capital Commitments & Contingencies

Capital commitments and Contingent Liabilities of the Group are disclosed in the Financial Statements.

2.22 Segment Reporting

A Segment is a distinguishable component engaged in providing services subject to risks and rewards that are different to those of other Segments.

The primary format is based on the core businesses namely General Insurance, Long term Insurance and Other related services.

The Group's activities are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risk and returns that are significantly different on a geographical basis. Hence, disclosure by geographical region has not been provided.

Expenses directly identified to a particular Segment are charged accordingly. Expenses that cannot be directly identified to a particular Segment are allocated on bases decided by the management and applied consistently throughout the period.

Notes to the Financial Statements *contd.*

For The Period Ended 31 December 2008	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
3 REVENUE				
Gross Written Premium	5,363,445	4,884,257	5,363,445	4,884,257
Less: Premium Ceded to Reinsurers	(655,155)	(600,676)	(655,155)	(600,676)
Net Written Premium	4,708,290	4,283,581	4,708,290	4,283,581
Net change in Reserve for Unearned Premium	(146,213)	(169,195)	(146,213)	(169,195)
Net Earned Premium	4,562,077	4,114,386	4,562,077	4,114,386
Fee and Commission Income	131,052	131,169	131,052	131,169
Income from Investments	739,505	748,075	739,505	748,075
Other Income	122,423	146,947	122,423	146,947
Profit on disposal of Subsidiary	-	62,539	-	58,950
Total Revenue	5,555,057	5,203,116	5,555,057	5,199,527

Notes	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
4 INVESTMENTS				
Placements with Banks & Financial Institutions	29,412	34,947	29,412	34,947
Treasury Bonds	2,615,291	2,828,579	2,615,291	2,828,579
Reverse Repurchase Agreements	45,592	774,474	45,592	774,474
Investment in Equity Securities - Quoted	4.1a 26,768	171,756	26,768	171,756
- Unquoted	4.1b 625	625	625	625
Corporate Debts	4.2 2,111,535	1,404,667	2,111,535	1,404,667
Investment Properties	4.3 1,294,750	1,187,928	1,294,750	1,187,928
Total Investments	6,123,973	6,402,976	6,123,973	6,402,976

4.1 Investment in Equity Securities

	2008			2007		
	No of Shares	Cost Rs. '000	Market Valuation Rs. '000	No of Shares	Cost Rs. '000	Market Valuation Rs. '000
a) Quoted Investments						
A C L Cables	63	2,431	2,042	-	-	-
Tokyo Cement - Non Voting Shares	50	634	462	-	-	-
Capital Reach Leasing	1,348	24,264	24,264	-	-	-
Seylan Bank Ltd - Non Voting Shares	-	-	-	8,600	113,364	68,800
Seylan Merchant Bank Ltd - Non Voting Shares	-	-	-	13,963	12,566	8,378
Lanka IOC	-	-	-	4,399	125,372	94,578
		<u>27,329</u>	<u>26,768</u>		<u>251,302</u>	<u>171,756</u>

	2007			2006		
	No of Shares	Cost Rs. '000	Director's Valuation Rs. '000	No of Shares	Cost Rs. '000	Director's Valuation Rs. '000
<i>b) Unquoted Investments</i>						
Fitch Ratings (Lanka) Ltd	63	625	625	63	625	625
		<u>625</u>	<u>625</u>		<u>625</u>	<u>625</u>
Total Investment in Shares		<u>27,954</u>	<u>27,393</u>		<u>251,927</u>	<u>172,381</u>

	2008 Rs. '000	2007 Rs. '000
4.2 Corporate Debts		
Commercial Papers	479,418	406,088
Promissory Notes	984,771	374,298
Asset Backed Notes	387,346	392,187
Debentures - Unquoted	20,000	22,094
Debentures - Quoted	240,000	210,000
Total Corporate Debts	<u>2,111,535</u>	<u>1,404,667</u>

	Freehold Rs. '000	Total Rs. '000
4.3 Investment Properties		
Carrying Value		
As at 1 January 2007	1,242,250	1,242,250
Additions	-	-
Disposals	(492,000)	(492,000)
Re-Classification from bio-assets	25,000	25,000
Transfers	154,632	154,632
Fair value gains	258,046	258,046
As at 31 December 2007	<u>1,187,928</u>	<u>1,187,928</u>
Additions	155,650	155,650
Disposals	(48,828)	(48,828)
As at 31 December 2008	<u>1,294,750</u>	<u>1,294,750</u>

