the journey of light

Janashakthi Insurance PLC | Annual Report 2017

JANASHAKTHI INSURANCE

the journey of light

From the dawn of time, light has been a source of life, transforming and illuminating everything that lies in its path. As the years progressed, light has touched all corners of our island, evolving in myriad ways, providing heat, protection and radiance, illuminating lives young and old, and proving to be the element that truly defines the sustenance of human life.

The journey of light is much like our own. Even as we look at light in its many forms, its promise remains steadfast: a symbol of hope, a beacon of protection in the face of adversity, spanning across generations, to sustain and enrich lives.

At Janashakthi, we are inspired by this promise, and as we press forward in our journey of continuous transformation, we remain true to our vision: to be a guiding force, radiating light and life into every corner of the island.

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IBC Corporate Information

Vision

To light the lamp of Insurance in every home and workplace.

Mission

- To be the benchmark for excellence in value delivery
- To be a catalyst in wealth creation
- To invest in our people, in order to enhance economic potential
- To make a difference by giving back to society and the environment

Values

Simplicity	We will thrive to exceed customer expectation through simplicity. We will ensure clarity and transparency in what we do, whilst minimising complexity and barriers that hinder our growth.
Innovation	We will lead in new developments that add value to our stakeholders.
Collaboration	We shall keep people at the heart of what we do and drive toward progression, embracing diversity. We are one family and one firm that grows together.
Truth	We are unequivocally ethical and authentic. We believe in giving back to our society.

We are Janashakthi Insurance

The Janashakthi Story is a tale of local entrepreneurship, innovative vision, and pioneering spirit. Built on strong local roots, Janashakthi Insurance PLC began its journey in 1994, and has progressed from humble beginnings as a small Life Insurance company, to become one of the leading Insurers in Sri Lanka.

Twenty four years of service to the nation has transformed Janashakthi from its humble, local roots, to being a key player in the Sri Lankan Insurance industry. Having brought in thousands of Sri Lankans into the organisation, the Janashakthi family has consistently pursued one, bold ambition of lighting up millions of lives with the warmth and protection of Insurance.

With over LKR 20 billion paid in claims in 2017, our settlement history speaks for itself. Our commitment to our customers is served by the members of our Janashakthi family who have, for years, been pacesetters in service excellence and developed benefits that deliver a service that goes that extra mile, beyond the norms of Insurance. They are the sole reason behind many of the firsts we have achieved in the industry and in Sri Lanka.

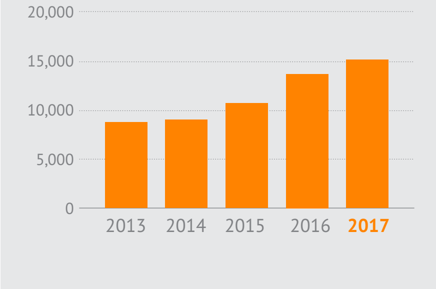
We remain committed to providing our loyal customers with assurance and security as we expand our Life Insurance business across the island. In line with our vision of lighting the lamp of Insurance in every home and workplace, we now journey forward to become a leader in the Life Insurance industry by delivering a **service beyond Insurance** to our customers and stakeholders.

Financial & Operational Highlights

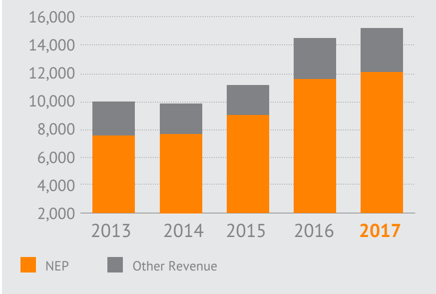
A summary of highlights from 2017:

CONSOLIDATED GWP LKR BN	15.12
GWP GROWTH IN 2017	11%
CONSOLIDATED PAT LKR BN	2.54
PAT GROWTH IN 2017	54%
NET CLAIMS PAID LKR BN	7.32

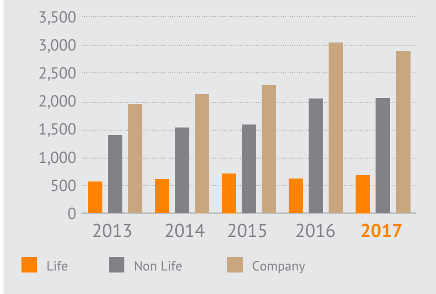
Consolidated Gross Written Premium (GWP) - (LKR Mn)



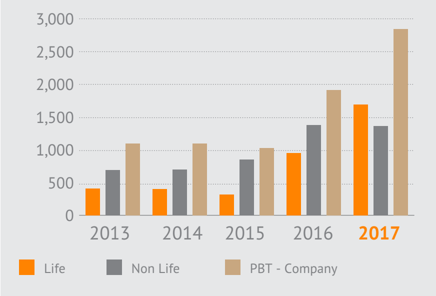
Consolidated Net Incom - (LKR Mn)



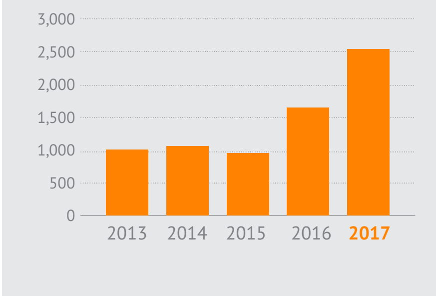
Operating Expenses - (LKR Mn)



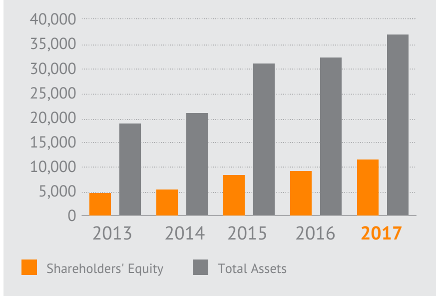
Profit Before Tax - (LKR Mn)



Profit After Tax - (LKR Mn)



Stability - (LKR Mn)



NET ASSETS PER SHARE LKR	20.78
SHAREHOLDERS EQUITY LKR MN	11,315
SHAREHOLDERS EQUITY GROWTH	25%

Janashakthi's journey of light began 24 years ago...

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Chairman's Review

"Despite a number of external factors that affected the industry during the year under review, Janashakthi managed to post reasonable overall growth, a testament to the general stability and strong fundamentals of our business."

Dear Shareholders,

On behalf of the Board of Directors of Janashakthi Insurance PLC, I am pleased to share with you the Annual Report and Financial Statements of your Company, for the year ending 31st December 2017.

During the year 2017, we continued to focus our efforts to realise the full potential of our business and further establish ourselves as one of the nation's leading Insurers.

DIVESTMENT OF JANASHAKTHI GENERAL INSURANCE LIMITED

In what was a landmark decision for the Company, Janashakthi Insurance PLC (JIPLC) entered into an agreement to sell all of the shares held by JIPLC in its wholly owned subsidiary Janashakthi General Insurance Limited (JGIL) to Allianz SE. The transaction was completed on the 26th of February 2018.

This transaction was the result of a lengthy process to find a strategic partner for the Company, which was initiated in 2017. During this exercise, the Company was made an offer by Allianz SE to purchase 100% of the General Insurance business. It was apparent that the transaction would bring about excellent value for the Company and our shareholders, given the highly competitive state of the General Insurance industry.

The overall transaction was valued at LKR 16.4 billion, which was one of the highest values of non-government Foreign Direct Investment that was channeled into the country in recent years. Further, LKR 11.7 billion was returned to shareholders through one of the country's biggest share repurchases, which was completed on the 26th of March 2018.

Having completed the transactions related to the divestment, the Company now turns its focus back to the Life Insurance business, where lies significant opportunity in a market with largely untapped potential for growth.

On behalf of the entire leadership of Janashakthi Insurance, I would like to extend our sincere thanks to all the employees who were part of JGIL, and wish them every success as they begin their journey with Allianz. I would also like thank everyone who made the transaction possible for the Company, which has set a new benchmark for the industry.

BUSINESS & ECONOMIC ENVIRONMENT

The year 2017 saw a number of strong external headwinds that impacted the business and economic environment. Continued low Foreign Direct Investment (FDI) remained a challenge to raising foreign exchange during the year. However, the government's adherence to International Monetary Fund (IMF) guidelines on fiscal and monetary policy helped ensure the successful disbursement of the third tranche of $167.2 million by the IMF.

Furthermore, Parliament passed a new Inland Revenue Law to make the tax system more efficient and equitable and generate resources for social programs. However, confusion over the implementation of value-added taxes (VAT) and other budgetary requirements also had a slightly negative impact on businesses. In addition, severe drought and flooding coupled with higher than expected food inflation, on top of currency depreciation and higher VAT pushed inflation higher in 2017. Despite these factors, the Insurance business has proven to be more robust than others, which indicates the opportunity that still lies in Insurance.

COMPANY PERFORMANCE

Despite a number of external factors that affected the industry during the year under review, Janashakthi managed to post reasonable overall growth, a testament to the general stability and strong fundamentals of our business.

Despite a spike in claims in the wake of a severe natural disaster during the year under review, your Company reported a consolidated Gross Written Premium (GWP) of LKR 15.12 billion. This represented a growth of 11% for the year ended 31st December 2017.

This was supported by the Company's Non Life business, which grew by 14% thanks to double digit growth in both the Motor and Non Motor segments. Additionally, the consolidated Total Assets of the Company grew by 15% YoY to reach LKR 36.8 billion.

While consolidated growth for the year was positive, the Company's Life Insurance business, which is currently undergoing restructuring, remained flat, recording a GWP of LKR 2.9 billion. However, with the divestment of the General Insurance business, we have the opportunity to build upon the strong foundations we established for the Janashakthi Life business in the year under review. We have reconsidered the structure of our business and corrected the base and distribution demarcations to allow optimum operational efficiency. We have developed an organisational strategy and defined a purpose for the Life business which will be the focus of all our efforts in the coming year.

Consolidated GWP LKR BN	15.1
GWP Growth	11%
Consolidated Total Assets - LKR BN	36.8
Total Assets Growth	15%

STRENGTHENING GOVERNANCE FRAMEWORKS

Since its inception Janashakthi Insurance has maintained high Corporate Governance standards. They have helped facilitate prudent and effective management that continues to create long term value for all stakeholders and ensure transparency throughout the organisation.

A more robust process of evaluating Board performance was institutionalised during the year. In addition, considering the structure of the organisation, a management consultant was brought in to clarify the key management roles, thereby identifying clear paths forward for each to achieve their objectives.

Post the divestment of the General Insurance business, the Company is now re-evaluating the governance framework and Board composition with a view to better supporting the new structure of the Company and driving growth and success for the business going forward.

“To take advantage of these opportunities, we must also strive to become a company that can better understand the needs of the different customer segments we serve and develop differentiated Life Insurance products based on these insights.”

FUTURE OUTLOOK

With the divestment of the General Insurance business, Janashakthi looks to return to our roots in Life Insurance. With Sri Lanka’s low Life Insurance penetration of 0.54% vs a peer average of 1.78%, there is significant potential for future growth for all players in the industry.

The Company must now build on the strategic decisions taken in 2017 to restructure and reengineer the Life business through a number of initiatives around the Life brand, IT systems, our people and branch network. It is our hope that these initiatives will bear fruit in the years ahead to help us succeed in a market full of opportunity.

To take advantage of these opportunities, we must also strive to become a company that can better understand the needs of the different customer segments we serve and develop differentiated Life Insurance products based on these insights. We will need to become a learning organisation that aligns itself with the needs of the customer, as this will move us away from simply selling commoditised products based on price and help us differentiate ourselves from the competition. Ultimately, this will drive greater value to our customers and advance the local Life Insurance industry as a whole.

To implement this change we must look to technology, which, globally, is a key driver of how people and industries change. Technology will embed us in the lives of our customers and generate copious amounts of new data that change the way we issue Insurance policies, eventually disrupting the industry.

ACKNOWLEDGEMENTS

As we move forward into 2018 and beyond, I would like to thank our engaged and experienced Board of Directors and Senior Management team for their support and active participation in all leadership decisions and activities. My sincere thanks also goes out to each and every member of the Janashakthi family, whose hard work and dedication remains the foundation of every success the Company has achieved.

Finally, the Board joins me in thanking our valued shareholders, customers, re-insurers, business partners, regulators, and other stakeholders for their continued trust and confidence in our business and leadership. We seek your continued support as we look towards the next chapter in Janashakthi’s transformative journey to become a leading Life Insurer in Sri Lanka.

Husein Esufally
Chairman

14 May 2018

Managing Director's Review

"The year 2017 was a transformative year for Janashakthi. We implemented a plan to transform Janashakthi into a purpose-driven organisation that puts the customer at the heart of our business... making employees far more conscious of the manner in which they approach customers and service their needs."

Dear Stakeholder,

I am happy to report that despite facing significant challenges and operating in a highly competitive market, Janashakthi Insurance PLC posted double digit growth in the year under review. As I present to you the Annual Report for the year ending 31st December 2017, you will note that Janashakthi has continuously stayed focused and grew the business while delivering optimal value to our stakeholders.

COMPANY PERFORMANCE

Despite facing a number of external challenges in 2017, Janashakthi Insurance PLC delivered sound financial results during the year under review. The Company's consolidated Gross Written Premium (GWP) grew by 11% Year-on-Year (YoY) to reach LKR 15.12 billion. The Profit Before Tax (PBT) also grew by 49% during this period to reach LKR 2.84 billion.

A more robust growth was hampered during this period due to unforeseen circumstances that impacted the whole industry. The period under review witnessed a severe natural disaster that resulted in a high number of claim settlements in the General Insurance business. Floods and landslides in the final week of May 2017 affected 15 districts and displaced over 600,000 people. Janashakthi was quick to respond to this disaster with expedited processing and settlement of claims as well as free breakdown assistance to help policyholders return to normalcy as soon as possible.

Due to the stability and financial strength of the Company, we were able to respond quickly and support our policyholders, as well as the nation, in their time of need by also extending free breakdown assistance to non-policyholders in a bid to help as many people as possible during this national crisis. Despite an increase in claims paid due to this, Non Life delivered a profit of LKR 1.06 billion backed by a YoY GWP growth of 14%. However, during this same period, the Company's Life Insurance business remained flat at a GWP of LKR 2.9 billion. This is because the Company embarked on a dismantling and restructuring of its Sales distribution structure in 2017; the benefits of which are already seen in the first quarter of this year.

EXTERNAL OUTLOOK

From 2010-16 the Insurance industry in Sri Lanka experienced a Compound Annual Growth Rate (CAGR) of 14%, well above the 6% real GDP growth the country witnessed during the same period. While this in itself is impressive, Sri Lanka's low Insurance penetration of 1.21% is compared to the peer average of 2.63% indicates an under exploited market. This suggests that there is immense scope for growth for Insurers in Sri Lanka. The challenge the industry faces is how to leverage this opportunity into growth for their businesses.

Changing demographics have created further opportunities for Insurers and confirmed the potential for growth in the country. Income levels have increased rapidly over the past decade and simultaneously improved the standard of living for many, resulting in a growing middle class, which has historically been an indicator for an increase in demand for Insurance.

In the Life Insurance category, we are faced by the challenge of an ageing population. This has been discussed within the industry for a number of years, however, this segment of the population still remains largely untapped, and there remains significant opportunity for positive change in terms of economic support such as pensions, tax relief or tax benefits.

Another whitespace lies in leveraging individuals to acknowledge Life Insurance as a risk transfer mechanism. Currently, customers have begun to accept Life Insurance as a savings mechanism, but as they do not yet perceive the risk transfer benefits, they still tend to compare the return on investment of Life Insurance with more traditional forms of savings. Therein lies the chance for Life Insurers to educate customers about the risk transfer benefits of a Life policy and introduce innovative products that cater to these needs.

The rise of the younger generations, including millennials, represent the new age of customers who are now joining the workforce, who have a very different perspective on life to that of their predecessors. This presents a whole new set of opportunities, such as new models of Insurance and methods of distribution. Therefore, Insurers need to adapt to this new economic landscape and mindset of the new

"It is inevitable that the current digital transformation will result in business being transacted online, creating a major shift away from our current agent model. We must be ready to take advantage of this change. This is why we are investing heavily in the digital frontier and rolling out new and industry-changing solutions in 2018."

customer if they are to increase Insurance penetration in the years to come.

STRATEGY

The year 2017 was a transformative year for Janashakthi. As an organisation we had journeyed a path which had served us well for the last 24 years. In order to reach the next chapter of our journey, we had to look inward as well as take stock of the environment we were operating in. This resulted in an in-depth analysis of our resources and processes as well as an evaluation of our standing in the market, with the ultimate goal of creating greater value for our customers.

Therefore, we implemented a plan to transform Janashakthi into a purpose driven organisation that puts the customer at the heart of our business. This new strategy has placed greater emphasis on customer service and made the organisation more attuned to making end-service delivery a priority, making employees far more conscious of the manner in which they approach customers and service their needs. This has been rolled out across the entire Company during the year under review and it has already begun to pay dividends.

THE DIVESTMENT OF JANASHAKTHI GENERAL INSURANCE LIMITED

At the same time, we also evaluated our core businesses of Life and General Insurance. In the General Insurance business, our vision was to become the number one Insurer in the country, which we aimed to achieve through organic and inorganic growth. We realised quite early on that organic growth alone would not facilitate this vision, and therefore worked towards finding the right balance between the two. Over the years, this has led us to make acquisitions (National Insurance Corporation in 2001 and AIA General Insurance in 2015) to help expedite this journey to number one.

However, as the number of players grew and some larger players started losing market share, it became evident that the General Insurance segment was extremely competitive and price sensitive. We soon realised that the industry needed more consolidation and if Janashakthi General Insurance was to become the number one insurer it too, would need to consolidate with other players.

Therefore, when an exercise to find a strategic partner led to an offer by Allianz SE to buy 100% of the General Insurance business, the Janashakthi leadership considered this as a natural progression of Janashakthi General's journey of market dominance as well as an opportunity to bring value to the Company and our shareholders. This led to the decision by Janashakthi Insurance PLC to sell all of the shares held by JIPLC in its wholly owned subsidiary Janashakthi General Insurance Limited (JGIL) to Allianz SE in February 2018.

We also saw great potential for growth and plenty of untapped opportunity in the Life Insurance segment. All statistical indices indicate that there are currently a vast number of people that are not insured, creating significant market opportunity for all players. While overall awareness on Insurance has grown since Janashakthi first entered the market as the country's first standalone Life Insurance company, an in-depth appreciation of Life Insurance and its benefits remains limited, and the low Life Insurance penetration of 0.54% presents opportunity that we have not sufficiently exploited in our Life business. This has reinforced our need to refocus our efforts on the Life Insurance segment, and thanks to the recent restructuring of the Janashakthi Life business and the infusion of fresh blood and innovative ideas into the Management, Janashakthi is now perfectly poised to reap the benefits of the Life Insurance segment.

Profit Before Tax LKR BN **2.84**

Profit Before Tax Growth **49%**

FUTURE OUTLOOK

In terms of Janashakthi, it is clearly evident that there is great opportunity in the Life business and we will need to refocus our efforts to ensure that we are able to take advantage of those opportunities. Life Insurance is primarily a sales and marketing led business, and therefore we need to look at how we can improve our current penetration and develop the business to its next stage of growth.

Undoubtedly, this will require significant investment and we are looking to review our current sales and distribution network, ascertain the areas that need to be strengthened and invest time, effort and finances to heighten our ability to compete today and in the future.

We will also look at alternative channels of Insurance, whether it is tying up with banks, mobile networks or even supermarkets, exploring the distribution of Insurance beyond the traditional foot soldier that is the agent. This is why we are investing heavily in the digital frontier and rolling out new and industry-changing solutions in 2018. The digital transformation is our single largest investment in any asset, which will help the Company to become efficient as an organisation from an operational perspective and also help us become more efficient vis-à-vis the external customer.

APPRECIATIONS

Finally, I would like to express my sincere gratitude to our Chairman and my colleagues on the Board for their unstinted support and wise counsel at all times.

I also take this opportunity to extend my sincere gratitude to our regulators, for facilitating and enabling a well-managed environment for Insurers in Sri Lanka. A special note of appreciation to all our valued customers, business partners, and other stakeholders for the trust you have placed in us.

My heartfelt gratitude is also extended to our entire Janashakthi team for their unwavering commitment and tireless efforts that have been instrumental to our success. I also wish to acknowledge a significant part of the Janashakthi family who we bid adieu to, with the divestment of JGIL. My sincere gratitude goes out to them for being a part of the Janashakthi journey and for their contribution towards the progress of the Company.

On behalf of the Board, I also offer my sincere gratitude to our shareholders for their support in making Janashakthi what it is today. We especially look forward to continuing these mutually beneficial partnerships over the ensuing years.

Prakash Schaffter
Managing Director

14 May 2018

The Board of Directors

Husein Esufally
Chairman
Non-Executive Independent Director

Prakash Schaffter
Managing Director
Executive Non-Independent Director

Jude Fernando
Executive Director
Chief Executive Officer – Janashakthi General Insurance Limited (JGIL)
Resigned as CEO, JGIL wef 26-02-2018
Appointed as CEO, JIPLC wef 01-05-2018

Stuart Chapman
Executive Director
Chief Executive Officer – Janashakthi Insurance PLC (JIPLC)
Resigned as Executive Director & CEO, JIPLC wef 30-04-2018

Manjula Mathews
Non-Executive Non-Independent Director

L.C.R. de C Wijetunge
Non-Executive Independent Director

Ramesh Schaffter
Non-Executive Non-Independent Director

Eardley Perera
Non-Executive Independent Director

Anushya Coomaraswamy
Non-Executive Independent Director

HUSEIN ESUFALLY

Chairman
Non-Executive Independent Director

Mr. Esufally holds the position of Chairman of the Board of Janashakthi Insurance PLC. He is presently the Chairman of Hemas Holdings PLC., where he served as Chief Executive Officer from January 2001 – March 2014. He serves as the Chairman of the Group's Fast Moving Consumer Goods (FMCG) business, and J. L. Morison Son & Jones (Ceylon) PLC.

Whilst serving on several other Boards, Mr. Esufally is also involved in several industry associations. Mr. Esufally counts for over 30 years' Management experience and holds a Bachelor of Science (Honours) Degree in Electronics from the University of Sussex, UK.

PRAKASH SCHAFFTER

Managing Director
Executive Non-Independent Director

Prakash Schaffter, a leading Insurance personality in Sri Lanka, is the Cambridge educated Managing Director of Janashakthi and has three decades of experience in the Insurance industry in both Sri Lanka and the United Kingdom. He has led Janashakthi since 2006 through a growth phase that saw Janashakthi become the third largest Insurer, acquire the Non Life segment of AIA Insurance Lanka and most recently engage in the divestment of Janashakthi's Non Life segment.

As the former President of the Insurance Association of Sri Lanka he has through several industry-related committees, led the discussion on regulatory changes, including the separation of Life and Non Life business segments. He continues to impact the business sector through his membership on the council of the Sri Lanka Institute of Directors (SLID).

Having been among the youngest Fellow Members of the Chartered Insurance Institute, he has also served as President of the Young Presidents Organisation of Sri Lanka. A former first class cricketer, he represented both Cambridge University and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

JUDE FERNANDO

Executive Director / Chief Executive Officer

Jude Fernando served as the Chief Executive Officer of Janashakthi Insurance PLC from 2014, and as the CEO of Janashakthi General Insurance Limited from 2017, before taking over Janashakthi Life as its Director / Chief Executive Officer in May 2018.

He brings with him over 26 years of experience at senior positions in the fields of Finance, Supply Chain Management, Sales & Marketing, and International Marketing, including the roles of Director / CEO of Kotmale Holdings PLC., and Executive Director Sales & Distribution for Cargills Manufacturing Brands. He has served on the Hemas Group Management Committee and the Boards of Dunamis Capital PLC, Kelsey Homes and First Capital Holdings PLC.

An Accountant by profession, Jude holds a MBA from the University of Wales and is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Chartered Global Management Accountant (UK), a Fellow Member of the Association of Certified Chartered Accountants (UK) and a Member of the Chartered Institute of Marketing (UK).

STUART CHAPMAN

Executive Director / Chief Executive Officer

Stuart Chapman was appointed Director/Chief Executive Officer for the Janashakthi Life Business with effect from 1st January 2017.

With over 36 years of experience, he has experience in local and multinational organisations across diverse industries including Life Insurance, Healthcare, FMCG, Consumer Durables, Banking, Leasing and Telecommunications. His previous appointment was in the capacity of Managing Director of GlaxoSmithKline (GSK) Pharmaceuticals, where he served on its Board as well as on the Board of SmithKline Beecham Pvt. Ltd. He currently serves as a Non-Executive Independent Director of United Motors PLC and Hemas Pharmaceuticals Pvt. Ltd.

He holds an MBA from the University of Colombo, a Diploma in Marketing, a Diploma in Life Insurance Sales and Marketing from the Life Underwriters Training Council USA, and in Business Management from the National Institute of Business Management Sri Lanka. He is a Fellow of the Chartered Institute of Marketing UK and of the Institute of Management UK, and a Member of the Institute of Certified Management Accountants Australia.

MANJULA MATHEWS

Non-Executive Non-Independent Director

The former Chairperson of Dunamis Capital PLC which is active in the Finance and Property sectors through listed subsidiaries First Capital Holdings PLC and Kelsey Developments PLC, she stepped down last year to pursue an alternate career as a life coach. Having relinquished her executive role at Janashakthi Insurance PLC as Finance Director in 2007, she has continued to serve in a non-executive capacity, and serves on the Audit Committee of the Company. She also serves as a non-executive director on the board of Habitat for Humanity Sri Lanka.

With a Masters Degree in Business Administration from the University of Cambridge and a Fellowship of the Chartered Institute of Management Accountants, UK, combined with nearly three decades of experience in Finance, Marketing and General Management, she is well equipped in multiple disciplines to contribute towards the Company's success.

L.C.R. DE C WIJETUNGE

Non-Executive Independent Director

A member of the Board since 2007, L.C.R. de C. Wijetunge is currently the Chairman Emeritus of Nestlé Lanka PLC and Chairman of Lion Brewery PLC, Ceylon Beverage Holdings PLC and Union Residencies (Pvt) Ltd.

He also serves on the Boards of Hunter & Co Ltd, East India Retailing (Pvt) Ltd, Lanka Canneries and Heath & Co Ltd, and is also a Trustee of the Joseph Frazer Memorial Hospital. He is also the President of the Swiss Business Circle of Colombo and Karmiel International (Pvt) Ltd, and the Vice President of Baur Asia.

RAMESH SCHAFFTER

Non-Executive Non-Independent Director

Counting almost three decades of experience in Finance & Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, and an Associate Member of the Chartered Institute of Marketing. He was appointed to the Board in 2004, having served as Secretary to the Board since the inception of the Company in 1994, a position he held until 2017. He has also served on the Boards of several public listed and unlisted companies.

A social entrepreneur and life coach, he is also an accomplished public speaker and a multiple award winner at national and international level Toastmasters' contests. He is the former President of the Habitat for Humanity Sri Lanka and former Board Member of World Vision for Sri Lanka. He is a Co-Founder of cable television channel Swarga TV, as well as the Christian Arts Foundation (Chraft), an organisation that promotes music and drama in Sri Lanka.

EARDLEY PERERA

Non-Executive Independent Director

Mr. Perera is a Chartered Marketer and a Graduate of the Chartered Institute of Marketing, UK, with over 40 years of experience in Management. He has undergone Management training in UK, Sweden, South Korea, India, the Philippines and Singapore. He retired from active executive positions in 2005.

Currently, he is a Non-Executive Director of a few public companies: Dunamis Capital PLC, First Capital PLC, Janashakthi Insurance PLC, and Kelsey Development PLC., and private companies – RIL Property Ltd., Sting Consultants (Private) Limited, Brand Finance Lanka (Private) Limited and MA's Tropical Foods (Private) Limited. He is also a member on the Board of Study of the Postgraduate Institute of Management, University of Sri Jayewardenepura (PIM) and is actively engaged in Management education and consultancy.

ANUSHYA COOMARASWAMY

Non-Executive Independent Director

A member of the Janashakthi Board since 2006, Anushya Coomaraswamy is a Fellow of the Chartered Institute of Management Accountants UK and the Institute of Chartered Accountants of Sri Lanka. Her career has spanned over 30 years in the private sector in senior management positions, including the role of Group Finance Director, John Keells Holdings PLC from 1994-2002.

She has also served as an Advisor to the Ministry of Finance, the Chairperson of the Public Utilities Commission and a Member of the Public Enterprise Reform Commission. She is also an Independent Director of Printcare PLC.

Corporate Management

Prakash Schaffter
Managing Director

Jude Fernando
Executive Director
Chief Executive Officer – Janashakthi General Insurance Limited (JGIL)
Resigned as CEO, JGIL wef 26-02-2018
Appointed as CEO, JIPLC wef 01-05-2018

Stuart Chapman
Executive Director
Chief Executive Officer – Janashakthi Insurance PLC (JIPLC)
Resigned as Executive Director & CEO, JIPLC wef 30-04-2018

Dayalanie Abeygunawardena
Chief Operating Officer – General Insurance

Shani Ranasinghe
General Manager – General Insurance

Hashra Weerawardane
General Manager - Life Operations

Deepta Ekanayake
General Manager - Finance & Planning

Senior Management

M C Peter
DGM - Auto Centre

S Thananchayan
DGM - General Claims

K V Kuganathan
DGM - Head of Information Technology

M I D Bandaranayake
DGM - Head of Marketing

S G Silva
AGM - Head of Human Resources

J M W Wickrema
AGM - Life Operations

K N R Perera
AGM - Legal

K G Yamuna
AGM - Policy Processing

LIFE SALES

R Weeraratne
General Manager - Life Sales

G K D D C Bandara
DGM - National Sales (Life)

R K A Gunawardena
Senior AGM - Life Sales

K Sebastian
AGM - Life Sales (North & East)

A A D N Amarasinghe
AGM - Life Sales (North Central)

T S Mudalige
AGM - Head of Partnership Development

GENERAL SALES

K D C S Basnayake
General Manager - Business Development

K N Premachandra
General Manager - Business Development

G P K Dodangoda
General Manager - Distribution (GI)

V Srivijayakanthan
Senior AGM - General Sales (North East)

W J M R Dias
AGM - General Sales (Colombo Integrated)

M S Sampan
AGM - General Sales (Western 1)

L T Manamendra
AGM - General Sales (North Central)

P J Kodikara
AGM - General Sales (Southern)

P C Wishwaka
AGM - General Sales (Colombo Central)

P K A S J Alwis
AGM - General Sales (Western Zone)

M C D Rodrigo
AGM - Head of Strategic Partnerships

2017 has been a year of transformative change for Janashakthi

Year in Review

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Management Discussion & Analysis

"In 2017, the Company has taken critical steps and strategic long-term decisions to build the foundations to strengthen the future of the business and elevate our position within the industry. This included the creation of a long-term, employee-centric strategy for Janashakthi, in order to transform our business into a purpose driven organisation."

INTRODUCTION

This report provides a detailed outline of the strategic decisions that the Company has made within the year in review, as well as the core business framework that has been set in place and followed to ensure that we create value for both our internal and external stakeholders.

At Janashakthi, our organisational goals have been driven by the need to provide our customers with best-in-class service, while ensuring long-term, sustainable value creation for our internal and external stakeholders. The information presented in this report includes the context for the year in review, an examination of the industry and environment in which we have operated, and the risks, challenges, and opportunities that have been addressed in 2017. Also in discussion here is our outlook for the year 2018.

In 2017, the Company has taken critical steps and strategic long-term decisions to build the foundations to strengthen the future of the business and elevate our position within the industry. This included the creation of a long-term, employee-centric strategy for Janashakthi, in order to transform our business into a purpose driven organisation.

In February 2018, Janashakthi Insurance PLC (JIPLC) entered into an agreement to sell all of the shares held by JIPLC in its wholly owned subsidiary Janashakthi General Insurance Limited to Allianz SE. The transaction was completed on the 26th of February 2018.

With the divestment of the General Insurance business, the Company aims to focus its efforts on strengthening its presence within the Life Insurance industry, to establish itself as a leading Life Insurer in Sri Lanka. The Company will build on the strong foundations laid in the Life business in 2017, including significant investments in developing digital offerings that have the potential to create a step-change in our business and the entire industry to deliver service excellence to our customers.

While taking these steps to strengthen Janashakthi's future journey, the Company remains mindful of the need to deliver profitable, long-term growth, while remaining competitive within the industry and thriving in a crowded marketplace of not only Insurers, but all financial entities who provide similar services and benefits to our customers.

WORLD ECONOMIC OUTLOOK

The global economy saw renewed vigour towards the end of 2017, thanks to improved investor confidence, generally accommodative policies and benign financing conditions. Global GDP growth rallied to 3% outperforming 2016's 2.4% and above the June forecast of 2.7%. This was the first upward revision of global GDP growth since 2010. While this upturn in growth was experienced by more than half the global economies, developing economies remained the main drivers. Growth in these economies accelerated to 4.3% thanks to the improved economic activity of commodity exporters and importers.

In the UK, Brexit negotiations continue to leave policies and trade relationships uncertain, depressing investor sentiment and deterring investment in the country. Despite this, the UK economy finished the year stronger than expected with a 0.6% GDP growth in the final quarter, driven by the manufacturing and services sectors on the back of a weaker pound and buoyant global economy that allowed the UK

"Significant investment was made on the digitalisation of the selling and underwriting operation, which was the single biggest investment made during the year. This digital transformation is expected be rolled out by Q2 2018, and create a significant enhancement in customer offerings."

to export more goods and services to the rest of the world. However, the spectre of Brexit still looms tall over the UK and the country is estimated to have only grown by 1.6% in 2017, lower than the previous three years.

Conversely, growth in the US picked up significantly in 2017 at an estimated pace of 2.2%. This is a marked improvement on 2016's recorded growth of 1.6%. A strong labour market and expanding payrolls supported sustained expansion in household spending, despite modest income gains and moderate wage growth. Recently legislated corporate and income tax cuts will likely encourage investment and support growth in 2018. However, possible changes to trade, immigration and other policies may dampen a more robust rebound in investment activity.

SRI LANKAN ECONOMY

2017 was a mixed bag of results for the Sri Lankan economy. Drought continued to plague crops in the first quarter and caused agriculture to decline by 3.2%. Rice production fell by 53%, and there were significant declines in tea and rubber. Floods in the second quarter also affected the agricultural sector, shrinking it by 2.9% with further rice losses, even as tea and rubber rebounded. In contrast, the services sector, which accounts for 58% of total GDP, grew by 4% in the first half of the year, bolstered by an increase in financial services which offset declines in other areas.

Exports grew by 10.82% in the first 11 months of the year, mainly driven by industrial and agricultural exports. Reinstatement of GSP Plus further aided apparel and fisheries exports to the European Union. Tea export earnings reached new levels on the back of higher global prices.

Economic indicators in the second half of the year indicated steady improvement of the economy. Despite this, GDP growth in 2017 is estimated to be 4.5%, only marginally higher than the 4.4% growth witnessed in 2016 but well below 2015's 4.8%.

The country ended the year with 7.1% inflation due to the effects of a currency collapse over two years and with the Central Bank holding its benchmark interest rate at 7.25%. The 1 year T-Bill stood at 8.9% as of 29th December 2017.

INDUSTRY OVERVIEW

Almost two years since the segregation, 2017 saw the dust settle as Insurers got their businesses back on track after the changes that followed the segregation regulation in early 2015.

Overall, 2017 was a challenging year for Insurers, with the overall industry recording a GWP growth of 14.35 %, with a contribution of 44.6 % from the Life Insurance category and 55.4 % from the General Insurance category.

General Insurance - which includes, Motor, Fire, Marine, and other miscellaneous Non Life products – recorded a GWP growth of 15.8% with a total value of LKR 88.9 billion. This was an increase from 2016's GWP growth for the General Insurance category, of 13.7%.

Sri Lanka's Insurance penetration remains low at 1.21% vs. a peer average of 2.63%, largely due to the lack of awareness and understanding of the concept and benefits of Insurance. It has been noted that there needs to be islandwide awareness building efforts in order to address this challenge. A number of national policy changes were implemented in 2017 to this effect, the most significant being the introduction of Sri Lanka's first National Insurance Day, on the 1st of September. This was the result of a joint effort between the Insurance Association and Insurance Regulatory Commission of Sri Lanka, with the aim of bringing focus on the importance of Insurance, and help the industry leverage the significant untapped potential that exists for future growth. A free medical Insurance and personal accident cover were introduced for all school children in the country, through an initiative named 'Suraksha' implemented by the Ministry of Education, which helped the industry see a substantial increase in GWP.

Larger players in the industry faced significant competition in the Motor category by smaller Insurers who were not traditionally considered strong in Motor. These companies operated on competitive pricing models and differentiated strategies to win over finance and leasing companies, which proved to be an effective method of capturing market share.

The post segregation market has continued to be fragmented, however key players in the industry have taken steps towards consolidation, as was seen in the 2015 acquisition of AIA General Insurance Limited by Janashakthi Insurance PLC, the 2016 sale and ensuing amalgamation of Union Assurance General with Asian Alliance's General Insurance to form Fairfirst Insurance Limited, and the more recent acquisition of Janashakthi General Insurance Limited by Allianz SE.

Sri Lanka's low average disposable income has historically limited consumers' ability to spend on premiums and a lack of awareness and understanding of Life Insurance products and their benefits continue to hamper its growth. Additionally, Sri Lanka's high bank deposit rates make Life Insurance less appealing to consumers. Coupled together these have led the Life Insurance category to only have a 0.54% penetration in the country, far below the peer average of 1.78%. Despite this Life Insurance has experienced 13.3% GWP growth in the last decade, significantly surpassing the real GDP growth of 6% over the same period.

Despite this staggering growth, underlying low penetration indicate that there are still many opportunities within the industry that are yet to be utilised to facilitate continued growth in the years to come.

Rising income levels are expected to support further growth in Life Insurance while the country's changing demographics are expected to drive demand in the category. Sri Lanka's ageing population, among the fastest ageing in the world and expected to make up a quarter of the population by 2041, will create an increased demand for health related products as well as Insurance products as savings mechanisms for retirement.

In addition, there is an underutilisation of Bancassurance as a method of distributing Insurance policies. Industry exposure to Bancassurance stands at a mere 4% compared to neighbouring countries where exposure is well above 30%. This unexploited opportunity requires minimal investment from Insurers and utilises existing bank staff to sell policies. While the number of Bancassurance partnerships have increased in recent years, there is still much that can be done in this area to achieve its full potential.

However, while these inherent opportunities exist recent legislation may prove to be an additional hurdle that Insurers may need to overcome in the year ahead. The Inland Revenue Act No.24 of 2017, which was passed by the Parliament in September 2017, includes several amendments to the tax law that will directly affect life Insurers. Under the revised tax law Life Insurers will be subject to a 28% tax rate which, under the new tax calculation method, will include the policyholders' surplus that is distributed to shareholders. This was previously excluded under the Act of 2006.

JANASHAKTHI LIFE

2017 was a year of restructuring for the Janashakthi Life Insurance business. Beginning the year with the onboarding of the new Chief Executive Officer for the Life business, Janashakthi Life set pace to carve out its own identity as an independent entity post the changes that occurred along with the segregation.

The Life Insurance business achieved a GWP of LKR 2.9 billion, as the business underwent a strategic restructuring exercise in 2017, correcting its base and distribution demarcations to allow optimum operational efficiency. Janashakthi Life also engaged in the development of a unique organisational strategy to drive growth, which included building in plans of recruitment, training and development, to enable the Life business to have the optimal combination of talent and skills that are required to achieve its objectives.

Steps were also taken to build a unique voice and brand identity for the Life brand. The first step was to define a purpose for the Life business, which will be the foundation for all brand building initiatives, both internal and external, that will strengthen our relationship with and offering to our customers.

Significant investment was made on the digitalisation of the selling and underwriting operation, which was the single biggest investment made during the year. This digital transformation is expected be rolled out by Q2 2018, and create a significant enhancement in customer offerings.

Focus was also given to developing customer-focused product innovations, with the launch of a new, investment related Insurance product in 2017 under the universal Life platform which is expected to fuel sales growth in the upcoming year.

The year under review also saw 15 members of our Sales force qualify for the prestigious Million Dollar Round Table (MDRT) and participate in the conference taking place in Los Angeles, California. This is further validation of the performance-based model introduced in late 2014 to the Life Sales force, which saw them converting to an incentive driven agency model, as well as to the skills development programme offered to them.

The Janashakthi Life brand received the distinction of becoming the first service brand in Sri Lanka to win a Gold Effie Award, by winning Gold for the 'Guiding Light for Life' campaign at the Effie Awards 2017. The recognition not only created history for Janashakthi, but also for the Insurance industry.

2017 was a year of long-term investment and planning, with the business bestowing due focus on long-term Insurance and protection based selling, offering customers solutions that go beyond Insurance.

JANASHAKTHI GENERAL

The General Insurance business saw a successful year of growth, registering an overall GWP growth of 14% despite a number of economic and environmental factors which proved challenging during the year in review. By year end, Janashakthi General GWP was at LKR 12.2 billion, and contributing approximately 81% to the overall Janashakthi business.

Motor

The Janashakthi Motor business saw an 11.8 % growth in GWP in 2017, against a market growth of 13. 8 %. Despite success during the year in review, the Motor category faced considerable competition at the hand of smaller players who used competitive pricing strategies to attract customers and gain market share.

In 2017, the Motor business took on the challenge to change customer perception about the Full Option brand, the flagship brand of the Company. Project Radiate, a service-centric initiative, was launched in early 2017, which included many process changes to drive customer service excellence in the Motor category. This programme included the introduction of the Regional Engineer concept, which created a more empowered assessor network and led to faster decision making in terms of claim settlements.

The combination of the Easy Cash payment option and the Rapid Claim settlement process delivered a unique service product called Janashakthi Full Option High Speed Claim, supported by the launch of an ATL communication campaign. Success of these initiatives can be seen in the 'Overall Customer Satisfaction' score of 84% by the end of 2017, including a 95% score on 'Assessor Courtesy' and 99% on 'Call Centre Satisfaction'.

Non Motor

The Non Motor business saw a 19% growth in GWP during the year in review. 2017 continued be a challenging year for the category, being the second consecutive year that the country was impacted by the devastating effects of floods, landslides, and storms. There was a spike in Non Motor claim settlements during the 1H of the year as a result of the floods.

Further, within 12 hours of the disaster, JGIL commissioned CAT (Catastrophe) response teams to assist both JGIL and non-JGIL customers affected.