The fair value of the Group's Investment Property as at December 31, 2008 has been arrived at on the basis of a valuation carried out at that date by the Management and they have recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the Financial Statements *contd.*

Property	Method of valuation	Date of valuation	Valuer
Land situated at No. 05, Summer Place, Borrella.	Market value	December 2007	Mr. T.B Marasinghe Professional Valuer
Land situated at No. 47, Muttiah Road, Colombo 02.	Market value	September 2007	Mr. T.B Marasinghe Professional Valuer
Land situated at Galewala, Matale.	Market value	June 2007	Mr. T.B Marasinghe Professional Valuer
Leashold Land situated at Anuradhapura.	Market value	June 2007	Mr. T.B Marasinghe Professional Valuer
Land situated at D.S. Senanayake Veediya Kandy.	Market value	September 2007	Mr. T.B Marasinghe Professional Valuer
Ayu Apartments	Market value	December 2008	Board of Directors
Homagama Properties	Market value	December 2008	Board of Directors

Rental income earned from Investment Property by the Company amount to Rs. 525,000 (2007 - Rs. 500,000).

Costs	Software Rs. '000	Total Rs. '000
5 INTANGIBLE ASSETS		
Company/Group		
Balance as at 1 January 2008	55,305	55,305
Additions / (Disposals)	9,597	9,597
Balance as at 31 December 2008	<u>64,902</u>	<u>64,902</u>
Amortisation & Impairment Losses		
Balance as at 1 January 2008	34,727	34,727
Amortisation charge for the year	2,222	2,222
Balance as at 31 December 2008	<u>36,949</u>	<u>36,949</u>
Carrying Amount		
As at 31 December 2008		27,953
As at 31 December 2007		20,578

The amortization expense has been included in the line item Depreciation and Amortisation Expense in the Income Statement.

	Notes	Group		Company	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
6 PROPERTY, PLANT AND EQUIPMENT					
Net Book Values					
Freehold/Improvements on Building under Lease	6.1	331,428	319,358	331,428	319,358
Total Net Book Value		<u>331,428</u>	<u>319,358</u>	<u>331,428</u>	<u>319,358</u>

6.1 Freehold/ Improvements on Building under Operation Lease

Group	Land & Building	Improvements on Building under Lease	Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 January 2008	85,630	-	419,164	127,557	28,938	661,289
Additions	10,209	36,707	51,093	15,943	5,509	119,461
Balance as at 31 December 2008	<u>95,839</u>	<u>36,707</u>	<u>470,257</u>	<u>143,500</u>	<u>34,447</u>	<u>780,750</u>

	Land & Building	Improvements on Building under Lease	Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Depreciation

Balance as at 1 January 2008	172	-	258,577	63,244	19,938	341,931
Depreciation charge for the year	172	3,422	79,321	21,247	3,229	107,391
Balance as at 31 December 2008	<u>344</u>	<u>3,422</u>	<u>337,898</u>	<u>84,491</u>	<u>23,167</u>	<u>449,322</u>

Carrying Amount

As at 31 December 2008	95,495	33,285	132,359	59,009	11,280	331,428
As at 31 December 2007	85,458	-	160,587	64,313	9,000	319,358

Company	Land & Building	Improvements on Building under Lease	Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 January 2008	85,630	-	419,164	127,557	28,938	661,289
Additions	10,209	36,707	51,093	15,943	5,509	119,461
Balance as at 31 December 2008	<u>95,839</u>	<u>36,707</u>	<u>470,257</u>	<u>143,500</u>	<u>34,447</u>	<u>780,750</u>

Notes to the Financial Statements *contd.*

	Land & Building	Improvements on Building under Lease	Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation						
Balance as at 1 January 2008	172	-	258,577	63,244	19,938	341,931
Depreciation charge for the year	172	3,422	79,321	21,247	3,229	107,391
Balance as at 31 December 2008	344	3,422	337,898	84,491	23,167	449,322
Carrying Amount						
As at 31 December 2008	95,495	33,285	132,359	59,009	11,280	331,428
As at 31 December 2007	85,458	-	160,587	64,313	9,000	319,358

The details of Freehold Land and Buildings which are stated at valuation as follows.

a) Company Property

Property	Method of Valuation	Date of Valuation	Valuer	Amount Rs. '000
Land and building situated at No. 302 D.S. Senanayake Kandy	Market Value	12 October 2007	Mr T.B Marasinghe Professional Valuer	42,000
Land and building situated at Walawwatte, Kurunegala	Market Value	02 November 2007	Mr T.B Marasinghe Professional Valuer	43,630
				<u>85,630</u>

b) If Land and Buildings were stated at historical cost, the amounts would have been as follows.

	2008 Rs. '000	2007 Rs. '000
Cost	68,124	68,124
Accumulated depreciation	-	-
Carrying Amount	<u>68,124</u>	<u>68,124</u>

	Group and Company	
	2008 Rs. '000	2007 Rs. '000
7 POLICYHOLDER AND OTHER LOANS		
Loans Receivable from Policyholders	38,503	36,204
Other Loans	338,387	308,042
Total Policyholder and Other Loans	<u>376,890</u>	<u>344,246</u>

8 INVESTMENTS IN SUBSIDIARIES

Name of the Company	Country of Incorporation	Interest Held		Group		Company	
		2008	2007	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Janashakthi General Insurance Co Ltd	Sri Lanka	100%	100%	-	-	34,044	34,044
				-	-	34,044	34,044

Group and Company

	2008 Rs. '000	2007 Rs. '000
Premium Receivable	1,072,658	871,711
Less: Provision for bad and doubtful debts	(58,397)	(49,288)
TOTAL PREMIUM RECEIVABLE	1,014,261	822,423

9 PREMIUM RECEIVABLE

	Notes	Group		Company	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
10 OTHER ASSETS					
Other Debtors and Receivables		74,572	47,258	74,572	47,258
Advances, Deposits and Prepayments		139,811	118,622	139,811	118,622
Interest Receivable		718,932	356,255	718,932	356,255
Taxation Receivable	10.1	228,631	128,301	228,631	128,301
Inventory		24,662	9,540	24,662	9,540
Amounts Due from Related Companies	10.2	1,164	4,039	1,164	4,039
TOTAL OTHER ASSETS		1,187,772	664,015	1,187,772	664,015

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
10.1 Tax Receivables				
Economic Service Charges recoverable	122,200	97,608	122,200	97,608
Notional Tax recoverable	78,394	13,573	78,394	13,573
Withholding Tax recoverable	25,048	17,120	25,048	17,120
Others	2,989	-	2,989	-
Total Tax Receivables	228,631	128,301	228,631	128,301
10.1.a Corporation Tax Liability				
Income Tax payable	50,762	26,399	50,762	26,399
Total Corporation Tax Payable	50,762	26,399	50,762	26,399
Net Tax Receivables	177,869	101,902	177,869	101,902

Notes to the Financial Statements *contd.*

Relationship	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
10.2 Amounts Due from Related Companies				
Agrisquad (Pvt) Ltd. Affiliated Company	1,164	4,039	1,164	4,039
Total Dues	<u>1,164</u>	<u>4,039</u>	<u>1,164</u>	<u>4,039</u>

11 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Cash in Hand and at Bank	227,389	443,901	227,389	443,901
Bank Overdraft	(269,495)	(342,308)	(269,495)	(342,308)
	<u>(42,106)</u>	<u>101,593</u>	<u>(42,106)</u>	<u>101,593</u>

12 INSURANCE PROVISION - LONG TERM

Long duration contracts included in the Long Term Insurance Fund result primarily from traditional participating & non-participating Long Term Insurance products. Short duration contract liabilities are primarily accident & health insurance products. The insurance provision has been established based on the following,

- interest rates which vary by product & year of assurance.
- mortality rates based on published mortality tables adjusted for actual experience by geographic area & modified to allow the variations in policy form.
- surrender rates based upon actual experience by geographic area and modified to allow for variation in policy form.

The amount of policyholder bonus to be paid is determined annually by the Company on the recommendation of the Actuaries. The bonus includes Long Term policyholders share of net income that is required to be allocated by the insurance contract or by insurance regulations.