Within the Non Motor business, the Medical category had considerable success in 2017, with a number of high profile corporate clients being added to the customer base. The Medical category grew by 54% GWP, to end the year under review with a total value of LKR 1.595 billion.

OUR CUSTOMERS

At Janashakthi, customers are considered an intrinsic element of the business, and ensuring their satisfaction is of utmost importance to the organisation. In order to successfully do so, the Company intensified its focus on delivering Service Excellence in 2017 and continued to address the Insurance needs of its customers via its island-wide branch network, a 24-hour call centre and around the clock assessor service, and further ensures that the customer relationship is fortified through the Company's active Customer Relationship Management (CRM) division.

Janashakthi's CRM and Research division has consistently been dedicated to be the driving force in ensuring customer service excellence since the very beginning.

The CRM division is segmented into two units, namely the:

- Complaints Management Unit
- Research Unit

While the CRM division engages in developing and maintaining long term relationships with customers, the Research Unit plays a vital role in ensuring delivery of high service standards and initiating customer need based products and services.

Key Objectives of CRM:

- Be a driving force to create a customer-centric service across the organisation.
- Facilitate to acquire, build, develop, retain and maintain long term relationships with our customers.
- Improve the quality of service levels of the organisation through awareness and monitoring of service quality through research and analysis.
- Suggest process enhancements through identification of service gaps.
- Drive initiatives to provide customer convenience in line with the Company's emphasised focus to deliver Service Excellence to customers in 2017.

Research insights enabled service upgrading

The role of CRM & Research Division continued to be in driving customer centricity and service excellence across the organisation. Periodic customer touch point monitoring research studies were carried out covering claims management and branch services to have a close monitoring of consistency of service standards.

Process changes were made in the claims management based on the customer insights gathered during the research studies. As per the voice of customers, hassle free speedy claim settlement was a key requirement which carried a higher weightage in the claims process. In view of addressing this customer need "Speed claims process" was launched where the claim settlement process was further simplified further to enable a customer to obtain a motor claim within two steps.

Customers enjoy the benefit of obtaining their claim settlements within 24 hours and up to LKR 100,000 claims payments through Sampath ATM. Service gaps among the vehicle repair centres and Janashakthi's claims process were measured through a comprehensive Research study which was carried out among the vehicle repair centres, which added many positive changes in to the claims process. As a result of the findings of the study, a few gaps were identified where the claims approval process could be further speeded up in order to meet customer expectations. In view of speeding up the claims approval process a new role was introduced regionally called "Regional Engineer" who has the authority to provide approval of claims thus the claims approval process was decentralised to the regions than operating from the head office. With the new process changes implemented to bridge the service gaps, by the end of 2017 there were positive indications of increasing customer satisfaction index and Net Promoter score such as an increase in delighted customer comments.

Customer complaints management as per IRCSL guidelines

CRM as the Customer complaints management focal point addressed all the customer grievances and complaints with a dedicated team who are skilled and trained to handle Life & General customer grievances. In the event where the complaints could not be resolved internally, customers were advised to refer their grievance to the Insurance ombudsman or IRCSL. During the year in review, there were only a few such cases.

Web services

An awareness campaign was carried out among the internal customers about the online services which provides many facilities such as online renewal, payment of premium, policy information, new Insurance requirements, etc, with a click of a button via www.janashakthi.com. A help desk is operated within CRM to assist customers who need assistance to get registered for e services.

Customer engagement

Updating of customer contact information in the data base was further continued and by end of 2017, 98% Life customers and 85% of General customers could be contactable via SMS for customer engagement activities. A SMS competition was carried out to gather the email addresses of the customer base in view of enhancing the email correspondence which is more timely and cost effective.

The SMS two-way platform is also managed by the CRM team where the customer queries via SMS are being taken care of within four working hours. Customers interact via SMS in terms of their policy information requirements, payment related, new Insurance requirements and claims etc.

ISO Quality Management Compliance

Another key responsibility of CRM team is to drive the ISO Quality Management compliance which ensures the continuity of the process. The ISO 9001: 2008 standard requirement was further strengthened through conformance to Surveillance audits carried out by the certification body Bureau Veritas Lanka. Further, expanded the certification to selected branches and awareness training was given to all staff across the regions to get the right service mindset of the people.

OUR PEOPLE

Janashakthi as a progressive employer has comprehended the value of empowering our own people to deliver beyond boundaries and in order to facilitate the same we at Janashakthi Insurance PLC (JIPLC) remain committed to driving a culture where people feel valued, have a clear sense of belonging, know what is expected of them and are recognised and rewarded for their contribution towards achieving the Company's ambition. In testimony to our efforts, nearly 44% of our cadre have been in service for more than 5 years, which signals our ability to facilitate the needs of our multi-generational workforce and provide a greater job security in an increasingly competitive market.

CORE HR VALUES:

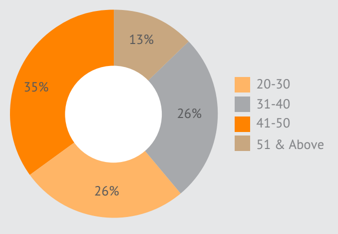
Equal Opportunity

JIPLC is an equal opportunity employer. In an industry that has historically been male dominant, JIPLC continues to be a trendsetter, providing promising careers for both men and women alike. All vacancies within the company are advertised both internally and externally, giving internal staff the opportunity to consider potential career opportunities in other departments.

Our selection process therefore creates a level playing field for internal staff to be able to compete on equal ground with external candidates for potential vacancies. Moreover, the psychometric testing and assessment mechanism introduced in 2017 has enabled JIPLC to further strengthen the talent screening process to ensure the quality of the talent attracted to the Company.

As an equal opportunity employer, JIPLC maintains a strong track records of gender diversity. Our overall gender ratio is 45% :55% (F:M).

Age Analysis



Diversity and Inclusion

We aspire to have the most dynamic team of people around us and in order to make it happen we have further strengthened our sourcing and selection process to get the best mix of people to join us from all parts the country. We believe the diversity of our workforce brings richness in perspective, skills and experience that we can leverage on in servicing an equally diverse client base.

Each year, we continue to make progress in this regard and have found that JIPLC's multi-generational workforce encourages greater collaboration and paves way for mutual respect among co-workers. Furthermore, it strengthens the bond between our team, fosters an atmosphere of unity and instills in them a sense of loyalty and family values.

Health and Safety

At JIPLC, we believe that Health and Safety is a shared responsibility. The administrative function remains the custodian in charge of maintaining overall safety within the organisation, with the Management and staff sharing the responsibility of highlighting concerns and ensuring that they are successfully addressed. JIPLC continues to maintain its track records of zero incidents, with no lost days and/or absenteeism recorded in the reporting period due to injuries.

In addition, the HR function is tasked with preserving the safety and wellness of our team. The policy and procedure relating to employee safety is included in the Staff Handbook. This includes the process to be followed for major and minor accidents, serious accidents and diseases, as well as the investigation process for same.

Transparency and Best Practices

We continue to work to ensure caring, supportive and fair work practices are applied across our business, and the rights of our people are respected at all times. Doing so calls for a greater degree of transparency at all levels of our business. Transparency is therefore the common thread that runs through all our HR practices.

Enhancing our commitment to be transparent, all HR policies and practices, including the authority matrix pertaining to the delegation of authority, are published in our Staff Handbook. All employees are encouraged to read and understand the Staff Handbook at the time of recruitment, which ensures efficient and effective implementation of reporting lines. The Staff Handbook is also made available on the intranet as a quick reference guide.

Owing to the level of transparency we are committed to maintaining at all times. JIPLC does not have unionised staff and no employees are covered by collective bargaining.

FOCUS FOR 2017:

The key highlight for the year was the commencement of the execution of our medium-term HR strategy. This move enabled us to give a better focus on sourcing and grooming of right talent to the right place while improving the work force effectiveness in order to catalyse our business growth in the next few years. The three key drivers that would underpin our HR thrust for the next three years are:

1. Empowering our people with the right skills, tools, processes and technology, giving them the opportunity to learn, improve and grow to reach their career goals

Key initiatives for 2017:

- We introduced flexible working hours and casual wear for all 5 working days for our shared services departments. Thereby we have facilitated the culture change we expect within the organisation.
- For the first time in Janashakthi history we now have a fully wi-fi enabled office accessible to all staff.
- The Company theme song was modified and incorporated all three languages into the song.
- We had further finetuned our focus on Employer Branding initiatives during 2017 where we approached few main universities and education institutes and participated in many career fairs to attract the fresh and best talent from the market.

- We further improved our talent screening by introducing psychometric assessments for all manager grade recruitments.
- A quarterly Town Hall meeting was introduced in order to get a larger team involved in management discussions and to enhance the engagement levels in manager grades

Development and Grooming our own people

We invested LKR 12 million on staff training giving rise to over 3500 learning man hours in 2017 resulting in each employee receiving an average of 11.25 training hours. This included technical programs on Insurance products, systems, soft skills programs including programs that focus on providing an excellent service to our customers, leading and motivating the employees to perform at their optimum, as well as awareness programs on Money Laundering, etc., as part of the Orientation Program that each new employee goes through.

Overall number of Training Opportunities Provided in 2017		
Areas of Training	**No Trained**	**Total Man Hours**
Total In-house Training Programs	199	1667
External Training Programs	66	295

- Another initiative was to empower our own Regional Sales Managers to carry out product training and facilitate them with necessary logistics and materials to make the program a success.
- Special coaching programs were offered to selected key positions as personal development programs in order to fast track the development of the said individuals.

2. Strive to make JIPLC a great place to work

Key initiatives for 2017:

- Launch of the leadership philosophy for the Senior Management Team, with two special workshops covering specific coaching and evaluation sessions. A full roll-out of the philosophy for the entire workforce is in the pipeline and will come into effect in 2018.
- JIPLC's internship programme enabled 15 aspiring graduates complete the foundation training to step in to the corporate world.
- The HRBP process initiated in last quarter of 2016 was fully established during 2017 with the first HRBP taking on the General Sales Vertical. There were many new projects introduced to streamline recruitment, facilitate HR projects, introduce assessment centers for promotions, improve the communication link between HR & Sales Managers, drive leadership assessments etc.

3. Recognising and rewarding the winning spirit in our employees

Key Initiatives for 2017:

- Long Service Awards were awarded to 126 employees, while 07 'Divisional Employee of the Year' recipients and 01 'Manager of the Year' recipient received their awards at the Annual Management Night.
- The 'Prathiba' Talent Show provided a platform for staff to showcase their hidden talents.
- A new module with a single leadership philosophy was conducted at group level for both Life / General called the GUNG HO Model for People Management using internal competency based tools. This was successfully implemented at many levels.

- After nearly two decades of operation, the management decided to amalgamate HRD & HRM which ran as two separate units in 2017. In order to bring more focus and alignment in the overall HR strategy both departments were brought under one HR Leader which should be considered as a key milestone in the Company.

OUR COMMUNITY

As an Insurance provider with deep roots in the community, Janashakthi has a long history of corporate social responsibility (CSR). Ingrained within the organisation is its commitment to the nation, which is embedded in the Company's mission, vision and values. This has led Janashakthi to embark on several CSR initiatives over the years that have actively contributed towards enhancing the lives of those in the community.

In 2017 Janashakthi continued this proud tradition by adding further value to its existing CSR initiatives as well as introducing a new initiative in the wake of a natural disaster. Ultimately, these initiatives help Janashakthi to create a significant and positive impact in the community it operates.

"The 'Janashakthi – National Civilian Bravery Awards' recognises civilians who risked their lives to save the life of another and celebrate an individual's bravery and strength of their devotion to community that transcends ethnicity, social status or religious beliefs, which is in keeping with Janashakthi's core beliefs."

National Civilian Bravery Awards

As part of an initiative to promote Janashakthi as the 'Guiding Light for Life' within the community, the Company partnered with the Foundation of Civilian Bravery of Sri Lanka since 2015. This partnership led to the roll out of the 'Janashakthi – National Civilian Bravery Awards' which recognised civilians who risked their lives to save the life of another. The awards celebrate not only an individual's bravery but the strength of their devotion to community that transcends ethnicity, social status or religious beliefs, which is in keeping with Janashakthi's core beliefs.

The campaign recognised 13 people for their acts of valor and received a record number of entries this year. Janashakthi was able to facilitate this increased popularity of the awards through a strategic integrated communications plan that generated enhanced publicity and raised the awareness of the public of the acts of selflessness that take place in their community. The initiative was further supported by key opinion leaders in media, government and industry.

The grand finale which took place at Nelum Pokuna Theater was attended by representatives of the Sri Lankan Government and distinguished foreign dignitaries. The event engaged people across the island and was an inspired to many. The awards were a bright example of the value we place on life.

Shilpa Shakthi Scholarship programme

In our continued commitment to light the lamp of knowledge across the nation Janashakthi organised free seminars for students sitting for the Grade 5 Scholarship examinations. With the aim to inspire these talented young individuals and arm them with the necessary tools to succeed in life, the seminars were led by renowned educationalist Bharatha Lankage. Parents who accompanied their children were also able to attend special seminars conducted by well-known Soft Skill Development Trainer, Chanadana Gunawaradane who appraised them on how to create a positive environment that will help their child succeed in the exams and in life.

The growing popularity of these seminars led to the expansion of the programme in 2017 with the inclusion of 6 additional seminars. Because of this the programme was able to engage 5,500 students and 4,800 parents in 12 key locations across the island.

Further, those who attended the seminars and achieved outstanding results at the Grade 5 examinations were awarded scholarships for their achievement.

Supporting Flood Victims with Free Breakdown Assistance

In the wake of the natural disaster that left many helpless Janashakthi made every effort to ensure policyholders were assisted by dedicated relief teams. During this period claims were expedited and additional relief teams were deployed.

However, as a responsible corporate entity within the community we sought to go further with our efforts and fulfill our commitment to the nation. Hence Janashakthi Full Option carried out free breakdown assistance for vehicles in areas affected by floods regardless of their Insurance provider. A 24-hour helpline was put in place and the Full Option's fleet of breakdown assistance trucks were on standby to tow any affected vehicles to the nearest garage, free-of-charge.

Supporting the Arts with Raigam

Art influences society and shapes opinions. It instills values and translates experiences. Art is the product and true expression of the culture that gave birth to it. Understanding the intrinsic value of art and artistes Janashakthi stepped forward for the second consecutive year to partner with the Raigam Tele Awards.

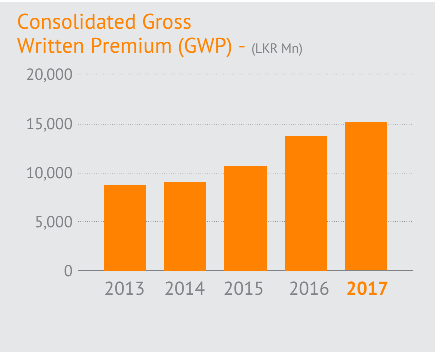
The artistes recognised by this platform have contributed immensely towards the furthering of their craft and have added to the collective joy of society. To help safeguard these individuals Janashakthi became the first Insurer to provide them with comprehensive Life Insurance cover and hospitalisation cover.

Financial Review

CONSOLIDATED GROUP GROSS WRITTEN PREMIUM (GWP)

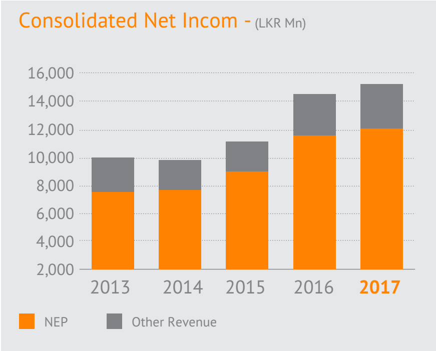
In 2017 the Company recorded a consolidated group GWP of LKR 15.12 billion which reflected a growth of 11% from the previous year. This is yet again the highest consolidated group GWP in the Company's history. The Non-life and Life businesses contributed 81% and 19% respectively to the consolidated annual GWP. During the period the Non-life GWP grew by 14% and Life GWP remained flat as compared with the previous year.

The Motor GWP has contributed 65% towards the Non-life GWP down from the 66% recorded in the previous year. This year-on-year continued decrease in the Motor GWP contribution clearly indicates a deliberate shift on the part of the Company to reduce its dependency on the Motor segment towards Non-life GWP.



CONSOLIDATED GROUP REVENUE-NET INCOME

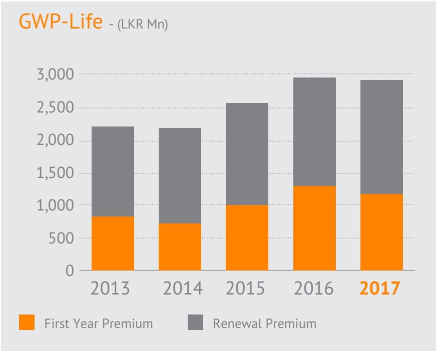
The Company recorded LKR 15.18 billion in net income during the financial year 2017, an increase of 5% from the previous year's LKR 14.46 billion. This figure consists of Net Earned Premium (NEP) and Other Revenue which grew by 4% and 8% respectively. The NEP grew mainly due to the improved performance in the Company's motor portfolio.



LIFE INSURANCE OPERATIONS

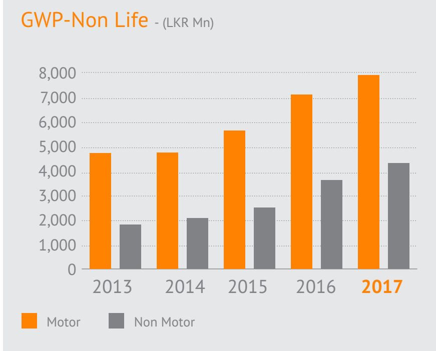
Life Insurance recorded a GWP of LKR 2.90 billion slightly lesser than the LKR 2.94 billion recorded in 2016. The ongoing restructuring effort of the Life business is reaching its conclusion and is expected to bear fruit in 2018.

The first year premium posted a GWP of LKR 1,163 million indicating a decline of 10% when compared with previous year. However, the renewal premiums recorded a moderate growth of 5% from the previous year.



NON-LIFE INSURANCE OPERATIONS

The Company recorded a positive GWP growth of 14% in the Non-life segment which recorded a value of LKR 12.21 billion during the year as compared with the previous year. The motor segment which is the largest contributor to the Non-life GWP grew by 11%, while the other segments grew by 19%.

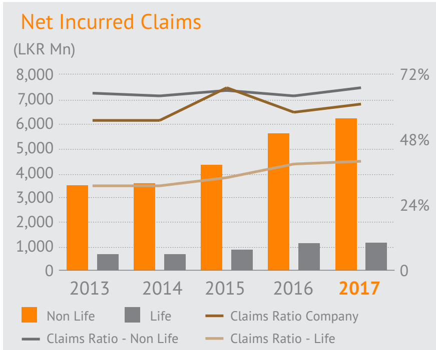


INSURANCE CLAIMS & BENEFITS

The gross claims paid by the group recorded LKR. 20.22 billion in comparison to LKR 22.19 billion in 2016. Significant portion of these risks were reinsured as part of the risk management strategy. Hence the Company had a minimum impact due to these incidents.

The Company was able to meet its obligations to customers by promptly settling claims made by policyholders. The Group had settled a value of LKR 7.32 billion in claims during 2017 as compared with LKR 6.69 billion in 2016. The increase in settlements was mainly on account of the flood claims.

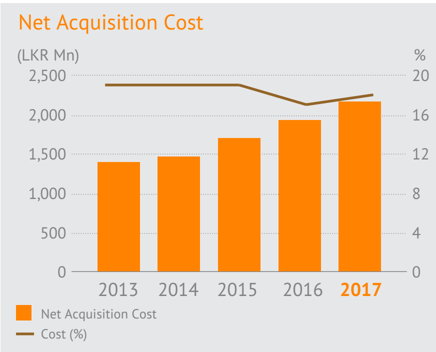
The Non-life segment contributed 85% towards the total cost of claims incurred which is marginally higher than the previous year's 83%. The remaining 15% was contributed by the Life Insurance segment. The overall Non-life net incurred claims to NEP ratio for the year under review was 67% which is slightly higher than in 2016 (64%).



NET ACQUISITION COST

Acquisition cost is the cost of acquiring and servicing the customers in the Company. The types of cost included are upfront costs incurred in acquiring new business, such as sales staff emoluments, and other acquisition expenses. The receipt of reInsurance commission is netted with the acquisition cost in order to arrive at the net acquisition cost. It is important to monitor the acquisition cost and manage it prudently.

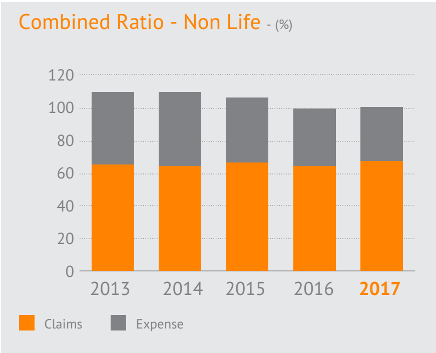
The consolidated Group net acquisition cost during the period under review was LKR 2.16 billion against a value of LKR 1.93 billion in the previous year. This reflects an annual cost growth of 12%. However, the ratio between the net acquisitions cost to the GWP reached 14% in this year as in the previous year. The Life segment recorded a value of LKR 662 million in net acquisition cost. This is a reduction from the previous year's value of LKR 692 million. The Net Acquisition Cost of the Non-life segment grew by 21% to LKR 1,500 million from LKR 1,240 million the previous year. The Company continues to operate an extensive network of branches Island-wide with a large sales force to provide our customers with convenience of access to branch network which will be an important element of our competitive advantage. Our branches and field staff are very important services channels for the Company.



COMBINED RATIO

This is one of the key indicators used to measure efficiency in the operations. The combined ratio is arrived by taking the sum of incurred losses and expenses and then dividing them by earned premium.

Non-life business improved positively in the combined ratios implying better efficiency than in the previous year.



CONSOLIDATED GROUP UNDERWRITING RESULTS

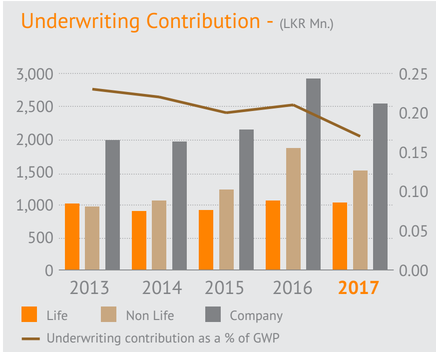
Underwriting result is representing premiums earned less directly attributable expenses such as claims, ceded premiums, acquisition costs and underwriting expenses. This measure of performance is used to evaluate the profitability of underwriting operations.

The consolidated group underwriting contribution decreased in 2017 to LKR 2.54 billion compared to the previous year's value of LKR 2.92 billion (which is a 13% reduction).

The underwriting contribution of the Non-life segment was LKR 1.52 billion reflecting a decrease of 18% from the previous year. The decrease is mainly due to the Non-life segment recording a 11% growth in Net Benefits & Claims Expense which was LKR 6.2 billion compared to LKR 5.6 billion in 2016; This was favorable to policyholders and was as a result of increase in fire & engineering claims as a consequence of floods and the dengue epidemic which resulted in higher medical claims.

Consolidated underwriting & acquisition cost also reported a LKR 2.16 billion for year 2017 which represented a 12% growth when compared to last year.

The underwriting results of the Life segment also reduced by 3% during this period.



OPERATING AND ADMINISTRATIVE EXPENSES

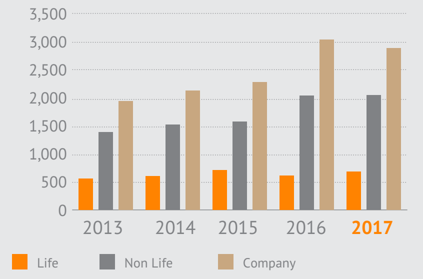
The Company recorded a year-on-year decline of 5% in the consolidated operating and administrative expenses recording a value of LKR 2.88 billion against the previous year's value of LKR 3.03 billion.

The current year charge includes the LKR 199 million goodwill impairment on account of the AIA general business acquisition. The goodwill (LKR 1.40 billion) on the business acquisition has to be tested for impairment as per the accounting standard LKAS 36 - Impairement of Assets.

The staff cost accounted for 47% of the cost (LKR 1.35 billion) followed by the Administration and establishment expenses (27% share of cost).

The Company has managed to bring down the expense to GWP ratio to 18% (excluding LKR 199 million goodwill impairment) from the previous year's 19%. The consistent reduction in expense to GWP ratio demonstrated the expense savings synergies through the process re-engineering and prudent cost management.

Operating Expenses - (LKR Mn)



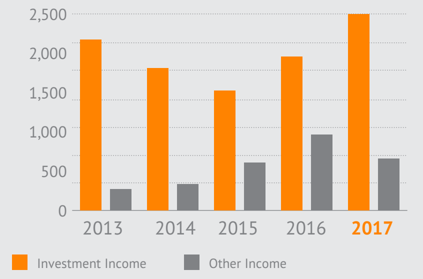
Note: Company Operating Expenses of LKR 2,880 million is inclusive of LKR 199 million goodwill impairment

OTHER REVENUE

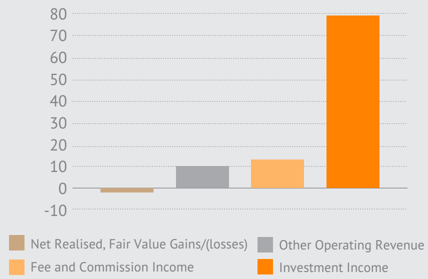
Consolidated other revenue for the period under review was LKR 3.16 billion against LKR 2.92 billion last year.

Other revenue consists of five main income sources, of which interest income, Net Realised Gains (capital gains), Fair Value Gains (mark to market gains/ losses for the existing portfolio) relate to the investment activities of the Company. The other income is pertaining to the fee and commission and income earned from the auto centre. The interest income generated from the investment income had risen to LKR 2.5 billion in 2017 from LKR 1.9 billion in 2016. Growth in income is mainly due to the higher interest regime in 2017.

Consolidated Investment Income & Other income - (LKR Mn)



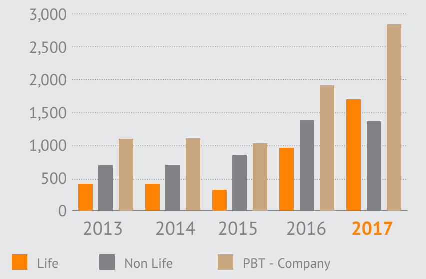
Investment & Other Revenue 2017- (%)



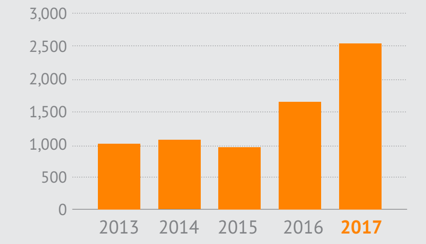
GROUP PROFIT AFTER TAX

In 2017 the Company was able to record a profit after tax of LKR 2.54 billion which is a 54% increase from the previous year's profit after tax of LKR 1.65 billion. The increase in Group profit is mainly due to the one-off surplus transferred from the life policyholders to shareholders with the approval of IRCSL, amounting to LKR 1.79 billion which resulted from the RBC regime change in 2016.

Profit Before Tax - (LKR Mn)



Profit After Tax - (LKR Mn)

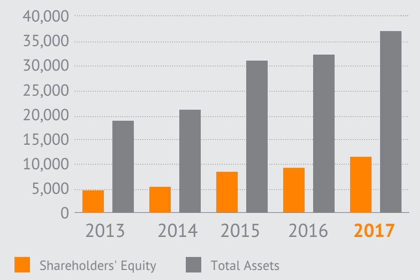


CAPITAL STRUCTURE, ASSETS AND LIABILITIES

The total assets of the Group as at 31 December 2017 were LKR 36.84 billion compared to LKR 32.1 billion last year. This reflects a growth of 15%.

The Company's capital and revenue reserves amounted to LKR 11.31 billion which is an increase of LKR 2.27 billion compared to 2016. It includes Restricted Regulatory Reserve of LKR 1.79 billion which resulted from the life fund one-off surplus. Restricted Regulatory Reserve cannot be distributed without further approval from IRCSL. Based on current statutory requirements the Company maintains a significant value of excess capital in comparison to the minimum required, indicating its strong financial strength and stability.

Stability - (LKR Mn)



LIFE INSURANCE FUND

The life Insurance fund is a portfolio of investments with corporate debts and marketable securities and the receipt of the life Insurance premiums less claim settlements. The fund is required to be assessed by a professional actuary in order to determine the actuarial position at regular intervals. The excess/deficit of the life funds is transferred to the Shareholder's Funds.

In 2017 LKR 205 million was transferred to the life fund from the shareholder's funds, due to the methodology change in valuing the life Insurance fund.

NON-LIFE INSURANCE FUND

The Non-life Insurance fund showed a marginal growth in 2017 recording a value of LKR 8.85 billion against a value of LKR 8.44 billion in the previous year. The Non-life fund is represented by the reserves required in respect of commitments entered into prior to the end of the accounting period. These are liabilities which mainly comprises outstanding claims, provisions for Incurred but Not Reported (IBNR) claims, provisions for unearned premium and deferred acquisition cost. The premium liabilities of the Company including claim liabilities have been valued by an independent professional Non-life Actuary as part of the regulatory requirements. According to the Liability Adequacy Test (LAT) certificate issued by the Actuary the net Unearned Premium Reserve (UPR) is adequate in relation to the unexpired risk of the Non-life segment.

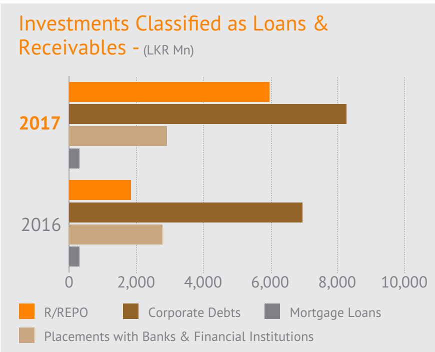
FINANCIAL INVESTMENTS

The Group level financial investments at the end of 2017 was LKR 25.52 billion in comparison to LKR 21.59 billion in the previous year. Investments in the individual financial asset categories also remained in line during both years.

There are two main categories of investments within the financial investments. They are Loans and Receivables & Marketable Securities.

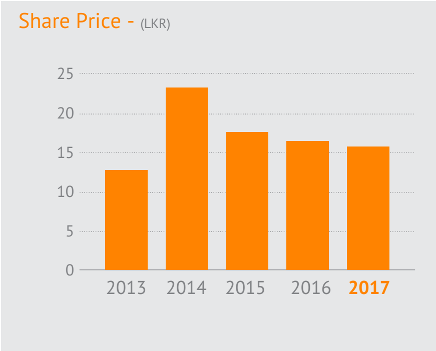
The loans and receivable reached LKR 17.5 billion (or 68%) of the total financial investment. Corporate debts, placements with banks and financial institutions, reverse repurchase agreements are the main components of the loans and receivables.

The marketable securities include the investments in the available for sale (AFS) of LKR 6.37 billion and fair value through income statement/ trading portfolio of LKR 1.69 billion. Investments in the AFS portfolio include the equity securities (LKR 2.15 billion) and government securities (LKR 4.22 billion).



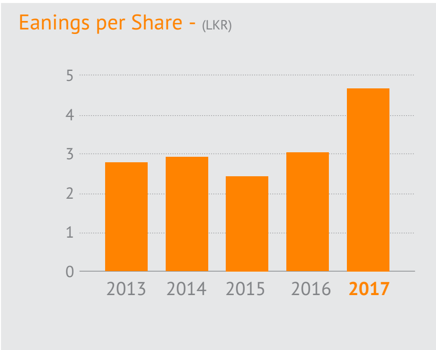
SHARE PRICE OF THE COMPANY

The market price of the Company's share as at the end of 2017 was LKR 15.70. This was down from the previous year's LKR 16.40. The number of shares traded in the CSE during this period totaled 24,453,149. The year 2017, market capitalisation was LKR 8.5 billion as compared with LKR 8.9 billion in the previous year.



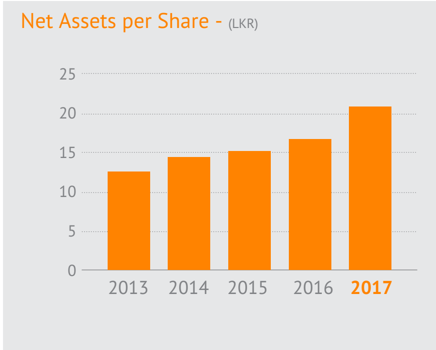
EARNINGS PER SHARE (EPS)

The EPS reflects the extent of net income the Company has earned on each share during a given period of time. In the current year, the Company has earned a net profit of LKR 4.66 per share. This is a significant increase from the previous year's EPS of LKR 3.02. The Company EPS had increased over the past five years from LKR 2.77 to LKR 4.66. This indicates the Company's ability to generate a sustainable level of earnings to its shareholders over the years.



NET ASSETS PER SHARE

The net assets value of the Company is the amount by which total assets exceeds total liabilities. This measure is used to assess the profitability, creditworthiness and solvency of the Company. During the last seven years, the Company has shown a consistent growth in net assets per share. The value of net assets per share increased to LKR 20.78 from LKR 16.61 in the previous year. This reflects a growth of 25% in 2017 as compared to 10% in the previous year.



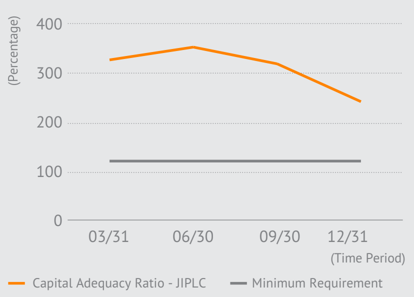
RETURN ON EQUITY

Return on equity is a measure of the effectiveness of a Company by using its equity to generate a return on that level of equity. During the period under review the Company generated a 22% return to its equity holders compared with 18.2% the previous year.

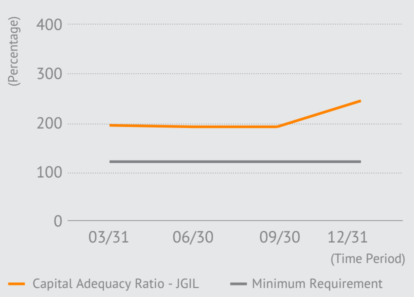
STATUTORY SOLVENCY MARGIN REQUIREMENTS

The statutory solvency margin requirements under the Solvency Margin Rules (Risk Based Capital) 2015 came into effect from 1st January 2016 and required to maintain a Capital Adequacy Ratio (CAR) of a minimum of 120%. The Group has maintained healthy Capital Adequacy Ratios (CAR) for both Life and Non-life businesses that is significantly in excess of 120%.

Solvency Margin (RBC) JIPLC 2017



Solvency Margin (RBC) JGIL 2017



The Governance framework ensures accountability, fairness and transparency.

Governance

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66 Nomination Committee Report

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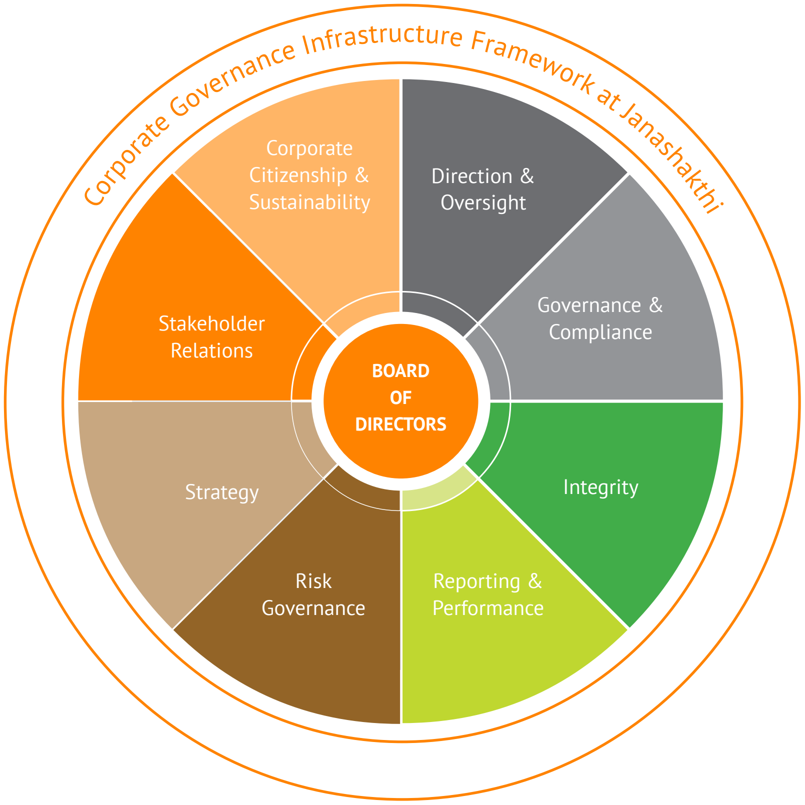
Corporate Governance at Janashakthi

"The Company's Corporate Governance Framework remains firmly anchored to its strategic vision, where clear principles of delegation and escalation have been established in order to facilitate the discharge of duties and responsibilities of Directors and Employees."

OVERVIEW

The Corporate Governance framework at Janashakthi is considered a focal point for the organisation in ensuring accountability, fairness and transparency in the Company's relationships with its Board of Directors, Management, shareholders, and other stakeholders. This is based on the understanding that a strong structure, process and diligent practice of Corporate Governance is imperative to reduce opportunity for fraud, ensure the sustainability of operations, inspire investor confidence, and expand the private sector to stimulate economic growth.

As such, the Janashakthi Insurance PLC adopts a holistic approach towards governance, particularly as the Company's operating model continues to evolve in tandem with regulatory changes in the industry and the external environment. The Company's Corporate Governance Structure provides a robust framework for the Board, its committees, and the leadership of the Company to proactively and efficiently represent and safeguard the interests of all its stakeholders.



The Company's Corporate Governance Framework remains firmly anchored to its strategic vision, where clear principles of delegation and escalation have been established in order to facilitate the discharge of duties and responsibilities of Directors and Employees. Meanwhile, ongoing review of systems and processes aim to facilitate effective leadership, promote sustainability and corporate citizenship in support of the long-term Group strategy. In this context, the Company's governance system is led by ethics and integrity, which set the standards for compliance in cognizance with corporate governance standards, developments and best practices.

The commitment to maintain high levels of transparency and accountability remains an integral part of management practices of Janashakthi Insurance PLC, and underpins the Company's responsibility towards shareholders and the broader community. With Corporate Governance engrained at the core of the business, the Company has segregated its framework into the following:

- External Regulatory Framework
- Internal Regulatory Framework

EXTERNAL REGULATORY FRAMEWORK

Mandatory Compliance – Regulatory Benchmarks

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (Including subsequent revisions to date)
- Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent revisions
- Rules, Regulations, Directives, Circulars and Determinations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Inland Revenue Act No.10 of 2006 and subsequent amendments
- Motor Traffic Act No.14 of 1951 and subsequent amendments.
- Crop Insurance levy governed by Finance Act. No. 12 of 2013
- National Insurance Trust Fund Act No 28 of 2006 and subsequent revisions
- Terrorist Financing Act No 25 of 2005, Prevention of Money Laundering Act No. 05 of 2003 & Financial Transaction Reporting Act No 06 of 2006, reporting to the Central Bank of Sri Lanka

- Reporting on accidents, dangerous occurrences and industrial disease, to the Department of Labour
- Exchange Control Act (as amended)
- Payment of Gratuity Act (as amended)
- Employees Trust Fund Act and Employees Provident Fund Act (both as amended)

Voluntary compliance:

- The Code of Best Practice on Corporate Governance as published by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants Sri Lanka, as amended in 2013.

INTERNAL GOVERNANCE FRAMEWORK

Janashakthi's Internal Governance Framework concentrates on the governing systems and procedures that are integral to the Company's interactions with its stakeholders, such as the overall decision-making process, and the evaluation of business opportunities.

The Internal Governance Framework of Janashakthi comprises:

- The Articles of Association
- Company Code of Conduct
- Terms of Reference of Committees
- Company Directives & Manuals (Organisation Structure, Operational Manual, Financial Limits of Authority Manual, IT Quality Policies etc.)
- Internal Audit
- External Audit
- Values
- Branch Audit and Investigations

JIPLC wishes to disclose that as a Company, it adheres to a majority of the recommendations of the voluntary, 'Code of Best Practice on Corporate Governance', with the exception of the following. The reasons/explanations for deviation from the recommendations are listed in pages 41-61.

Areas of Non-Compliance with the Code of Best Practice:

1. Chairman does not conduct a meeting with only the Non-Executive Directors once a year. (Section A5.9)
2. The process for responding to shareholder matters should be formulated by the Board and disclosed (Section C2.7)
3. The Chairman must affirm that he is not aware of any violation of any provision of the Code of Business Conduct & Ethics (Section D4.2)

BOARD STRUCTURE AND PRACTICES

The Board of Directors of Janashakthi Insurance PLC promotes and supports high standards of Corporate Governance and in doing so, has adopted an integrated approach to managing the Company. Accordingly, the Company's governance structure is geared to actively identify, respond to, and communicate on those material issues that impact on their capacity to create value.

1. Board Role

The Board serves as the ultimate decision-making body of the Company. The Board collectively and each director individually acts in good faith and in the best interest of the company in all its decisions. The Directors are aware of their responsibilities to all stakeholders regarding the manner in which affairs of the Company are conducted.

In doing so, the Board regularly calls for a standard set of timely, accurate and reliable management information, which includes both financial and non-financial information. Further, the Board, at any given time, has the authority to request for additional information in order to clarify or make a reliable judgment and discharge its duties effectively.

As the main governing body of Janashakthi Insurance PLC, the Board has the following main duties:

- Providing direction and oversight to ensure that the mission and vision statements reflect the Company's core purpose and to ensure strategic priorities and plans are aligned with the mission and the best interests of the stakeholders.
- Ensuring governance and compliance of all statutory and regulatory obligations of the Company and safeguarding the Company's reputation by promoting high standards of honesty, integrity, and ethical business practices at all levels of the business.
- Reporting and monitoring of strategy, annual operating and financial plans, including the management and execution of strategic objectives, while promoting greater transparency and best practices for the reporting of financial and non financial information.
- Providing oversight for a stable Risk Governance framework by setting Risk appetites and tolerance levels to commensurate for the Company's strategic priorities. This also includes implementing suitable internal audit processes, IT systems, HR procedures etc. that would safeguard the Company against all major business risks.
- Maintaining Stakeholder relationships as part of the Company's commitment to work to create sustainable value for all stakeholders. Mr. Ramesh Schaffter, the Board Secretary, is the designated appointee in charge of maintaining investor relations and addressing queries from stakeholders.
- Promoting Corporate Citizenship to ensure long-term sustainability of the business.