Janashakthi Insurance PLC – Insurance Provision - Life

The valuation of the Insurance Provision-Life Insurance Business, as at 31 December 2008, was made by Mr. M. Poopalanathan for and on behalf of Janashakthi Insurance PLC. In accordance with the consultant actuary's report, the sum of provision, Rs. 2,925 Mn includes the liability in respect of the policyholders' bonus as well. In the opinion of the consultant actuary, the provision is adequate to cover the liabilities pertaining to long term insurance.

In establishing the valuation, a reserve of Rs. 89.142 Mn has been created as solvency margin reserve by the Actuary.

Janashakthi Insurance PLC – Insurance Provision – Life

[former National Insurance Corporation]

The valuation of the Insurance Provision-Life Insurance Business, as at December 31, 2008 was made by Mr. M. Poopalanathan of Actuarial and Management Consultants (Pvt) Limited for and on behalf of Janashakthi Insurance PLC. In accordance with the consultant actuary's report, the sum of provision, Rs.963.3 Mn, includes the liability in respect of the policyholders' bonus as well. In the opinion of the consultant actuary, the provision is adequate to cover the liabilities pertaining to long term insurance.

In establishing the valuation, a reserve of Rs.44.575 Mn has been created as solvency margin reserve by the actuary.

	2008 Rs. '000	2007 Rs. '000
12.1 Insurance Provision - Long Term		
Janashakthi Insurance PLC	2,072,623	1,636,505
Former National Insurance Corporation	853,308	889,288
Total Insurance Provision - Long Term	<u>2,925,931</u>	<u>2,525,793</u>

13. INSURANCE PROVISION - NON LIFE

The Non Life Insurance Provisions as shown in the balance sheet represents the following:

	Group and Company	
	2008 Rs. '000	2007 Rs. '000
Premium		
Unearned Premium		
Gross	2,040,745	1,870,108
Reinsurance	(235,605)	(211,181)
Net	1,805,140	1,658,927
Deferred Acquisition Expenses	(117,095)	(110,385)
	<u>1,688,045</u>	<u>1,548,542</u>
Gross Claims Reserve		
Claims Outstanding	1,448,894	1,386,454
Claims Incurred But Not Reported (IBNR)	71,814	70,000
Claims Reserve Total	<u>1,520,708</u>	<u>1,456,454</u>
TOTAL INSURANCE PROVISION - NON LIFE	<u>3,208,753</u>	<u>3,004,996</u>

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the Balance Sheet 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 development.

Notes to the Financial Statements *contd.*

	Group and Company	
	2008 Rs. '000	2007 Rs. '000
13.1 Technical Reserves		
Insurance Provision-Non Life	3,208,753	3,004,996
Reinsurance on Claims Reserve	(216,718)	(652,596)
Total Technical Reserves	2,992,035	2,352,400

	Note	Group		Company	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
14 OTHER LIABILITIES					
Policyholder Advance Payments		152,969	167,245	152,969	167,245
Payables					
Agency Commission Payable		325,201	238,981	325,201	238,981
Amounts Due to Related Companies	14.1	-	-	34,044	34,044
Government Levies		122,182	78,442	122,182	78,442
Creditors					
Reinsurance Creditors		182,893	159,511	182,893	159,511
Other Creditors Including Accrued Expenses		202,896	232,127	202,896	232,127
Outstanding Claims - Long Term		161,272	161,634	161,272	161,634
TOTAL OTHER LIABILITIES		1,147,413	1,037,940	1,181,457	1,071,984

	Relationship	2008	2007	2008	2007
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
14.1 Amounts Due to Related Companies					
Janashakthi General Insurance Company Ltd	Subsidiary Company	-	-	34,044	34,044
		-	-	34,044	34,044

	Group and Company	
	2008 Rs. '000	2007 Rs. '000
15 INTEREST BEARING LIABILITIES		
Bank Overdraft	269,495	342,308
Bank Loans	-	30,826
	269,495	373,134

Debt Repayment Schedule

	2008			Total Rs. '000
	1 year or less	1-5 years	More than 5 years	
	Rs. '000	Rs. '000	Rs. '000	
Bank Overdraft	269,495	-	-	269,495
Bank Loans	-	-	-	-
	<u>269,495</u>	<u>-</u>	<u>-</u>	<u>269,495</u>

16 RETIREMENT BENEFITS

Provision has been made for Retirement Gratuities from the first year of service for all employees in conformity with SLAS 16. However, under the Payment of Gratuities Act No.12 of 1983, the liability towards employee arises only on completion of 5 years of continued service.