2. Board Composition and Strength

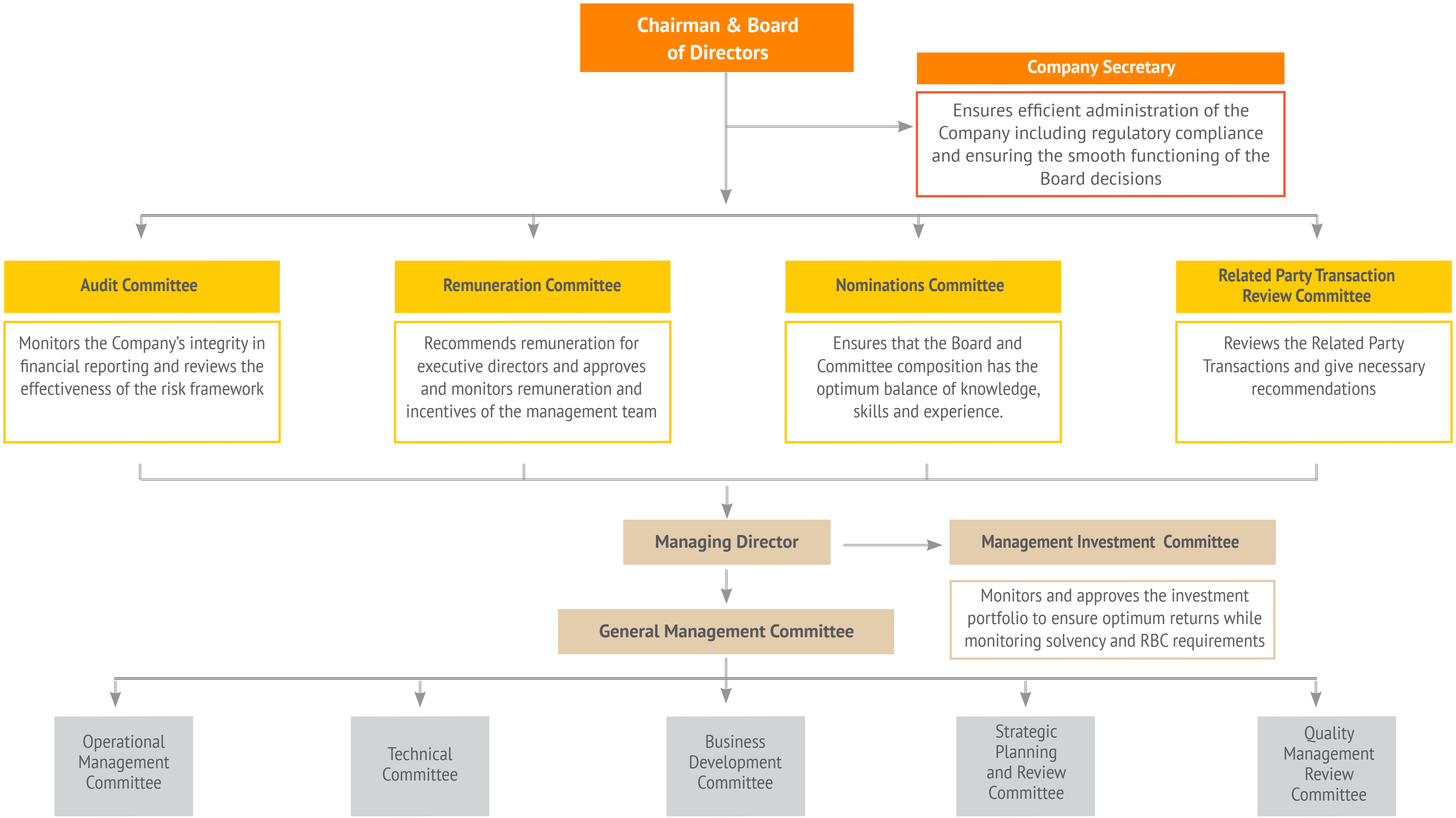
Janashakthi Insurance PLC is headed by a well-balanced and diverse Board, led by the Chairman and seven Directors, five of whom including the Chairman, function in a Non-Executive capacity.

All individuals on the Board are well-respected professionals in their respective fields and given their diverse experience and vast knowledge, are able to effectively carry out their duties in managing the affairs in the interests of the Company and the shareholders. The Board collectively possess a strong financial acumen and capability to assess the integrity of the Company's financial reporting systems and controls, continually review and critique these systems and make changes to them as and when necessary. Please refer pages 16-19 of this report for further details regarding profiles of individual Directors.

Meanwhile, the Directors' knowledge and understanding of Janashakthi's business is refreshed throughout the year, with briefings as necessary on required topics, while all directors are encouraged to attend forums that provide the opportunity to familiarise themselves with the latest developments in the industry and global best practices for Corporate Governance.

3. Role of the Chairman and the Managing Director

The roles of the Chairman and Managing Director remain distinct and separate, which ensures the balance of power within the Board. The Chairman, who is also an Independent, Non-Executive Director, presides over Directors and shareholders' meetings and ensures the smooth operation of the Board. The Managing Director provides oversight for the management of day-to-day affairs of Janashakthi Insurance PLC.



Appraisal of the CEO's Performance

The performance of the Chief Executive Officer is appraised annually, to assess his performance in keeping with Board stipulated financial and non-financial targets that would achieve the short, medium and long term objectives of the Company as outlined by the Board approved strategic plan.

4. Role of Non-Executive Directors

The Janashakthi Insurance PLC Board comprises of six Non-Executive Directors of which four are Independent and two are Non-Independent. Among other things, all Non-Executive Directors play a key role in examining the performance of the Corporate Management to ensure the achievement of corporate goals & objectives in line with pre-determined targets set at the beginning of each year.

The diverse experience and expertise of the four independent Non-Executive Directors, facilitate an unbiased standpoint in the decision making process and prevent any conflicts of interest that may arise at the Board level. All independent Non-Executive Directors also actively participate alongside their colleagues on the Board in the development and execution of Company strategy.

5. Appointment and re-election of Directors

The Company complies with the CSE Listing Rules and has a procedure in place where shareholders are informed of all new appointments to the Board via the CSE. Directors are then subject to election by shareholders at the first AGM after their appointment and to re-election thereafter at intervals. One new appointment was made during year 2017.

One third of the total number of Directors commencing with the longest in office since their last re-appointment shall retire each year by rotation.

6. Director's Remuneration

The Company has in place an established remuneration procedure, which determines how Executive Directors are compensated for their efforts to drive growth and ensure the long-term sustainability of Janashakthi Insurance PLC. Accordingly, Director's remuneration is set to attract and retain highly qualified individuals to serve on the Board of Directors.

For further details regarding Directors' remuneration, please refer the Remuneration Committee report on page 64.

7. Board Meetings

The Board meets regularly to discuss issues that arise during the ordinary course of business. To enable more constructive dialogue at these meetings and assist them to arrive at important decisions, Directors are provided with the Board Papers well in advance (at least seven days prior) to any meeting for review and study.

A typical Board information pack consists of performance reports, financial statements, compliance reports, Board Resolutions, etc. Most Board meetings follow a common agenda, which includes:

- Confirmation of previous minutes and discussion of matters arising from previous minutes
- Review of Board Sub Committee reports
- Review of Financial Statements
- Status updates of major projects
- New Resolutions if any
- Any other business

Further, the Board also meets as and when needed to discuss special issues that may become relevant from time to time.

The Chairman is responsible for ensuring that all Directors who have not attended a particular meeting are adequately briefed through circulation of formally documented minutes and through a brief re-cap of previous meetings' agenda items.

Independent Professional Advice

The Board and its committees have the authority, at the Company's expense, to obtain independent professional advice, legal counsel, consultants or other external expert advisors as and when deemed necessary.

The Board Secretary

The Secretary to the Board, KHL Corporate Services Ltd., maintains minutes of all Board decisions taken at Board meetings. Their duties also include liaising with the Directors on all Board matters and ensuring smooth coordination with the Company Secretary.

Company Secretary

KHL Corporate Services Ltd. serves as the Company Secretary for Janashakthi Insurance PLC. The role of the Company Secretary is to ensure that the Company compliance with Board procedures, the Companies Act & CSE regulations.

Appointment and/or removal of the Company Secretary are at the discretion of the Board of Directors as per section 114 of the Articles of Association.

Board Committees

As the key governing body of the Company, the Board provides oversight for the Board sub committees, which have been appointed to strengthen the Company's Governance framework, enhance accountability and promote greater transparency at all levels of the business. The sub committees currently in place are;

- Remuneration Committee (Refer page 64 for report)
- Audit Committee (Refer page 62 for report)
- Nominations Committee (Refer page 66 for report)
- Related Party Transaction (RPT) Review committee (Refer page 67 for report)

Human Resources Governance

In order to ensure our employees are recognised and looked after, we have in place a proven Performance Management System with all supporting processes in place. It enables JIPLC to develop a family culture that strives for high performance standards within a framework of compliance and sustainability.

Employee Participation in Governance Policy of Human Resources
Whistle Blower Policy

Janashakthi has a Whistle Blower Policy and procedure, which encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or business principles. The Whistle-blower Policy ensures staff member raising an issue is protected. Employees can report any concerns about unethical behaviour and on any violations of the Company code of conduct to the named Senior Member of the Management team. Complete confidentiality is guaranteed to the employee reporting such incidents.

Exit Interviews

Exit interviews are conducted at all staff levels. Outcomes are discussed with respective department head and follow up action is taken as needed.

Grievance Procedure

A staff member who may feel that the he/ she is unfairly treated in the course of duties despite the matter(s) being brought to the attention of the Head of Department / Supervisor could direct his/ her concerns to the Grievance Handling Committee. Areas pertaining to broken employment agreement, lack of employer communication, workplace harassment, defamation, etc. will be reviewed for needed action.

This procedure works well in the structure of Janashakthi due to its large branch network and the involvement of many staff members and this also facilitates the process of ensuring a strongly governed culture within the Company.

Risk Review

Strategic Risk Management is an increasing concern for both the Board and Senior Executives of Janashakthi. While Insurance is necessarily the business of accepting risk. Risk Management is a key pillar of Janashakthi's strategy and is guided by a structured process developed within the organisation.

We trust effective Risk Management will enable us to minimise unexpected operational losses. Janashakthi has identified that our ability to manage risks, engage in effective corporate governance and implement new regulatory changes can be achieved by having in place a structured process to underpin Culture, Leadership, Systems and Structures.

IT Governance

The IT governance of Janashakthi is focused on core areas in relation to IT alignment, risk management, Integration, optimising value and compliance.

Business objectives are factored in as one of the key contributors when deciding the IT objectives. Further, Risk Management ensures that IT systems and controls are in place to minimise risk as well as effectively manage the risks that are not within our control; whilst Integration ensures that all the processes operate as intended, minimising any hidden risks that impact the operations of JIPLC. Compliance warrants that all regulatory and compliance requirements are embedded through implementation of appropriate IT controls in running of the business entity.

Code of Conduct

A code of conduct and ethics is in place for the employees providing guidance on recognising and handling areas of ethical ambiguity, with guidance on how to report unethical conduct and to nurture a culture of openness and accountability.

Shareholders

The Board and its committees carry out their tasks with utmost care as they represent the interest of all the shareholders. One of the main objectives of the Board is to ensure that all activities that are taking place are carried out to the benefit of its shareholders in an ethical manner. In fulfilling the Board's objective to the shareholders; the owners of the Company, the following principal goals are set;

- Providing the highest possible distribution of dividend to the shareholders.
- Ensuring highest returns are achieved through operations; to provide its expertise by way of providing direction and approval for Company's strategies, financial budgets and significant operational procedures.
- Maintaining the Company solvency ratios at the required levels enabling the continuity of the operations.
- Ensuring all operations are carried out in compliance with regulations.
- Communicate on a frequent basis with the shareholders on the operations of the Company.

Return to Shareholders

Details available under operational highlights of the Management Discussion available from pages 27.

Annual Report

The Annual Report is the main detailed communication document which is accessible to all the stakeholders. The report consists of important financial and non-financial details through which an in-depth idea of the operations can be derived by the reader.

JIPLC takes all possible measures to ensure that the report is made available before the statutory deadline as we strongly believe that timely communication of the information is of paramount importance to all our stakeholders.

Interim Financial Statements

As per the listing rules of the Colombo Stock Exchange (CSE), the Company submits its Interim Financial statements to CSE which in turn will release it to the public. The Company also takes measures to make it available to the public through;

- Publishing in the print media
- Publishing in the Company's website
- Announcing via press release

The JIPLC website is an additional source of information for all stakeholders about the Company. It carries a wide array of information starting from financial to nonfinancial data and could be accessed at www.janashakthi.com.

Communication with Institutional Shareholders

The Company maintains frequent dialogue with its institutional investors in order to enhance its knowledge on Company's, operations, while this enhances the levels of transparency; it also increases the level of confidence in the minds of its stakeholders.

The Board and the Management maintains and adheres to strict guidelines ensuring that the responsibility of maintaining confidentiality of price sensitive information is in no way impacted.

Meeting with Shareholders

JIPLC ensures the AGM of the Company is carried out in the most effective and efficient way to enhance their relationship with the shareholders. It provides the shareholders an opportunity to put forward questions to the Board on any issue covering governance, compliance operations etc. It enables them to familiarise themselves with and enhances their confidence on the affairs of the Company. The contents of this Annual Report enables the existing and prospective stakeholders to make better informed decisions in their dealings with the Company. In general, the AGM facilitates the exercise of shareholder rights at the AGM.

The following procedure is carried out to ensure shareholder needs are well taken care of and the relationship is enhanced.

In accordance with the rules of the SEC, Notice of the AGM and relevant documents are forwarded to the shareholders within the specified period of 15 working days prior to the meeting.

All members of the Board and Senior Management attend this important event and answer questions and concerns raised by the shareholders. A representative of the external auditor (usually a partner) is also present to take questions from the shareholders on the audit of Company's financial statements.

Separate resolutions are proposed for each item on the Agenda. The most recent AGM of the Company was held on 14th June, 2017 at the Level 6 Conference Hall of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Road, Colombo 07.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
A	**Directors**		
A.1	The Board The need for the Company to be headed by an effective Board, which should direct, lead and control the Company.	Complied	The Janashakthi Insurance PLC Board during the last financial year comprised a Chairman and nine Directors, of whom six including the Chairman function in a Non-Executive capacity. The Company is headed by a dynamic and effective Board. Board responsibilities and other core functions are discussed in detail in this report. The Directors are well qualified and experienced with a thorough understanding of the business complexities and are prominent corporate personalities, with experience in different industries. The detailed individual profiles of Board members are provided on pages 16-19. The Board approved the Company objectives and strategies for the year 2018 and was actively involved in monitoring the performance of both financial and non-financial objectives and targets for 2017.
A1.1	The Board should meet regularly. Board meetings should be held at least once every quarter of a financial year in order to effectively execute Board's responsibilities, while providing information to the Board on a structured and regular basis.	Complied	Board meetings were held every quarter and as and when the need arose. The Board met 07 times during the year 2017. The core focus of these meetings was to review and discuss the Company's performance to ensure target expectations are being met. In addition, the meetings convened by the Board Sub-Committees are also provided on page 62-67. The Board Papers are forwarded 07 days in advance of the meeting. Additional information requested by the Board has always been provided within short period in order for the Board to be prepared in making decisions at the meetings.
A1.2	The Board's role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:		
	Formulation and implementation of sound business strategy	Complied	The Board in principle is responsible to the shareholders of the Company for formulating and implementing the Company strategy, ensuring that the management team possesses the expertise to implement business strategy. Strategies formulated are implemented through the Managing Director and the Chief Executive Officer. The 2018 business plan and annual budget were revisited with specific focus on the life business, in the light of the divestment of the general Insurance business. Matters were discussed and debated by the Board taking all aspects into consideration with emphasis on how it will impact stakeholder interest, in order to decide and approve the appropriate strategy. The Board advised and guided the management team on successful execution of strategy.
	Ensuring that the Chief Executive Officer (CEO) and management team possesses the skills, experience and knowledge to implement the strategy	Complied	The Company is steered by a team of multi-disciplinary professionals (Profiles of Senior Management Team provided on pages 22-24), led by a CEO with diversified qualifications and experience reporting to the Managing Director; an industry prominent figure with diversified qualifications and experience.
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy;	Complied	JIPLC has a formal method of identifying and grooming key management employees to ensure the continuity of its operations

Ref	Principle	Compliance Status	Comments
A1.2	Ensuring effective systems to secure integrity of information, internal controls, business continuity and Risk Management;	Complied	Effective systems and procedures are in place to ensure integrity of information, internal controls and information security. Such systems are continuously monitored by the management and internal and external auditors. The Board Audit Committee reviewed these and the findings were reported to the Board for their decisions. Effective mechanisms are also in place to identify, assess and manage/mitigate risks faced by the Company which are discussed in detail in the Risk Management Report on pages 68-71. JIPLC has a Business Continuity Plan in place which is duly updated.
	Ensuring compliance with laws, regulations and ethical standards	Complied	All policies pertaining to compliance with laws and regulations are discussed at the Board Meetings thus ensuring the commitment of the highest governing body. Further, the monthly list of Statutory Compliance is submitted to the Board on a quarterly basis for their approval and comments for improvement. This process also brings the Board up to date with the Compliance aspects of the Company.
	Ensuring that all stakeholder interests are considered in corporate decisions	Complied on best endeavour basis	Janashakthi has established a strong set of values within the Company and is mindful of adhering to these values and principles at all times. The Board evaluates the impact on all the key stakeholders of the Company before arriving at any key business decision.
	Recognising sustainable business development in Corporate Strategy, decisions and activities;	Complied	The Board is mindful of sustainable business development and has always taken a long term approach to Insurance business development with improved focus on the Life Insurance business.
	Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	Complied	The Board comprises of professionals from various professional backgrounds with many years of experience and exposure to financial regulations. Four out of the nine members of the Janashakthi Board possess financial qualifications and exposure; namely, Ms. A. Coomaraswamy, Ms. M. Mathews, Mr. R. Schaffter & Mr. M. S. J. Fernando. The above directors are directly involved in reviewing Accounting Policies and the Financial Statements to ensure that highest ethical standards in adopting accounting policies are adopted. The Company's accounting policies are in adherence to Sri Lanka Accounting Standards (SLFRS/LKAS) which has been adopted since the fiscal year 2012. In addition to the above, the accounting policies are reviewed on a frequent basis to ensure they are in line with the changing business specifics and best practices in the industry.
	Fulfilling other Board functions as relevant to the organisation	Complied	During the year, the Board endeavoured to fulfil their stewardship obligations on behalf of all stakeholders.
A1.3	Procedure to obtain independent professional advice where necessary	Complied	The Board and its committees have the authority, at the Company's expense, to obtain independent professional advice, legal counsel, consultants or other external expert advisors as and when deemed necessary.
A1.4	All Directors have access to the advice and services of the Company Secretary	Complied	KHL Corporate Services Ltd. serves as the Company Secretary for JIPLC. The Company Secretary ensures compliance with Board procedures, Companies Act & CSE regulations.
A1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.	Complied	All Directors bring independent judgment and are conscious of avoiding matters of potential or actual conflicts of interests. Further, all directors use independent judgment in choices made by the Board on matters of strategy, performance, resource distribution and the conduct of operations. All Directors make decisions impartially and independently in the pre-eminent interest of the Company. Each year various executive officers meet with the Board to review the previous year's results and progress to focus on goals and challenges of the upcoming year. Management also periodically updates the Board on progression of the business unit's focus goals.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
A	**Directors**		
A1.6	Every Director should dedicate adequate time and efforts to matters of the Board and the Company.	Complied	Board papers for discussion at a given meeting are circulated in advance of the said meeting, to provide Board members with sufficient time to study the material and request any additional information deemed necessary for the discussions. Board papers are discussed in detail and debated at the Board meeting before a final decision. Members of the Senior Executive Committees are also requested to make presentations when needed to obtain more details in order to analyse a given situation. Most of the Directors' time were spent on strategy formulation, performance review and directing corrective measures for fine tuning areas where it was deemed required. During 2017, significant time was allocated to areas relating to regulatory compliance, strategy formulation and review.
A1.7	Every Director should receive appropriate training when first appointed to the Board and subsequently as necessary. The Board should regularly review and agree on the training and development needs of the Directors.	Complied	The Directors' knowledge and understanding of Janashakthi's business is refreshed with briefings as necessary on required topics.
A2	Chairman & CEO There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power & authority so that no individual has unfettered power.	Complied	There is a clear division of responsibilities between the position of Chairman and CEO and also between the running of the Board (Chairman) and the executive responsibility for the running of the Company's business (Managing Director). No one individual has unfettered power of making decisions. As explained earlier, to ensure the delegation of authority, the Board has set up a number of committees to ensure practices of self-governance.
A2.1	A decision to combine the posts of Chairman and the CEO as one person should be disclosed.	Complied	In order to maintain a clear division of responsibilities, the roles of Chairman and CEO have not been combined and continued to be separate in 2017. The functions of the Chairman and the Managing Director and CEO are clearly separated, to warrant balance of power and authority.
A3	Chairman's Role As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board Functions	Complied	The Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of the company's business and to the best interests of its stakeholders. The Chairman also ensures that the Directors receive accurate, timely and clear information and facilitates constructive relations between Executive and Non- Executive Directors.
A3.1	The Chairman conducts Board proceedings in a proper manner.	Complied	The Chairman ensures effective participation of both Executive and Non- Executive Directors, encourages frequency of conduct of meetings and maintains balance between Executive and Non-Executive Directors. The Chairman also ensures that the views of each Director on any issue under consideration are ascertained and also that the Board is in complete control of the affairs of the Company.
A4	Financial Acumen The Board should ensure that the availability within it of those with sufficient financial acumen & knowledge to offer guidance on matters of finance.	Complied	The Board comprises four senior Chartered / Management Accountants. The Board collectively possess a strong financial acumen and capability to assess the integrity of the Company's financial reporting systems & controls, continually review and critique these systems and make changes to them as necessary.

Ref	Principle	Compliance Status	Comments
A5	Board Balance The Board should have a balance of Executive and Non-Executive Directors	Complied	The Board comprises six Non- Executive Directors, out of the total of nine.
A5.1	The Board should include two Non-Executive Directors or one third of total number of Directors whichever is higher.		
A5.2	Two or one third of the Non-Executive Directors, whichever is higher, should be independent.	Complied	The Board comprises four Independent Non-Executive Directors out of six total Non-Executive Directors.
A5.3	Criteria for a Director to be deemed independent.	Complied	Criteria for a Director to be deemed independent is set by the Board in accordance with the Listing Rules of Colombo Stock Exchange.
A5.4	Non-Executive Directors should submit a signed declaration of their independence or non-independence.	Complied	Non-Executive Directors have submitted the declaration.
A5.5	The Board should make a determination annually as to the independence or non-independence of Directors and set out in the Annual Report the names of Directors.	Complied	The Board has made a determination as to the independency of the independent directors. The Board is satisfied that 4 of their members are considered independent as per the code of corporate governance.
A5.6	Appointment of an Alternate Director	Not Applicable	The roles of Chairman and CEO are separated.
A5.7	Availability of a Senior Independent Director	Not Applicable	The roles of Chairman and CEO are separated.
A5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	Not Applicable	Please refer above.
A5.9	Chairman conducts Board meetings only with Non-Executive Directors at least once a year	Not conducted	Chairman and Non-Executive Directors share an excellent rapport and work together professionally. As such separate meetings were not conducted during the year as any issue if any arose, will be discussed and resolved amicably in any event.
A5.10	Recording of Directors concerns on Board meetings in matters, which cannot be unanimously resolved.	Did not arise	Any significant concerns raised by the directors at the Board Meetings, are recorded in the Minutes.
A6	Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties	Complied	The Board receives a standard set of timely, accurate and reliable information regularly. These include both financial and non-financial data and the Board at any given time could request for additional information in order to clarify or make a reliable judgment and discharge its duties effectively.
A6.1	Management has an obligation to provide the Board with appropriate and timely information	Complied	The Board of Directors has full access to members of management. Key members of management report at Board and committee meetings on request and provide the directors with additional information upon request. The Chairman oversees that all directors who have not attended a particular meeting are adequately briefed through circulation of formally documented minutes and through a brief re-cap of previous meetings' agenda items.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
A	**Directors**		
A6.2	The minutes, agenda and papers required for a Board meeting ordinarily be provided to Directors at least seven days before the meeting.	Complied	The Board is provided with materials in advance to any meeting for review and study. Members of management, depending upon items to be considered at the meeting, compile most material and generally submit seven days prior to a meeting.
A.7	Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board	Complied	A Board Nominations Committee was formally set in place by a decision of the Board with the mandate of bringing to the Boards attention any suitable outstanding nominations for consideration if and when the situation arose. Names of Chairman and members of the Nomination Committee and details of meetings is available on page 66.
A7.1	A Nomination Committee should be established to make recommendations to the Board on all new appointments. The Chairman and Members of the Nomination Committee should be disclosed in the Annual Report.		
A7.2	In the absence of a Nomination Committee, the Board as a whole should annually assess Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands of the Company.	Not applicable due to 7.1	
A7.3	Upon appointment of new Directors the company disclose information to the shareholders	Complied	The Company complies with the CSE Rules and has a procedure in place where shareholders are informed of all new appointments via CSE.
A8	Re-election All Directors should be required to submit themselves for re- election at regular intervals and at least in every three years	Complied	Directors are subject to election by shareholders at the first AGM after their appointment and to re-election thereafter at intervals.
A8.1	Non-Executive Directors should be appointed for specified terms subject to re-election.	Complied	One third of the total number of Directors commencing with the longest in office since their last election shall retire each year by rotation.
A8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	Complied	This procedure is in place.
A9	Appraisal of Board Performance Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A9.1	The Board should annually appraise itself on its performance in its key responsibilities.	Complied	The members of the Board carried out a board performance evaluation during the financial year.

Ref	Principle	Compliance Status	Comments
A9.2	An annual self-evaluation of its own performance and that of its committees.	Complied	All Sub-Committees report to the Main Board. There is no formal review of each Sub-Committees performance.
A9.3	Disclosure regarding the performance evaluation in the Annual Report.	Not in place	An informal evaluation of the board is currently conducted, however the process will be formalised and disclosed in the future.
A10	Disclosure of information in respect of Directors Shareholders should be kept advised of relevant details in respect of Directors.	Complied	All relevant information is disclosed in the Annual Report. Please refer the Directors Profiles on pages 16-19.
A10.1	Annual Report should set out the following information in relation to Directors: ■ Name, brief profile ■ Nature of expertise ■ Material business relationships ■ Whether Executive, Non- Executive and/or Independent Director ■ Names of other listed companies they have Directorship ■ Number of Board meetings attended ■ The total number of Board seats held by each Director ■ Names of Board committees in which the director serves ■ Number of committee meetings attended	Complied	Corporate Governance Report pages 18-19, 62-67 & 74-77.
A.11	Appraisal of CEO The Board should be required, at least annually, to assess the performance of the CEO.	Complied	The Board assesses the performance of the CEO annually in keeping with Board stipulated guidelines
A11.1	The Board in consultation with the CEO, should set, financial and non-financial targets that should be met by the CEO	Complied	The Board ensures that a business performance plan is completed and approved by the Board for each business year of operation. This plan is developed to tie up with the corporate plan of the company and Key Performance Indicators (KPIs) are drawn up to monitor the success of operation with renewed focus on the Life Insurance business. The overall KPIs are used to evaluate the performance of the CEO against results achieved by the Company.
A11.2	The Board at the end of each fiscal year should evaluate the performance of the CEO.	Complied	The Remuneration Committee of the Board carries out this evaluation and submits their briefing to the Board, for any further discussion required.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
B	**Directors' Remuneration**		
B1	Remuneration Procedure Companies should establish a formal and transparent procedure for developing policy on executive remuneration	Complied	The Board has implemented a formal & transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. The committee is responsible for the development of executive remuneration and no director is involved in deciding his/her own remuneration. The purpose of the committee is to assist the Board in matters of compensation of the Company's Executive Directors, Corporate Management Team and other employees as determined by the committee.
B1.1	Board should set up a Remuneration Committee	Complied	A Remuneration Committee has been established in this regard and functions within agreed terms of reference which is provided on page 64 of the Corporate Governance Report.
B1.2	The committee should exclusively consist of Non-Executive Directors and should have a Chairman	Complied	The Remuneration Committee exclusively consist of Non-Executive Directors and is headed by a Chairman.
B1.3	The names of the Chairman and the members of the committee	Disclosed	Please refer Remuneration Committee Report in the Corporate Governance section on page 64.
B1.4	Determination of remuneration of Non-Executive Directors	Complied	The Non-Executive Directors are paid a fee for their services as approved by the Board
B1.5	Consultation of Chairman/CEO in deciding the remuneration and access to professional advice	Complied	The Remuneration Committee consults the Managing Director where necessary and has the liberty to consult professional advice within and outside the Company
B.2	The level & makeup of remuneration Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain Directors	Complied	Remuneration levels have been designed to attract, retain and motivate Directors & senior management of high calibre, required to run the Company successfully, while remaining within the industry's remuneration standards. Remuneration of the Executive Directors including the Managing Director are proposed by the Remuneration Committee and approved by the Board.
B2.1	The Remuneration Committee should provide the packages needed to attract & retain Executive Directors	Complied	The Remuneration Committee reviews the market practices and industry remuneration levels and most importantly the Company performance in determining the remuneration of the Executive Directors and Senior Management Team. Therefore, the remuneration levels are in line with the industry standards and packages are designed to attract and retain the best in the market.
B2.2	Remuneration Committee should set remuneration in line with industry standards and the Company performance	Complied	The Remuneration Committee applies their expertise and experience to review and compare the remuneration structure of the organisation in order to attract, motivate and retain high caliber of talent.
B2.3	The Remuneration Committee should be sensitive to employment conditions remuneration elsewhere within the Company when determining salary increases	Complied	The overall increase in annual budget for salary increments maintained at stipulated levels and the Company strictly adhered to this policy in 2017.
B2.4	Performance related elements of remuneration of Executive Directors should be aligned with interest of the Company and the main stakeholders	Complied	As stated above, this area is a specific task of the Board Remuneration Committee.

Ref	Principle	Compliance Status	Comments
B2.5	Executive share options	Not Applicable	The Company has not implemented a Share Option scheme for its Directors or employees at present
B2.6	In designing schemes of performance-related remuneration, Remuneration Committee should follow the provisions set out in the standard	Complied	The Managing Director and employees at all levels are eligible for annual performance linked bonuses based on the achievement of pre-agreed targets. The pre-agreed criteria for payment of performance linked bonuses are available in the intranet. Apart from this, the Company does not have any long-term incentive schemes, including Share Option Schemes. All employees including the Executive Directors are eligible for a Gratuity payment as per statutory requirements when leaving the organisation and the impact of future Gratuity payout is considered when determining salary increases. Performance-related remuneration schemes are not applied retrospectively. Non-Executive Directors are not eligible for performance based remuneration schemes.
B2.7 B2.8	Compensation commitments in case of early terminations.	Complied	There are no terminal compensation commitments other than gratuity in the Company's contracts of service.
B2.9	Levels of remuneration for Non-Executive Directors		A monthly allowance and an attendance fee is paid.
B.3	Disclosure of remuneration Annual Report should contain a statement of remuneration policy and details of remuneration of the Board as a whole.	Disclosed	A statement regarding the Company's Remuneration policy is provided in The Remuneration Committee Report page 64 and details of remuneration to the Board as a whole provided on Director's report pages 74-77.
B3.1	Names of Directors of the Remuneration Committee	Disclosed	Details of the Remuneration Committee are provided on the table in the Corporate Governance report page 64.
C	**Relations with shareholders** **Boards should use the AGM to communicate with shareholders and should encourage their participation.**		
C.1	Constructive use of the AGM and conduct of General Meetings	Complied	All steps have been taken to protect shareholder rights at all AGMs, including the receipt of notice of the AGM within the specified period, raising questions to the Board and various other committees, voting for the election of new Directors or any other issue of materiality that requires a shareholders resolution.
C.1.1	Counting of all proxy votes	Complied	Proxy votes together with the votes of shareholders present at the AGM are considered for each resolution if required
C.1.2	Separate resolution at each AGM on each substantially separate issue	Complied	Each substantially separate issue is proposed as a separate resolution. The adoption of the report and accounts is also proposed as a separate resolution.
C.1.3	Presence of the Chairman of all the Sub-Committees at the AGM	Complied	The Chairman ensures the presence of all Board members and the Chairman of sub committees at the AGM to provide any clarification.
C.1.4	Circulation of notice & related documents to shareholders	Complied	Notice of the agenda, notice of meetings and related documents are circulated to the shareholders at least fifteen working days prior to the AGM.
C.1.5	Circulation of a summary of the procedures governing voting at AGM	Complied	A summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders fifteen working days prior to AGM.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
C	**Relations with shareholders** **Boards should use the AGM to communicate with shareholders and should encourage their participation.**		
C.2	Communication with Share Holders -The Board should implement effective communication with shareholders	Complied	All information with regard to the Annual Report is disseminated through GM – Finance & Planning and all other changes through the Company Secretary – KHL Corporate Services (Pvt) Ltd.
C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information	Complied	The Company has many channels to reach all shareholders, including: ■ Shareholder meetings ■ Colombo Stock Exchange declarations ■ Press releases ■ Corporate website
C.2.2	The Company should disclose the policy and methodology for communication with shareholders	Complied	Janashakthi maintains an "Open Door" policy with regard to communication with shareholders and shareholders are welcomed to make their suggestions, inquiries to the Managing Director, Board Secretary or CEO on any relevant issues. The Company Secretary is designated to liaise and correspond on any formalities. In addition, the Shareholders are able to attend the Company AGM and share their thoughts and views on any matters of concern to the Board.
C.2.3	The Company should disclose how they implement the above policy and methodology	Complied	Please refer above
C.2.4	The Company should disclose the contact person for such communication	Complied	Shareholders could reach the Managing Director and CEO on 011-2303300 or meet them on prior appointment by contacting their respective Secretaries. The Company Secretaries KHL Corporate Services can be contacted on 011-2145030
C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company	Complied	Any issues of relevance and significance will be brought to the attention of the Board by the Managing Director.
C.2.6	The Company should decide the person to contact in relation to shareholders' matters. The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary or in his/ her absence should be a member of the Board of Directors	Complied	The Company Secretaries could be contacted in relation to shareholder matters.
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Not in compliance	A formal procedure for responding to a shareholder inquiry has not been put in place. However, all inquiries are responded to on a rapid turnaround basis.
C3	Major And Material Transactions Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net asset base or in the case of a Company with subsidiaries, the consolidated group net asset base.		

Ref	Principle	Compliance Status	Comments
C3.1	Directors should disclose to shareholders of any material transactions and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting prior to engaging in or committing to a 'Major related party transaction' involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets Directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/ vary the company's net assets base.	Complied Complied	During the year, the Company has not engaged in or committed to a major related party transaction, involving acquisition, sale or disposition of greater than half of the net value of the Company's asset or transaction which has or likely to have an effect on the Company's acquisition obligations and liabilities. Nevertheless, if any such transactions do occur, it is the policy of the Company to disclose them in the quarterly and annual financial statements in accordance with relevant Sri Lanka Accounting Standards and the Companies Act. However, the Board entered into a Sale and Purchase agreement for which shareholder approval was sought at an Extraordinary General Meeting held on 24th February 2018.
D	**Accountability & Audit**		
D.1	Financial Reporting The Board's responsibility to present a balanced & understandable assessment of the Company's financial position	Complied	The Directors have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting true & balanced assessment of the Company's position. Company's position and future direction is discussed in detail in MD's Review on pages 12-15 and Management Discussion & Analysis on pages 27-33.
D.1.1	The Board's responsibility to present interim and other price sensitive public reports to regulatory & statutory bodies	Complied	All material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed and released to the press and shareholders. Interim Accounts and the Financial Statements were filled on due dates and Company's compliance function ensures that these were duly carried out. The Company presents its financial statements in adherence to Sri Lanka Accounting Standards (SLFRS/LKAS) and other applicable laws and regulations. The financial statements were filed at CSE quarterly. All regulatory reports were filed by the due dates.
D.1.2	The Directors Report	Disclosed	A comprehensive Directors' report in line with the Corporate Governance requirements is provided in the Annual Report of The Board of Directors' on the Affairs of the Company in the section Financial Information on pages 73-77.
D.1.3	The statement setting out the responsibilities of the Board for preparing & presenting financial statements together with an audit report. Further, the Annual Report should contain a Report/Statement on Internal Control. Refer Annexure K for the contents of the Statement on Internal Control.	Complied	The statement of Director's Responsibility is provided in the section Financial Information on page 81.
D.1.4	The Annual Report should contain a "Management Discussion & Analysis" report	Complied	A detailed report is provided on pages 27-33.

Ref	Principle	Compliance Status	Comments
Sec. 1	**The Company**		
D	**Accountability & Audit**		
D.1.5	Declaration of going concern of the business	Complied	The Directors are satisfied that, having reviewed the performance of the Company and forecasts for the forthcoming year, the Company has adequate resources to enable it to continue in to the foreseeable future. For this reason, Directors have adopted the going concern basis for the preparation of the financial statements.
D.1.6	Summoning an EGM if the net assets fall below half of the shareholder funds	N/A	The Directors are satisfied that the Company has sufficient resources to continue operations to the foreseeable future. In the unlikely event that the net assets of the Company fall below a half of shareholders funds, shareholders would be notified at an EGM on the proposed way forward.
D.1.7	The Board should adequately and accurately disclose the related party transactions in its Annual Report:	Complied	This requirement has been complied with, by all Directors, who have made relevant disclosures.
D.2	Internal Control The Board should have a process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Complied	The Board and the Audit Committee have the overall oversight of the system of internal control and of monitoring its effectiveness, while the implementation of the internal control system is the responsibility of the Internal Audit team. The detailed Risk Management Report is provided on pages 68-71.
D.2.1 & D.2.2	The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls, so as to be able to report to shareholders as required in D.1.3. This could be made the responsibility of the Audit Committee. Companies should have an internal audit function.	Complied	During the year, the Board and the General Management Committee received updates summarising financial conditions, financial and operating performance, as compared to plan and key risk exposures. The Company has appointed KPMG to carry out the functions of the Internal Audit of the company. The Board Audit Committee has quarterly review meetings to review and discuss audit observations and recommendations relating to the preceding quarter.
D.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of Risk Management and internal controls, and to document to the Board and take responsibility for the disclosures on internal controls	Complied	The Board Audit Committee reviews Internal Audit Reports submitted by internal auditors and inquire in to efficiency and adequacy of internal controls when such inquiry is deemed necessary and required.
D.2.4	The Schedule K which contains guidance on the responsibilities of Directors in maintaining a sound system of internal controls and the contents of the statement of Internal Controls are disclosed	Complied	The Board of Director's Statement on Internal Controls given on Page 65 contains the actions taken to maintain a sound system of internal controls.
D.3	Audit Committee The Board should establish formal and transparent arrangements for selecting and applying accounting policies	Complied	The Board has delegated their responsibility with regard to financial reporting, internal controls and maintaining appropriate relationships with Company auditors to the Board Audit Committee. Accounting policies are agreed between the Auditors and the Board Audit Committee.

Ref	Principle	Compliance Status	Comments
D.3.1	Composition should be exclusively of Non-Executive Directors, majority of whom should be independent, whichever is higher, and Chairman should be a Non-Executive Director	Complied	The Audit Committee comprises of three Directors out of whom two are Independent Non-Executive Directors. The composition of the Audit Committee is provided on pages 62-63.
D.3.2 & D.3.3	The duties of the Audit Committee should include reviewing scope & results of the audit effectiveness, & the independence of the auditors. The Audit Committee should have written Terms of Reference.	Complied	A comprehensive report including the duties of the Audit Committee is provided in the Audit Committee Report in the section Corporate Governance on pages 62-63.
D.3.4	Disclosures in the Annual Report ■ Names of the Directors ■ Determination on the independence of the auditors ■ A report by the Audit Committee	 Disclosed Disclosed Disclosed	Please refer Audit Committee Report in the section Corporate Governance on pages 62-63.
D.4	Code of business conduct & ethics Companies must adopt a Code of Business Conduct & Ethics for Directors and Key Management Personnel and must promptly disclose any waivers of the Code for Directors or others	Informally in place	The Directors of Janashakthi are individuals that are highly respected professionals. There have been no violations of the Code of Ethics during the period under review by any of the Directors.
D.4.1	All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key	Complied in respect of Management	A clear guideline is available for all levels of Management. The areas including conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal or unethical behaviour are covered in the corporate guidelines. This has been mandated and should be followed without exclusion.
D.4.2	The Chairman must affirm that he is not aware of any violation of any provision of the code of business conduct & ethics.	Procedure to obtain specific comment from Chairman does not exist	Providing a statement from the Chairman has hitherto not been practiced at JIPLC.
D.5	Corporate Governance Disclosures Directors should disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Complied	It is the Board's view that the Company has been fully compliant with the provisions set down in the Corporate Governance Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) throughout the accounting period under review.
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	Complied	The Annual Report contains this report from pages 46-61 setting out the manner and extent to which the Company is compliant to accepted good Corporate Governance principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the ICASL (Code) and Listing rules of the Colombo Stock Exchange.

Ref	Principle	Compliance Status	Comments
Sec 2	**Shareholders**		
E	**Institutional Investors**		
E.1	Shareholder Voting Institutional shareholders should be encouraged to ensure their voting intentions are translated into practice.	Complied	All issues are clearly communicated and requests for Proxy Attendance are requested.
E.1.1	A listed company should conduct a regular & structured dialogue with shareholders.	Complied	The Company Secretary corresponds with the shareholders as and when the need arises. Dialogue is also maintained via shareholder meetings convened to discuss company position.
E.2	Evaluation of governance disclosures Institutional investors should be encouraged to give due weight to all relevant factors.	Complied	Institutional investors are kept appraised of the Company governance practices through the Annual Report and new initiatives are highlighted at meetings to ensure that due significance is given to good corporate governance.
F	**Other Investors**		
F.1	Investing / Divesting Decision Encourage individual shareholders to carry out adequate analysis in investing or divesting decisions	Complied	The Annual Report contains detailed information to enable and encourage individual shareholders to make informed decisions. The Chairman's Review Pages 9-11, Managing Director's Report Pages 12-15, Management Discussion and Analysis pages 27-33 and Annual Financial Statements page 84 is aimed at providing a balanced view of the Company's performance and prospects. The Company also cooperates with stockbrokers and other research agencies in carrying out research. The resulting information is circulated among shareholders to facilitate decision making.
F.2	Shareholder Voting Individual shareholders should be encouraged to participate in General Meetings of companies and exercise voting rights	Complied	All shareholders are encouraged to participate and vote at General meetings and the Company has had sizeable representation at Company AGMs.
G.1	Disclosures on Sustainability	Complied	The management approach towards economic aspects are available in the Management Discussion & Analysis in pages 27-33.
G.1.1	Principle 1 – Economic sustainability How the organisation takes responsibility for impacts of their strategies, decisions and activities on economic performance		
G.1.2	Principle 2 – The Environment Organisations integrate approach towards direct and indirect economic, social, health and environmental implications of their decisions and activities, sustainable resource use, climate change, protection of environment, biodiversity and restoration of national resources.	Complied	The management approach towards environment aspects are available in the Management Discussion & Analysis in pages 27-33.

Ref	Principle	Compliance Status	Comments
G.1.3	Principle 3 – Labour Practice Labour practices governance of an organisation encompasses all policies and practices relating to work performed by or on behalf of the organisation.	Complied	The management approach towards labour aspects are available in the Management Discussion & Analysis in page 27-33.
G.1.4	Principle 4 – Society Society Governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community development	Complied	The management approach towards Society aspects are available in the Management Discussion & Analysis in page 27-33.
G.1.5	Principle 5 – Product Responsibility Product responsibility governance includes manufacturing quality products, distributing them and ensuring that the products are safe for the consumers, the environment and also communicates clearly with consumers so that they can make an informed choice	Complied	
G.1.6	Principal 6 – Stakeholder Identification, engagement and effective communication	Complied	
G.1.7	Principal 7 – Sustainable Reporting Reporting and disclosure should be formalised as part of the Company's reporting processes and take place on a regular basis	Complied	The CEO and Management take responsibility with regard to sustainability reporting initiatives. The initiatives undertaken in the year 2017 are listed in the Annual Report. Further, the Company is also in ISO 9001:2008 standard compliant in delivering service excellence.

IMPLEMENTATION OF SELF-GOVERNANCE INITIATIVES TO ENHANCE OVERALL CORPORATE GOVERNANCE THROUGH SUB COMMITTEES

The Board has established a series of committees at Board and management levels to monitor, review and enhance accountability and control across the range of both short term and long term activities of the organisation.

Committee	Function	Number of meetings held in 2017
General Management Committee	To carry out delegated administrative, financial and operational control activities of the Company	10
Operational Management Committee	To carry out operational control activities of the Company	8
Technical Committee	To provide advice on all technical aspects of operations & to ensure compliance with tariffs and industry norms	10
Business Development Committee	To review operational performance against key performance indicators, product management reviews and new product developments	18
Strategic Plan Review & Implementation Committee	To ensure implementation of the strategic plan	9

REQUIREMENTS AND REGULATIONS GOVERNING INVESTMENTS

The Company solvency requirements are governed by the RII Act rules 2002 (Life) and 2004 (Non-Life) and subsequent amendments thereafter. These have been strictly adhered to during the year 2017 and the Company's Solvency Statement is provided on page 162.

MANAGEMENT INVESTMENT COMMITTEE

The Management Investment Committee has the responsibility of setting guidelines for investment of the Company's assets and finances, ensuring that all investments earn the optimum return to the Company while adhering to all statutory requirements. The ultimate authority on investment decisions lie with the Management Investment Committee.

The Company also updated its internal Company investment guidelines to secure and strengthen the Company's investment worth.

RISK COMMITTEE

The Management Risk Committee overlooks the risk management activities of the Group ensuring that risk exposures are maintained within tolerance limits. Periodic reviews on changes to risk policies, procedures and key risk profiles are provided to the Board who recommends suggestions for improvement of the overall risk infrastructure.

INTERNAL SELF-ASSESSMENT CERTIFICATION

A monthly Self-Assessment Questionnaire has been established as a new procedure in each Operating Division of the Company. This certification includes a Corporate Compliance Checklist and a Certification by the Head of Division that all Statutory and Regulatory Compliance Requirements have been met in full. The due dates and actual dates of submission of returns and/or reports specified by the checklist are also included.

This procedure has been introduced to ensure that all compliance requirements statutory and non-statutory are complied with and any failure to comply is immediately brought to the notice of the senior management group which can take immediate action as needed. This certification is forwarded to the Managing Director and CEO who also has to sign-off thereon.

In a rare event of non-compliance, the reasons for such non-compliance as well as steps being taken to ensure compliance must be stated. All such reports are then compiled together, summarised and submitted for the next meeting of the Board of Directors, where it is a fixed agenda item.

A summary of the Compliance Status with regard to all statutory requirements are provided in the table below; It is believed that this process significantly enhances the Corporate Governance mindset, procedures and ensures company-wide compliance with all Regulatory, Statutory and Non-Statutory internal deliverables. This collectively contributes to developing high standards of Corporate Governance in the company.

COMPLIANCE STATUS OF REQUIREMENTS – JANASHAKTHI INSURANCE PLC

Statement / Report	Regulatory Body	Relevant Act	Current Status
Motor Levy	Department of Motor Traffic	Finance Act No 16 of1995	Complied
SRCC/TC/FUND	Ministry of Finance	Cabinet Memorandum	Complied
VAT	Department of Inland Revenue	VAT Act No 14 of 2002	Complied
Road Safety Fund	National Council of Road Safety	Gazette No: 1368 / 18 – 2004.11.24	Complied
Returns to IRCSL (Quarterly / Annual / Further Returns/ Actuarial Returns / Circular / Management Letter)	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Annual Fee to IRCSL	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Remittance of CESS	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
ReInsurance Arrangements to the Controller	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Copy of Register of Insurance Agents Registered with JIPLC	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Nations Building Tax	Department of Inland Revenue	Nations Building Tax Act No 9 of 2009	Complied
Economic Service Charge	Department of Inland Revenue	Economics Service Charge Act No 13 of 2006	Complied
Stamp Duty	Department of Inland Revenue	Stamp Duty (Special Provisions) Act No 12 of 2006	Complied
Withholding Tax	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
Dividend Tax	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
CSE Half Yearly Returns			Complied
Anti-Money Laundering Statements	Financials Intelligence Unit – Central Bank of Sri Lanka	Financial Transactions Reporting Act No 6 of 2006	Complied

Statement / Report	Regulatory Body	Relevant Act	Current Status
EPF & ETF	Central Bank of Sri Lanka / ETF Board	EPF Act No 15 of 1958 & ETF Act No 46 of 1980	Complied
Renewal of Insurance License with Compensation	Commissioner General for workmen's Compensation	Workmen's Compensation Ordinance of 1934	Complied
Legal Interest	Monetary Board	Civil Procedure Code	Complied
Annual Return to the Registrar of Companies	Registrar General of Companies	Company's Act No 7 of 2007	Complied
Maintenance of Registers (Registers of Charges, Directors, Shareholder Minutes, Directors Interest & Minutes of meetings held)	Registrar General of Companies	Company's Act No 7 of 2007	Complied
Annual Reports	Insurance Regulatory Commission of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Audited Accounts	Insurance Regulatory Commission of Sri Lanka		
Registrar General of Companies	Regulation of Insurance Industry Act No 43 of 2000		
Company's Act No 7 of 2007	Complied		
Income Tax Return	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
Reporting on Accident, Dangerous Occurrences and Industrial Diseases	Labour Department	Factories Ordinance No 45 of 1942 & Factories Amendment Act No 33 of 2000	Complied
Crop Insurance Levy	National Insurance Trust Fund	Finance Act No 12 of 2013	Complied

BRANCH AUDIT AND INVESTIGATIONS

Our branch network is monitored by the Audit and Investigation team which strives to minimise risks of fraud and omissions. Inquiries and investigation are carried out as needed.

The company uses a tool identified as the Risk Based Score to measure the strength of internal controls which are in place at branch level. The Risk Based Score of branches has improved from 77 to 82 in 2017 reflecting a reduction in frauds, malpractices and errors at branch level.

This assessment evaluates risk categories as High, Medium and Low. Based on the level of risk, these are forwarded for remedial actions to the hierarchy. For example, the high risk areas are reported to the General Management Committee while Medium and Low risks are reported to the Zonal Manager, District Sales Manager & the Branch Managers respectively.

The branch audit plan encompasses the entire branch network to ensure that regular audits for a period are being properly carried out on each of the branches in the Janashakthi network.

The Risk Based Score technique has also been applied to the Claim Audit Unit to continuously assess the strength of the internal controls in claim processing and settlement. The Risk Based Score being an independent computation has also been a measurement of performance and hence the basis for rewarding and recognising the high performing branches.

CONCLUSION

Corporate Governance is of paramount importance to a company and is virtually as important as its major business strategies. It augments a company's image in the public eye as a self-policing company that is accountable and worthy of shareholder and debt holder capital. It dictates the collective philosophy, practices and culture of an organisation and its employees. At JIPLC, Corporate Governance plays a strong role in all its principal activities. JIPLC strives to further enhance its governance structure to identify Corporate Governance practices that can effectively bring about a culture of sustainability within the business entity. In 2017, JIPLC continued to stand strong with a resilient governance structure to face the challenges the year brought about.

Board Audit Committee Report

COMPOSITION

The Board Audit Committee is appointed by and is responsible to the Board of Directors. The Audit Committee consists of two Independent Non-Executive Director and one Non-Independent Non-Executive Director of the Board. The Committee draws on the expertise of members with leadership exposure to Finance, Audit, Legal, and Human Resource Management and Regulatory operations. The Board Audit Committee comprises the following ;

1. Ms. A. Coomaraswamy (Chairperson)
2. Mr. H. Esufally
3. Mrs. Manjula Mathews

MANDATE OF OPERATION

The Board Audit Committee is a subcommittee of the Board. The Mandate of the Audit committee is approved by the Board, and shall be reviewed and reassessed by this Committee periodically. Any proposed changes shall be submitted to the Board of Directors for approval.

STATEMENT OF PURPOSE

The purpose of the Committee is to carry out the following activities;

i. To review and ensure the integrity of the Company's Financial Statements,

ii. To review in depth, periodic reports issued by the Internal Auditors, to meet with the External Auditors and to review the Management Letter issued by them and to ensure that all necessary follow up action required by both Internal and External Auditors have been initiated and followed up on.

iii. Making recommendations to the Board on the appointment, re appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external Auditors.

iv. To monitor the performance of the Company's Internal Audit function and its External Auditors and ensuring their independence.

iv. To ensure that the internal control systems in place are sufficient to ensure the integrity of the organisation and its financial statements.

v. To make recommendations to the Board pertaining to appointment, detainment and, if relevant the replacement of the Company's Independent Auditor .

vi. The Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors and also to recommend to the Board of Directors necessary fees that may be payable.

vii. To monitor the Company's compliance with all relevant legal and regulatory requirements,

MEETINGS OF THE AUDIT COMMITTEE

The Committee met four times during the year under review.

The Committee has during these meetings reviewed the Quarterly Internal Audit Reports submitted by the Internal Auditors of the Company; reviewed and approved for submission to the Board, the quarterly Financial Statements and the Final Year End Financial Statements. The Committee also reviews any other reports as may be submitted by the Management or such statements as the Committee may have called for as part of its deliberations. The Managing Director, Director/Chief Executive Officer, and Chief Finance Officer were present by invitation at all formal meetings. In addition, the Senior Management personnel were invited as and when required, to attend meetings.

MEETINGS WITH EXTERNAL AUDITORS

Meeting were arranged with the Engagement Partner and senior officers of the External Auditors, Messrs. Ernst & Young prior to commencement of Audit, prior to finalisation of the Audit and on completion of the audit to discuss and review matters raised in the management letter and any other matters as the Auditors may wish to discuss with the Committee, including any issues or restrictions that may have been faced with Management.

The Committee met with Management and the Independent Auditor to discuss significant financial reporting issues and judgments made in connection with the preparation of the Company's Financial Statements. This included significant changes in the Company's selection or application of accounting principles. 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 were also discussed.

INTERNAL AUDIT FUNCTION

The Committee reviewed the and approved the proposed audit plans for the year and discussed with the Internal Auditors the significant matters arising from the quarterly Internal Audit reports to Management together with the Management's responses thereto.

COMPLIANCE RESPONSIBILITIES

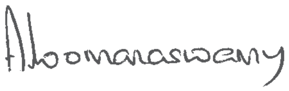
The Committee reviewed compliance statement tabled at meetings which confirmed that the Company's affairs are in compliance with the requirements of the following statutes:

- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act No. 7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000 and the Regulation of Insurance Industry (RII) (amendment) Act No. 03 of 2011,

- Corporate Governance Rules as per Section 7.10 of the Listing Rules and amendments thereto, of the Colombo Stock Exchange (CSE) and Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)

CONCLUSION

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's assets are adequately safeguarded.



Ms. A. Coomaraswamy
Chairperson - Board Audit Committee
14 May 2018

The Board Remuneration Committee Report

The Remuneration Committee is committed to the principles of accountability and transparency and operates within the agreed terms of reference ensuring that remuneration arrangements demonstrate a clear link between reward and performance of the company and individual.

COMPOSITION AND GOVERNANCE

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises of three Non-Executive Directors of which two are Independent. The Committee is headed by Mr. Eardley Perera and the members include Ms. Manjula Mathews and Ms. Anushya Coomaraswamy.

The Committee is operating under delegated authority from the Board and its activities are governed by the Board. At the invitation of the Committee, the Managing Director, Director/CEO attended meetings except where matters associated with their own remuneration was considered.

The Committee met thrice during the year 2017 to discuss the remuneration of Executive Directors, Corporate Management and Senior Management and reviewed the remuneration practices of the Company in relation to the industry.

MANDATE OF THE COMMITTEE

The Committee is responsible for setting the remuneration policy of Janashakthi Insurance PLC and determining the remuneration package of the Managing Director, Director/Chief Executive Officer and the Executive Directors. The Committee also discusses and advises the Managing Director on structuring of remuneration packages for Corporate Management team and the Senior Management team. This enables Janashakthi Insurance PLC to attract, retain and motivate high calibre individuals who possess the skills and abilities required to lead the Organisation. The Assistant General Manager (Human Resources and Administration) assists the Committee by providing information that is required to facilitate the decision making process.

REMUNERATION POLICY AND STRUCTURE

The key principles governing the remuneration policy are:

- Provide competitive rewards to attract and retain executives of the highest calibre who are willing to work with positive attitudes and spend significant amounts of time in helping to achieve the Company's goals.
- Apply demanding Key Performance Indicators (KPIs), including financial and non-financial measures of performance.
- Link a significant component of pay to individual and Company performance to encourage and reward superior performance, ensuring remuneration arrangements are just, equitable and fair to all employees.
- Ensuring that no director is involved in setting his/her own remuneration/other benefits.

REMUNERATION COMPOSITION

In alignment with the Company policy and structure, the Executive Directors, Corporate Management and Senior Management Team remuneration consists of fixed and variable components. The fixed element of remuneration consists of Basic Salary. Variable element of the remuneration consists of a performance bonus based on the achievement of agreed KPI's and Budgets. The company does not have a Share Ownership Plan for Directors and Key Management Personnel.

BOARD REMUNERATION

Board of Directors' are paid a monthly fee as well as a sitting fee for attendance at Board Meetings and other Board Sub Committee Meetings. The details pertaining to Director's Fees and other emoluments paid to Executive Directors are provided on page 147 of the Director's Report.

On behalf of the Remuneration Committee,

Eardley Perera
Chairman - Remuneration Committee
14 May 2018

Board of Directors' Statement on Internal Controls

The Board of Directors of JIPLC confirms that to the best of their knowledge the financial reporting and other operational systems have been designed to provide reasonable assurance relating to the reliability of the financial reporting and the preparation of Financial Statements. The Board also confirms that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements. The Board has obtained these assurances inter-alia through the following:

a) Review of the quarterly reports submitted by the external Independent Internal Auditors and discussion of the audit findings that are presented by them, based on the organisation wide view of accounting procedures and practices, processes, systems and internal check and controls and discussions with different levels of Management.

b) System of regular on-going self-assessment by all divisional heads and their line managers for confirmation of statutory and regulatory requirements and no statutory internal procedures that falls due during the period under review.

c) The Board through the Board Audit Committee reviews the reports of Branch Audit by the Company's own internal audit and investigations unit to review financial risks and internal control adherence relating to the branch operations.

The Board is cognizant of the fact that the Board bears responsibility for the overall effective operation of the Company's procedures and processes of internal checks and internal controls. It needs to be stressed that while the Board appreciates fully, that all such systems are designed to manage and control and ensure orderly operations, these systems do not eliminate risk of fraud or losses or failure to achieve stated Company procedures and objectives. The Board stresses that all systems of internal control and procedures of the Company can only provide reasonable and not absolute assurances against material misstatements or fraud or losses. The Board has obtained assurance of risk management within the organisation partly through the Board Committees and partly through the procedures and practices in place in the underwriting related operations of the Company.

H.N. Esufally
Chairman

Prakash Schaffter
Managing Director
14 May 2018

Nomination Committee Report

COMPOSITION

The Committee, as of 31st December 2017, consisted of the following;

- Mr. H.N. Esufally
- Mr. L.C.R de C Wijetunge
- Mr. D.E.I. Perera
- Mr. C.T.A. Schaffter

TERMS OF REFERENCE OF THE BOARD NOMINATION COMMITTEE

The Nomination Committee's principle role is to proactively manage the composition of the Board. It is also charged with oversight of succession plans for the Managing Director and Chief Executive Officers. The Committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities:

1. Composition of the Board as a whole and its Members.
2. Identification and appointment of Independent Directors.
3. Evaluation of the Board.
4. Individual Director Assessments and development support.
5. Succession plans for the Managing Director and the Chief Executive Officers.
6. Self-assessment of the Nominations Committee and its members.

Board Nomination Committee Meetings

The Committee meets as and when required. For the year 2017, the Committee met two times.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

CONCLUSION

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring the diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

H.N. Esufally
Chairman - Nomination Committee
14 May 2018

Related Party Transaction Review Committee Report

COMPOSITION

The Board Related Party Transaction Review Committee is appointed by and is responsible to the Board of Directors. The Related Party Transactions Review Committee was established in August 2015 in accordance with the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Related Party Transaction Review Committee consists of one independent Non-Executive Director, one Non-Executive Director and one Executive Director, namely

Ms. Anushya Coomaraswamy (Chairperson)
Mrs. Manjula Mathews
Mr. Jude Fernando

CHARTER

The Related Party Transaction Review Committee charter is approved by the Board, and shall be reviewed and reassessed by the Committee periodically. Any proposed changes shall be submitted to the Board of Directors for approval.

AUTHORITY AND RESPONSIBILITIES

The Committee considers all related party transactions and submits to the Board of Directors details of all relevant transactions which it feels need to be considered by the Board and a decision taken on whether or not such transaction needs to be communicated to the Colombo Stock Exchange.

STATEMENT OF PURPOSE

The purpose of the Committee is primarily to carry out the following;

- To identify, consider and evaluate in the first instance all transactions between Related Parties and the Company, and identify all such transactions that would be exempted under section 9.5 of the Listing Rules of the Colombo Stock Exchange.
- Review and identify all transactions with Related Parties that do not fall under the exemptions referred to in the previous paragraph for recommendation to the Board of Directors, such review to take place either prior to the transaction being executed or prior to the completion of the transaction in accordance with the listing rules of the Colombo Stock Exchange and other applicable regulatory guidelines.

TOWARDS ACHIEVING THE ABOVE, THE COMMITTEE SHALL

- Put in place and adopted a robust framework for approving, managing and reporting related party transactions;
- Obtain any information that the Committee needs from the Management to arrive at its decision with regard to any Related Party Transaction. To this purpose the Committee invites members of Management to RPT meetings as and when further clarification of the matters are required
- Determine whether the Related Party Transaction would result in a conflict of interest by any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or related party, the direct or indirect nature of the director's, officer's or other related party's interest in the transaction and the ongoing nature of any proposed relationship

COMPLIANCE RESPONSIBILITIES

The Related Party Transaction Review Committee shall ensure that the interest of the shareholders as a whole are taken in to account by the Company when entering in to a related party transaction and to ensure strict compliance with the rules and regulations governing related party transactions.

MEETINGS OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Committee met four times in 2017.

The activities & reviews of the Committee have been communicated to the Board of Directors, through the tabling of minutes of the Committee meetings at the next meeting of the Board of Directors, unless more urgent action is required.

ACoomaraswamy

Ms. A. Coomaraswamy
Chairperson - Related Party Transactions Review Committee
14 May 2018

Risk Management

Risk is an inevitable part of any business. At Janashakthi, we apply a comprehensive process that seeks to identify, assess, evaluate and manage risks and opportunities that stem from all business decisions. Enterprise Risk Management (ERM) is about establishing the oversight, control and discipline to drive continuous improvement of an entity's Risk Management capabilities, in a changing operating environment.

Building a strong, disciplined and resilient risk culture has been of utmost importance during the year 2017, and as a result, a separate Risk & Compliance function was formed to bring Enterprise Risk Management to the forefront of the business. The Company's Corporate Governance structure, which encompasses the self-linking Risk Management, Corporate Social Responsibility and Internal Audit, ensures that the impact of risks are identified and proactively managed.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

The ERM framework illustrates our approach to Risk Management, reflecting the Risk Management process, the structure in place to administer the process, and sources of comfort with regard to its effectiveness.

The sole intention of having and maintaining a robust Risk Management Framework is to ensure that Janashakthi is able to gain a competitive advantage in the long term whilst minimising earnings related surprises in the short term.

The Janashakthi Risk Profile is consolidated from the individual Risk Registers of both Life and Non Life business segments. The Operational Risk Committee which comprises of key strategic and operational personnel brainstorms and discusses to identify, assess and evaluate the impact of a risk event to the business. Risk & Compliance Department facilitates the identification of risk owners and devising of risk corrective actions to manage the Group risk exposure at expected levels.

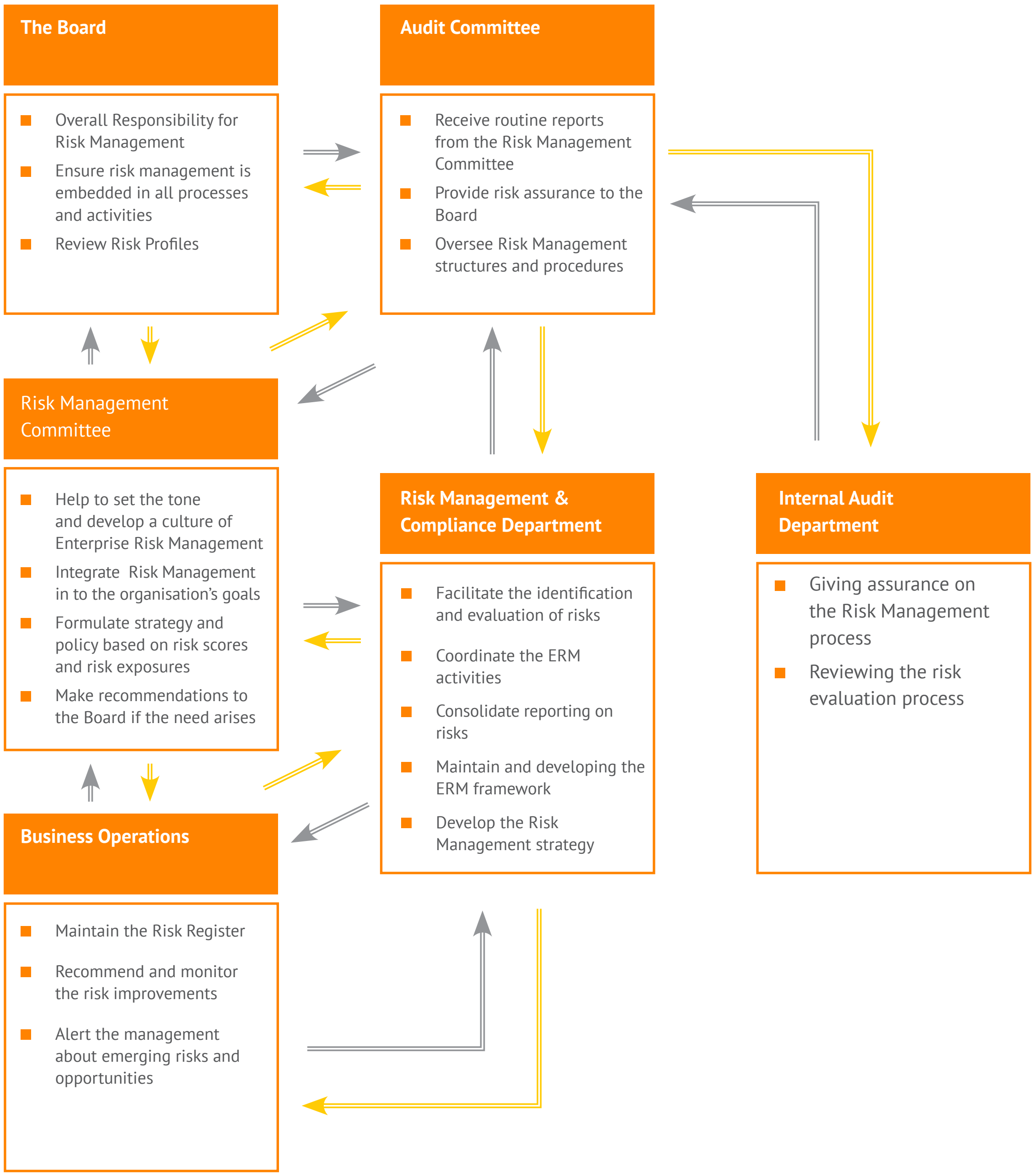
The Janashakthi Risk Universe is classified in to three major risk types, namely:

- Strategic Risks
- Business Environmental Risks
- Business Process Risks

We believe that having a common Risk Classification nurtures the ease of management of risks and risk communication within Janashakthi.

Further, risk strategies were devised to combat emerging risks and opportunities that may have a significant impact on the business direction.

RISK GOVERNANCE



The Board of Directors is responsible for governing risks and ensuring that management maintains a sound system of Risk Management and internal controls. They along with the Audit Committee, provide an oversight role, with emphasis on understanding the priority risks, approving Risk Management policies for critical risks and determining that risk responses for those risks are effective.

Assisted by the Board, the Risk Management Committee, provides valuable advice to management in executing the risk framework, policies and guidelines. They also overlook the risk activities of both Life and Non Life businesses to continuously improve the risk responsiveness of the Company.

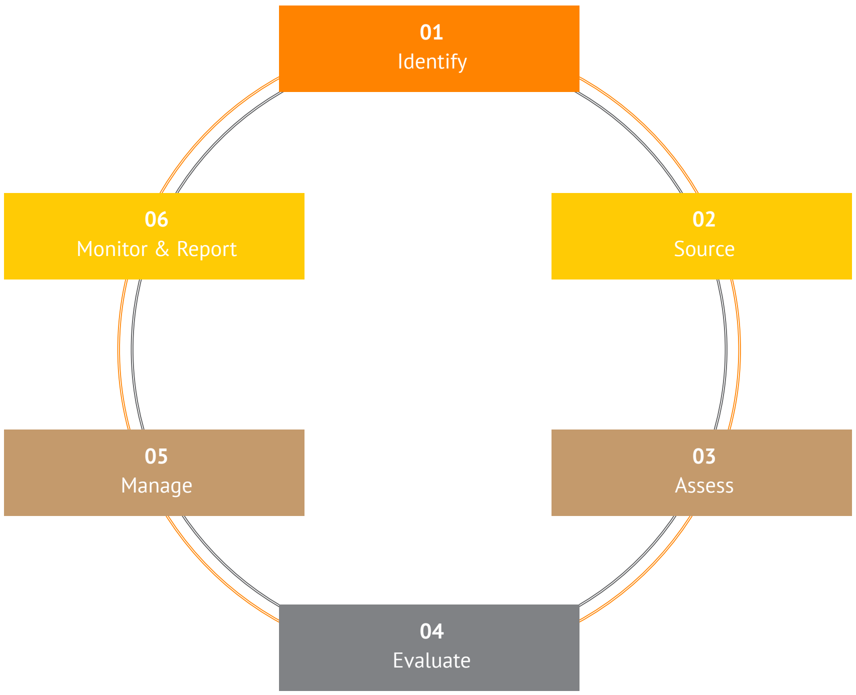
The newly established Risk Management & Compliance Department facilitates the ERM activities of Janashakthi by engaging employees to drive the vision for risk management. Creating risk awareness and risk education has been given due prominence during the year under consideration as it's considered a critical success factor in the successful roll out of a risk programme.

Business units act as the ultimate risk owners who would be responsible for modifying the risk exposures by implementing risk corrective actions.

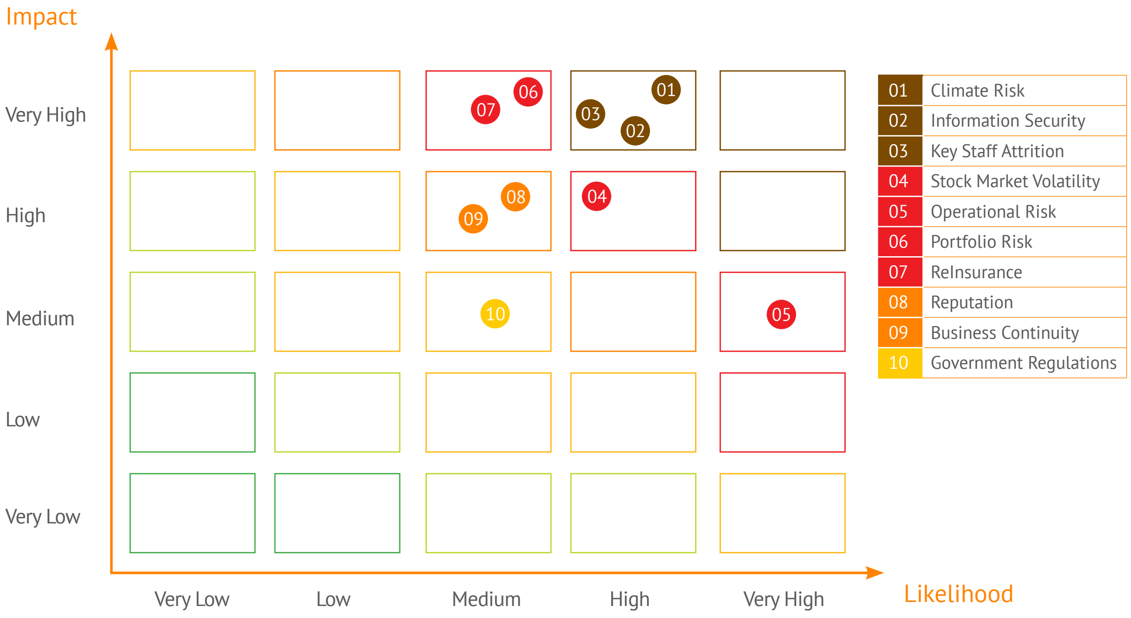
RISK MANAGEMENT PROCESS

1. Identify - This involves the process of identifying internal, external threats and opportunities that may have an impact on the organisation's objectives and business direction.
2. Source – The underlying drivers/sources of risks are analysed to understand the root cause. The resulting 'Risk Driver Mind Map' helps to also analyse risk interconnections among key risks.
3. Assess - The risk assessment stage involves analysing the magnitude of risks in terms of impact and likelihood of occurrence.
4. Evaluate - The risks are evaluated against the risk threshold limits to derive risk mitigation actions. The main means of managing the risk exposures are accepting, reducing, transferring and avoiding.
5. Manage - Management of risks is associated with developing mitigation actions for the key risks that the Company is willing to accept. This stage involves identifying risk owners, devising risk corrective actions and timelines for completion.
6. Monitor & report - The status of risk is periodically monitored and communicated to identify the risk movement and the status of risk mitigation actions.

RISK GOVERNANCE



RISK MANAGEMENT PROCESS



Risk Element	Risk Description	Risk Rating	Risk Corrective Actions
Climate Risk	The adverse impact to profitability caused by natural catastrophes and acts of God		We partner with reliable reinsurers to ensure that the excess risk is effectively managed. A detailed analysis was conducted to ensure that the risks in flood-hit areas are accurately assessed to minimise the impact to operations. Measures are taken to incorporate geo mapping on to risk reports, so that the risks underwritten have been properly analysed. In order to manage risk accumulation and risk concentration in industrial and commercial risks, we follow a district accumulation capping procedure.
Information Security	A potential loss, damage or destruction to information assets, systems negatively affecting the confidentiality, integrity & availability of information		The Janashakthi IT team ensures strict protocols as robust and updated check point firewalls, anti-virus and anti-malware software, network segregation, patch management and vulnerability & penetration tests to boost performance and improve security. We further emphasise the need to educate and train all employees on the importance of information security as we understand that they could be the weakest link in the process. The Company also places significant importance on Disaster Recovery which helps to assess the capacity of our secondary servers, thereby improving our infrastructure if necessary.
Key Staff Attrition	The risk that the Company fails to retain the key identified talent		As having a motivated, engaged set of employees is considered very critical in realising business potential, we have placed a significant importance in performance recognition, rewards schemes, succession planning and training & development. The Company continuously monitors the attrition rate of the sales and non-sales cadres and devise corrective measures to minimise the potential negative impact to the business. Improving skills and competencies has been given due prominence in order to maintain the current standards and progress to desired levels. Janashakthi seeks to promote a culture of engagement and continuous dialogue with all of its employees so that they are empowered and driven.
Stock Market Volatility	The risk that the investments don't yield the expected outcome due to the stock market volatilities		Investment portfolio is managed as per the Company's Investment Policy Manual which is drafted in line with the IRCSL guidelines to ensure that calculated risks are taken when making investment decisions. We continuously monitor and review the progress and status of the share portfolio at the periodic Investment Management Committee meetings. This enables to dispose potential loss making investments before there is a major impact on the investment income. As a precautionary measure, we have in place a stop-loss policy to protect against the downside risks.
Portfolio Risk	High concentration on certain products, customers, segments and demographics		Strategies are in place to derive the most profitable mix of channels, products and customers without being over dependent on a few sectors. We believe that building and maintaining relationships can yield positive results, therefore, extensive efforts are made to strengthen the corporate and broker customer base. Selective decentralising of the leasing business for volume enhancement and improving rates to secure both top and bottom line were relooked at during the year. A considerable effort was also made during the year 2017 to increase focus on a profitable non-motor portfolio to reduce over reliance on motor Insurance business.

Risk Element	Risk Description	Risk Rating	Risk Corrective Actions
ReInsurance	Inability or delay in obtaining coverage from a reinsurer at the right time at an appropriate cost		The Company's objective is to derive a sustainable channel mix to achieve capital, minimise loss experience of treaties and protect the financial position. Therefore, the reInsurance programme is structured to gain an optimum risk-return ratio. We impose cover restrictions and do selective underwriting to support inadequate premiums and imbalanced risk profiles. In order to avoid market comparisons in a price competitive industry, we focus on differentiating traditional products.
Operational Risk	The risk of loss arising from failed internal processes, people, and system violations		All critical business processes are periodically reviewed to ascertain the adequacy and effectiveness of the control environment. We have strengthened the internal protocols, and operational manuals so that the opportunity for fraud and errors is minimised. In addition to the in-house Branch Investigation team, we have obtained services of independent internal auditors to evaluate the controls in place and make appropriate recommendations.
Reputation	The loss of damage to a company arising from a threat or danger to the company name		The Company aims to preserve its reputation by adhering to applicable laws and regulations, and by following the core values, principles, and code of conduct that promotes integrity in business practices. We effectively manage and overcome customer complaints through dedicated strategies such as process improvements, deployment of regional engineers to ensure high service standard. Formal and informal market research is being highly focused on to improve competitor and customer intelligence. We have further invested in a comprehensive crisis management process to manage issues arising on social media platforms.
Business Continuity	The risk that the business could be affected as all back office function and servers are located in the same premises		Upon shifting to the new building in Col 09, we have revisited and updated the business continuity plans, including the Disaster Recovery plans to strengthen the emergency preparedness.
Government Regulations	The risk that a change in laws and regulations will materially impact the business, market or the industry		The Company's operating model, together with its internal processes, aims to ensure flexibility with, and adaptability to, any unexpected changes in the legal framework. We continuously keep an eye on the possibility of changes to the current laws, regulations and directives by the government and the regulatory bodies. Some of the Senior Executives participate in policy making forums to bring clarity and consistency to various policies and regulations.

Janashakthi has delivered sustained double digit growth in 2017

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Annual Report of the Board of Directors on the Affairs of the Company

GENERAL

The Board of Directors has pleasure in presenting its Report together with the audited Consolidated Financial Statements of Janashakthi Insurance PLC, a public limited liability company incorporated in Sri Lanka on 28 August 1992 under the Companies Act No. 17 of 1982 and reregistered under the Companies Act No.7 of 2007.

The Company was listed on the 21st of July 2008. The information provided below meets the requirements of the Companies Act No.7 of 2007 and the Listing rules of the Colombo Stock Exchange and are in keeping with recommended best practice.

PRINCIPAL ACTIVITIES

There were no changes in the principal business activities of the Company and its subsidiary during the year under review. Janashakthi Insurance PLC transferred its General Insurance business to a subsidiary company, Janashakthi General Insurance Limited at the beginning of January 2015. Janashakthi Insurance PLC remained a Life Insurance Company.

VISION, MISSION, CORPORATE CONDUCT & VALUE

The Company's vision and mission are provided on page 04. These have been approved by the Board of Directors of the Company and the Directors ensure that the business activities of the Company are conducted with the highest level of ethical standards towards achieving its vision and mission.

REVIEW OF BUSINESS

A review of the Company's performance during the year under review with an analysis of financial results and future developments are included in the Chairman's Review (Pages 9-11), the Managing Director's Review (Pages 12-15) and in the Management Discussion & Analysis (Pages 27-33). These reports provide information on the strategic imperatives of the Company and a summary of performance in 2017. These reports and the Financial Statements reflect the state of the affairs of the Company and form an integral part of this report.

FINANCIAL STATEMENTS AND AUDITORS REPORT

The Financial Statements of the Company are prepared in conformity with the Sri Lanka Accounting Standards LKASs / SLFRSs laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the Regulations of the Insurance Industry Act No 43 of 2000 and other rules and regulations of the Insurance Regulatory Commision of Sri Lanka (IRCSL) and the Companies' Act No. 07 of 2007. The formats and disclosures are also in accordance with the Statement of Recommended Practices (SoRP) for Insurance contracts, adopted by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements of the Company for the year ended 31 December 2017 together with the Report of the Auditors are given on pages 83-161, which form an integral part of the Annual Report.

ACCOUNTING POLICIES

Details of Accounting Policies are presented on pages 98-111 in the Financial Statements. There were no material changes in the accounting policies adopted in the current year with those of the previous year.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is presented in the Chairman's Review (Pages 9-11) and Managing Director's Review (Pages 12-15).

Turnover / Gross Written Premium	2017 LKR' 000	Growth %	2016 LKR' 000	Growth %
Non Life Insurance				
Motor	7,897,359	11	7,090,438	26
Non Motor	4,315,071	19	3,617,043	45
Total Non Life Premium	12,212,430	14	10,707,481	31
Life Insurance				
FYP	1,163,114	-10	1,287,640	29
Renewal	1,739,759	5	1,656,323	7
Total Life Premium	2,902,873	-1	2,943,963	15
TOTAL GWP	15,115,303	11	13,651,444	28

TURNOVER / GROSS WRITTEN PREMIUM

The table above depicts the Company's main lines of business & their respective growth for the year 2016/17. Further details of Financial Performance are shown in the Financial Statements on pages 84-97.

INSURANCE LIABILITY - LIFE

The Actuary determines the Life Insurance Fund of the Company. The value of the Life Insurance Fund of Janashakthi Insurance PLC (JIPLC) as at 31 December 2017 is LKR 9,468 million and LKR 183 million for former National Insurance Corporation Ltd (NIC) (2016: LKR 9,455 million for JIPLC and LKR 244 million for NIC).

In accordance with the Actuary's valuation report for JIPLC, a sum of LKR 205 million (2016-LKR 708 million surplus) has been transferred to the Life Insurance Fund from the Statement of Profit or Loss of Shareholders.

Also LKR 1.79 billion one-off surplus has been transferred from life policy holders fund to the Statement of Profit or Loss of shareholders with the approval of IRCSL.

As per the Valuation Report submitted by the Actuary the former NIC Life Insurance Fund recorded a Deficit of LKR 61 million for the year ended 31 December 2017 (2016 Surplus of LKR 117 million).

VALUATION OF NON-LIFE INSURANCE LIABILITIES

The Company hired NMG Financial Services Consulting Pte. Ltd, of Singapore to provide a valuation of Incurred But Not Reported (IBNR) and carry out a Liability Adequacy Test of the sufficiency of Unearned Premium Reserve (UPR) of the Non-life business segment. Their valuation certification is presented on page 78 in this report.

As per the consultant actuary a provision of LKR 557 million (2016- LKR 659 million) was made in the Financial Statements in respect of IBNR net of reInsurance.

RESULTS

The Company's Net Profit After Tax before appropriation was at LKR 2,540 million for the year 2017 compared with LKR 1,646 million for the year 2016.

A detailed breakdown of the Statement of Profit or Loss is given in Annexure 1.

Annexure 1	2017 (LKR '000)	2016 (LKR '000)
Profit Earned Before Interest	2,867,791	1,979,592
Interest Paid	(24,626)	(68,398)
Profit Before Tax	2,843,165	1,911,194
Provision for Income Tax	(303,191)	(264,603)
Profit After Tax	2,539,975	1,646,591
Unappropriated Profit Brought Forward from Previous Year	4,909,134	3,666,845
Amount Available for Appropriation	7,379,970	5,317,509
Appropriations		
Dividends	(544,500)	(408,375)
Restricted Regulatory Reserve - One-off Surplus	(1,795,829)	-
Unappropriated Profit Carried Forward	5,039,641	4,909,134

ACTUARY'S REPORT

This Annual Report includes reports from the Life Actuary of both Janashakthi Insurance PLC and the former NIC. The Actuary has expressed satisfaction of the performance of the Company during the year under review.

Actuarial Reports are provided on pages 79-80.

TAXATION

Income tax computed for the year is based on the rate applicable for the Company as per the Inland Revenue Act No 10 of 2006 and amendments thereto.