The Gratuity Fund is not externally funded. The gratuity liability has been valued by an Actuary as at 31 December 2008.

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
16.1 PROVISION FOR RETIREMENT BENEFITS				
Retirement Benefit Obligation - Gratuity				
Balance as at 1st January	75,685	56,102	75,685	56,102
Increase in the Provision	16,215	24,881	16,215	24,881
Payments during the Year	(6,054)	(5,298)	(6,054)	(5,298)
Balance as at 31 December	<u>85,846</u>	<u>75,685</u>	<u>85,846</u>	<u>75,685</u>

	Group and Company	
	2008 Rs. '000	2007 Rs. '000
17 STATED CAPITAL		
The Allotted and fully paid stated capital of the Company as at 31 December	<u>1,496,000</u>	<u>1,100,000</u>

During 2008, Ordinary shares were allotted and issued by the Company as follows.

	Number of Shares	Stated Capital Rs. '000
At 1 January 2008	110,000,044	1,100,000
Share Split (1 in to 3)	220,000,088	-
New Share Issue Under IPO	33,000,000	396,000
At 31 December 2008	<u>363,000,132</u>	<u>1,496,000</u>

Notes to the Financial Statements *contd.*

18 TOTAL RESERVES

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
18.1 Movement of Reserves				
Balance as at 1 January 2008	599,477	898,700	599,477	902,290
Net Profit/(Loss) for the year	449,157	525,777	449,157	522,187
Interim Dividends paid	(181,500)	-	(181,500)	-
Share issued under bonus plan	-	(825,000)	-	(825,000)
Balance as at 31 December 2008	867,134	599,477	867,134	599,477

18.2 Guarantee of reserve for Solvency Margin - NIC Life Fund

A value of LKR 44.425 Mn was set aside in 2007 in respect of a deficit in the Solvency Margin Reserve for the Former NIC Long Term Insurance Fund. The extent of reserve to be guaranteed & set aside is determined annually, based on the Actuarial Valuation assessments.

In the year 2008, the Actuarial Valuation reflected a Surplus of LKR 89.165 Mn.

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
19 GROSS WRITTEN PREMIUM				
The premium income for the year by major classes of business was as follows.				
Long Term Insurance				
First Year Premium	627,828	528,058	627,828	528,058
Renewal Premium	798,332	677,975	798,332	677,975
Total Life Premium	1,426,160	1,206,033	1,426,160	1,206,033
Non- Life Insurance				
Fire	443,585	369,860	443,585	369,860
Motor	2,902,176	2,758,707	2,902,176	2,758,707
Marine	108,244	137,398	108,244	137,398
Miscellaneous	483,280	412,259	483,280	412,259
Total Non - Life Premium	3,937,285	3,678,224	3,937,285	3,678,224
Total Gross Written Premium	5,363,445	4,884,257	5,363,445	4,884,257

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
20 INSURANCE CLAIMS AND BENEFITS (NET)				
Long Term Insurance				
Policy Maturities	59,828	62,250	59,828	62,250
Surrenders	23,090	19,298	23,090	19,298
Death, Disability, Ex-gratia, Hospitalisation & Mortgage Protection	136,558	178,798	136,558	178,798
Survival Benefits	74,754	58,809	74,754	58,809
	<u>294,230</u>	<u>319,155</u>	<u>294,230</u>	<u>319,155</u>
Non- Life Insurance				
Non-Life Insurance Gross Claims Incurred	2,456,253	2,186,138	2,456,253	2,186,138
Total Gross Claims Incurred	2,750,483	2,505,293	2,750,483	2,505,293
Reinsurance Recoveries	(380,664)	(216,582)	(380,664)	(216,582)
Total Insurance Claims/Benefits (Net)	<u>2,369,819</u>	<u>2,288,711</u>	<u>2,369,819</u>	<u>2,288,711</u>