The Income Tax Expense of the Company is given on note 41 of the Financial Statements on page 144. Income Tax computed for the year is based on the rate which is applicable for the tax period under review.

RISK BASED CAPITAL REQUIREMENT (RBC)

Risk-based capital which was under testing in 2015 had replaced the existing solvency-based regulations from the beginning of 2016. The Company and its Subsidiary has fully complied with all RBC compliance requirements since the introduction of the RBC regime in January 2016. Details on RBC of the Company is given on page 162 of the Annual Report.

PROPERTY, PLANT AND EQUIPMENT

The book value of Property, Plant & Equipment of the Company stood at LKR. 2,092 million (2016-LKR 1,797 million) as at the reporting date. Further details and its movement during the year are given in Note 8 on pages 122-125 to the Financial Statements.

Intangible Assets

The capital expenditure on acquisition of Intangible Assets during the year 2017 amounted to LKR 0.831 million. The details of intangible assets are shown in Note 7 to the Financial Statements on page 121.

Carrying Value of Freehold Properties

The carrying value of freehold property amounting to LKR 1,687 million (2016-LKR 1,667 million) is explained in detail in the Notes to the Financial Statements on page 124.

FINANCIAL INVESTMENTS

Investments of the Company amounted to LKR 25,523 million (2016-LKR 21,581 million) as at 31 December 2017. Detailed description of the Investments held as at the reporting date are given in Note 4 to the Financial Statements on pages 112-180.

DEBT RATIOS

The Company did not have any debt capital during the year under review.

	2017	2016
Earnings Per Share (LKR)	4.66	3.02
Dividend Per Share (LKR)	1.00	0.75
Dividend Payout Ratio (%)	21.44	24.80
Dividend Yield (%)	6.37	4.57
Net Asset Value Per Share (LKR)	20.78	16.61
Market Values Per Share (LKR)		
Highest Price	17.00	18.70
Lowest Price	14.80	14.20
Year End Price	15.70	16.40

RESERVES AND STATED CAPITAL

The movement in reserves during the year is set out in Note 19-21 on pages 130-132 to the Financial Statements. The stated capital for the Company as at 31 December 2017 was LKR 4,854 million (2016-LKR 4,854 million) which comprises 544.5 million Ordinary Shares.

SHAREHOLDERS' FUND

The Stated Capital and Reserves amounted to LKR 11,315 million as at 31 December 2017 (LKR 9,042 million as at 2016), details of which are provided in Notes 18-21 (Pages 130-132) 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 41-61.

HUMAN RESOURCES

The Company's Human Resource policy is driven to reach its corporate goals and objectives by inculcating a strong value system and ethics in our employees. The Company is focused on developing employee abilities in optimising and sustaining long term results. More details on our Human Resources are contained in pages 31-33.

ENVIRONMENT

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

Annual Report of the Board of Directors on the Affairs of the Company

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is available under Shareholder Information on pages 163-169 and information on share trading is given on page 164 of this report.

SHAREHOLDINGS

There were 5,708 registered shareholders holding ordinary voting shares as at 31 December 2017. The distribution of shareholding is given on page 166 of this report.

SUBSTANTIAL SHAREHOLDINGS

The list of top twenty shareholders is given on page 168 of this report.

AUDITORS REPORT

The Financial Statements for the year ended 31 December 2017 have been audited by Messrs. Ernst & Young. The Auditor's report on the Financial Statements are on page 83 of this report.

AUDITORS

The accounts for the year have been audited by Messrs. Ernst & Young on the recomendations of The Board Audit Committee the Board recommend the reappointment of Messrs. Ernst & Young as Auditors for the ensuring year. A sum of LKR 4.02 million has been provided as audit fees for the year under review.

	2017 (LKR '000)	2016 (LKR '000)
Auditors' Remuneration		
Audit	4,020	3,457
Non-Audit	1,927	730
Total	5,947	4,187

INDEPENDENCE OF AUDITORS

Based on the declaration from Messrs. Ernst & Young 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 report.

DIRECTORS' INTEREST REGISTER

In terms of the Companies Act No. 7 of 2007 an Interests Register is maintained. 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 interests have been included in Note 43 (Pages 146-148) under the Related Party disclosures to the Financial Statements.

c) Disclosures in respect of share dealings of the Company

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

d) Use of Company information by the Directors

Company information was only used for purpose of the Company, in the normal course of discharging their duties as Directors.

e) Details of the remuneration and fees paid to the Directors are set out on page 147 of the note 43 to the Financial Statements. The Board of Directors of the Company has duly approved these.

b) Directors' dealings with the shares of the Company

Name of Director	2017	2016	Class of Shares	Nature of Relevant Interest
Mr. H N Esufally	2,253,594	2,253,594	Ordinary Shares	Personal Ownership
Mr. Prakash Schaffter	-	-	-	-
Mr. L C R de C Wijetunge	-	-	-	-
Ms. A Coomaraswamy	112,500	112,500	Ordinary Shares	Personal Ownership
Mr. A D E I Perera	-	-	-	-
Mr. Ramesh Schaffter	-	-	-	-
Ms. Manjula Mathews	1,275,000	1,275,000	Ordinary Shares	Personal Ownership
Mr. M S J Fernando	-	-	-	-
Mr. S A Chapman	-	-	-	-

f) Indemnity provided to Directors and Officers of the Company.

Terms of the Policy Cover	
Limit of Liability	LKR 25,000,000
Gross Premium	LKR 210,000
Period of Insurance	From 15-03-2017 to 15-03-2018
Exclusions	1. USA exclusions 2. Absolute professional service exclusion 3. Closely Held Exclusions 4. Future offering securities exclusion 5. Insurance operate exclusion
Jurisdiction	World-wide excluding USA & Canada

DIRECTORATE

As at 31st December 2017, the Board of Directors of Janashakthi Insurance PLC, consisted of nine Directors whose profiles are presented on pages 18-19 of the Annual Report.

Name of The Director

1. Mr. Husein N. Esufally
2. Mr. Prakash Schaffter
3. Mr. Eardley Perera
4. Mr. L.C.R de C Wijetunge
5. Mr. Ramesh Schaffter
6. Ms. Anushya Coomaraswamy
7. Ms. Manjula Mathews
8. Mr. Jude Fernando
9. Mr. Stuart Chapman

The Board while assuming responsibility for the management and the smooth running of the Company has established sub committees to ensure effective control over specific functions of the Company. The sub committees consist of a Board Audit Committee, Remuneration Committee, Nominations Committee and Related Party Transaction Review Committee.

Board Committees

Keeping in line with the Corporate Governance rules, transparency and accountability, the Board has appointed the required Board Committees. Following Board Committees operated during the year;

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transactions Review Committee

RISK MANAGEMENT AND THE SYSTEM OF INTERNAL CONTROLS

The Company has constituted a comprehensive Risk Management policy for the identification and mitigation of operational and financial risk. A detailed report on the risk management process of the Company is given on pages 68-71 of the Annual Report.

The internal controls of the Company are established to carry on the business of Insurance in an orderly and efficient manner, so as to safeguard its assets and ensure 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 outsourced the internal audit function to M/S KPMG.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and ensuring that the statements are true and fair. The Financial Statements of the Company are prepared in conformity with Sri Lanka Accounting Standards (SLFRSs) and 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.

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 an external Actuary to value the life fund. As at date of the report, the Directors are not aware of any circumstances, which would render as inadequate the amounts provided for in the Financial Statements for the above.

DONATIONS

There were no donations granted during the year under review.

STATUTORY PAYMENTS

The Directors are satisfied to the best of their knowledge and belief that all Statutory Payments to the Government and other Statutory Institutions including employee related payments have been made in time.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company operates in accordance with prevailing laws and regulations. Compliance with provisions in laws and regulations are confirmed to the Board of Directors at Board Meetings. A detailed report on this is available under the Corporate Governance article on pages 41-61 of this report.

OUTSTANDING LITIGATIONS

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

EVENTS AFTER THE REPORTING DATE

The events after the reporting date is disclosed in Note 47 (Page 149) in financial statements.

GOING CONCERN

The Board of Directors has reviewed the Company's business plan, future prospects, its risk profile and the other requirements such as cash flow and future capital expenditure and is satisfied that the Company has adequate resources and the plans to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

RATING OF THE COMPANY

The Company's claims paying ability rating remains at "A" issued by ICRA Lanka Limited.

NOTICE OF THE MEETING

Notice of the meeting relating to the 25th Annual General Meeting is provided on page 175.

For and on behalf of the Board,

H.N. Esufally
Chairman

Prakash Schaffter
Managing Director

K H L Corporate Services Limited
Company Secretaries

14 May 2018

Net IBNR & Liability Adequacy Test Certification

24 February 2018

To the shareholders of Janashakthi General Insurance Limited

JANASHAKTHI GENERAL INSURANCE LIMITED 31 DECEMBER 2017 NET IBNR AND LAT CERTIFICATION

I hereby certify that the Central Estimate of IBNR provision of LKR557,174,710 is adequate in relation to the Claim Liabilities of Janashakthi General Insurance Limited as at 31 December 2017, net of reInsurance. This IBNR provision, together with the case reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2017, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR of LKR5,572,426,127 is adequate in relation to the unexpired risks of Janashakthi General Insurance Limited as at 31 December 2017, net of reInsurance. Therefore, there is no premium deficiency to be recognised by the Company.

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

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

Matthew Maguire
Fellow of the Institute of Actuaries of Australia (FIAA)
For and on behalf of NMG Consulting
Dated 24 February 2018

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

Actuarial Report - Janashakthi Insurance PLC

M/S. K. A. PANDIT
CONSULTANTS & ACTUARIES
(ISO 9001:2008 CERTIFIED)
(ISO 27001:2005 CERTIFIED)

K. A. Pandit
KAP
Consultants & Actuaries
ESTD : 01-02-1943

CERTIFICATE UNDER SECTION 15 OF SLFRS4

I, M. G. Diwan, being the Appointed Actuary for Janashakthi Insurance PLC (Company), certify that, to the best of my knowledge:

1. I have valued each and every policy on the books of the company for which data was given to me, with respect to long term Insurance liabilities as on 31st December 2017.
2. The detailed data was provided by the company and wherever required, I have asked for clarifications from the company for which I got satisfactory replies.
3. I have taken reasonable steps to ensure the completeness and accuracy of data provided by the company.
4. In my opinion, adequate and proper reserves have been provided for as on 31st December 2017 for all the liabilities in respect of long term Insurance business of the Company. The total liabilities of the Company as on 31st December 2017 are LKR 8,773 million after taking credit for reInsurance.
5. I have complied with the relevant provisions of the Act, including the provisions of Section 26 and Regulations issued by the Insurance Regulatory Commission of Sri Lanka with respect to Solvency Margin.

The statutory reserves for the Company, as on 31st December 2017, using the Gross Premium Valuation Methodology is LKR 8,773 million. The provision made as per the statutory valuation requirement is adequate to meet liabilities and also satisfies Liability Adequacy Test as on 31st December 2017.

Date: 14 May 2018

Mukund G. Diwan
Actuary
M. G. DIWAN
F.I.A.I. (OOO53)
kap@ka-pandit.com

Actuarial Report - Former National Insurance Corporation Ltd

M/S. K. A. PANDIT
CONSULTANTS & ACTUARIES
(ISO 9001:2008 CERTIFIED)
(ISO 27001:2005 CERTIFIED)

K. A. Pandit
KAP
Consultants & Actuaries
ESTD : 01-02-1943

CERTIFICATE UNDER SECTION 15 OF SLFRS4

I, M. G. Diwan, being the Appointed Actuary for National Insurance Corporation Limited (Company), certify that, to the best of my knowledge:

1. I have valued each and every policy on the books of the company for which data was given to me, with respect to long term Insurance liabilities as on 31st December 2017.
2. The detailed data was provided by the company and wherever required I have asked for clarifications from the company for which I got satisfactory replies.
3. I have taken reasonable steps to ensure the completeness and accuracy of data provided by the company.
4. In my opinion, adequate and proper reserves have been provided for as on 31st December 2017 for all the liabilities in respect of long term Insurance business of the Company. The total liabilities of the Company as on 31st December 2017 are LKR 128 million.
5. I have complied with the relevant provisions of the Act, including the provisions of Section 26 and Regulations issued by the Insurance Regulatory Commission of Sri Lanka with respect to Solvency Margin.

The statutory reserves for the Company, as on 31st December 2017, using the Gross Premium Valuation Methodology is LKR 128 million. The provision made as per the statutory valuation requirement is adequate to meet liabilities and also satisfies Liability Adequacy Test as on 31st December 2017.

Date: 14 May 2018

Mukund G. Diwan
Actuary
M. G. DIWAN
F.I.A.I. (OOO53)
kap@ka-pandit.com

Statement of Directors' Responsibility on Financial Reporting

The following set 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 Financial Statement of the Company for the year ended 31st December 2017 have been prepared in accordance with the Companies Act No. 07 of 2007, Regulation to Insurance Industry Act No. 43 of 2000 (as amended), Sri Lanka Accounting Standards and the listing rules of the Colombo stock Exchange.

The directors consider that, in preparing the Financial Statements they have adopted appropriate account-ing policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

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

Secretary to the Board,
K H L Corporate Services Limited
Company Secretaries

14 May 2018

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 and subsequent amendments thereto. 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. All such changes have been duly explained and highlighted. (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 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 recognised in weighing the assurances provided by any System of Internal Controls and Accounting.

The Financial Statements were audited by Messrs Ernst & Young, 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, 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.

Jude Fernando
Director / Chief Executive Officer
Janashakthi General Insurance Ltd.

Stuart Chapman
Director / Chief Executive Officer
Janashakthi Insurance PLC

Deepta Ekanayake
GM – Finance & Planning

14 May 2018

Independent Auditors' Report

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JANASHAKTHI INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Janashakthi Insurance PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company give a true and fair view of its financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- The financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

As required by Section 47(2) of the regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Ernst & Young

14 May 2018
Colombo

Statement of Financial Position

As at 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Assets					
Property, Plant and Equipment	8	2,091,983	1,797,487	-	-
Investment Property	5	386,221	22,600	22,600	22,600
Intangible Assets	7	26,878	35,556	-	-
Goodwill on Acquisition	6	815,448	1,014,448	-	-
Deferred Tax Asset	15	-	29,394	-	-
Financial Investments	4	25,522,702	21,585,760	12,375,224	11,115,417
Investment in Subsidiary	12	-	-	6,840,000	6,840,000
Loans to Life Policyholders & Others	9	285,761	257,626	229,988	179,328
ReInsurance Receivable	10	1,533,509	1,790,858	15,093	15,302
Premium Receivables	11	3,031,139	2,603,728	33,005	29,859
Other Assets	13	2,202,662	1,909,269	312,923	382,062
Other Fund Assets	14	3,252	52,387	-	-
Deferred Expenses	16	589,045	525,253	-	
Cash in Hand and Balance at Bank	17	354,047	479,112	192,120	180,311
Total Assets		36,842,647	32,103,478	20,020,953	18,764,879
Equity and Liabilities					
Equity					
Stated Capital	18	4,853,752	4,853,752	4,853,752	4,853,752
Revaluation Reserve	19	327,415	162,160	-	-
Restricted Regulatory Reserve	20	1,795,829	-	1,795,829	-
Revenue Reserves	21	4,337,683	4,031,331	2,811,297	3,300,472
Available for Sale Reserve Fund of Life Policyholders	21	-	(5,590)	-	(5,590)
Total Equity		11,314,679	9,041,654	9,460,878	8,148,634

As at 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Liabilities					
Insurance Liability - Life	22.3	9,651,593	9,699,136	9,651,593	9,699,136
Insurance Liability - Non Life	23	8,846,775	8,444,520	-	-
Retirement Benefit Obligation	24	347,776	287,361	151,996	127,342
Deferred Tax Liability	15	90,388	-	-	-
ReInsurance Creditors		529,306	481,664	57,364	45,765
Other Fund Liabilities	25	3,252	27,727	-	-
Other Liabilities	28	5,347,936	3,447,107	616,190	729,141
Deferred Revenue	26	214,035	223,105	-	-
Interest Bearing Borrowings	27	496,907	451,204	82,932	14,861
Total Liabilities		25,527,968	23,061,824	10,560,075	10,616,245
Total Equity and Liabilities		36,842,647	32,103,478	20,020,953	18,764,879

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Deepta Ekanayake
General Manager - Finance & Planning

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

Signed for and on behalf of the Board by

Prakash Schaffter
Managing Director

Ms. A. Coomaraswamy
Director

Colombo
14 May 2018

Statement of Profit or Loss

For the Year Ended 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Gross Written Premium	29	15,115,303	13,651,444	2,902,873	2,943,963
Premium Ceded to Reinsurers		(2,482,534)	(2,105,113)	(99,005)	(90,592)
Net Written Premium		12,632,769	11,546,331	2,803,868	2,853,371
Net Change in Reserve for Unearned Premium	30	(612,676)	(7,244)	-	-
Net Earned Premium		12,020,093	11,539,087	2,803,868	2,853,371
Other Revenue					
Fee and Commission Income	31	402,322	344,958	40,700	41,520
Investment Income	32	2,499,248	1,958,113	1,327,423	1,046,191
Realised Gains/(Losses)	33	13,523	257,203	951	230,593
Fair Value Gains/(Losses)	34	(86,070)	(51,300)	(93,104)	(5,004)
Other Operating Revenue	35	329,919	415,232	23,897	49,063
Total Other Revenue		3,158,942	2,924,206	1,299,867	1,362,363
Net Income		15,179,035	14,463,293	4,103,735	4,215,734
Benefits and Claims					
Gross Claims and Benefits Paid	36.1	(20,215,451)	(22,193,677)	(1,177,997)	(1,152,863)
Claims Ceded to Reinsurers	36.2	12,520,988	14,632,017	64,053	53,677
Gross Change in Claims Liabilities	36.3	335,638	(221,604)	(4,099)	(8,397)
Change in Claims Liabilities Ceded to Reinsurers	36.4	41,564	1,095,183	(798)	4,174
Change in Contract Liabilities - Life		(1,747,577)	(832,885)	(1,747,577)	(832,885)
Change in Contract Liability due to Transfer of One-off Surplus	20	1,795,829	-	1,795,829	-
Underwriting & Net Acquisition Cost	37	(2,162,634)	(1,931,794)	(662,326)	(691,739)
Total Benefits, Claims & Net Acquisition Cost		(9,431,644)	(9,452,760)	(1,732,915)	(2,628,033)
Other Expenses					
Operating and Administrative Expenses	38	(2,879,600)	(3,030,941)	(678,397)	(609,304)
Finance Cost	39	(24,626)	(68,398)	(786)	(25,381)
Total Other Expenses		(2,904,226)	(3,099,339)	(679,183)	(634,685)
Profit before Taxation	40	2,843,165	1,911,194	1,691,635	953,016
Income Tax Expense	41	(303,191)	(264,603)	-	-
Profit for the year		2,539,975	1,646,591	1,691,635	953,016
Profit attributable to:					
Equity holders of the Company		2,539,975	1,646,591	1,691,635	953,016
		2,539,975	1,646,591	1,691,635	953,016
Basic earnings per share (LKR)	42	4.66	3.02	3.11	1.75

Statement of Comprehensive Income

For the Year Ended 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Profit for the year		2,539,975	1,646,591	1,691,635	953,016
Other Comprehensive (Loss) / Income					
Items that will never be reclassified to Profit or Loss					
Actuarial (Losses)/Gains on Defined Benefit Plans	24	(27,881)	(2,194)	708	27,061
Items that are or may be reclassified to Profit or Loss					
Gain of Revaluation of Properties	8	210,988	-	-	-
Net Changes in Fair Value of Investments classified as Available for Sale Financial Assets		39,638	(436,047)	69,045	(180,570)
Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	34.1	90,474	-	90,474	-
Aggregate tax effect of items recognised in Other Comprehensive Profit/(Loss)	15	(40,550)	6,267	-	-
Total Other Comprehensive Profit/(Loss)		272,669	(431,974)	160,227	(153,509)
Total Comprehensive Income for the year		2,812,644	1,214,617	1,851,863	799,507
Total Comprehensive Income attributable to:					
Equity holders of the Company		2,812,644	1,214,617	1,851,863	799,507
		2,812,644	1,214,617	1,851,863	799,507

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Colombo
14 May 2018

Statement of Changes in Equity - Group

					Revenue Reserves				
		Stated Capital	Revaluation Reserve	Restricted Regulatory Reserve	Retained Earnings	Available-for-sale Reserve	Total	Available for Sale Reserve Fund of Life Policyholders	Total
	Notes	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 31 December 2015		4,853,752	162,160	-	3,666,845	(447,859)	3,218,986	-	8,234,898
Profit for the year		-	-	-	1,646,591	-	1,646,591	-	1,646,591
Other Comprehensive (Loss) / Income									
Net Change in fair value of AFS assets		-	-		-	(436,047)	(436,047)	-	(436,047)
Actuarial Gains on Defined Benefit Plans		-	-		(2,194)	-	(2,194)	-	(2,194)
Aggregate tax effect of items recognised in Other Comprehensive (Loss) / Income		-	-		6,267	-	6,267	-	6,267
Revaluation Surplus					-	-	-	-	-
Other Comprehensive (Loss) / Income		-	-	-	4,073	(436,047)	(431,974)	-	(431,974)
Net Change in fair value of AFS assets - transfers to Available For Sale Reserve Fund of Life Policyholders		-	-		-	6,104	6,104	(6,104)	
Transfers to Life Insurance Fund		-	-		-			514	514
Dividends paid		-	-		(408,375)	-	(408,375)	-	(408,375)
Balance as at 31 December 2016		4,853,752	162,160	-	4,909,134	(877,802)	4,031,331	(5,590)	9,041,654
Profit for the year / Transfer of One - Off Surplus from Shareholders		-	-	1,795,829	744,146	-	744,146	-	2,539,975
Other Comprehensive (Loss) / Income									
Net Change in fair value of Available for Sale financial assets		-	-	-	-	39,638	39,638	-	-
Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	34.1					90,474	90,474		
Actuarial Losses on Defined Benefit Plans	24	-	-	-	(27,881)	-	(27,881)	-	-
Aggregate tax effect of items recognised in Other Comprehensive (Loss) / Income		-	-	-	5,182	-	5,182	-	-
Revaluation of Land & Buildings Net of Tax		-	165,256	-	-	-	-	-	-
Total Comprehensive Income/(Loss) for the Year		-	165,256	-	(22,698)	130,112	107,413	-	272,669
		-	-		-	-		-	
Net Change in Fair Value of Life Policyholders' Available for Sale FinancialAssets, transferred to Income Statement		-	-	-	-			5,590	5,590
Transfered to Life Insurance Fund		-	-	-	(708)	-	(708)		(708)
Transactions with owners recorded directly in equity		-	-	-		-		-	
Dividends paid		-	-	-	(544,500)	-	(544,500)	-	(544,500)
		-	-	-	-	-	-		
Balance as at 31 December 2017		4,853,752	327,415	1,795,829	5,085,373	(747,690)	4,337,683	-	11,314,679

The Company paid a total dividend of LKR 1.00 per share in 2017 (2016 - LKR 0.75 per share)

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Statement of Changes in Equity - Company

				Revenue Reserves				
		Stated Capital	Restricted Regulatory Reserve	Retained Earnings	Available-for-sale Reserve	Total	Available for Sale Reserve Fund of Life Policyholders	Total
	Notes	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 31 December 2015		4,853,752	-	3,014,208	(110,969)	2,903,236	-	7,756,988
Profit for the year		-	-	953,016	-	953,016	-	953,016
Other Comprehensive (Loss) / Income								
Net Change in Fair Value of Available for Sale Financial Assets		-	-	-	(180,570)	(180,570)	-	-
Actuarial Gains on Defined Benefit Plans		-	-	27,061	-	27,061	-	-
Other Comprehensive (Loss) / Income		-	-	27,061	(180,570)	(153,509)	-	(153,509)
Net Change in fair value of AFS assets - transfers to Available For Sale Reserve Fund of Life Policyholders					6,104	6,104	(6,104)	-
Transfers to Life Insurance Fund							514	514
Total Comprehensive Income for the Year		-	-	-	-		-	
Dividends paid		-	-	(408,375)	-	(408,375)	-	(408,375)
Balance as at 31 December 2016		4,853,752	-	3,585,907	(285,436)	3,300,472	(5,590)	8,148,634
Profit for the year / Transfer of One - Off Surplus from Shareholders		-	1,795,829	(104,193)	-	(104,193)	-	1,691,635
Other Comprehensive Income								
Net Change in Fair Value of Available for Sale Financial Assets		-	-	-	69,045	69,045	-	
Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	34.1				90,474	90,474		
Actuarial Gain on Defined Benefit Plans	24	-	-	708	-	708	-	-
Total Comprehensive Income for the Year		-	-	708	159,519	160,227		160,227
Net Change in Fair Value of Life Policyholders' Available for Sale FinancialAssets, transferred to Statement of Profit or Loss		-	-				5,590	5,590
Transfers to Life Insurance Fund		-	-	(708)	-	(708)		(708)
Transactions with owners recorded directly in equity								
Dividends paid		-	-	(544,500)	-	(544,500)	-	(544,500)
Balance as at 31 December 2017		4,853,752	1,795,829	2,937,214	(125,917)	2,811,297	-	9,460,878

The Company paid a total dividend of LKR 1.00 per share in 2017 (2016 - LKR 0.75 per share).

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Statement of Cash Flow

For the Year Ended 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Cash Flows From Operating Activities					
Premium Received from Customers		14,744,183	13,419,167	2,918,685	2,959,328
ReInsurance Premium Paid		(2,434,883)	(2,045,770)	(87,405)	(87,311)
Claims Paid		(20,215,451)	(22,193,677)	(1,177,997)	(1,152,863)
ReInsurance Receipt in Respect of Claims		12,516,299	13,955,064	59,364	50,943
Interest Received		1,494,826	1,067,846	646,795	544,810
Dividends Received		59,170	65,029	19,365	18,969
Other Operating Costs		(1,409,512)	(2,609,116)	(698,277)	(1,471,294)
Cash Flows From Operating Activities	A	4,754,633	1,658,543	1,680,530	862,582
Gratuity Paid		(31,903)	(80,122)	(4,353)	(10,565)
Net Cash Generated by Operating Activities		4,722,730	1,578,421	1,676,177	852,017
Cash Flows Used in Investing Activities					
Net Drawdown/(Purchase) of Investments		(3,787,399)	(216,857)	(1,187,153)	(473,196)
Purchase of Property, Plant and Equipment		(547,659)	(887,934)	-	-
Disposal of Property, Plant and Equipment		11,517	888,077	-	885,821
Purchase of Intangible Assets		(831)	(16,693)	-	-
Net Cash Used in Investing Activities		(4,324,372)	(233,406)	(1,187,153)	412,625
Net Cash Flows Before Financing Activities		398,358	1,345,014	489,024	1,264,642
Cash Flows Used in Financing Activities					
Interest Paid on Borrowings		(24,626)	(68,398)	(786)	(25,381)
Repayment of Borrowings		-	(1,139,391)	-	(799,393)
Ordinary Dividends Paid		(544,500)	(408,375)	(544,500)	(408,375)
Net Cash From Financing Activities		(569,126)	(1,616,164)	(545,286)	(1,233,149)
Net Increase / (Decrease) in Cash and Cash Equivalents	B	(170,768)	(271,149)	(56,262)	31,493

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Notes to the Statement of Cash Flow

For the Year Ended 31st December		Group		Company	
		2017	2016	2017	2016
		LKR '000	LKR '000	LKR'000	LKR '000
A	**Cash Flow from Operating Activities**				
	Profit before Tax	2,843,165	1,911,194	1,691,635	953,016
	Finance Cost	24,626	68,398	786	25,381
	Profit on sale of Property, Plant & Equipment	(12,572)	(228,154)	-	(228,120)
	Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	90,474	-	90,474	-
	(Gain)/Loss on Financial Investments	(5,047)	41,576	1,987	5,004
	Provision for Retirement Benefit	64,437	53,064	29,715	27,838
	Depreciation and Amortisation Expenses	116,163	119,429	-	
	Provision for Bad Debts	7,479	16,628	-	-
	Net Foreign Exchange Gain	(11,109)	(10,515)	-	-
	Loss on Impairment of Goodwill	199,000	388,000	-	-
	Change in contract liability due to transfer of one off surplus	(1,795,829)	-	(1,795,829)	-
	Changes in Working Capital				
	(Increase)/Decrease in Premium and Other Receivables	1,012,988	(1,666,713)	15,518	118,377
	Increase/(Decrease) in Life Insurance Fund	1,747,577	832,885	1,747,577	832,885
	Increase/(Decrease) in Non Life Insurance Provision	402,254	(592,115)	-	-
	Increase/(Decrease) in Creditors	71,026	724,865	(101,334)	(871,801)
	Net Cash Flow from Operating Activities	4,754,633	1,658,543	1,680,530	862,582

B	**Increase / (Decrease) in Cash and Cash Equivalents**				
	Cash in Hand and Balance at Bank	354,047	479,112	192,120	180,311
	Bank Overdrafts	(496,907)	(451,204)	(82,932)	(14,861)
	Net Cash and Cash Equivalents for the Current Year	(142,860)	27,908	109,188	165,450
	Net Cash and Cash Equivalents for the Previous Year	27,908	299,057	165,450	133,957
	Increase /(Decrease) in Cash and Cash Equivalents During the Year	(170,768)	(271,149)	(56,262)	31,493

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Statement of Profit or Loss - Segmental Review - Group

For the Year Ended 31st December	2017				2016			
	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Consolidated LKR'000	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Consolidated LKR'000
Gross Written Premium	12,212,430	2,902,873	-	15,115,303	10,707,481	2,943,963	-	13,651,444
Premium Ceded to Reinsurers	(2,383,529)	(99,005)	-	(2,482,534)	(2,014,521)	(90,592)	-	(2,105,113)
Net Written Premium	9,828,901	2,803,868	-	12,632,769	8,692,960	2,853,371	-	11,546,332
Net Change in Reserve for Unearned Premium	(612,676)	-	-	(612,676)	(7,244)	-	-	(7,244)
Net Earned Premium	9,216,225	2,803,868	-	12,020,093	8,685,716	2,853,371	-	11,539,087
Other Revenue								
Fee and Commission Income	361,622	40,700	-	402,322	303,438	41,520	-	344,958
Investment Income	1,183,175	1,327,423	(11,350)	2,499,248	911,922	1,046,191	-	1,958,113
Realised Gains/(Losses)	12,572	951	-	13,523	26,609	230,593	-	257,203
Fair Value Gains/(Losses)	7,034	(93,104)	-	(86,070)	(46,296)	(5,004)	-	(51,300)
Other Operating Revenue	345,516	23,897	(39,494)	329,919	398,282	49,062	(32,112)	415,232
Total Other Revenue	1,909,919	1,299,867	(50,844)	3,158,942	1,593,954	1,362,363	(32,112)	2,924,206
Total Net Income	11,126,144	4,103,735	(50,844)	15,179,035	10,279,670	4,215,734	(32,112)	14,463,293
Benefits and Claims								
Gross Claims and Benefits Paid	(19,037,454)	(1,177,997)	-	(20,215,451)	(21,040,814)	(1,152,863)		(22,193,677)
Claims Ceded to Reinsurers	12,456,935	64,053	-	12,520,988	14,578,340	53,677	-	14,632,017
Gross Change in Claims Liabilities	339,737	(4,099)	-	335,638	(213,207)	(8,397)	-	(221,604)
Change in Claims Liabilities Ceded to Reinsurers	42,362	(798)	-	41,564	1,091,009	4,174	-	1,095,183
Change in Contract Liabilities - Life	-	(1,747,577)	-	(1,747,577)	-	(832,885)	-	(832,885)
Change in contract liability due to transfer of one off surplus	-	1,795,829	-	1,795,829	-	-	-	-
Underwriting & Net Acquisition Costs	(1,500,308)	(662,326)	-	(2,162,634)	(1,240,055)	(691,739)	-	(1,931,794)
Total Benefits, Claims & Net Acquisition Cost	(7,698,728)	(1,732,915)	-	(9,431,644)	(6,824,727)	(2,628,033)	-	(9,452,760)
Other Expenses								
Operating and Administrative Expenses	(2,041,694)	(678,397)	(159,507)	(2,879,600)	(2,033,637)	(609,304)	(388,000)	(3,030,941)
Finance Cost	(23,840)	(786)	-	(24,626)	(43,017)	(25,381)	-	(68,398)
Total Other Expenses	(2,065,534)	(679,183)	(159,507)	(2,904,227)	(2,076,654)	(634,685)	(388,000)	(3,099,339)
Profit before Taxation	1,361,882	1,691,635	(210,351)	2,843,165	1,378,289	953,016	(420,113)	1,911,194
Income Tax Expense	(303,191)	-	-	(303,191)	(264,603)	-	-	(264,603)
Profit for the year	1,058,691	1,691,635	(210,351)	2,539,975	1,113,686	953,016	(420,113)	1,646,591

Statement of Comprehensive Income - Segmental Review - Group

For the Year Ended 31st December	2017				2016			
	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Consolidated LKR'000	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Consolidated LKR'000
Profit for the year	1,058,691	1,691,635	(210,351)	2,539,975	1,113,686	953,016	(420,113)	1,646,591
Other Comprehensive (Loss) / Income								
Items that will never be Reclassified to Profit or Loss								
Actuarial Gains/(Losses) on Defined Benefit Plans	(28,590)	708	-	(27,881)	(29,255)	27,061	-	(2,194)
Items that are or may be Reclassified to Profit or Loss								
Gain on Revaluation of Properties	210,988	-	-	210,988			-	
Net Changes in Fair Value of Investments classified as Available for Sale	(29,407)	69,045	-	39,638	(255,477)	(180,570)	-	(436,047)
Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	-	90,474	-	90,474				
Aggregate tax effect of items recognised in Other Comprehensive (Loss) / Income	(40,550)	-	-	(40,550)	6,267	-	-	6,267
Total Other Comprehensive Loss	112,442	160,227	-	272,669	(278,465)	(153,509)	-	(431,974)
Total Comprehensive Income for the Year	1,171,131	1,851,863	(210,351)	2,812,644	835,221	799,507	(420,113)	1,214,617

Statement of Cash Flow - Segmental Review

For the Year Ended 31st December	Group			Group		
	Non Life Insurance 2017 LKR'000	Life Insurance 2017 LKR'000	Consolidated 2017 LKR'000	Non Life Insurance 2016 LKR'000	Life Insurance 2016 LKR'000	Consolidated 2016 LKR'000
Cash Flows From Operating Activities						
Premium Received from Customers	11,825,498	2,918,685	14,744,183	10,459,839	2,959,328	13,419,167
ReInsurance Premium Paid	(2,347,478)	(87,405)	(2,434,883)	(1,958,459)	(87,311)	(2,045,770)
Claims Paid	(19,037,454)	(1,177,997)	(20,215,451)	(21,040,814)	(1,152,863)	(22,193,677)
ReInsurance Receipt in Respect of Claims	12,456,935	59,364	12,516,299	13,904,121	50,943	13,955,064
Interest Received	848,031	646,795	1,494,826	523,036	544,810	1,067,846
Dividends Received	51,154	19,365	59,170	46,059	18,969	65,029
Other Operating Cost Payments	(710,995)	(698,277)	(1,409,512)	(1,137,822)	(1,471,294)	(2,609,116)
Cash Flows From Operating Activities	3,085,691	1,680,530	4,754,633	795,960	862,582	1,658,543
Gratuity Paid	(27,551)	(4,353)	(31,903)	(69,558)	(10,565)	(80,124)
Net Cash Generated by Operating Activities	3,058,140	1,676,177	4,722,730	726,402	852,017	1,578,419
Cash Flows Used in Investing Activities						
Net Dawdown/(Purchase) of Investments	(2,600,245)	(1,187,153)	(3,787,399)	256,343	(473,196)	(216,853)
Purchase of Property, Plant and Equipment	(547,659)	-	(547,659)	(887,934)	-	(887,934)
Disposal of Property, Plant and Equipment	11,517	-	11,517	2,256	885,821	888,077
Purchase of Intangible Assets	(831)	-	(831)	(16,693)	-	(16,693)
Net Cash Used in Investing Activities	(3,137,219)	(1,187,153)	(4,324,373)	(646,028)	412,625	(233,404)
Net Cash Flows Before Financing Activities	(79,079)	489,025	409,945	80,374	1,264,642	1,345,015
Cash Flows Used in Financing Activities						
Interest Paid on Borrowings	(23,840)	(786)	(24,626)	(43,017)	(25,381)	(68,398)
Net Drawdown/(Repayment) of Borrowings	-	-	-	(340,000)	(799,391)	(1,139,391)
Ordinary Dividends Paid	(11,349)	(544,500)	(544,500)	-	(408,375)	(408,375)
Net Cash From Financing Activities	(35,189)	(545,286)	(569,126)	(383,017)	(1,233,148)	(1,616,165)
Net Increase / (Decrease) in Cash and Cash Equivalents			(170,768)			(271,149)

The accounting policies on pages 98 to 111 and notes on pages 112 to 161 are an integral part of these Financial Statements.

Segmental Information - Business Segments

As at 31st December	2017				2016			
	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Group LKR'000	Non Life Insurance LKR'000	Life Insurance LKR'000	Adjustments/ Eliminations LKR'000	Group LKR'000
Segment Assets								
Financial Investments	13,147,478	12,375,224	-	25,522,702	10,470,343	11,115,416	-	21,585,760
Investment Property	363,621	22,600	-	386,221	-	22,600	-	22,600
Purchased Goodwill	-	-	815,448	815,448	-	-	1,014,448	1,014,448
Intangible Assets	26,878	-	-	26,878	35,556	-	-	35,556
Property, Plant and Equipment	2,091,945	-	-	2,091,983	1,797,487	-	-	1,797,487
Loans to Life Policyholders & Others	55,773	229,988	-	285,761	78,298	179,328	-	257,626
ReInsurance Receivable	1,518,416	15,093	-	1,533,509	1,775,556	15,302	-	1,790,858
Premium Receivables	2,998,134	33,005	-	3,031,139	2,573,869	29,859	-	2,603,728
Investment in Subsidiary	-	6,840,000	(6,840,000)	-	-	6,840,000	(6,840,000)	-
Other Assets	1,889,739	312,923	-	2,202,662	1,645,746	382,062	(118,539)	1,909,269
Other Fund Assets	3,252		-	3,252	52,387	-	-	52,387
Deferred Tax Asset	-	-	-	-	29,394	-	-	29,394
Deferred Expenses	589,044	-	-	589,045	525,253	-	-	525,253
Cash in Hand and Balance at Bank	161,927	192,120		354,047	298,801	180,311	-	479,112
Total Assets	22,846,208	20,020,953	(6,024,552)	36,842,647	19,282,656	18,764,878	(5,944,089)	32,103,478
Segment Liabilities								
Insurance Provision - Life	-	9,651,593	-	9,651,593	-	9,699,136	-	9,699,136
Insurance Provision - Non Life	8,846,775	-	-	8,846,775	8,444,520	-	-	8,444,520
Retirement Benefit Obligation	195,780	151,996	-	347,776	160,020	127,342	-	287,362
Deferred Tax Liability	90,388	-	-	90,388				
Other Fund Liabilities	3,252	-	-	3,252	27,727	-	-	27,727
Deferred Revenue	214,035	-	-	214,035	223,106	-	-	223,105
Interest Bearing Borrowings	413,975	82,932	-	496,907	436,343	14,861	-	451,204
ReInsurance Creditors	471,951	57,364	-	529,306	435,899	45,765	-	481,664
Other Liabilities	4,731,740	616,190	-	5,347,936	2,836,468	729,117	(118,477)	3,447,107
Total Liabilities	14,967,894	10,560,075	-	25,527,968	12,564,080	10,616,223	(118,477)	23,061,824

The above Non Life Insurance Statement of Financial Position should be read in conjunction with the Company's Statment of Financial Position on page 84, Accounting Policies and Notes to the Financial Statements from page 98 to 161.

Life Insurance - (Life Insurance Fund Of The Former National Insurance Corporation Ltd)
Statement of Financial Position - Supplemental

For the Year Ended 31st December	2017 LKR '000	2016 LKR '000
Assets		
Financial Investments	218,748	232,218
Investment Property	22,600	22,600
Loans to Life Policyholders	44,329	44,849
Other Assets	7,865	26,923
Cash in Hand and Balance at Bank	13,085	5,146
Total Assets	306,627	331,736
Equity and Liabilities		
Equity		
Available for Sale Reserve Fund of Life Policyholders	-	(5,590)
Total Equity	-	(5,590)
Liabilities		
Insurance Provision - Life	183,262	244,338
Other Liabilities	40,525	91,331
Interest Bearing Borrowings	82,840	1,657
Total Liabilities	306,627	337,326
Total Equity and Liabilities	306,627	331,736

The above Life Insurance Statement of Financial Position should be read in conjunction with the Company's Statement of Financial Position on page 84, Accounting Policies and Notes to the Financial Statements from page 98 to 161.

Underwriting Results - Supplemental - Group

For the Year Ended 31st December	2017			2016		
	Non Life Insurance LKR'000	Life Insurance LKR'000	Consolidated LKR'000	Non Life Insurance LKR'000	Life Insurance LKR'000	Consolidated LKR'000
Gross Written Premium	12,212,430	2,902,873	15,115,303	10,707,481	2,943,963	13,651,444
Less: Premium Ceded to Reinsurers	(2,383,529)	(99,005)	(2,482,534)	(2,014,521)	(90,592)	(2,105,113)
Net Written Premium	9,828,901	2,803,868	12,632,769	8,692,960	2,853,371	11,546,331
Net Change in Reserve for Unearned Premium	(612,676)	-	(612,676)	(7,244)	-	(7,244)
Net Earned Premium	9,216,225	2,803,868	12,020,093	8,685,716	2,853,371	11,539,087
Benefits and Claims						
Gross Claims and Benefits Paid	(19,037,454)	(1,177,997)	(20,215,451)	(21,040,814)	(1,152,863)	(22,193,677)
Claims Ceded to Reinsurers	12,456,935	64,053	12,520,988	14,578,340	53,677	14,632,017
Gross Change in Claims Liabilities	339,737	(4,099)	335,638	(213,207)	(8,397)	(221,604)
Change in Claims Liabilities Ceded to Reinsurers	42,362	(798)	41,564	1,091,009	4,174	1,095,183
Underwriting & Net Acquisition Costs	(1,500,308)	(662,326)	(2,162,634)	(1,240,055)	(691,739)	(1,931,794)
Total Benefits, Claims & Net Acquisition Cost	(7,698,728)	(1,781,168)	(9,479,895)	(6,824,727)	(1,795,148)	(8,619,875)
Underwriting Results	1,517,497	1,022,700	2,540,198	1,860,989	1,058,223	2,919,212

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 Reporting Entity

Janashakthi Insurance PLC ("the Company") is a limited liability company incorporated and domiciled in Sri Lanka and is listed on the Main Board of the Colombo Stock Exchange. The registered office and the principal place of business of the Company is at No. 675, Dr. Danister de Silva Mawatha, Colombo 09. The Company is regulated by the Insurance Industry Act, No. 43 of 2000 and amendments thereto.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is to carry out the business of Insurance, both Life and Non-Life Insurance. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Entity

In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Janashakthi PLC which is incorporated in Sri Lanka.