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
21 UNDERWRITING & NET ACQUISITION COSTS				
Commission Expenses	603,690	485,293	603,690	485,293
Staff Cost - Marketing	240,759	165,138	240,759	165,138
Increase/(Decrease) in Deferred Acquisition Expenses	(6,709)	(8,193)	(6,709)	(8,193)
Total for the year	<u>837,740</u>	<u>642,238</u>	<u>837,740</u>	<u>642,238</u>

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22 FEE & COMMISSION INCOME				
Policy Fees	113,021	102,598	113,021	102,598
Profit Commission Riot Local	18,031	28,571	18,031	28,571
Total for the year	<u>131,052</u>	<u>131,169</u>	<u>131,052</u>	<u>131,169</u>

Notes to the Financial Statements *contd.*

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
23 INCOME FROM INVESTMENTS				
Dividend Income	-	14,573	-	14,573
Interest Income	730,136	576,818	730,136	576,818
Net Realised Capital Gains and (Losses)	7,101	(2,399)	7,101	(2,399)
Fall in value if Investments	(1,376)		(1,376)	
Income from Investment property	3,644	159,083	3,644	159,083
Total for the year	739,505	748,075	739,505	748,075

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
24 OTHER INCOME				
Gain/(Loss) on Foreign Exchange Transactions	(43)	(1,320)	(43)	(1,320)
Others	88,752	122,663	88,752	122,663
Interest on Policyholders and Other Loans	33,072	24,806	33,072	24,806
Late Fee Recovery	642	798	642	798
Total for the year	122,423	146,947	122,423	146,947

	Note	Group		Company	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
25 OTHER OPERATING, INVESTMENT RELATED AND ADMINISTRATIVE EXPENSES					
Staff Expenses	25.1	586,235	544,413	586,235	544,413
Administration & Establishment Expenses		457,985	459,129	457,985	459,129
Selling Expenses		182,091	170,332	182,091	170,332
Government Levies		3,676	5,933	3,676	5,933
Others		7,659	6,166	7,659	6,166
Total for the year		1,237,646	1,185,973	1,237,646	1,185,973

	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
25.1 Staff Expenses				
Wages and Salaries	378,797	353,564	378,797	353,564
Compulsory Social Security Contributions	39,404	37,688	39,404	37,688
Contribution to Defined Contribution Plans	16,215	24,881	16,215	24,881
Allowances	18,615	18,856	18,615	18,856
Bonuses	47,178	30,011	47,178	30,011
Other Expenses	86,026	79,413	86,026	79,413
Total for the year	586,235	544,413	586,235	544,413

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
26 PROFIT / (LOSS) FROM OPERATIONS				
Auditors' Remuneration (Fees and Expenses)				
Audit	1,020	2,306	1,020	2,306
Non- Audit	1,149	736	1,149	736
Legal Fees	6,818	2,484	6,818	2,484
Depreciation	113,088	101,082	113,088	101,082
Directors' Fees / Emoluments	17,623	620	17,623	620

26.1 Note on Directors emoluments

There were no reimbursements made for Directors Emoluments to Janashakthi Limited during 2007. Payments to Executive Directors had been made directly by the Holding Company of Janashakthi Insurance PLC during the period, when the company was a Private Limited Company.

It should be noted that in 2007, remuneration payments relating to Executive Directors were met directly by the Holding Company Janashakthi Limited, and not charged to the then Janashakthi Insurance Company Limited.

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
27 FINANCE COST				
Interest Expense on Bank Overdrafts	17,012	18,996	17,012	18,996
Interest Expense on Loans and Borrowings	76,422	214,403	76,422	214,403
Total for the year	93,434	233,399	93,434	233,399

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
28 TAXATION				
Income Tax recognised in profit or loss				
Tax expense comprises:				
Current tax charge	28.1	50,763	26,663	50,763
Adjustments recognised in the current year in relation to the current tax of prior years		2,319	-	2,319
Social Responsibility Levy		954	-	954
Deferred Income Tax				
Deferred Taxation Charged/(Reversal)	28.2	-	-	-
Write-downs (reversals of previous write-downs) of unrecoverable taxes		-	(3,316)	-
Total Tax expense		54,036	23,347	54,036

Notes to the Financial Statements *contd.*

28.1 Numerical reconciliation between tax charge and the product of accounting profit multiplied by the applicable tax rate

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Accounting Profit before Tax	407,652	549,124	407,652	549,124
Aggregate allowable expenditure	(333,242)	(597,945)	(333,242)	(597,945)
Aggregate disallowable expenditure	159,885	169,184	159,885	169,184
Tax Losses brought forward and utilised	(82,009)	(44,182)	(82,009)	(44,182)
Taxable Profit	152,286	76,181	152,286	76,181
Statutory Rate	33 1/3%	35%	33 1/3%	35%
Tax at applicable rate	50,763	26,663	50,763	26,663
(Over)/Under provisions of previous years	2,319	-	2,319	-
Social Responsibility Levy	954	-	954	-
Reversal of ESC previously written off	-	(3,316)	-	(3,316)
Income Tax expenses reported	54,036	23,347	54,036	23,347

- (a) Janashakthi Insurance PLC is liable to income tax at 33 1/3 % (2007-35%) of its taxable profits as per the provisions of the Inland Revenue Act, No.10 of 2006 and subsequent amendments thereto. The reduced rate is applicable from the year 2008, during which it became a quoted public company, and for a further period of five years thereafter.
- (b) As per the amendment made to Section 32 of the Inland Revenue Act, any loss incurred in the business of Life Insurance on or after 1st April 2007 has been deducted only to the extent of statutory income generated in the business of Life Insurance.

	Group		Company	
	2008 Rs '000	2007 Rs '000	2008 Rs '000	2007 Rs '000
28.2 Deferred Income Tax				
Unrecognised Deferred Tax Asset				
Deductible / Taxable Temporary Difference	145,672	124,973	145,672	124,973
Tax Losses Carried Forward	1,250,300	1,332,308	1,250,300	1,332,308
	1,395,972	1,457,281	1,395,972	1,457,281
Deferred Tax Asset				
Taxable Temporary Difference	465,324	485,755	465,324	485,755
Deferred Tax Liability	471,134	514,637	471,134	514,637
	157,045	171,544	157,045	171,544
Deferred Tax Asset after the set off of Deferred Tax Liability	308,279	314,211	308,279	314,211

Deferred Tax Assets / Liabilities have been computed using the principal tax rate of 33 1/3 % which is effective from the year 2008 (2007 - 35%) for a period of 5 years.

Deferred Tax assets of Rs. 308 Mn includes unutilised tax losses carried forward of Rs. 1,250 Mn. (2007 - Rs. 1,332 Mn). This value has not being recognised in the Financial Statements because it is not probable that sufficient taxable profits will be available against which the Company can utilise the benefits therefrom within the next 5 year period.

Section 32 (b) of the Inland Revenue Act, no.10 of 2006, permits only 35% of the taxable profit to be set off against the tax losses. Due to this limitation the carry forward losses will not be utilised in the near future. It should also be noted that the company has Economic Service Charge values, Withholding Taxes & Notional Tax credits also available for utilisation against future tax losses. This is the basis for determining that Deferred Tax Asset will not be utilised in the short term.

28.3 Notional Tax Credit

The company is entitled to the following Notional Tax Credit for set off against future tax liability.

	Group		Company	
	2008 Rs '000	2007 Rs '000	2008 Rs '000	2007 Rs '000
Notional Tax Credit	64,821	51,986	64,821	51,986

29 BASIC EARNINGS PER SHARE

The calculation of Basic Earnings Per Ordinary Share is based on the Net Profit/(Loss) attributable to Ordinary Share holders and the weighted average number of Ordinary Shares outstanding during the year.