1.4 Date of authorisation of issue

The Financial Statements of the Company for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 14 May 2018.

1.5 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

1.6 Number of Employees

The staff strength of the Company as at 31st December 2017 was 2,316 (2,193 as at 31st December 2016).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements for the year ended 31st December 2017 are prepared in accordance with Sri Lanka Accounting Standards comprising LKASs and SLFRSs as issued by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of Companies Act No.07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto. These Financial Statements also provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. The Financial Statements include Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements.

2.2 Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.2.1 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value as at acquisition date and the amount of any non-controlling interest in the acquired business.

Transaction costs, other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination are expensed and included in administrative expenses.

When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at fair value as at acquisition date and any resulting gain or loss recognised in Statement of Profit or Loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value as at acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in the Statement of Profit or Loss or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRSs/LKASs.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Company acquired, the difference is recognised in the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, as from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

2.3 Basis of Measurement

The Consolidated Financial Statements have been prepared on an accrual basis under the historical cost convention and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except for the financial assets available for sale and financial assets designated at fair value through profit or loss which are measured at fair value, the land and buildings measured at revalued amounts and Investment properties valued at fair value. The policyholders' liability is determined using actuarial valuation and defined benefit obligations are recognised at present value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Statement of Financial Position has been prepared in the order of liquidity.

2.4 Use of Materiality and Offsetting

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are not material, as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

Assets and liabilities and income and expenses are not set off unless permitted by Sri Lanka Accounting Standards.

2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand (LKR '000), unless otherwise stated as permitted by the LKAS 01 – Presentation of Financial Statements.

2.6 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements of the Company in conformity with SLFRSs/LKASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively. Management has considered and made significant judgements, estimates and assumptions with regard to the following items in preparing these Financial Statements.

2.6.1 Going Concern

The Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.6.2 Revaluation of Property, Plant and Equipment and Investment Properties

The land and buildings are measured at revalued amounts with changes in fair value being recognised in the Statement of Equity. The investment properties are measured at fair value, with changes in fair value being recognised in the Statement of Profit or Loss.

2.6.3 Life Insurance Contract Liabilities

The liability for life Insurance contracts is based on assumptions established at inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect the best current estimates of future cash flows.

The main assumptions used relate to mortality, longevity, and discount rates. The Company bases mortality on standard tables published by the Institute of Actuaries of United Kingdom (A 67/70 and A 49/52).

Discount rates are based on the guidelines provided by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

2.6.4 Non-life Insurance Contract Liabilities

For non-life Insurance contracts, estimates have to be made both for the expected ultimate cost of outstanding claims reported at the date of the Statement of Financial Position and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the date of the Statement of Financial Position.

The Company establishes IBNR reserves, to recognise the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognise the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Company relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Company also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported. It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Changes in assumptions may lead to changes in the non – life Insurance liability over time. Furthermore, some of these assumptions can be volatile.

The Insurance contracts are issued and Fronting Arrangements, whereby it is clearly declared and agreed in the fronting policy, that payment of any claim under a 100% fronting arrangement is made conditional upon the said reinsurer or the consortium of reinsurers confirming their respective liabilities to the Company.

The claim liability is recognised only to the extent of the confirmation of the claim liability, by the reinsurer.

2.6.5 Deferred policy acquisition costs (DAC)
Deferred policy acquisition costs (DAC) are an asset and represent costs of acquiring Insurance that are deferred and amortised. These vary with and are primarily related to the production of new and renewal business and consist of commissions, underwriting and agency expenses.

Deferred policy acquisition costs are deferred only to the extent that they are recoverable from future policy income. The amount of acquisition costs to be deferred is dependent on judgements as to which issuance costs are directly related to and vary with the acquisition.

The Company performs an impairment review on DAC at each Reporting Date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the Statement of Profit or Loss. No such indication of impairment was experienced during the year.

2.6.6 Fair value of Financial Instruments
Fair values of financial assets and liabilities are determined using quoted market prices where available.

There are certain financial assets and financial liabilities for which fair value cannot be derived from active markets and they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values.

Changes in assumptions with regard to any of these factors could affect the reported fair value of financial instruments.

2.6.7 Valuation of Defined Benefit Obligation – Gratuity
The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions for discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and the long-term nature, such estimates are subject to significant uncertainty and the obligation is highly sensitive to any changes in these estimates and assumptions.

2.6.8 Deferred Tax Assets and Liabilities
Deferred tax assets are recognised if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilisation of deferred tax assets arising from temporary differences depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled.

Certain management judgements are involved when determining the amount of deferred tax to be recognised based on timing and future taxable profits.

2.6.9 Impairment of Financial Assets
Impairment evaluation is a complex process that involves significant judgements and uncertainties that may have a significant impact on the Company's Financial Statements. The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counter-party, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the Financial Statements.

Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry performance, financing and operational cash flows and changes in technology.

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

Following table provides references to the different locations in this Report where each estimates is discussed in more detail.

Estimate/ Judgement	Note No.	Page No.
Going Concern	2.6.1	99
Insurance Contract Liability		
Life Insurance	3.2.19.1	107
Non-Life Insurance	3.2.19.1	107
Liability Adequacy Test		
Life Insurance	3.2.19.1	107
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Valuation of Defined Benefit Obligation	3.2.19.3	108
Deferred Tax Asset & Liability	3.3.9	109
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Fair Value of Financial Instruments	2.6.6	100
Deferred Acquisition Cost	2.6.5	100
Provision for Liabilities & Contingencies	3.8	110

3. SIGNIFICANT ACCOUNTING POLICIES
3.1 Product Classification
3.1.1 Insurance Contracts
According to Sri Lanka Accounting Standards SLFRS 4, Insurance contracts are those contracts where the Company (the insurer) has accepted significant Insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. The Company determines whether it has significant Insurance risk, by comparing benefits paid against benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

3.1.2 Investment Contract

Once a contract has been classified as an Insurance contract, it remains an Insurance contract for the remainder of its lifetime, even if the Insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can however be reclassified as Insurance contracts after inception if the Insurance risk becomes significant. All of the Insurance policies issued by the Company transfer significant Insurance risk and have been classified as Insurance contracts in accordance with SLFRS 4, Insurance Contracts. The Company does not have any investment contracts as the reporting date.

3.1.3 Insurance Contracts with Discretionary Participating Features (DPF)

Certain Insurance and investment contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders). The amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant appointed actuary.

3.2 Statement of Financial Position

3.2.1 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Initial measurement and classification of financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.2.2 Financial Assets

Financial assets are classified into the following specified categories:

- Fair value through profit or loss (either as held for trading or designated at fair value through profit or loss) (FVTPL)
- Loans and receivables
- Held to maturity financial assets (HTM)
- Available-for-sale financial assets (AFS)

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company's existing types of financial assets and their possible classifications are shown in the table below.

Financial Asset	Category
Treasury Bond	Available for Sale
Quoted Shares	Fair value through Profit or Loss/Available for Sale
Unit Trust	Fair value through Profit or Loss
Corporate Debt	Loans & Receivable
Fixed Deposit	Loans & Receivable
Reverse Repurchase Agreements	Loans & Receivable
Loans to Policyholders	Loans & Receivable
Staff Loans	Loans & Receivable
ReInsurance Receivable	Loans & Receivable
Premium Receivable	Loans & Receivable
Cash & Cash Equivalent	Cash & Cash Equivalent
Other Assets	Loans & Receivable

3.2.2.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.2.2.2 Financial Assets and Liabilities Measured at Fair Value Through Profit or Loss

a) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or held as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. The changes in fair value are recognised in profit or loss, and interest and dividend income is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the payment has been established. The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near-term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances

b) Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets designated at fair value through profit or loss'. Interest earned is accrued in 'Interest income', using the effective interest rate (EIR), while dividend income is recorded in 'Net trading income' when the right to the payment has been established.

Details of Financial assets designated at fair value through profit or loss are given in Note 4 on page 112.

3.2.2.3 Available–for–Sale Financial Investments

Available–for–sale investments include equity and debt securities. Equity investments classified as available–for –sale are those which are neither classified as held–for–trading nor designated at fair value through profit or loss.

Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available–for–sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the 'Available–for– sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss under 'Other operating income'. Interest earned whilst holding available–for–sale financial investments is reported as 'interest income' using the EIR.

Dividends earned, whilst holding available–for–sale financial investments are recognised in the Statement of Profit or Loss as 'Net trading income', when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'Impairment losses on financial investments' and removed from the 'Available–for–sale reserve'.

Details of available-for sale financial investments are given in Note 4 on page 112.

3.2.2.4 Loans and Receivables

'Loans and receivables', include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss.

Gains and losses are recognised in the Statement of Profit or Loss when the investments are derecognised or impaired and also through the amortisation process.

Details of Loans and receivables to customers are given in Note 4 on page 112.

3.2.2.5 Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment Income' in the Statement of Profit or Loss.

In the case of an impairment, it is being reported as a deduction from the carrying value of the investment and recognised in the Statement of Profit or Loss as 'Net gains/ losses on investment securities'.

If the Company were to sell or reclassify more than an insignificant amount of Held-to-Maturity investments before maturity (other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'), the entire category would be tainted and would have to be reclassified as Available for Sale. Furthermore, the Company would be prohibited from classifying any financial asset as Held-to-Maturity during the following two years.

Gains and losses are recognised in the Statement of Profit or Loss when the investments are derecognised or impaired and also through the amortisation process.

3.2.3 Premium Receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in the Statement of Profit or Loss. Premium receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3.2.8, have been met.

3.2.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are held for the purpose of meeting short-term cash commitments.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in the 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. In the Consolidated Statement of Financial Position, the bank overdrafts are shown within borrowings under current liabilities.

3.2.5 Other Debtors and Amounts Receivable from Related Parties

Other debtors and dues from related parties are recognised at cost less allowances for bad and doubtful receivables.

3.2.6 Financial Liabilities

3.2.6.1 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss (held for trading or designated at fair value through profit or loss) and financial liabilities at amortised cost. Financial liabilities of the Company includes amounts due to banks, customer deposits, etc.

The subsequent measurement of financial liabilities depends on their classification.

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

(b) Financial Liabilities at Amortised Cost

Financial liabilities not classified at fair value through profit or loss are classified as liabilities at amortised cost. Such financial liabilities are subsequently measured at amortised cost using the EIR method.

Amounts due to the banks are recorded under financial liabilities at amortised cost.

3.2.7 Reclassification

As per Sri Lanka Accounting Standard (LKAS 39) on Financial Instruments; Recognition and Measurement, the Company is permitted to reclassify financial instruments in the held for trading category as available-for-sale, loans and receivables or held to maturity categories.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost and no reversals of fair value gains or losses are recorded before reclassification date.

The Company evaluates whether the ability and the intention to sell the available for sale financial assets in the near future would still be applicable and if in case the Company is unable to sell these assets in the near future the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivable is permitted if the financial assets meet the definition of loans and receivables and Management has the ability and intention to hold these assets for a foreseeable future or until maturity, whereas reclassification of instruments to held to maturity is permitted only if the entity has the ability and intention to hold these financial assets until maturity.

When a financial asset with a fixed maturity in the 'available for sale' category is reclassified, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

The Company may reclassify a non–derivative trading asset under the 'held for trading' category as one under 'loans and receivables' category if it meets the definition of loans and receivables and if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument under the fair value through profit or loss category after initial recognition.

3.2.8 Derecognition of Financial Assets and Financial Liabilities

3.2.8.1 Financial Asset

The Company derecognises a financial asset when;

- The rights to the cash flows from the financial asset has expired,
- It transfers the financial asset in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership,
- It does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.2.8.2 Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.2.9 Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.2.10 Determination of Fair Value
The fair value for financial instruments traded in active markets as at the date of Statement of Financial Position is based on their quoted market price without any deduction for transaction costs.

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

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group Companies' best estimate of the most appropriate model assumptions.

The following table provides an analysis on the different bases used by the Company in assessing the fair value of financial instruments

Instrument	Fair Value Basis	Fair Value Hierarchy
Treasury Bond	Using Market yield	Level 1
Treasury Bill	Using Market yield	Level 1
Quoted Shares	Volume Weighted Average	Level 1
Corporate Debt	Published Market Prices	Level 1
Fixed Deposit	Carrying Value (Cost + Interest)	Level 3
Reverse Repurchase Agreements	Carrying Value (Cost + Interest)	Level 3
Unit Trust	Published Net Asset Values	Level 2

3.2.11 Impairment of Financial Assets
The Company assesses at each date of a Statement of Financial Position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter the Bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'Impairment charges for loans and other losses'.

The Company has not experienced any indication of impairment and thus no impairment losses were recognised during the financial year.

3.2.11.2 Assets Classified as Available for Sale
For available–for–sale financial investments, the Company assesses at each date of Statement of Financial Position whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available–for–sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of

Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as available–for–sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss - is removed from equity and recognised in the Available for Sale Reserved. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in Other Comprehensive Income.

3.2.12 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. They are not properties held for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative services.

3.2.12.1 Basis of Recognition

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and if the cost of the investment property can be measured reliably.

3.2.12.2 Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the cost 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 reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise.

The Company revalues investment property at least once in three years.

3.2.12.3 Derecognition

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 benefits are expected from its disposal. Any gains or losses arising on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

3.2.13 Intangible Assets

3.2.13.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on 'Intangible Assets'.

Details of intangible assets are given in Note 07 on page 121.

3.2.13.2 Computer Software

Purchased software which is not an integral part of the related hardware is treated as an intangible asset and measured on initial recognition at cost.

3.2.14 Property, Plant and Equipment

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 'Property, Plant & Equipment' in accounting for its assets which are held for and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

Details of Property, Plant & Equipment are given in Note 8.8 on page 124.

3.2.14.1 Basis of Recognition

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and if the cost of the asset can be reliably measured.

3.2.14.2 Basis of Measurement

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

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Cost Model

The Company applies the cost model to property, plant and equipment except for freehold land and buildings and records them at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Company are revalued every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to Statement of Comprehensive Income. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

3.2.14.3 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to profit or loss as incurred. Costs incurred in using or redeploying an item are not included under the carrying amount of an item.

3.2.14.4 Depreciation

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation is calculated by using the straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets.

The estimated useful lives of Property, Plant & Equipment are as follows:

The class of tangible assets	Percentage per annum	Useful life
Buildings	2.5%	40 years
Improvements on buildings under lease	20% - 10%	5-10 years
Equipment	25%	04 years
Furniture & fixtures	20%	05 years
Motor vehicles	25%	04 years

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), using a straight-line method over its remaining useful lives.

Useful lives, depreciation method and residual amounts of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate. Such a review takes into consideration the nature of the assets, their intended use including but not limited to the closure of operations and the evolution of the technology and competitive pressures that may lead to technical obsolescence.

3.2.14.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in profit or loss when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

3.2.15 ReInsurance Contracts Held

The Company cedes Insurance risk in the normal course of business for all of its businesses. ReInsurance assets represent balances due from reInsurance companies. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured Insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reInsurance contract. ReInsurance is recorded gross in the financial position unless a right to offset exists.

ReInsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reInsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

ReInsurance liabilities represent balances due to reInsurance companies. Amounts payable are estimated in a manner consistent with the related reInsurance contract.

ReInsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.2.16 Salvage and subrogation reimbursements

Some Insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (in case of the salvage). The Company may also have the right to pursue third parties for payment of some or all costs (in case of the subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the Insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the Insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.2.17 Other Assets

Other assets include Other Debtors and Receivables, Advances, Deposits, Prepayments, Taxation Receivable, Inventory and Amounts Receivable From Related Companies.

(a) Advances, Deposits and Prepaid Expenditure

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

(b) Taxation Receivable

Taxation receivable is recognised at recoverable amount less impairment loss.

(c) Inventories

Inventories include all consumable items that are stated at the lower of cost and net realisable value.

3.2.18 Impairment of Non-Financial Assets

At the end of each reporting period, the Company 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 recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, 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.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of 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.

3.2.19 Liabilities and Provisions

3.2.19.1 Insurance Contract Liabilities

(a) Life Insurance Contract Liabilities

Life Insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

Furthermore, the liability for life Insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet being reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the Statement of Profit or Loss. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Statement of Profit or Loss over the life of the contract, whereas losses are fully recognised in the Statement of Profit or Loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

Liability Adequacy Test- Life Insurance Contract Liabilities

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Statement of Profit or Loss by creating an additional provision in the Statement of Financial Position as required by SLFRS 4 – Insurance Contracts.

(b) Non-life Insurance Contract Liabilities

Non-life Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise Unearned Premium Reserve and Claims Provision including IBNR.

Unearned Premium

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the date of Statement of Financial Position. Unearned premium is calculated on a 1/24th basis except for Marine Insurance Business and Title Insurance Business. Unearned premiums for Marine Policies are calculated on the basis of 60% of Gross Written Premium in the year the policies are written and at 40% in the subsequent year. Unearned premiums for Title Insurance Policies are calculated using the sum of digit method.

Claims Provision Including IBNR

The claims provision is calculated on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, IBNR reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to the Company. Delays can be experienced in the notification and settlement of certain types of claims, and therefore the ultimate cost of these items may not be known with certainty as at the date of Statement of Financial Position.

Liability Adequacy Test – Non-Life Insurance Contract Liabilities

As required by SLFRS 4 – Insurance Contracts, the Company performs a liability adequacy test for the non – life Insurance contract liability, at each reporting date with the assistance of an independent external actuary.

The Company reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation is based on the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets relating to the relevant non-life Insurance provision.

If these estimates show that the carrying amount of its Insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Statement of Profit or Loss by creating a provision in the Statement of Financial Position.

(c) Title Insurance Reserve

Title Insurance reserve is maintained by the Company to pay potential claims arising from title Insurance policies. Title Insurance policies are normally issued for a long period.

Unearned premium for Title is calculated on a 10 year basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

If the respective loan subjected to the Title Insurance Policy issued is settled before the maturity, full premium of such policies remaining as at the date of settlement of such loan is recognised as profits upon confirmation from the respective bank.

3.2.19.2 Provisions (excluding Insurance contracts)

Provisions are recognised when the Company 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.

3.2.19.3 Employee Benefits
(a) Defined Contribution Plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Comprehensive Income in the periods during which related services are rendered by employees.

Employees' Provident Fund
All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to the Employees' Provident Fund managed by the Central Bank of Sri Lanka and have no legal or constructive obligation to pay any further amounts.

Employees' Trust Fund
All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes 3% of the salaries of each employee to the Employees' Trust Fund.

Defined Benefit Plans
Gratuity is a defined benefit plan. Provision has been made in the accounts for retiring gratuities. An actuarial valuation of the retirement benefit is performed by a qualified actuary as at the date of Statement of Financial Position using the Projected Unit Credit (PUC) method in terms of Sri Lanka Accounting Standards 19 - Employee Benefits. The provision is not externally funded.

Actuarial gains and losses are recognised in full in the period in which they occur in Other Comprehensive Income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested. Further details are disclosed in Note 24 on page 135.

However, as per the Payment of Gratuity Act No.12 of 1983, the liability arises only upon completion of five years of continued service.

The actuarial valuation involves making assumptions on the discount rate, salary increment rate and balance service period of the employees. Due to the long term nature of the plans these assumptions and estimates are subject to significant uncertainty.

3.2.19.4 Leases
The determination of whether an arrangement is a lease or contains a lease, is based on the substance of the arrangement at the inception date.

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

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised under finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor over the period of the lease are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease, and are recognised as an operating expense in the Statement of Profit or Loss when they fall due.

3.2.19.5 Interest Bearing Borrowing
Interest bearing borrowings of the Company comprise bank overdrafts. The relevant fees and expenses are charged to the Statement of Profit or Loss.

3.2.19.6 Other Liabilities
Other liabilities include payables to life Insurance policyholders (claims payable), Agents/Brokers (commission payable), reinsurers and other creditors (including accrued expenditure). These are stated at their historical values which are deemed to be their fair value.

3.3 Income Recognition

3.3.1 Gross Premium
Non-life Insurance
Gross Non-life Insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Life Insurance
Gross recurring premiums on life and investment contracts with Discretionary Participating Feature (DPF) are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Any premium received in advance is not recorded as revenue at time of receipt but recorded as a liability until the premium is due and transferred to the revenue.

3.3.2 ReInsurance Premium
ReInsurance Premiums are recognised as an expense on the earlier of the due date or on the date on which the policy is effective.

3.3.3 Fees and Commission Income
Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

3.3.4 Investment Income
Interest Income
Interest income is recognised within 'Investment Income' in the Statement of Profit or Loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

Dividend Income
Dividend income is recognised when the Company's right to receive the payment is established. For equity securities this is the ex-dividend date.

Realised Gains and Losses
Realised gains and losses on investments recorded in the Statement of Profit or Loss, include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the occurrence of the sale transaction.

3.3.5 Other Income
Other income is recognised on an accrual basis and it includes income from disposal of Property, Plant and Equipment, exchange gains, etc.

3.3.6 Benefits, Claims & Expenses Recognition
Non-life Insurance
Non-life Insurance claims expenses are recognised in respect of direct and inwards reInsurance business. The claims expense 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 the review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends.

Provisions for anticipated losses are posted if it is anticipated that the future premiums and proportional investment income in a portfolio will not be sufficient to cover the expected claims and costs.

The Management consider that the provision for claims are fairly stated on the basis of information currently available. The ultimate liability may vary as a result of information and events subsequent to the date of Statement of Financial Position. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for the relevant period. The methods used and the estimates made are reviewed regularly.

Life Insurance
Claims of Life Insurance include claims on death or maturity and are charged against revenue on notification of death or on expiry of the term. Claims on participating business include bonus payable and interest.

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

ReInsurance Claims
ReInsurance claims are recognised when the related gross Insurance claim is recognised according to the terms of the relevant contract.

3.3.7 Deferred Acquisition Cost (DAC)
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of Insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense as and when incurred.

DAC is recognised only for Non-life Insurance and is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner that the underlying asset amortisation is recorded in the Statement of Profit or Loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset (are accounted for by changing the amortisation period) are treated as a change in an accounting estimate.

DAC is reviewed for impairment at each reporting date and an impairment loss is recognised in the Statement of Profit or Loss when any amount is no longer recoverable. The Management did not identify any such indication of impairment during the current financial period.

3.3.8 Borrowing Costs
All Borrowing Costs are expensed as and when they are incurred except where they are directly attributable to the acquisition or construction of a qualified asset as required by LKAS 23- Borrowing Costs.

3.3.9 Tax Expenses
The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity in these Financial Statements.

Current tax
Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are applicable as at the date of Statement of Financial Position or although enacted subsequently are applicable to the current period. Accordingly, provision for taxation is computed at 28% (2016 – 28%) on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

Deferred tax
Deferred tax is recognised using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Statement of Financial Position and the values attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unutilised tax credits and tax losses, carried forward to the extent that it is probable that taxable profits will be available against such deductible temporary differences, and the tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realised or the liability is settled, based on tax rates proposed and tax laws that have been enacted or substantively enacted at the reporting date. Changes in deferred tax as a result of changes in tax rates are also recognised in the Statement of Profit or Loss.

3.4 Withholding Tax on Dividends
Withholding tax on dividend distributions by the Company is recognised at the same time the liability to pay the related dividend is recognised.

3.5 Earnings Per Share
The Company presents basic Earnings Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

3.6 Foreign Currency Translation/Transactions

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 date of Statement of Financial Position, monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the date of Statement of Financial Position. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognised in the Statement of Profit or Loss in the year in which they arise. Foreign exchange gains and losses arising from monetary assets designated as available for sale is recognised in Other Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees using the exchange rate prevailing at the date of transaction.

3.7 Events after Reporting Date

The Directors give due consideration to and where necessary adjustments or disclosures are made in the current Financial Statements in respect of material post Statement of Financial Position events as appropriate.

3.8 Contingent Liabilities

Contingent liabilities are possible obligations that may arise only on the occurrence of uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed as a Note to the Financial Statements unless its occurrence is remote.

Details of contingent liabilities are given in Note 45 on page 148.

3.9 Cash Flow Statement

The Cash Flow Statement has been prepared by using both the "Direct Method" and "Indirect Method" in accordance with the Sri Lanka Accounting Standard LKAS 07 - Statement of Cash Flows.

The primary segments are identified on the basis of the core business of the Company which is Life Insurance and that of its subsidiary which is Non-Life Insurance.

The Indirect Method discloses the profit or loss adjusted by the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investment or financing cash flows.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.10 Segment Reporting

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

On this basis the core business of the Company is Life Insurance and that of its subsidiary is Non-Life Insurance.

The Company's business activities are located in Sri Lanka. Consequently, the economic environment in which the Company 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 a reasonable basis as decided by the Management and applied consistently throughout the period.

3.11 Proposed Dividend

Dividends declared by the Board of Directors after the reporting date is not recognised as a liability in the Financial Statements but is disclosed as a note to the Financial Statements. Provision for dividend is recognised at the time the Shareholders approve the propose dividend at the Annual General Meeting.

3.12 Standards Issued But Not Yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) which will be effective in the future. These standards have not been applied by the Group in preparation of these Financial Statements.

SLFRS 9 - Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 -Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The standard introduces new requirements for:

- Classification and measurement,
- Impairment,
- Hedge Accounting

Retrospective application is required, but comparative information is not compulsory.

Temporary Exemption From SLFRS 9

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 9 provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2021. An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5– B5.7.20 of SLFRS 9; and

(b) its activities are predominantly connected with Insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in paragraph 20G of SLFRS 9.

Having considering the above criteria, Since Janashakthi Insurance PLC and Janashakthi General Insurance Limited are predominantly connected with Insurance activities, both the companies may continue to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2021.

Summary of the Requirements

- Classification and Measurement

Financial Assets

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

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

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

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

As at 31 December 2017, consolidated equity investments classified as Available For Sale with a fair value of LKR 2.26 Bn that are held for long-term strategic purposes. Under SLFRS 9, the Group will reclassify these investments as measured at FVTPL. Consequently, all fair value gains and losses and gains or losses on disposal will be reported in Profit or Loss.

Financial Liabilities

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

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in Profit or Loss. The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

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

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

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

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

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

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

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

3.12.2 SLFRS 15 - Revenue from Contracts with Customers

Summary of the Requirements

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard LKAS 18 - Revenue, Sri Lanka Accounting Standard LKAS 11 - Construction Contracts and International Financial Reporting Interpretations Committee (IFRIC) 13 - Customer Loyalty Programmes.

This standard is effective for the annual periods beginning on or after 01 January 2018. The Group will adopt these standards when they become effective.

Since SLFRS 4 – Insurance Contracts is scoped out from this standard. Therefore, there may not have a significant impact to Insurance transactions from this standard. However, there could be an impact to other revenue transaction with the implementation of this standard. The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15 currently.

3.12.3 SLFRS 16 – Leases

Summary of the Requirements

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply SLFRS15 on or before the date of initial application of SLFRS 16.

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

The Group is in the process of assessing the potential impact on its Consolidated Financial Statements.

Possible Impact from SLFRS 09, SLFRS 15 and SLFRS 16 is not reasonably estimable as of the reporting date.

4 FINANCIAL INVESTMENTS

(a) The financial investments of the Group and Company are summarised by measurement category in the table below.

As at 31st December	Note	Group 2017 LKR '000	Group 2016 LKR '000	Company 2017 LKR'000	Company 2016 LKR '000
Financial Assets at Fair Value Through Profit or Loss	4(c)	1,688,239	1,261,123	846,090	808,061
Loans and Receivables	4(d)	17,462,855	11,879,044	7,722,143	6,408,243
Available For Sale Financial Assets	4(e)	6,371,608	8,445,593	3,806,991	3,899,113
Total Financial Investments		25,522,702	21,585,760	12,375,224	11,115,417

(b) The following table compares the fair values of the financial investments with their carrying values:

	Group 2017 Carrying Value LKR '000	Group 2017 Fair Value LKR '000	Group 2016 Carrying Value LKR '000	Group 2016 Fair Value LKR '000
Financial Assets at Fair Value Through Profit or Loss	1,688,239	1,688,239	1,261,123	1,261,123
Loans and Receivables	17,462,855	17,266,016	11,879,044	11,599,847
Available For Sale Financial Assets	6,371,608	6,371,608	8,445,593	8,445,593
	25,522,702	25,325,863	21,585,760	21,306,563

	Company 2017 Carrying Value LKR '000	Company 2017 Fair Value LKR '000	Company 2016 Carrying Value LKR '000	Company 2016 Fair Value LKR '000
Financial Assets at Fair Value Through Profit or Loss	846,090	846,090	808,061	808,061
Loans and Receivables	7,722,143	7,478,715	6,408,243	6,261,220
Available For Sale Financial Assets	3,806,991	3,806,991	3,899,113	3,899,113
	12,375,224	12,131,796	11,115,417	10,968,394

		Group			
		2017		2016	
	Notes	Carrying Value LKR '000	Fair Value LKR '000	Carrying Value LKR '000	Fair Value LKR '000
(c) Financial Assets at Fair Value Through Profit or Loss					
Equity Securities	4.1	325,220	325,220	232,491	232,491
Investment in Unit Trust		1,363,019	1,363,019	1,028,632	1,028,632
Total		1,688,239	1,688,239	1,261,123	1,261,123
Held-For-Trading Purposes		1,688,239	1,688,239	1,261,123	1,261,123
Total		1,688,239	1,688,239	1,261,123	1,261,123
(d) Loans and Receivables					
Reverse Repurchase Agreements		5,979,694	5,979,694	1,838,215	1,838,215
Corporate Debts		8,271,862	8,075,023	6,956,713	6,677,516
Placements with Banks & Financial Institutions		2,911,299	2,911,299	2,784,001	2,784,001
Mortgage Loans		300,000	300,000	300,115	300,115
Total		17,462,855	17,266,016	11,879,044	11,599,847
(e) Available For Sale Financial Assets					
Equity Securities		2,148,918	2,148,918	2,255,594	2,255,594
Investment in Government Securities		4,222,690	4,222,690	6,189,999	6,189,999
Total		6,371,608	6,371,608	8,445,593	8,445,593

Notes to the Financial Statements

4 FINANCIAL INVESTMENTS CONTD.

		Company			
		2017		2016	
	Notes	Carrying Value LKR '000	Fair Value LKR '000	Carrying Value LKR '000	Fair Value LKR '000
(f) Financial Assets at Fair Value Through Profit or Loss					
Equity Securities	4.1	70,486	70,486	86,315	86,315
Investment in Unit Trust		775,604	775,604	721,746	721,746
Total		846,090	846,090	808,061	808,061
Held-For-Trading Purposes		846,090	846,090	808,061	808,061
Total		846,090	846,090	808,061	808,061
(g) Loans and Receivables					
Reverse Repurchase Agreements		2,231,999	2,231,999	1,093,791	1,093,791
Corporate Debts		4,354,805	4,111,377	3,751,269	3,604,246
Placements with Banks & Financial Institutions		1,135,339	1,135,339	1,563,184	1,563,184
Total		7,722,143	7,478,715	6,408,244	6,261,221

Included above in Reverse Repurchase Agreements is LKR 948.2 Mn and LKR 847.6 Mn (total LKR 1,795.8 Mn) in placement with Banks and Financial Institutions specially reserved for the purpose of supporting the Regulatory Restricted Reserve.

		Company			
		2017		2016	
	Notes	Carrying Value LKR '000	Fair Value LKR '000	Carrying Value LKR '000	Fair Value LKR '000
(h) Available For Sale Financial Assets					
Equity Securities	4.1	465,874	465,874	493,018	493,018
Investment in Government Securities		3,341,117	3,341,117	3,406,095	3,406,095
Total		3,806,991	3,806,991	3,899,113	3,899,113

(i) Determination of Fair Value and Fair Value Hierarchy

The following table shows an analysis of financial investments recorded at fair value by level of fair value hierarchy.

As at 31 December 2017	Group Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Financial Assets at Fair Value Through Profit or Loss				
Equity Securities	325,220	-	-	325,220
Investment in Unit Trust	-	1,363,019	-	1,363,019
	325,220	1,363,019	-	1,688,239
Loans and Receivables				
Corporate Debts	8,075,023	-	-	8,075,023
	8,075,023	-	-	8,075,023
Available For Sale Financial Assets				
Equity Securities	2,148,293	-	625	2,148,918
Investment in Government Securities	4,222,690	-	-	4,222,690
	6,370,983		625	6,371,608
Total Financial Assets	14,771,226	1,363,019	625	16,134,870

As at 31 December 2016	Group Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Financial Assets at Fair Value Through Profit or Loss				
Equity Securities	232,491	-	-	232,491
Investment in Unit Trusts	-	1,028,632	-	1,028,632
	232,491	1,028,632	-	1,261,123
Loans and Receivables				
Corporate Debts	6,677,516	-	-	6,677,516
	6,677,516	-	-	6,677,516
Available For Sale Financial Assets				
Equity Securities	2,254,969	-	625	2,255,594
Investment in Government Securities	6,189,999	-	-	6,189,999
	8,444,968		625	8,445,593
Total Financial Assets	15,354,975	1,028,632	625	16,384,232

4 FINANCIAL INVESTMENTS CONTD.

(j) Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable input for the assets or liabilities.

During the reporting period ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

(k) Determination of Fair Value and Fair Value Hierarchy

The following table shows an analysis of financial investments recorded at fair value by level of fair value hierarchy.

	Company			
As at 31 December 2017	Level 1	Level 2	Level 3	Total fair value
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets at Fair Value Through Profit or Loss				
Equity Securities	70,486	-	-	70,486
Investment in Unit Trust	-	775,604	-	775,604
	70,486	775,604	-	846,090
Loans and Receivables				
Corporate Debts	4,111,377	-	-	4,111,377
	4,111,377	-	-	4,111,377
Available For Sale Financial Assets				
Equity Securities	465,874	-	-	465,874
Investment in Government Securities	3,341,117	-	-	3,341,117
	3,806,991			3,806,991
Total Financial Assets	7,988,854	775,604		8,764,458

As at 31 December 2016	Company Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Financial Assets at Fair Value Through Profit or Loss				
Equity Securities	86,315	-	-	86,315
Investment in Unit Trust	-	721,746	-	721,746
	86,315	721,746	-	808,061
Loans and Receivables				
Corporate Debts	3,604,246	-	-	3,604,246
	3,604,246	-	-	3,604,246
Available For Sale Financial Assets				
Equity Securities	492,393	-	625	493,018
Investment in Government Securities	3,406,095	-	-	3,406,095
	3,898,488		625	3,899,113
Total Financial Assets	7,589,049	721,746	625	8,311,420

(l) Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable input for the assets or liabilities.

During the reporting period ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

4 FINANCIAL INVESTMENTS CONTD.
4.1 Investment In Equity Securities

As at 31st December	Group 2017 Fair Value LKR '000	Group 2016 Fair Value LKR'000	Company 2017 Fair Value LKR'000	Company 2016 Fair Value LKR'000
Quoted Shares - Sector Analysis				
Quoted Shares at Fair Value Through Profit or Loss				
Banks, Finance and Insurance	173,094	111,819	61,051	62,500
Diversified Holdings	62,637	108,522	9,435	23,815
Power & Energy	23,464	-	-	-
Beverage Food & Tobacco	56,910	-	-	-
Oil Palms	9,115	12,151	-	-
	325,220	232,492	70,486	86,315
Quoted Shares at Available For Sale				
Banks, Finance and Insurance	2,066,720	2,163,513	465,874	493,018
Land & Property	81,574	91,456	-	-
Other	625	625	-	-
	2,148,918	2,255,594	465,874	493,018
Total	2,474,138	2,488,084	536,359	579,333

5 INVESTMENT PROPERTY

	Group LKR '000	Company LKR'000
Fair Value		
As at 1 January 2016	22,600	22,600
Transfers	-	-
As at 31 December 2016	22,600	22,600
Transfers/(Disposal)	363,621	-
As at 31 December 2017	386,221	22,600

5.1

Location	Details	Type	Value 2017 LKR'000
Galewela, Matale	46 acres 3 roods 30 perches of land	Freehold	22,600
Fair Value as at 31 December 2017 - Company			22,600

5.2 Following assets were re - classified from Property, Plant & Equipments to Investment Properties during the year.

Location	Details	Type	Value 2017 LKR'000
Nugegoda	No. 19, Railway Avenue, Nugegoda	Freehold	164,778
Killinochchi	No. 24-133, Main Street, Kilinochchi	Freehold	33,000
Chilaw	No. 92, Kurunegala Road, Chilaw	Freehold	19,500
Batticaloa	No. 469, Trincomalee Road, Vettukkadu, Batticaloa	Freehold	24,500
Trincomalee	No. 233/1, Ehambaram Road, Trincomalee	Freehold	84,144
Avissawella	No. 21/2, Kudagama Road, Avissawella	Freehold	37,699
			363,621
Fair Value as at 31 December 2017 - Group			386,221

5.3 Investment properties are stated at fair value, which has been determined based on valuations done on the directions of the Board of Directors.

5 INVESTMENT PROPERTY CONTD.

5.4 The fair value hierarchy of the Investment Properties for the Company & it's Group as at 31 December, 2017 is as follows;

As at 31 December 2017	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Freehold Land & Building	-	-	386,221	386,221
	-	-	386,221	386,221

6 GOODWILL ON ACQUISITION

Janashakthi Insurance PLC acquired 100% of the voting shares of AIA General Insurance Lanka Limited (AIA-GI), a non-life Insurance company, on 23 October 2015. Goodwill amounting to LKR 1.402 Bn has been recognised in the Consolidated Financial Statements of the Company.

	Group LKR '000
Purchase Consideration	3,200,000
Total Identifiable Net Assets Acquired	1,797,552
Goodwill on Acquisition	1,402,448

AIA-GI was amalgamated with Janashakthi General Insurance Limited (JGIL) on 29 January, 2016 in accordance with the provisions of the Companies Act No. 07 of 2007. Accordingly, on 29 January, 2016, the net assets of AIA-GI were absorbed into JGIL and JGIL continues its activities as a licensed General Insurance Company wholly owned by Janashakthi Insurance PLC.

The Management has assessed the potential impairment indicators of Goodwill, as at 31st December 2017. The recoverable amount of the non-life Insurance business, post amalgamation, has been determined based on value in use calculation using cash flow projections done by the Management. The projected cash flows were determined based on past performances and Management expectations for market developments.

Based on the recommendation of management the Board of directors has approved a write-off of LKR 199 Mn as impairment loss.

As at 31 December	2017 LKR '000	2016 LKR '000
Goodwill as at 1 January	1,014,448	1,402,448
Impairment Loss on Goodwill	(199,000)	(388,000)
Goodwill as at 31 December	815,448	1,014,448

The key assumption used for the future cash flows projection are as follows;

- Premium income was calculated using the average renewal ratios based on the past experience and industry averages. An average of 75% - 80% renewal ratios were applied to the product mix prevailed at the time of acquisition.
- Direct and indirect income & expenses were computed based on past trends and Management's estimate of future growth.
- Discounting factor of 15% used for calculation.

7 INTANGIBLE ASSETS

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Cost	139,889	139,057	-	-
Accumulated Amortisation and Impairment	(113,011)	(103,501)	-	-
	26,878	35,556	-	-

Cost	Software LKR '000
As at 1 January 2016	122,364
Additions	16,693
As at 31 December 2016	139,057
Additions	831
As at 31 December 2017	139,889
Accumulated Amortisation & Impairment	
As at 1 January 2016	84,797
Amortisation charge for the year	18,704
As at 31 December 2016	103,501
Amortisation charge for the year	9,510
As at 31 December 2017	113,011

7.1 Nature of Intangible Assets
Intangible assets consist of computer software which are in the use of normal business activities.

7.2 Title Restriction on Intangible Assets
There were no restrictions on title of Intangible Assets as at the reporting date.

7.3 Fully Amortised Intangible Assets in Use
Intangible Assets includes fully amortised computer software which are in the use of normal business activities having an initial cost of LKR 87.18 Mn.

7.4 Assessment of Impairment of Intangible Assets
The Management has assessed the potential impairment indicators of Intangible Assets as at 31 December 2017. Based on the assessment, no impairment indicators were identified.

8 PROPERTY, PLANT AND EQUIPMENT

As at 31 December	Notes	Group 2017 LKR '000	Group 2016 LKR '000
Cost or Valuation	8.1	2,795,950	2,491,050
Accumulated Depreciation and Impairment	8.2	(703,967)	(693,562)
Net Book Value		2,091,983	1,797,487
Carrying Amounts of:			
Land & Building		1,636,654	1,621,885
Improvements to Building under Lease		-	439
Building work-in-progess		7,359	-
Equipment		303,232	120,825
Furniture & Fittings		142,716	47,409
Motor Vehicles		2,022	6,928
		2,091,983	1,797,487

8.1 Cost or Valuation

	Land & Building LKR '000	Improvements to Building under Lease LKR '000	Buildings work-in-progress LKR '000	Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Total LKR '000
As at 1 January 2016	1,735,090	57,523	94,673	405,284	210,095	66,439	2,569,105
Additions / Transfers	922,472	-	732,714	67,720	18,924	-	1,741,830
Disposals	(990,715)	-	(827,386)	(188)	(1,596)	-	(1,819,885)
As at 31 December 2016	1,666,847	57,523	-	472,816	227,423	66,439	2,491,050
Additions / Adjustments	179,724	-	7,359	252,515	115,420	-	555,018
Revaluation	210,988	-	-	-	-	-	210,988
Disposals / Transfers	(370,503)	-	-	-	(43,232)	(47,371)	(461,106)
As at 31 December 2017	1,687,056	57,523	7,359	725,331	299,611	19,068	2,795,950

8.2 Accumulated Depreciation

	Land & Building LKR '000	Improvements to Building under Lease LKR '000	Buildings work-in-progess LKR '000	Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Total LKR '000
As at 1 January 2016	7,075	56,646	-	292,945	158,169	51,093	565,928
Balance transferred from merger	-	-	-	-	-	-	-
Depreciation charge for the year	5,774	439	-	59,131	23,385	8,418	97,145
Impairment loss on revalued Assets	32,112	-	-	-	-	-	32,112
Accumulated depreciation on disposals	-	-	-	(82)	(1,540)	-	(1,623)
As at 31 December 2016	44,961	57,084	-	351,994	180,014	59,511	693,562
Depreciation charge for the year	13,610	439	-	70,105	18,969	3,530	106,653
Accumulated depreciation on disposals	(8,169)	-	-	-	(42,084)	(45,995)	(96,248)
As at 31 December 2017	50,402	57,523	-	422,099	156,899	17,046	703,967
Net Book Value							
As at 31 December 2017	1,636,654	-	7,359	303,232	142,716	2,022	2,091,983
As at 31 December 2016	1,621,885	439	-	120,825	47,409	6,928	1,797,487

8.3 Valuation of Buildings

The buildings refer to Note 8 above are at revalued prices. However, the Net Book Value of the building at the end of 2017 LKR 1,035.39 Mn (2016: LKR 878.7 Mn).

8.4 Fully Depreciated Property, Plant & Equipment in Use

The original cost of fully depreciated Property, Plant and Equipment that is still in use amounts to LKR 819.1 Mn (2016 - LKR 436 Mn).

8.5 Temporarily Idle Property, Plant and Equipment

There were no idle property, plant and equipment as at 31 December, 2017.

8.6 Title Restriction on Property, Plant & Equipments

There were no restrictions on title or Property Plant and Equipment pledged as security for liabilities during the year.

8.7 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year.

8 PROPERTY, PLANT AND EQUIPMENT CONTD.

8.8 Freehold land and buildings carried at fair value

Details of Land and buildings are as follows.

Group Property

Property	Land Extent (perches)	Date of Valuation/ Purchase	Cost or Fair Value LKR '000
Freehold			
Land and Building situated at No. 302, D.S. Senanayake Mw, Kandy	13.50	31 Dec 2015	158,408
Land and Building situated at Walawwatte, Kurunegala	20.50	28 Dec 2015	70,500
Land and Building situated at No. 2/82, Wijesinghe Mw, Homagama	68.19	28 Dec 2015	25,800
Land situated at No. 32, Ave Maria Road, Negombo	22.80	30 Dec 2015	70,049
Land situated at No. 541, Main Street, Panadura	23.75	31 Dec 2015	57,799
Land situated at No. 143, Colombo Road, Galle	10.50	27 Dec 2015	60,000
Land situated at No. 13 1/1, Bailey Road, Badulla	12.50	28 Dec 2015	61,000
Land situated at No. 83, Kings Street, Matale	15.00	31 Dec 2015	36,073
Land situated at Puliyadiyil Valavu, Mulliyavalai, Mullaitivu.	96.67	31 Dec 2015	16,480
Land & Building situated at No. 675, Dr. Danister de Silva Mw, Colombo 09	118.34	31 Dec 2017	1,130,947
			1,687,056

8.8.1 The fair value measurement as at 31 December 2015 for all above properties except land and building situated at Dr. Danister de Silva Mw, Colombo 09 was performed by Mr. T.B. Marasinghe, an independent registered valuer not related to the Company.

The fair value of the freehold land was determined based on the market comparable approach that reflect recent transaction prices for similar properties. The fair value of the buildings were determined using the cost approach that reflects the cost to a market participants to construct assets of comparable utility and age, adjusted for obsolescence.

The fair value measurement as at 31 December 2017 was performed for land & building situated at Dr. Danister de Silva Mw, Colombo 09 by Mr. H.B. Manjula Basnayaka, and independent registered valuer not related to the Company. The fair value measurement of this property was carried out independent to other properties in this class of assets as the building in this property was recently enhanced to office premises. As per the said enhancement it was deemed prudent to independently revalue the said property.

8.9 The fair value hierarchy of the Group's freehold land and buildings as at 31 December, 2017 is as follows:

As at 31 December 2017	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Freehold Land	-	-	973,232	973,232
Freehold Building	-	-	713,824	713,824
	-	-	1,687,056	1,687,056

There were no transfers between Level 1 and Level 2 during the year 2017.

9 LOANS TO LIFE POLICYHOLDERS & STAFF

	Group		Company	
	2017 LKR '000	2016 LKR'000	2017 LKR'000	2016 LKR'000
Loans Recoverable from Life Policyholders	183,098	148,803	183,098	148,803
Loans Given to Staff	102,880	109,040	46,890	30,525
Allowance for Impairment Losses	(217)	(217)	-	-
TOTAL POLICYHOLDER & OTHER LOANS	285,761	257,626	229,988	179,328

10 REINSURANCE RECEIVABLE

	Group		Company	
	2017 LKR '000	2016 LKR'000	2017 LKR'000	2016 LKR'000
ReInsurance Receivable on Outstanding Claims	1,203,889	1,557,550	15,093	15,302
ReInsurance Receivable on Settled Claims	329,620	233,308	-	-
TOTAL REInsurance RECEIVABLE	1,533,509	1,790,858	15,093	15,302

11 PREMIUM RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Premium Receivable	3,164,084	2,739,686	33,005	29,859
Allowance for Impairment Loss	(132,945)	(135,958)	-	-
TOTAL PREMIUM RECEIVABLES	3,031,139	2,603,728	33,005	29,859

Premium Receivables as disclosed above include amounts that are over due at the end of the reporting period. The allowance has been recognised for impairment loss where the receivables are beyond the extended credit period.

12 INVESTMENT IN SUBSIDIARY

	Holding		No of Shares		Cost	
	2017	2016	2017	2016	2017	2016
	%	%			LKR'000	LKR'000
Janashakthi General Insurance Limited	100	100	558,411,590	558,411,590	6,840,000	6,840,000
					6,840,000	6,840,000

In terms of Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 on 01 January 2015, all the assets & liabilities of the general Insurance business of Janashakthi Insurance PLC was transferred to a newly incorporated fully owned subsidiary Janashakthi General Insurance Limited.

The Company acquired the entire share capital comprising 18,780,167 ordinary shares of AIA General Insurance Lanka Limited on 23 October, 2015.

AIA General Insurance Lanka Limited (AIA-GI) has been amalgamated with Janashakthi General Insurance Limited (JGIL) w.e.f. 29 January, 2016 in accordance with the provisions of the Companies Act No. 07 of 2007. The regulatory approvals and the approval of the shareholders have been duly obtained.

On 29 January, 2016, the net assets of AIA-GI were absorbed into JGIL and JGIL continues its activities as a licensed General Insurance Company wholly owned by Janashakthi Insurance PLC.

13 OTHER ASSETS

		Group		Company	
		2017	2016	2017	2016
	Notes	LKR '000	LKR'000	LKR'000	LKR'000
Other Debtors and Receivables		4,438	213,880	-	208,509
Advances, Deposits and Prepayments		191,828	101,913	113,730	37,121
Tax Receivable	13.1	1,977,987	1,548,304	192,722	130,812
Inventory		28,409	45,172	6,471	5,556
Amounts due from Related Companies		-	-	-	64
TOTAL OTHER ASSETS		2,202,662	1,909,269	312,923	382,062

13.1 Tax Receivable

	Group 2017 LKR '000	Group 2016 LKR'000	Company 2017 LKR'000	Company 2016 LKR'000
Current Tax Assets				
Economic Service Charge Recoverable	103,295	41,491	13,384	-
Notional Tax Recoverable	226,135	311,574	124,993	72,248
Withholding Tax Recoverable	116,131	51,709	30,682	30,682
VAT Recoverable	1,514,945	1,098,445	19,286	-
Other Tax Receivable	17,480	45,085	4,377	27,882
	1,977,987	1,548,304	192,722	130,812
Current Tax Liabilities				
Income Tax Payable	225,236	162,455	-	-
	225,236	162,455	-	-
Net Tax Recoverable	1,752,751	1,385,849	192,722	130,812

14 OTHER FUND ASSETS

	Group	
	2017	2016
	LKR '000	LKR'000
Government Securities	3,252	36,737
Fixed Deposits	-	1,165
Cash at Bank	-	14,485
	3,252	52,387

Fund Assets relate to the "Agents Superannuation Fund" (Refer Note 25)

15 DEFERRED TAX ASSET/ (LIABILITY)

15.1 Group

	Balance as at 01st January 2017 LKR '000	Recognised in Profit or Loss LKR '000	Recognised in Other Comprehensive Income LKR '000	Balance as at 31st December 2017 LKR '000
Retirement Benefit Obligation	44,806	2,008	8,005	54,819
Capital Allowance on Property, Plant & Equipment	(6,120)	(78,822)	-	(84,942)
Unutilised Tax Losses	2,419	(2,419)	-	-
Revaluation Reserve	(14,533)	-	(45,732)	(60,265)
Available for Sale Reserve	2,823	-	(2,823)	-
	29,394	(79,233)	(40,550)	(90,388)

15.2 Company

	Balance as at 01.01.2017 LKR '000	Balance transferred on segregation LKR '000	Balance as at 31.12.2017 LKR '000
Retirement Benefit Obligation	-	-	-
Capital Allowance on Property, Plant & Equipment	-	-	-
Tax Losses	-	-	-
Revaluation Reserve	-	-	-
Available for Sale Reserve	-	-	-
Acquisition of Subsidiary	-	-	-
	-	-	-

15.3 Unrecognised Deferred Tax Asset

	Non Life		Life	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Tax losses - not considered for deferred tax				
Balance as at the begininng of the year	-	323,739	4,544,379	3,882,512
Tax Loss adjustments due to finalisation of Tax Audits	-	(7,361)	128,498	661,867
Tax loss for the year	-	-	596,955	-
Tax losses claimed during the year	-	(307,745)	-	-
Balance as at the end of the year	-	8,633	5,269,831	4,544,379
Tax loss considered for deferred tax asset	-	(8,633)	-	-
Tax losses as at the year end, not considered for deferred tax	-	-	5,269,831	4,544,379
Unrecognised Deferred Tax asset on tax losses	-	-	-	-
Deferred Tax Asset @ 28 %	-	-	1,475,553	1,272,426

The Company has assessed and recognised the deferrd tax asset on unutilised tax losses as at the reporting date to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. There were no unrecognised Deferred Tax asset as at 31st December 2017, relating to the tax losses of the non life business.

No deferred tax asset is recognised on the tax losses related to the Life Insurance business since it is not probable that future taxable profits will be available to utilise these tax losses.

16 DEFERRED EXPENSES

Deferred Acquisition Cost - General Insurance

Deferred Acquisition Costs comprises agent’s commissions. These costs are deferred and amortised over the terms of related policies

	Group	
	2017	2016
	LKR '000	LKR'000
Balance as at 1 January	525,253	504,798
Acquisition costs incurred during the year	1,123,739	369,293
Charged during the year	(1,059,947)	(348,838)
As at 31 December	589,045	525,253

17 CASH IN HAND AND BALANCE AT BANK

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Cash and Bank Balances	354,047	479,112	192,120	180,311
	354,047	479,112	192,120	180,311

17.1 In the preparation of Cash Flow Statements, Cash and Cash Equivalents include Cash in Hand and Balance at Bank net of outstanding Bank Overdrafts. 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 Statement of Financial Position as follows:

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Cash and Bank Balances	354,047	479,112	192,120	180,311
Bank Overdraft	(496,907)	(451,204)	(82,932)	(14,861)
Net Cash and Cash Equivalents at the Year End	(142,860)	27,908	109,188	165,450

18 STATED CAPITAL

	Group/Company	
	2017	2016
	LKR '000	LKR'000
Stated Capital of the Company	4,853,752	4,853,752
Number of Fully paid Ordinary shares as at Year End	544,500	544,500

19 REVALUATION RESERVE

	Group/Company	
	2017	2016
	LKR '000	LKR'000
Revaluation of Assets	327,415	162,160
Balance as at 31 December	327,415	162,160

20 RESTRICTED REGULATORY RESERVE

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Change in contract liability due to transfer of one-off surplus	1,795,829	-	1,795,829	-
Balance as at 31 December	1,795,829	-	1,795,829	-

20.1 The One-off Surplus is defined as the excess of total policy liabilities under the NPV regime as at 31 December 2015 over the total policy liabilities under the RBC regime as at 01.01.2016 where, the total policy liabilities under NPV regime is computed as per the solvency basis, which is the same as minimum regulatory basis. The total policy liabilities under RBC regime is computed as per distribution basis. Under the distribution basis, we have used the risk free rate for discounting of liabilities, zeroised liabilities at a product level and valued the Universal life portfolio and the Optional Rider portfolio using GPV methodology. Further, we have reported Total Benefits Liability for the Participating portfolio under the Distribution basis. The Distribution basis is more prudent compared to the Solvency basis (defined in the Solvency Margin Risk Based Capital Rules 2015 RBC guide lines).

20.2 The Distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and can only be released upon receiving approval from the IRCSL. The One-off Surplus in the Shareholder Fund (SHF) will remain invested in assets in note 4 (g) as per the "Direction 16 - Identification and Treatment of One-Off Surplus" .

20.3 Composition of Investments supporting the Restricted Regulatory Reserve

Subsequent to the transfer of one-off Surplus from Policyholder Fund other than Participating business to Shareholder Fund the Company will maintain investments in "Government Debt Securities" and "Deposits with Banks & Financial Institutions" to fully support the amount of One-off Surplus at any given time on a market value basis. The composition of those investments are represented below.

Security Category	Market Value LKR '000	Composition %
Government Debt Securities	847,637	47%
Deposits with Banks & Financial Institutions	948,192	53%
	1,795,829	100%

21 REVENUE RESERVES

21.1 Retained Earnings

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Balance as at 1 January	4,909,132	3,666,843	3,585,910	3,014,208
Profit for the year	744,146	1,646,591	(104,193)	953,016
Actuarial Losses on Defined Benefit Plans	(27,881)	(2,194)	708	27,061
Transfers to Life Insurance Fund	(708)	-	(708)	-
Aggregate tax effect of items recognised in Other Comprehensive (Income) / Loss	5,182	6,267	-	-
Dividends Paid	(544,500)	(408,375)	(544,500)	(408,375)
Balance as at 31 December	5,085,373	4,909,132	2,937,214	3,585,910

21.2 Available For Sale Reserve

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Balance as at 1 January	(877,802)	(447,859)	(285,435)	(110,969)
Changes in Fair Value of Available For Sale Assets	39,638	(429,943)	69,045	(174,466)
Impairment of Available for Sale Financial Assets Transferred to Statement of Profit or Loss	90,474	-	90,474	-
Balance as at 31 December	(747,690)	(877,802)	(125,916)	(285,432)
Total Revenue Reserves	4,337,683	4,031,331	2,811,297	3,300,475

Note 21.2 represents the fair value changes of Available for Sale Financial Assets recorded inder Other Comprehensive Income pertaining to policy holders of Janashakthi Insurance PLC.

21.3 Available For Sale Reserve - Life Policy Holders

	Group/Company	
	2017	2016
	LKR '000	LKR'000
Amounts Transferred to Available For Sale Reserve Fund of Life Policyholders	(5,590)	514
Changes in Fair Value of Available For Sale Assets	5,590	(6,104)
Balance as at 31 December	-	(5,590)

Note 21.3 represents the fair value changes of Available for Sale Financial Assets recorded under Other Comprehensive Income pertaining to policy holders of National Insurance Corporation.

22 INSURANCE LIABILITY - LIFE

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

- 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 Actuary. The bonus includes Life policyholders' share of net income that is required to be allocated by the Insurance Contract or by Insurance Regulations.

Janashakthi Insurance PLC – Insurance Liability - Life

The valuation of the Insurance Liability of Life Insurance Business as at 31 December 2017 was done by M/S K. A. Pandit Consultants & Actuaries, India, for and on behalf of Janashakthi Insurance PLC. In accordance with the Consultant Actuary's report, the total liabilities of the life Insurance business of the Company as at 31 December, 2017 was LKR 8,773 Mn after taking credit for reInsurance. In the opinion of the Consultant Actuary, the provision is adequate to cover the liabilities pertaining to life Insurance business.

As recommended by the Consultant Actuary, the Board of Directors have resolved that a sum of LKR 205.9 Million has been transferred from the Life Shareholders' Fund to life Insurance Fund (Non - participating) as for the year 2017.

Janashakthi Insurance PLC – Insurance Liability - Life [former National Insurance Corporation Ltd]

The valuation of the Insurance Liability of Life Insurance Business as at 31 December 2017 was done by M/S K. A. Pandit Consultants & Actuaries, India, for and on behalf of former National Insurance Corporation Ltd. In accordance with the Consultant Actuary's report, the total liabilities of the life Insurance business of the Company as at 31 December, 2017 was LKR. 127.79 Mn.

22.1 An internal assessment has been carried out to assess the Adequacy of the provision of life Insurance liabilities in keeping with SLFRS 4 requirement and has determined that existing provision levels are adequate as at 31 December, 2017. Accordingly, no further provision or adjustment was deemed as being necessary to be effected.

22.2 Insurance Liability - Life

		Group		Company	
	Note	2017	2016	2017	2016
		LKR '000	LKR'000	LKR'000	LKR'000
Insurance Fund - Life		9,651,593	9,699,136	9,651,593	9,699,136
Claims Outstanding	28	232,449	228,349	232,449	228,349
		9,884,042	9,927,485	9,884,042	9,927,485

22 INSURANCE LIABILITY - LIFE CONTD.

22.3 The movement of the Insurance Fund - Life is as follows:

	Group		Company	
	2017 LKR '000	2016 LKR'000	2017 LKR'000	2016 LKR'000
Insurance Fund - Life				
Balance as at 1 January	9,699,136	8,865,737	9,699,136	8,865,737
Increase in Life Fund before Surplus Distribution to Shareholders	1,747,577	832,885	1,747,577	832,885
One-off Surplus Transferred to Shareholder - Non-participating Business	(1,795,829)	-	(1,795,829)	-
Actuarial Losses on Defined Benefit Plans	708	-	708	-
Amounts Transferred to Available for Sale Reserve Fund of Life Policyholders	-	514	-	514
Insurance Fund balance as at 31 December	9,651,593	9,699,136	9,651,593	9,699,136

23 INSURANCE LIABILITY - NON LIFE

The Non Life Insurance Liability as shown in the Balance Sheet comprises the following:

	Group	
	2017 LKR '000	2016 LKR'000
Reserve for Gross Claims Outstanding	2,583,324	2,681,515
Reserve for Gross Claims Incurred But Not Reported (IBNR)	691,024	803,255
Reserve for Net Unearned Premiums	5,572,427	4,959,750
	8,846,775	8,444,520

23.1 Net Composition of Insurance Liability - Non Life

	Group					
	2017			2016		
	Gross Liabilities LKR '000	ReInsurance of Liabilities LKR'000	Net Liability LKR '000	Gross Liabilities LKR'000	ReInsurance of Liabilities LKR'000	Net Liability LKR'000
Claims Outstanding	2,583,324	(1,384,567)	1,198,758	2,681,515	(1,646,412)	1,035,103
Claims Incurred But Not Reported (IBNR)	691,024	(133,849)	557,175	803,255	(144,447)	658,809
Total Claims Outstanding	3,274,348	(1,518,416)	1,755,933	3,484,770	(1,790,859)	1,693,912
Reserve for Unearned Premiums	6,507,787	(935,360)	5,572,427	5,809,961	(850,211)	4,959,750
	9,782,135	(2,453,776)	7,328,360	9,294,731	(2,641,070)	6,653,662

23.2 The Claim Liability including Incurred But Not Reported (IBNR) Claims and Premium Liability have been actuarially valued for the year 2017 by the appointed Actuary, M/S N M G Financial Services Consulting Pte Ltd, Singapore. The valuation is based on internationally accepted actuarial methods.

The Company has performed the Liability Adequacy Test (LAT) in respect of Insurance Provisions of Non Life as required by SLFRS 4 - Insurance Contracts with the assistance of the above appointed external Actuary of the Company. Accordingly it was confirmed by the Actuary that the Insurance Provisions recorded by the Company are adequate to meet the Insurance Liabilities as of the reporting date.

24 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Retirement Benefit Obligations - Gratuity				
As at 1 January	287,361	312,226	127,342	137,130
Provision recognised during the year	64,437	53,064	29,715	27,838
Actuarial (Gain)/loss during the year	27,881	2,194	(708)	(27,061)
Payments during the Year	(31,903)	(80,122)	(4,353)	(10,565)
As at 31 December	347,776	287,361	151,996	127,342
Expense Recognised in the Statement of Profit or Loss				
Net Interest Cost	30,474	25,602	16,554	13,713
Current Service Cost	33,963	27,462	13,161	14,125
Amount recognised in the Statement of Profit or Loss	64,437	53,064	29,715	27,838
Expense Recognised in the Other Comprehensive Statement of Profit or Loss				
Actuarial (Gain) / Loss recognised for the Period	27,881	2,194	(708)	(27,061)
	27,881	2,194	(708)	(27,061)

As at 31 December, 2017, the Gratuity liability of the Company was actuarially valued under the Project Unit Credit Method by M/S K.A. Pandit Consultants and Actuaries, India.

24 RETIREMENT BENEFIT OBLIGATIONS CONTD.

Principal actuarial assumptions used:

	Group 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
(a) Discount rate	10.5%	13%	10.5%	13%
(b) Salary increase	8.5%	10%	8.5%	10%
(c) Attrition rate				
For services up to 4 years	8%	8%	8%	8%
For services of 5 years and above	2%	2%	2%	2%
(d) Retirement Age	55 Years	55 Years	55 Years	55 Years

Sensitivity of assumptions used

A one percentage point change in the assumptions used would have the following effects.

Effect on the defined benefit obligation liability:

	Group 2017	Group 2016	Company 2017	Company 2016
Discount rate				
Increase by one percentage point	(25,239)	(20,231)	(10,994)	(9,303)
Decrease by one percentage point	28,799	23,000	12,424	10,498
Salary increment				
Increase by one percentage point	29,080	23,443	12,545	10,700
Decrease by one percentage point	(25,897)	(20,926)	(11,283)	(9,624)

Maturity Analysis of Projected Benefit Obligation: From the Employer

Projected benefits payable in future years from the date of reporting

	Group 2017	Group 2016	Company 2017	Company 2016
1st Following Year	36,003	23,747	8,945	5,827
2nd Following Year	11,518	23,949	4,794	4,242
3rd Following Year	18,775	17,676	9,126	8,174
4th Following Year	36,439	20,758	14,485	9,433
5th Following Year	39,782	41,473	21,710	14,283
Sum of Years 6 To 10	205,259	159,758	92,936	85,382
	347,776	287,361	151,996	127,342

25 OTHER FUND LIABILITIES

	Group	
	2017	2016
	LKR '000	LKR'000
25.1 Agents Superannuation Fund		
As at 1 January	27,727	25,325
Capital deposits	-	
Withdrawals	(24,474)	
Income / Gains		2,402
As at 31 December	3,252	27,727
25.2 Claims Fund - General Insurance		
As at 1 January	-	22,490
Write-off of unutilised amounts to Statement of Profit or Loss	-	(22,490)
As at 31 December	-	-
Total	3,252	27,727

The "Agents Superannuation Fund" was created for the benefit of the agency force of former AIA General Insurance Lanka Limited, prior to acquisition by Janashakthi Insurance PLC. The fund currently accumulates contributions from both Janashakthi Insurance PLC and agents, based on a qualifying performance criteria which is a fixed percentage linked to their commissions. The fund invested in government securities and fixed deposits.

26 DEFERRED REVENUE

	Group	
	2017	2016
	LKR '000	LKR'000
As at 1 January	223,105	211,728
Amounts deferred during the year	446,757	426,003
Amounts released to Statement of Profit or Loss	(455,827)	(414,626)
As at 31 December	214,035	223,105

Deferred Revenue arises as a result of the amortisation of reInsurance commissions received.

27 INTEREST BEARING BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Bank Overdraft	496,907	451,204	82,932	14,861
	496,907	451,204	82,932	14,861

28 OTHER LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Policyholder Advance Payments	137,276	91,792	107,661	88,702
Agency Commission Payable	719,488	735,787	157,815	157,440
Franchise fee Payable	-	2,000	-	-
Government Levies Payable	346,658	239,989	17,646	12,442
Other Creditors including Accrued Expenses	753,952	701,041	100,620	123,930
Payable to AIG (UK)	1,700,909	389,786	-	-
Provision for AIG (UK)	1,457,203	1,058,364	-	-
Amounts due to Related Entities	-	-	-	118,277
Outstanding Claims - Life Insurance	232,449	228,349	232,449	228,349
	5,347,936	3,447,107	616,190	729,141

Government Levies Payable includes Income Tax Payable of LKR 225 Mn. (2016: LKR 162 Mn)

29 GROSS WRITTEN PREMIUM

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Life Insurance				
First Year Premium	1,163,114	1,287,640	1,163,114	1,287,640
Renewal Premium	1,739,759	1,656,323	1,739,759	1,656,323
Total Life Premium	2,902,873	2,943,963	2,902,873	2,943,963
Non Life Insurance				
Fire	1,458,304	1,324,437	-	-
Motor	7,921,065	7,090,438	-	-
Marine	329,091	362,883	-	-
Miscellaneous	2,503,970	1,929,723	-	-
Total Non - Life Premium	12,212,430	10,707,481	-	-
Total Gross Written Premium	15,115,303	13,651,444	2,902,873	2,943,963

The Gross written premium includes LKR 65 Mn (2016 - LKR 35 Mn) which was collected on behalf of Co-Insurance Partners.

30 NET CHANGE IN RESERVE FOR UNEARNED PREMIUM

	Group	
	2017	2016
	LKR '000	LKR'000
Change in Unearned Premium Provision arising on:		
Gross Written Premium	804,438	(33,857)
Premium ceded to Reinsurers	(191,762)	26,612
Net Change in Reserve for Unearned Premium	612,676	(7,244)

31 FEE AND COMMISSION INCOME

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Policy Fees	381,036	338,530	34,712	35,286
Profit Commission	21,286	6,428	5,988	6,235
	402,322	344,958	40,700	41,520

32 INVESTMENT INCOME

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Financial Assets at Fair Value Through Profit or Loss				
Interest income	132,829	88,639	93,515	50,964
Dividend income	70,518	65,029	19,365	18,969
Available For Sale Financial Assets				
Interest income	517,308	605,981	348,937	340,385
Loans and Receivables Interest Income	1,778,593	1,198,464	854,257	635,872
Dividend Income from Janashakthi General Insurance Limited	-	-	11,349	-
Total Investment Income	2,499,248	1,958,113	1,327,423	1,046,191

33 NET REALISED GAINS/ (LOSSES)

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Gains on Disposal of Leasehold Property	-	228,120	-	228,120
Gains on Disposal of Other Freehold Property and Equipment	12,572	17,191	-	
Financial Assets at Fair Value Through Profit or Loss Assets				
Equity Securities	643	12,198	643	2,473
Available For Sale Financial Assets				
Government Securities	308	(306)	308	-
Total Net Realised Gains	13,523	257,203	951	230,593

34 FAIR VALUE GAINS / (LOSSES)

		Group		Company	
	Note	2017	2016	2017	2016
		LKR '000	LKR'000	LKR'000	LKR'000
Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss		4,404	(51,300)	(2,630)	(5,004)
Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss	34.1	(90,474)	-	(90,474)	-
Total Fair Value Gains		(86,070)	(51,300)	(93,104)	(5,004)

34.1 Impairment of Available for Sale Financial Assets transferred to Statement of Profit or Loss - Equity

The Company assesses at each reporting date, whether there is objective evidence that an investment is impaired. In the case of equity investments classified as available-for-sale, objective evidence includes: A 'significant' or 'prolonged' decline in the fair value of the investment below its cost and/or other information about the issuer that may negatively affect an equity issuer's performance. Accordingly during the current year the Company has re-classified accumulated fair value loss of LKR. 90.47 Million to Statement of Profit or Loss which was recorded under "Fair Value Changes of Available for Sale Financial Assets" in prior years.

35 OTHER OPERATING REVENUE

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Gain on Foreign Exchange Transactions	13,543	23,903	-	-
Income from Full Option Auto Centre & Others	315,697	390,361	23,217	48,094
Late Fee Recovery	679	968	679	969
Total for the Year	329,919	415,232	23,897	49,063

36 INSURANCE CLAIMS & BENEFITS

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
36.1 Gross Benefits and Claims Paid				
Life Insurance Contracts	1,177,997	1,152,863	1,177,997	1,152,863
Non-Life Insurance Contracts	19,037,454	21,040,814	-	-
Total Gross Benefits and Claims Paid	20,215,451	22,193,677	1,177,997	1,152,863
36.2 Claims Ceded to Reinsurers				
Life Insurance Contracts	(64,053)	(53,677)	(64,053)	(53,677)
Non-Life Insurance Contracts	(12,456,935)	(14,578,340)	-	-
Total Claims Ceded to Reinsurers	(12,520,988)	(14,632,017)	(64,053)	(53,677)
36.3 Gross Changes in Contract Liabilities				
Changes in Life Insurance Contract Liabilities	4,099	8,397	4,099	8,397
Changes in Non-Life Insurance Contract Liabilities	(339,737)	213,207	-	-
Total Gross Change in Contract Liabilities	(335,638)	221,604	4,099	8,397
36.4 Changes in Contract Liabilities Ceded to Reinsurers				
Changes in Life Insurance Contract Liabilities	798	(4,174)	798	(4,174)
Changes in Non-Life Insurance Contract Liabilities	(42,362)	(1,091,009)	-	-
Total Change in Contract Liabilities Ceded to Reinsurers	(41,564)	(1,095,183)	798	(4,174)
Net Benefits and Claims	7,317,261	6,688,081	1,118,842	1,103,408
Net Benefits and Claims related to:				
Life Insurance	1,118,842	1,103,408	1,118,842	1,103,408
Non-Life Insurance	6,198,419	5,584,673	-	-
	7,317,261	6,688,081	1,118,842	1,103,408

37 UNDERWRITING & NET ACQUISITION COST

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Commission Expenses for Insurance Contracts	1,535,377	1,345,874	522,629	573,145
Staff Cost - Marketing	700,103	552,468	139,697	118,594
Change in Deferred Acquisition Cost for Insurance Contracts	(72,846)	33,452	-	-
	2,162,634	1,931,794	662,326	691,739

38 OTHER OPERATING AND ADMINISTRATION EXPENSES

		Group		Company	
		2017	2016	2017	2016
	Note	LKR '000	LKR'000	LKR'000	LKR'000
Staff Expenses	38.1	1,350,875	1,249,763	289,118	287,877
Administration & Establishment Expenses		788,001	849,746	239,905	180,378
Selling Expenses		320,232	357,353	86,139	102,006
Government Levies		32,521	23,299	17,086	12,942
Depreciation		116,163	114,226	-	-
Impairment of Goodwill		199,000	388,000	-	-
Others		72,808	48,553	46,149	26,101
		2,879,600	3,030,941	678,397	609,304

38.1 Staff Expenses

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Wages and Salaries	882,435	826,720	176,688	164,409
Compulsory Social Security Contributions	139,315	129,731	30,055	29,164
Contribution to Defined Contribution Plans	44,133	29,965	22,036	17,994
Allowances	46,991	49,514	9,518	10,130
Bonuses	105,151	88,236	20,518	23,489
Other Expenses	132,850	125,597	30,303	42,690
	1,350,875	1,249,763	289,118	287,877

39 FINANCE COST

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Interest Expense on Bank Overdrafts	22,103	26,058	509	1,344
Interest Expense on Borrowings	2,523	42,341	277	24,038
	24,626	68,398	786	25,381

40 PROFIT BEFORE TAX

The profit before Tax for the year is stated after charging the following expenses

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Auditors' Remuneration (Fees and Expenses)				
Audit	4,020	3,457	1,465	2,107
Non- Audit	1,927	730	-	-
Legal Fees	8,027	11,706	499	1,333
Depreciation & Amortisation	116,163	114,226	-	-
Directors' Emoluments	64,116	53,151	22,100	2,721

41 INCOME TAX EXPENSE

	Group	
	2017	2016
	LKR '000	LKR'000
Current Tax charge		
Income Tax on Current Year's profits	223,959	167,794
(Over)/Under Provision for the Prior Year	-	(2,469)
	223,959	165,325
Deferred Income Tax		
Deferred Tax related to the Current Year	79,232	99,277
Total Income tax expense recognised in the current year	303,191	264,603

The Income tax expense for the year can be reconciled to the accounting profit as follows:

	Group	
	2017	2016
Change	LKR '000	LKR'000
Accounting Profit before Tax	2,843,167	1,911,194
Income Tax Expense calculated at 28%	796,087	535,134
Effect on Exempt Gains	(540,459)	(281,952)
Effect on Aggregate Allowable Expenditure	(86,798)	(68,814)
Effect on Aggregate Disallowable Expenditure	57,442	69,595
Effect on Brought Forward Tax Losses	(2,313)	(86,168)
	223,959	167,794

(a) The Tax Rate of 28% is the Corporate Tax Rate applicable in both 2017 & 2016 as per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

(b) As per the amendments made to Section 32 of Inland Revenue Act, any loss incurred in the business of life Insurance on or after 1 April 2007 shall be deducted only to the extent that the statutory income generated is from the business of life Insurance.

(c) Accounting Profit from Other Comprehensive Income and the tax effect thereon are not included in the above reconciliation between the Accounting Profit and the tax change thereon.

42 BASIC EARNINGS PER SHARE

	Group		Company	
	2017	2016	2017	2016
	LKR '000	LKR'000	LKR'000	LKR'000
Amount Used as the Numerator				
Net Profit Attributable to Ordinary Shareholders	2,539,975	1,646,591	1,691,635	953,016

	Group		Company	
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of Ordinary Shares Used as Denominator				
Weighted Average Number of Ordinary Shares in Issue	544,500	544,500	544,500	544,500
	544,500	544,500	544,500	544,500
Basic earnings per share (LKR)	4.66	3.02	3.11	1.75

43 RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures". This note provides details of the Company's ("the JIPLC") related parties and the transactions which have taken place between the Company and its related parties.

(a) Transactions with the Ultimate Controlling Party of the Company.

Janashakthi PLC is the parent/ ultimate controlling party of JIPLC. The Company has transactions with its parent as follows.

Nature of Transaction	2017 LKR '000	2016 LKR'000
Insurance Premium (Received/Receivable)	1,445	1,303
Claims (Paid/Payable)	-	146
Dividend paid	384,663	279,028
Investment in Corporate Debts	70,000	70,000
Interest on Corporate Debts (Received/Receivable)	7,525	7,525
Corporate Guarantee on Commercial Bank Overdraft Facility	25,000	25,000

The pricing, terms & conditions applicable to transactions with Janashakthi PLC mentioned above are similar to those applicable to arms length transactions between JIPLC and its unrelated customers.

The corporate guarantee mentioned above has been issued by JPLC in favour of Commercial Bank of Ceylon PLC to secure banking facilities of JIPLC.

(b) Transactions with the Subsidiaries of the Company.

Janashakthi Insurance PLC is the parent/ ultimate controlling party of Janashakthi General Insurance Limited. The Company has transactions with its subsidiary as follows.

Nature of Transaction	2017 LKR '000	2016 LKR'000
Janashakthi General Insurance Limited		
Insurance Premium (Received/Receivable)	14,097	16,645
Allocation of Overhead Expenditure	663,763	653,626
Rental Income	5,183	-
Dividend Paid	11,349	-
Investment in Shares	-	1,878,016
Transfer of Assets from the Subsidiary	-	32,112

The pricing, terms & conditions applicable to transactions with Janashakthi General Insurance Limited mentioned above are similar to those applicable to arms length transactions between JIPLC and its unrelated customers.

Janashakthi General Insurance Limited issued ordinary shares to the value of LKR 1.87 Bn in relation to amalgamation of former AIA General Insurance Lanka Limited on 29 January, 2016.

(c) Transactions with Key Management Personnel (KMP) of the Company.

Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of JIPLC. Accordingly, the Directors of the Company have been classified as KMP of JIPLC. The close members of the family of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with JIPLC.

- The Directors emoluments for the year ended 31 December 2017 amount to LKR 64.12 Mn (LKR 53.15 Mn in 2016) for the Group and LKR 22.1 Mn (LKR 2.72 Mn in 2016) for the Company.
- The Managing Director of the Company was provided with a company maintained vehicle.
- The Director / CEO of the Company was provided with a company maintained vehicle.
- There are no post-employment benefits or termination benefits linked to the remuneration of the Directors.

(d) Other Related Party Disclosures

Other related entities are those which are controlled or jointly controlled by KMP of the Company.

Transaction with Other Related Parties

For the year ended 31 December Nature of Transaction		2017 LKR '000	2016 LKR'000
(a)	Insurance Contract Transaction		
	Premium Income	137,465	105,057
	Claims Expenditure	157,274	165,263
(b)	Other Transaction		
	Reimbursement of Expenses	-	255
	Commission Expenses	29,564	30,459
	Rental Income	5,183	4,038

The pricing, terms & conditions applicable to transactions with Other Related Parties mentioned above are similar to those applicable to arms length transactions between JIPLC and its unrelated customers.

(c) Orient Finance Debenture Issue

Janashakthi General Insurance Limited has issued a Performance Bond/Guarantee to cover the Principle sum of a debenture issue to Orient Finance PLC for the value of LKR 1,090 Mn during the year 2014. This guarantee will become due in the event that Orient Finance PLC fails or neglects to redeem the said Debentures or pay the interest on the said Debentures. This transaction has taken place in the ordinary course of business of Janashakthi General Insurance Limited. This is an arms' length transaction that had taken place between the companies and both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party.

43 RELATED PARTY TRANSACTIONS CONTD.

(d) Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets of the entity (whichever is lower) should be set out seperatly as per the CSE Listing Rules 7.6 (xvi).

Name of the Related Party	Relationship	Date of the Transaction	Amount of the Transaction LKR'000	Description
Nextventures Ltd.	Affiliate Company	26/01/2010	300,000	JGIL has provided a Mortgage Loan of LKR 300 Mn for 10 years at the rate of 14% p.a. This transaction had been made on terms equivalent to those prevailing market rates and at arms length.

44 ASSETS PLEDGED

The following assets have been pledged as security against liabilities.

		Group		Company		
Nature of Asset	Nature of Liability	Amount 2017 LKR Mn	Amount 2016 LKR Mn	Amount 2017 LKR Mn	Amount 2016 LKR Mn	Included Under
Fixed Deposits	Collateral for Divipiyasa Housing Loan	10.04	9.4	10.04	9.4	Investment of Life Insurance

45 COMMITMENTS AND CONTINGENCIES

45.1 In the opinion of the Directors in consultation with the Company's 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 provisions have been made in the Financial Statements.

Contingent Liabilities

45.2 Outstanding Tax Assessment

The Department of Inland Revenue (IRD) has issued assessments in relation to the years 2003, 2004 & 2005 imposing VAT on reInsurance commissions and claim recoveries. The Company has submitted an appeal against the re-assessments and the matter is at present in the Court of Appeal.

The Company has also received assessments relating to Income Taxes for the years of assessment of 2010/11, 2011/12, 2012/13 and 2013/14, where by the Department of Inland Revenue has disallowed management expenses relating to the life Insurance business including capital allowance. The Company has appealed against the assessments. The appeals had been filed following due process.

46 TRANSFER PRICING

Provision on transfer pricing under sections 104 and 104A of the Inland Revenue Act, No.10 of 2006 that covers the transactions with associated undertakings, which requires compliance reporting from the year of assessment 2015/16.

During the financial year, certain transactions including provision of Insurance solutions have taken place between associated undertakings. Both Janashakthi Insurance PLC and Janashakthi General Insurance Limited are of the view that the transactions with the associated entities are at arm's length pricing.

As the aggregate value of transactions of each companies with associated undertaking is more than LKR 50 Million, both the companies are required to maintain separate documentation as prescribed by Transfer Pricing Regulations by Inland Revenue Department (IRD). The companies have prepared and maintained the relevant documentation and filings to comply with transfer pricing regulation.

47 EVENTS OCCURRING AFTER THE REPORTING DATE

47.1 Disposal of Janashakthi General Insurance Limited

In February 2018 Janashakthi Insurance PLC entered into a Sale and Purchase Agreement with Allianz S E, a company incorporated in Germany, for the sale of 100% of the total issued shares of its wholly owned subsidiary Janashakthi General Insurance Limited (JGIL) for LKR 16.4 Billion. This transaction was carried out on 26 February 2018.

As part of the terms of this agreement, prior to the sale of JGIL, all of the Investment properties, Freehold Land and Buildings and part of the Equity Securities held in JGIL, was acquired by the Company.

As this transaction amounted to a major transaction and therefore in terms of Section 185 of the Companies Act, No. 07 of 2007, approval of the shareholders was obtained by way of a special resolution prior to completion of the sale.

The Company subsequently effected a repurchase of shares to enable distribution of the excess funds which accrued from the sale. Shareholder approval for the amendment of the Company's Articles of Association was obtained in order to facilitate the distribution.

As represented on page 93 , "Statement Of Comprehensive Income - Segmental Review", the contribution of each entity to the performance for the financial year 2017 is summarised below.

	JGIL	JIPLC	Eliminations	Group
Gross Written Premium	12,212,430	2,902,873	-	15,115,303
Contribution	81%	19%		
Profit Before Tax (Including One-Off Surplus)	1,361,882	1,691,636	(210,351)	2,843,165
Contribution	45%	55%		

47.2 Repurchase of Shares

Following shareholder approval the Board of Directors carried out an analysis of the existing financial position of the Company and its proposed activities and resolved to distribute a portion on the sale proceeds received from the disposal of JGIL by way of a re - purchase of shares.

A total of 317,974,045 shares were re - purchased for a total consideration of LKR 11.67 billion. There is no change in the value of stated capital other than the reduction in number of shares from the above said transaction.

48. RISK MANAGEMENT

48.1 Introduction

Risk management demonstrate the initiatives that are undertaken to reduce or mitigate the Company's exposure to losses. The Company as a whole is exposed to the following risk categories.

INSURANCE RISK
- Life Insurance Contracts
- Non Life Insurance Contracts
- ReInsurance

FINANCIAL RISK
- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

This note provides the detail disclosures as required by SLFRS 7 and SLFRS 4 regarding nature and risk arising from financial instruments and Insurance and mitigating actions.

48.2 Risk Management Framework

The primary objective of the Company's risk and financial management is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board of Directors of the Company recognises the critical importance of having an efficient and effective risk management system in place.