	Group		Company	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Amounts Used as the Numerators				
Net Profit/(Loss) Attributable to Ordinary Shareholders	449,157	525,777	449,157	522,187
Numbers of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in issue	347,992	89,375	293,745	89,375
Earnings per Share (Rs.)	1.29	5.88	1.29	5.84
Restated Earnings per Share (Rs.)	-	1.70	-	1.69

30 RELATED PARTY DISCLOSURE

(1) Transactions with Parent Company - Janashakthi Limited

Nature of Transaction	2008 Rs. '000	2007 Rs. '000
Premium Received	484	465
Net Claims Incurred	57	922
Reimbursement of Expenses to Holding Company	24,000	60,000

(2) Transactions with Subsidiaries and Fellow Subsidiaries

Organisation	Nature of Transaction	2008 Rs. '000	2007 Rs. '000
Agrisquad Ltd.	Premium Received	-	114
	Net Claims Incurred	-	64
Kotmale Livestock & Agricultural Co. (Pvt) Ltd.	Premium Received	-	8

Notes to the Financial Statements *contd.*

(3) Transactions with Key Management Personnel (KMP s) of the Company or Parent

The KMP s of the Company have been defined as being the Board of Directors and the Managing Director.

	2008 Rs. '000	2007 Rs. '000
(a) Compensation of KMP s		
Short-term benefits	17,623	620
Post employment benefits		
Other Long-term benefits		
Termination benefits		

It should be noted that in 2007, remuneration payments relating to Executive Directors were met directly by the Holding Company Janashakthi Limited, and not charged to the then Janashakthi Insurance Company Limited.

(b) Transactions with entities in which KMP s and their close family members have significant influence

Director & Company	Position	2008		2007	
		Rs. '000 Premium Received	Rs. '000 Claims Paid	Rs. '000 Premium Received	Rs. '000 Claims Paid
Insurance Related Transactions					
Mr. M.T. Ellawala					
C.W. Mackie PLC	Chairman / CEO	2,022	(45)	2,704	(248)
Ceylon Trading Co. Ltd	Managing Director	506	(50)	-	-
Mr. L.C.R. De C. Wijetunga					
Belvoir Education Foundation	Managing Director	1	-	-	-
Joseph Frazer Memorial Hospital	Trustee	792	(481)	-	-
Attidiya Wet Park Development	Director	135	-	-	-
Union Residencies (Pvt) Ltd.	Chairman	2,782	(981)	-	-
Ms. Manjula Mathews					
Kshatriya Holdings Ltd.	Managing Director	2,158	(2,152)	3,734	(2,530)
Nexthomes Ltd.	Director	39	-	-	-
Kelsey Group of Companies	Director	2,708	(2,111)	2,123	(2,703)
Kotmale Holdings Group	Director	3,771	(435)	3,988	(1,721)
First Capital Holdings Group	Director	878	(300)	-	-
Sithro Group of Companies	Director	784	-	850	(418)
The Montessori Workshop (Pvt) Ltd.	Director	847	-	281	(162)
Pembroke Estate Ltd.	Director	42	(363)	-	-
Mahaweli Feed Mills (Pvt) Ltd.	Director	155	(80)	-	-
Deshamanya Dr. Nihal Jinasena					
Loadstar (Pvt) Ltd	Chairman	6,073	(6,347)	1,815	(13,082)
Jinasena Group Of Companies	Managing Director	340	-	265	-
Ms. Anushya Coomaraswamy					
Printcare PLC	Director	10	-	3,964	(1,277)
Centre for Policy Alternatives (GTC)	Director	51	-	-	-
		<u>24,094</u>	<u>(13,345)</u>	<u>19,724</u>	<u>(22,140)</u>

Other Payments			2008	2007
Nature of Transaction			Rs. '000	Rs. '000
Ms. Manjula Mathews				
Kelsey Group of Companies	Director	Purchase of Building materials	(4,987)	-
			<u>(4,987)</u>	<u>-</u>

31. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of Asset	Nature of Liability	Amount 2008 Rs.	Amount 2007 Rs.	Included Under
Fixed Deposits	Collateral for Divipiyasa Housing Loan	29 Mn	23 Mn	Investment of Long Term Insurance
Treasury Bonds	Collateral Overdraft Facilities	120 Mn	119 Mn	Investment of Non Life Insurance

32. COMMITMENTS AND CONTINGENCIES

In the opinion of the Directors and in consultation with Company Lawyers and Advisors, litigation and claims currently pending against the company will not have a material impact on the reported financial results or future operations of the company.

All pending litigations for claims have been evaluated and adequate provision have been made in the Financial Statements.

33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at 19th February 2009, date of approval of the Financial Statements by the Board of Directors, the Company had no subsequent adjusting events that warrant a modification of the value of the assets.