The Management level Risk Committee overlooks the risk management activities of the Group ensuring that risk exposures are maintained within tolerance limits. Periodic reviews on changes to risk policies, procedures and key risk profiles are provided to the Board who recommends suggestions for improvement of the overall risk infrastructure.

a) Capital Management Objectives, Policies and Approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of solvency of the Company in order to provide a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company has complied with all these regulatory requirements throughout the financial period under review.

b) Approach to Capital Management

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. Traditional sources of borrowings are used for the operational management of the Company's business. The Company does not rely on a single source of funding or a single provider of funds. The capital adequacy ratios are computed monthly and reviewed to ensure that here is no constraint in regulatory compliance and in the Company's ability to write new business.

c) Regulatory Framework

The operations of the Company are subject to regulatory requirements. The Insurance Regulatory Commission of Sri Lanka (IRCSL) is the Insurance regulator in the country, primarily interested in protecting the rights of policyholders and to monitor the insurers closely to ensure that the Company is satisfactorily managing the affairs to the policyholder's benefit. The Regulator not only prescribes the approval and monitoring of activities, but also imposes certain restrictive provisions (e.g., Risk Based Capital(RBC)/ Capital Adequacy) to minimize the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as may arise from economic shocks or natural disasters.

The Company is also subjected to the regulatory requirements of the Colombo Stock Exchange (CSE), the Securities and Exchange Commission of Sri Lanka (SEC), the Central Bank of Sri Lanka (CBSL), the Department of Inland Revenue and the provisions of the Companies Act No. 07 of 2007.

The Insurance Industry (Amendment) Act No. 3 of 2011 required composite Insurance companies to separate the businesses of Life and Non-Life as two different legal entities. The Company is in compliance with this regulation.

In 2017 the IRCSL implemented the RBC framework which replaced the previous solvency regime. The Company has implemented the RBC framework in the year 2016.

d) Asset Liability Management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under Insurance and investment contracts.

48.3 Insurance Risk

The primary risk to the Company under its Insurance contracts is the amount and timing of actual claims and benefit payments being different from expectations. This is influenced by the frequency and severity of claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The Company mitigates the above risk exposure by diversification across a large portfolio of Insurance contracts, by careful selection and implementation of underwriting strategies and by use of reInsurance arrangements. The reInsurance ceded is the portion of risk that the Company passes to the reinsurer. ReInsurance ceded allows the Company to reduce its risk exposure to an Insurance policy by passing that risk on to another company (the accepting company) at a cost. The placement of reInsurance is divided among several reinsurers as a risk diversification. As such the risk of failure of a particular reInsurance provider is mitigated.

Insurance Risk which comes under Life Insurance Contracts, Non-Life Insurance Contracts and ReInsurance is a combination of:

- Product Design Risk
- Underwriting and expense overrun Risk
- Claims Risk

48. RISK MANAGEMENT CONTD.

48.3 Insurance Risk Contd.

48.3.1 Life Insurance Contracts

a) Product Design Risk

Life Insurance contracts offered by the Company include endowments, term assurance and pensions.

Endowments assurances are conventional products where lump sum benefits are payable on death / permanent disability or maturity whichever happens earlier. A Few contracts have a surrender value and/or advance payments as well.

Term assurances are conventional products where lump sum benefits are payable on death or a permanent disability.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a lump sum payment or a life-time annuity payment.

The main risks that the Company is exposed to under the Product Design Risk of Life Insurance Contracts are as follows:

Mortality Risk	Risk of loss arising due to policyholder death experience being different than expected.
Morbidity Risk	Risk of loss arising due to policyholder health experience being different than expected.
Longevity Risk	Risk of loss arising due to the annuitant living longer than expected.
Investment Return Risk	Risk of loss arising from actual returns being different than expected.
Expense Risk	Risk of loss arising from expense experience being different than expected.
Policyholder Decision Risk	Risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

Participating Fund and Non-Participating Fund

The following analysis depicts the concentration of Participating and Non-Participating Funds within the Life Insurance segment of the Company.

	31 December 2017		31 December 2016	
	LKR Mn	%	LKR Mn	%
Participating Fund	1,675	17%	1,711	21%
Non-Participating Fund	7,976	83%	7,988	79%
Total	9,651	100%	9,699	100%

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Mortality rates

Assumptions are based on standard table A67/70 published by the Institute of Actuaries of the United Kingdom. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- Discount rate

Life Insurance liabilities are determined as the sum of the discounted value of the expected benefits directly related to the contract, less the discounted value of the expected theoretical gross premiums that would be required to meet these future cash outflows. Discount rates are based on the zero – coupon yield curve provided by the Insurance Regulatory Commission of Sri Lanka.

(b) Underwriting and Expense Overrun Risk

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria.

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

Life Underwriting Risk Management

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

(c) Claims Risk

The possibility that the frequency of claims arising from life Insurance contracts exceeds the expected level when pricing the products can be defined as Claims Risk. Some of the specific actions taken by the Company to mitigate the claims risks are given below.

Life Claims Risk Management

- A qualified actuary is employed within the Company in order to assist the management to review the life Insurance business.
- Life fund valuation is carried out by a qualified independent actuarial valuer on a regular basis.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.

48. RISK MANAGEMENT CONTD.

48.3 Insurance Risk Contd.

48.3.2 Non - Life Insurance Contracts

(a) Product Design Risk

The Company principally issues the following types of Non-Life Insurance Contracts:

- Motor
- Fire
- Engineering
- Marine and
- Miscellaneous other plans including Health and Title Insurance

Concentration of products within Non-Life Insurance segment based on GWP can be shown as follows.

	31 December 2017 Gross Written premium LKR Mn	%	31 December 2016 Gross Written premium LKR Mn	%
Motor	7,921	65%	7,090	67%
Fire	1,458	12%	1,324	12%
Marine	329	2%	363	3%
Miscellaneous	2,504	21%	1,930	18%
Total	12,212	100%	10,707	100%
Motor	7,921	65%	7,090	66%
Non Motor	4,291	35%	3,617	34%
Total	12,212	100%	10,707	100%

Risks under non-life Insurance policies usually cover twelve-month duration and for these Insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims, that take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The Non-Life Insurance risk exposure is mitigated by the diversification across a large portfolio of Insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

(b) Underwriting and Expense Overrun Risk

- Exposure to various kinds of risks is mitigated by diversification across a large portfolio of Insurance contracts.
- The Company conducts continuous training programs for the underwriting team of the Company in order to improve the careful selection and implementation of underwriting strategies.
- The Company has entered in to reInsurance agreements with approved reinsurers and the adequacy of this reInsurance covers are reviewed on timely basis corresponding to the Company's risk exposure.
- The Company uses an underwriting manual which describes the underwriting procedure including the careful selection of risks.
- There is a clear delegation of authority for underwriting with key personnel appointed to manage portfolios.

(c) Claims Risk

The possibility that the frequency of claims arising from Non-Life Insurance contracts exceeds the expected level when pricing the products can be defined as Claims Risk arising from Non-Life Insurance. Some of the specific actions taken by the Company to mitigate the claims risks are given below.

- Strict claim review policies to assess all new and ongoing claims.
- Regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.
- The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.
- The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reInsurance arrangements in order to limit risk exposure.
- The Company assesses the value of claims incurred but not reported to the Company (IBNR) with the assistance of NMG Consultants Actuaries who gives suggestions to the Company for improvements.

The purpose of these underwriting, claims and reInsurance strategies is to limit risk exposure based on the Company's risk appetite as decided by Management. The Management may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The following table summarises the outstanding Claims position of the Company

	31 December 2017		31 December 2016	
	Gross Claims LKR Mn	Net Claims LKR Mn	Gross Claims LKR Mn	Net Claims LKR Mn
Claim Outstanding	2,583	1,198	2,682	1,035
IBNR	691	557	803	659
Total	3,274	1,755	3,485	1,694

Claims Development Trend

The following table shows the claims development trend of the Company in relation to Accident Year and Reporting Periods.

Accident Year - LKR Mn

	0	1	2	3	4	5	6	7	8	9	10
2007	571.23	446.29	465.88	577.85	535.97	472.38	495.34	475.38	729.85	453.39	417.60
2008	260.92	133.50	105.80	140.05	121.57	128.78	506.22	149.02	144.83	10.52	
2009	239.35	186.17	137.03	200.36	194.86	85.43	153.51	147.44	178.10		
2010	289.44	155.18	115.64	148.82	87.77	91.32	122.24	131.70			
2011	268.11	128.86	82.82	49.84	104.35	72.64	124.26				
2012	209.86	119.56	35.56	80.79	88.62	70.53					
2013	152.36	65.01	56.15	79.35	71.97						
2014	69.96	37.66	44.78	68.68							
2015	54.95	36.41	39.33								
2016	70.75	13.93									
2017	54.65										

48. RISK MANAGEMENT CONTD.

48.3 Insurance Risk Contd.

In general, the uncertainty associated with the claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the adequacy of provisions is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Key assumptions for valuation of liabilities in Non -Life Insurance

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, such as one–off occurrences, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The Non - Life Insurance claim liabilities are sensitive to the key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. It should be noted that movements in these assumptions are non–linear.

48.3.3 ReInsurance Risk

Notwithstanding the advantages reInsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reInsurance contract could give rise to one or more of the following risks:

- Residual Insurance risk may arise from discrepancies between reInsurance needs and the actual coverage provided for in the contract, resulting in the insurer retaining greater risk than anticipated. Similarly, an insurer may face a basic risk related to alternative risk transfer mechanisms where the amounts obtained by the insurer through the mechanisms do not match the losses incurred by the insurer.
- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.
- Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honor its obligations towards the ceding insurer.
- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reInsurance recoverable.

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

- Outstanding reInsurance receivables are viewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- A very close and professional relationship is maintained with all reinsurers.
- No cover is issued without a confirmed reInsurance in place.
- Only a globally trusted and stable portfolio of reInsurance companies which are rated highly by Standard & Poors or AM Best is used.

48.4 Financial Risk

The Company expose to financial risk primarily through financial assets, financial liabilities and Insurance liabilities. The key financial risk categories that the Company is exposed to are:

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

48.4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Market interest rates (interest rate risk)
- Foreign exchange rates (currency risk)
- Market prices (price risk).

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. The policy is reviewed regularly for pertinence and for changes in the risk environment.

48.4.1.1 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The policy is reviewed regularly for pertinence and for changes in the risk environment.

As at the end of the year 2017 the Company did not have any floating rate investments and thus the Company's exposure to cash flow interest risk was minimal.

The following table shows the Company's interest rate risk exposure based on differet financial instrument categories

31/12/2017 **LKR Mn**	**Fixed** **Interest Rate**	**Non-Interest** **Bearing**	**Total**
Fair Value Through Profit and Loss	-	1,688	1,688
Loans and Receivables	17,463	-	17,463
Available for Sale	4,223	2,149	6,372
Total Financial Assets	21,686	3,837	25,523
Total Percentage	85%	15%	100%

31/12/2016 **LKR Mn**	**Fixed** **Interest Rate**	**Non-Interest** **Bearing**	**Total**
Fair Value Through Profit and Loss	-	1,261	1,261
Loans and Receivables	11,879	-	11,879
Available for Sale	6,190	2,256	8,446
Total Financial Assets	18,069	3,517	21,586
Total Percentage	84%	16%	100%

48. RISK MANAGEMENT CONTD.

48.4 Financial Risk Contd.

48.4.1.2 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Sri Lankan rupees and its exposure to foreign exchange risk is very minimal. The Company's financial assets are primarily denominated in the same currencies as its Insurance liabilities. The Company has no significant concentration of currency risk.

48.4.1.3 Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments in equity securities. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market.

As at the end of year 2017 the Company has LKR 2,474 Mn investments in equity securities. It consists of 10% out of the total investment portfolio of the Company. Thus the Company has diversified its equity investment portfolio throughout different industries in order to mitigate risk exposure.

The following table depicts the diversification of the company's share investment portfolio in different industries

Sector	31-Dec-17		31-Dec-16	
	LKR Mn	%	LKR Mn	%
Banks Finance and Insurance	2,240	91%	2,275	91%
Diversified Holdings	63	3%	109	4%
Power & Energy	23	1%	-	-
Oil Palms	9	0%	12	0%
Land & Property	82	3%	92	4%
Food and Beverage	57	2%	-	-
	2,474	100%	2,488	100%

48.4.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments, when they fall due. That can be due to inadequacy of liquid assets to meet the obligations.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- The Company liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the management. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- An investment guideline is in place to review the asset allocations, duration allocations and the asset liability mismatches on regular basis.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company has pre-approved overdraft facilities to meet sudden cash requirements.

Maturity Profile

The following table summarises the maturity analysis of the Company's financial investments

Group

12/31/2017 LKR Mn	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Fair Value Through Profit or Loss	1,688	-	-	-	1,688
Loans & Receivable	9,448	2,995	3,949	1,071	17,463
Available For Sale	6,161	211	-	-	6,372
Total	17,297	3,206	3,949	1,071	25,523
Total Percentage	68%	13%	15%	4%	100%

Company

12/31/2017 LKR Mn	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Fair Value Through Profit or Loss	846	-	-	-	846
Loans & Receivable	3,701	1,455	2,058	508	7,722
Available For Sale	3,807	-	-	-	3,807
Total	8,354	1,455	2,058	508	12,375
Total Percentage	67%	12%	17%	4%	100%

48. RISK MANAGEMENT CONTD.
48.4 Financial Risk Contd.
48.4.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk to the Company could arise from followings.

- Financial investments in debt securities
- Cash and cash equivalent
- Premium receivables
- ReInsurance receivables
- Other financial receivables

The Company's credit risk exposure is depicted in the below table using carrying values as at the Statement of Financial Position date.

Category	31-Dec-17		31-Dec-16	
	LKR Mn	%	LKR Mn	%
Government Securities	10,202	34%	8,028	31%
Corporate Debt	8,273	27%	6,957	27%
Unit Trust	1,363	5%	1,029	4%
Investment in Shares	2,474	8%	2,488	10%
Fixed Deposits	2,911	10%	2,784	11%
Mortage Loan	300	1%	300	1%
ReInsurance Receivables	1,534	5%	1,791	7%
Premium Receivables	3,031	10%	2,604	10%
Total	30,088	100%	25,981	100%

The following table shows the credit risk exposure of the Company based on credit rating. AAA is considered the highest possible rating, while assets that fall outside the range of AAA to BBB- are classified as speculative grade.

Group

31/12/2017 LKR Mn	Government Guarantee	AAA+ to AA-	A+ to A-	BBB+ to BBB-	Unrated	Total
Available for Sale	10,202				2,149	12,351
Fair value through profit or loss					1,688	1,688
Loans and Receivables		3,331	5,687	2,165	300	11,483
Total	10,202	3,331	5,687	2,165	4,137	25,522
Total Percentage	41%	13%	22%	8%	16%	100%

Company

31/12/2017 LKR Mn	Government Guarantee	AAA+ to AA-	A+ to A-	BBB+ to BBB-	Unrated	Total
Available for Sale	5,573				467	6,039
Fair value through profit or loss					846	846
Loans and Receivables		1,350	2,966	1,174	-	5,490
Total	5,573	1,350	2,966	1,174	1,312	12,375
Total Percentage	45%	11%	24%	9%	11%	100%

Some of the specific actions undertaken by the Company to mitigate credit risk in investments are shown below.

- Check the creditworthiness of the institutions and the instruments before placing an investment
- Investment Committee continuously evaluates the credit risk of the Company arising from investments.
- The Company gives more concentration on investing in high rated instruments or in high rated institutions

The Company is exposed to a credit risk through premium receivables where the policyholder or any other intermediary party in default of the payment. In certain life Insurance policies issued under single premium mode the credit risk is minimal when compared with other policies

The following table summarises the aging analysis of premium receivable balances in relation to Life and Non-Life Insurance

31/12/2017 (LKR Mn)	<30 Days	31 to 60 Days	61 to 90 Days	>91 Days	Total
Premium Receivable					
Non Life	1,615	725	445	213	2,998
Life	33				33
Total	1,648	725	445	213	3,031
Total Percentage	54%	24%	15%	7%	100%

31/12/2016 (LKR Mn)	<30 Days	31 to 60 Days	61 to 90 Days	>91 Days	Total
Premium Receivable					
Non Life	1,351	632	401	190	2,574
Life	30				30
Total	1,381	632	401	190	2,604
Total Percentage	53%	24%	16%	7%	100%

The Company uses following strategies to mitigate the credit risk arising from premium receivables.

- The outstanding premiums are monitored and recovery actions are taken regularly by a separate team within the Company.
- Polices not settled within a certain period of time is considered as lapsed, paid-up or canceled.
- Processing claim settlements only after reviewing the position of outstanding receivables.

48.4.4 Operational risk

Operational risk arises from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity, or from other external events which may result in direct or indirect business impact. Managing these risks through internal compliance monitoring and the use of detailed procedure manuals.

Total Available Capital (TAC) and Risk-based Capital Adequacy Ratio (CAR)

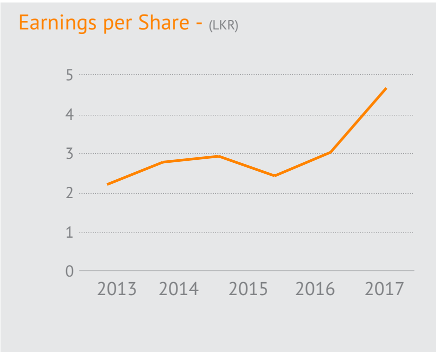
Long Term Insurance Business	2017 LKR '000
01. JANASHAKTHI INSURANCE PLC	
Total Available Capital (TAC)	5,178,103
Formula Risk-based Capital Required (RCR)	2,151,085
Surrender Value Capital Charge (SVCC)	717,405
Risk Based Capital requirement(RCR)	2,151,085
Risk-based Capital Adequacy Ratio (CAR)	241%
Required Ratio	120%
02. FORMER NATIONAL INSURANCE CORPORATION LTD	
Total Available Capital (TAC)	40,188
Formula Risk-based Capital Required (RCR)	12,074
Surrender Value Capital Charge (SVCC)	-
Risk Based Capital requirement(RCR)	12,074
Risk-based Capital Adequacy Ratio (CAR)	333%
Required Ratio	120%

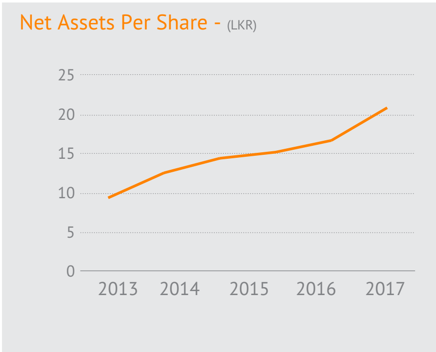
Non Life Insurance Business	2017 LKR'000
Janashakthi General Insurance Limited	
Total Available Capital (TAC)	7,018,573
Risk Based Capital requirement(RCR)	2,878,464
Risk-based Capital Adequacy Ratio (CAR)	244%
Required Ratio	120%

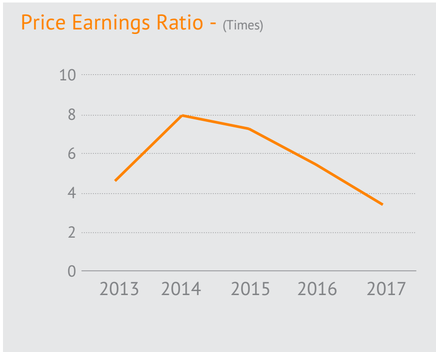
Shareholder Information

VALUATION

31st December		2017	2016
Earning Per Share (EPS)	LKR	4.66	3.02
Net Assets per Share	LKR	20.78	16.61
Price Earning Ratio	Times	3.37	5.42
Price/Book Value	Times	0.76	0.99
Dividends Per Share (DPS)	LKR	1.00	0.75
Dividend Payout Ratio	%	21.46	24.80
Dividend Yield	%	6.37	4.57







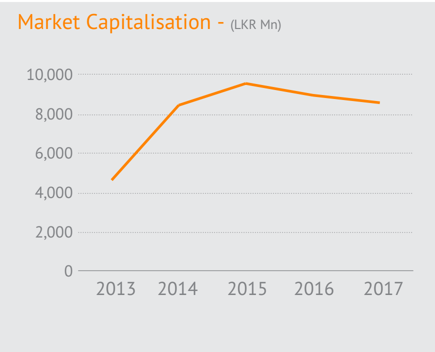
Shareholder Information

MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

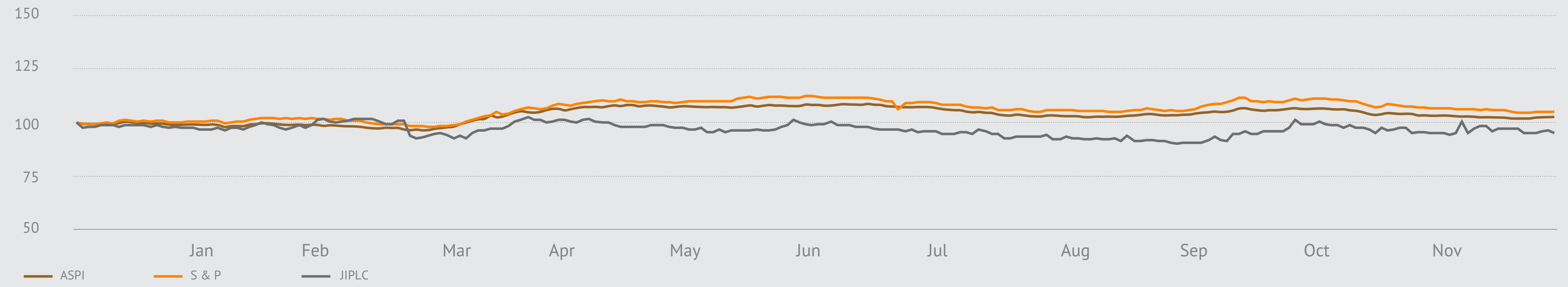
Market Value	2017		2016	
	Value LKR	Date	Value LKR	Date
Highest Price	17.00	April 21 2017	18.70	October 07, 2016
Lowest Price	14.80	October 04 2017	14.20	March 09, 2016
Year end Price	15.70	December 29 2017	16.40	December 30, 2016

TRADING STATISTICS

31st December		2017	2016
Number of Transactions		6,288	7,846
Number of Shares Traded		24,453,149	23,034,017
% of Total Shares in Issue		4.49%	4.23%
Value of Shares Traded	LKR	388,260,273	384,869,488
Market Capitalisation	LKR	8,548,653,109	8,929,803,247



CSE Indices Vs. Janashakthi Insurance PLC Share Price - 2017



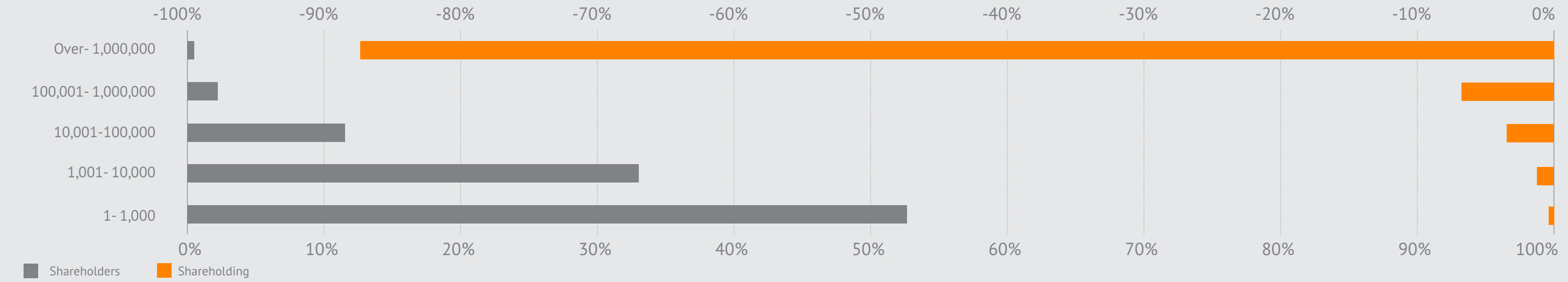
Number of Shares		2017				2016			
		No of Holders	%	Total Holding	%	No of Holders	%	Total Holding	%
1	1,000	3,008	52.70%	1,392,862	0.25%	3,071	51.74%	1,457,862	0.27%
1,001	10,000	1,888	33.08%	7,939,952	1.46%	2,006	33.80%	8,401,376	1.54%
10,001	100,000	655	11.48%	20,887,064	3.84%	701	11.81%	22,718,909	4.17%
100,001	1,000,000	132	2.31%	37,542,697	6.89%	133	2.24%	37,217,160	6.84%
Over	1,000,000	25	0.44%	476,737,623	87.56%	24	0.40%	474,704,891	87.18%
Total		5,708	100.00%	544,500,198	100.00%	5,935	100.00%	544,500,198	100.00%

Shareholder Information

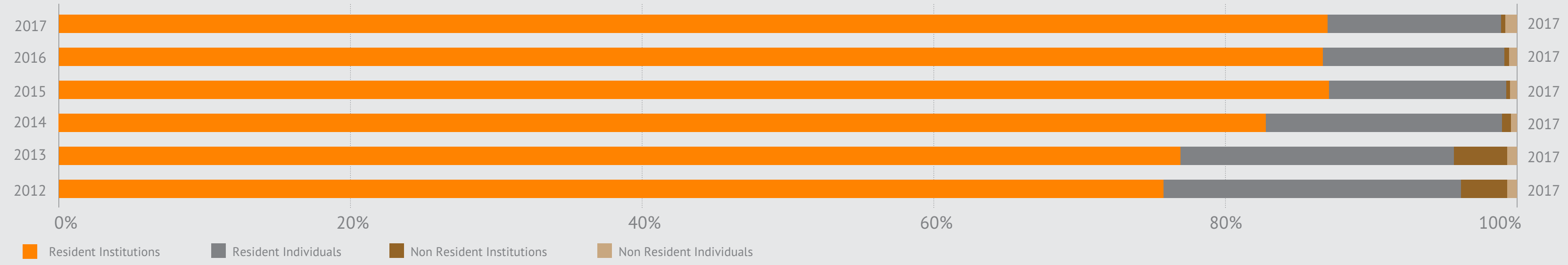
COMPOSITION OF SHAREHOLDERS

Shares	2017				2016			
	No of Holders	%	Total Holding	%	No of Holders	%	Total Holding	%
Resident:								
Individuals	5,430	95.13%	64,408,644	11.83%	5,646	95.13%	68,747,643	12.62%
Institutions	219	3.84%	474,287,103	87.10%	232	3.91%	471,845,711	86.66%
Non Resident:								
Individuals	56	0.98%	3,788,450	0.70%	52	0.88%	3,306,843	0.61%
Institutions	3	0.05%	2,016,001	0.37%	5	0.08%	600,001	0.11%
Total	5,708	100.00%	544,500,198	100.00%	5,935	100.00%	544,500,198	100.00%

Number of Shareholders Vs Respective Shareholding - (%)



Ownership - (%)



TWENTY LARGEST SHAREHOLDER

As at 31.12.2017	No of Shares	% of Top Twenty	% of Total
Janashakthi PLC Account No. 1	413,375,154	86.91%	75.92%
Commercial Bank of Ceylon Limited / Dunamis Capital PLC	17,250,000	3.63%	3.17%
Bank of Ceylon-No2 A/C	10,594,286	2.23%	1.95%
Suktam Holdings (Pvt) Ltd	5,570,757	1.17%	1.02%
Mr. Amarakoon Mudiyanselage Weerasinghe	3,515,000	0.74%	0.65%
Mr. Dinesh Jamnadas Ambani	2,828,556	0.59%	0.52%
Mr. Husein Nuruddin Esufally	2,253,594	0.47%	0.41%
Mr. Siriwardana Liyanage Rohitha Ruwan Premathilaka/Miss. Aluthge Ruwani Naomica Perera	2,050,000	0.43%	0.38%
Mr. Chitral Hiran Mendis	1,980,000	0.42%	0.36%
Pershing LLC S/A Averbach Grauson & Co.	1,940,000	0.41%	0.36%
Lanka Orix Finance PLC/L.H.M.S.Lansakara	1,801,004	0.38%	0.33%
First Capital Limited	1,703,446	0.36%	0.31%
Life Insurance Corporation (Lanka) Ltd	1,675,000	0.35%	0.31%
Hatton National Bank PLC / Arunasalam Sithampalam	1,582,500	0.33%	0.29%
Peoples Bank	1,375,257	0.29%	0.25%
Ceylon Investment PLC A/C # 01	1,350,000	0.28%	0.25%
Mrs. Manjula Mathews	1,275,000	0.27%	0.23%
Guardian Fund Management Limited/The Aitken Spence And Associated Companies Executive Staff Providen	1,248,069	0.26%	0.23%
Perera And Sons Caterers (Pvt) Ltd.	1,125,000	0.24%	0.21%
Perera And Sons (Bakers) Limited	1,125,000	0.24%	0.21%
	475,617,623	100%	87%
Others	68,882,575		13%
Total	544,500,198	100%	100%

Shareholder Information

TWENTY LARGEST SHAREHOLDER CONTD.

As at 31.12.2016	No of Shares	% of Top Twenty	% of Total
Janashakthi PLC	413,375,154	87.08%	75.92%
Commercial Bank of Ceylon Limited / Dunamis Capital PLC	17,250,000	3.63%	3.17%
Bank of Ceylon-No2 A/C	10,594,286	2.23%	1.95%
Suktam Holdings (Pvt) Ltd	5,570,757	1.17%	1.02%
Mr. Amarakoon Mudiyanselage Weerasinghe	3,515,000	0.74%	0.65%
Mr. Dinesh Jamnadas Ambani	2,828,556	0.60%	0.52%
Seylan Bank PLC / Dr.Thirugnanasambandar Senthilverl	2,321,993	0.49%	0.43%
Mr. Husein Nuruddin Esufally	2,253,594	0.47%	0.41%
Mr. Chitral Hiran Mendis	1,980,000	0.42%	0.36%
Lanka Orix Finance PLC / L.H.M.S.Lansakara	1,801,004	0.38%	0.33%
First Capital Limited	1,703,446	0.36%	0.31%
Hatton National Bank PLC / Arunasalam Sithampalam	1,582,500	0.33%	0.29%
Life Insurance Corporation (Lanka) Ltd	1,530,500	0.32%	0.28%
Mr. Hans Anton Van Starrex	1,369,101	0.29%	0.25%
Ceylon Investment PLC A/C No. 01	1,350,000	0.28%	0.25%
Mrs.Manjula Mathews	1,275,000	0.27%	0.23%
Mr. Rohitha Ruwan Premathilaka	1,150,000	0.24%	0.21%
Perera & Sons Bakers Ltd	1,125,000	0.24%	0.21%
Perera & Sons Caterers (Pvt) Ltd	1,125,000	0.24%	0.21%
Mr.Vijendran Pathmanathan	1,004,000	0.21%	0.18%
	474,704,891	100%	87%
Others	69,795,307		13%
Total	544,500,198	100%	100%

As per Rule No.7.6 (iv) of the Colombo Stock Exchange,percentage of public holding as at December 31,2017 was 23.39% (23.39% as at December 31,2016) Number of shareholders representing the public holding is 5,698.Accordingly company has complied with the Listing Rule requirement in Rule No.7.13.1(a).

DIRECTORS SHAREHOLDING

31st December	2017 No of Shares	2016 No of Shares
Mr.H N Esufally	2,253,594	2,253,594
Mr.Prakash Schaffter	-	-
Mr.Ramesh Schaffter	-	-
Ms.Manjula Mathews	1,275,000	1,275,000
Mr.A D E I Perera	-	-
Mrs.A Coomaraswamy	112,500	112,500
Mr.L C R De C Wijetunge	-	-
Mr.M S J Fernando	-	-
Mr.S A Chapman	-	-

RECORD OF SHARE ISSUE

	Issue	Basis	No of Shares
2006	31st December 2006		27,500,011
2007	Bonus Issue-30th March2007	1:3	82,500,033
2008	Share Split-28th March 2008	1:2	220,000,088
2008	Initial Public Issue-16th June 2008		33,000,000
2015	Rights Issue-30th November 2015	2:1	181,500,066
			544,500,198

Decade at a Glance - Statement of Profit or Loss

(Values are to the nearest rupees thousand)

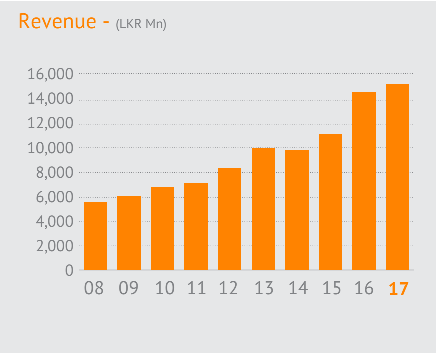
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Group										
Gross Written Premium	15,115,303	13,651,444	10,664,000	8,983,677	8,726,955	7,985,203	7,128,397	6,157,664	5,704,554	5,363,445
Net Earned Premium	12,020,093	11,539,087	8,978,326	7,634,109	7,505,453	6,838,810	6,075,909	5,453,865	4,966,773	4,562,077
Other Revenue	3,158,942	2,924,206	2,134,103	2,155,180	2,442,791	1,427,846	1,023,176	1,336,398	1,021,326	992,980
Total Revenue	15,179,036	14,463,293	11,112,430	9,789,288	9,948,244	8,266,656	7,099,084	6,790,263	5,988,099	5,555,057
Net Acquisition Cost	(2,162,634)	(1,931,794)	(1,701,025)	(1,463,065)	(1,392,166)	(1,245,001)	(1,113,596)	(920,560)	(888,055)	(837,740)
Net Claims and Benefits	(7,317,261)	(6,688,081)	(5,135,273)	(4,215,097)	(4,133,380)	(3,463,307)	(3,043,968)	(3,078,461)	(2,637,450)	(2,369,819)
Other Expenses	(2,904,227)	(3,099,339)	(2,357,249)	(2,168,003)	(1,973,452)	(1,777,775)	(1,501,966)	(1,406,138)	(1,412,888)	(1,444,168)
Change in contract liability due to transfer of one-off surplus	1,795,829									
Increase in Life Insurance Fund	(1,747,577)	(832,885)	(893,925)	(843,693)	(1,354,572)	(917,073)	(905,978)	(574,174)	(299,955)	(400,137)
Profit / (Loss) before Taxation	2,843,166	1,911,194	1,024,957	1,099,430	1,094,674	863,498	533,576	810,930	749,751	503,193
Income Tax Expense	(303,191)	(264,603)	(74,448)	(38,021)	(89,165)	(63,102)	(39,235)	(40,582)	(92,478)	(54,036)
Profit / (Loss) after Taxation	2,539,975	1,646,591	950,509	1,061,409	1,005,509	800,396	494,341	770,348	657,273	449,157
Non Life										
Gross Written Premium	12,212,430	10,707,481	8,113,218	6,813,258	6,533,293	5,960,127	5,256,411	4,472,255	4,272,926	3,937,285
Net Earned Premium	9,216,225	8,685,716	6,509,536	5,505,950	5,371,288	4,852,607	4,233,270	3,797,992	3,572,752	3,167,981
Other Revenue	1,909,919	1,593,955	1,218,108	1,200,451	1,134,998	814,655	667,222	941,777	646,671	590,613
Total Revenue	11,126,144	10,279,671	7,727,644	6,706,401	6,506,286	5,667,262	4,900,492	4,739,769	4,219,423	3,758,594
Net Acquisition Cost	(1,500,308)	(1,240,055)	(986,035)	(901,230)	(930,629)	(795,131)	(669,312)	(559,854)	(537,431)	(477,374)
Net Claims and Benefits	(6,198,419)	(5,584,673)	(4,295,963)	(3,548,642)	(3,471,489)	(3,030,753)	(2,618,692)	(2,640,658)	(2,300,485)	(2,075,589)
Other Expenses	(2,065,535)	(2,076,654)	(1,596,743)	(1,561,220)	(1,415,494)	(1,281,600)	(1,078,912)	(1,032,982)	(1,036,656)	(1,022,979)
Profit / (Loss) before Taxation	1,361,882	1,378,290	848,903	695,310	688,674	559,778	533,576	506,275	344,851	182,652
Life										
Gross Written Premium	2,902,873	2,943,963	2,550,782	2,170,419	2,193,662	2,025,075	1,871,986	1,685,409	1,431,628	1,426,160
Net Earned Premium	2,803,868	2,853,371	2,468,790	2,128,159	2,134,165	1,986,203	1,842,639	1,655,873	1,394,021	1,394,096
Other Revenue	1,299,867	1,362,363	1,055,995	954,728	1,307,793	613,190	355,953	394,621	374,655	402,367
Total Revenue	4,103,735	4,215,734	3,524,785	3,082,887	3,441,958	2,599,393	2,198,592	2,050,494	1,768,676	1,796,463
Net Acquisition Cost	(662,326)	(691,739)	(714,990)	(561,835)	(461,537)	(449,870)	(444,285)	(360,706)	(350,624)	(360,366)
Net Claims and Benefits	(1,118,843)	(1,103,408)	(839,310)	(666,456)	(661,891)	(432,554)	(425,275)	(437,803)	(336,965)	(294,230)
Other Expenses	(679,184)	(634,685)	(760,506)	(606,783)	(557,958)	(496,176)	(423,054)	(373,156)	(376,232)	(421,189)
Change in contract liability due to transfer of one-off surplus	1,795,829									
Increase in Life Insurance Fund	(1,747,577)	(832,885)	(893,925)	(843,693)	(1,354,572)	(917,073)	(905,978)	(574,174)	(299,955)	(400,137)
Profit / (Loss) before Taxation	1,691,635	953,016	316,054	404,120	406,000	303,720	-	304,655	404,900	320,541

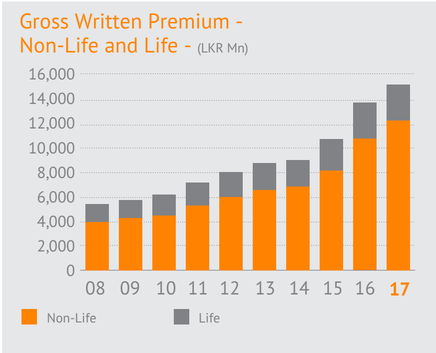
Decade at a Glance - Statement of Financial Position

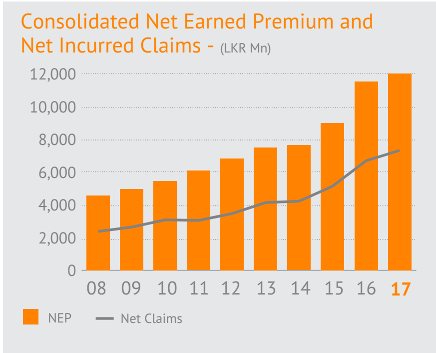
(Values are to the nearest rupees thousand)

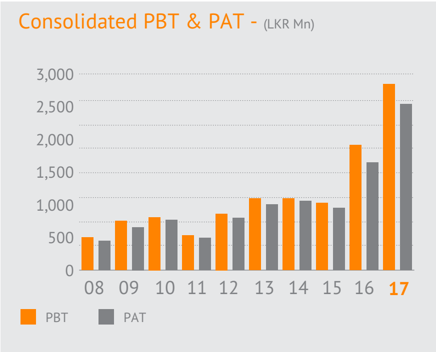
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assets										
Financial Assets	25,522,702	21,608,360	21,868,624	14,677,493	12,981,834	11,437,063	9,365,764	8,252,929	7,133,487	6,158,017
Property, Plant & Equipment	2,091,983	1,797,487	2,003,177	1,509,662	1,489,339	380,007	304,651	318,051	333,719	331,428
Other Assets and Receivables	8,873,915	8,218,518	6,286,913	3,916,336	3,919,684	3,605,759	3,315,845	2,846,894	2,432,787	3,317,782
Cash and Cash Equivalents	354,047	479,112	685,433	770,490	267,544	421,109	513,129	1,023,166	456,213	227,389
Total Assets	36,842,647	32,103,478	30,844,146	20,873,982	18,658,400	15,843,938	13,499,389	12,441,041	10,356,206	10,034,616
Liabilities & Shareholders Equity										
Shareholders' Equity										
Stated Capital	4,853,752	4,853,752	4,853,752	1,496,000	1,496,000	1,496,000	1,496,000	1,496,000	1,496,000	1,496,000
Capital Reserves	373,147	162,160	162,160							
Restricted Regulatory Reserve	1,795,829									
Revenue Reserves	4,291,952	4,025,742	3,218,986	3,075,642	2,397,492	1,880,380	1,481,228	1,364,180	798,407	867,134
Total Shareholders' Equity	11,314,679	9,041,654	8,234,898	4,571,642	3,893,492	3,376,380	2,977,228	2,860,180	2,294,407	2,363,134
Liabilities										
Insurance Provision - Life	9,651,593	9,699,136	8,865,737	7,966,496	7,122,803	5,633,225	4,695,488	3,796,038	3,271,454	2,925,931
Insurance Provision - Non Life	8,846,775	8,444,520	8,213,036	5,337,218	5,275,073	4,622,516	4,067,606	3,857,961	3,224,691	3,208,753
Other Liabilities	7,029,600	4,918,168	5,530,473	2,998,625	2,277,407	2,211,817	1,759,067	1,926,862	1,565,654	1,536,798
Total Liabilities	25,527,968	23,061,824	22,609,246	16,302,339	14,675,283	12,467,558	10,522,161	9,580,861	8,061,799	7,671,482
Total Liabilities and Shareholders' Equity	36,842,647	32,103,478	30,844,146	20,873,982	18,658,400	15,843,938	13,499,389	12,441,041	10,356,206	10,034,616
Investor Information										
Return on Net Assets (%)	22.45	18.21	11.54	23.20	22.20	23.71	21.39	28.51	27.93	19.01
Earnings per Share (LKR)	4.66	3.02	2.42	2.92	2.77	2.20	1.75	2.12	1.81	1.29
Dividend per Share(LKR)	1.00	0.75	1.00	1.00	2.00	1.00	1.00	1.00	2.00	0.50
Net Assets per Share (LKR)	20.78	16.61	15.12	14.34	12.48	9.30	8.2	7.44	6.32	6.51
Market Value (LKR)	15.70	18.70	17.50	23.20	12.70	10.50	15.00	16.00	9.5	5.75
Market Capitalisation (LKR Mn)	8,549	8,930	9,529	8,422	4,610	3,812	5,445	5,808	3,449	2,087
Price Earning Ratio (Times)	3.37	5.42	7.24	7.92	4.58	4.77	8.56	7.54	5.25	5.81
Non-Life Insurance										
Net Claims Ratio	67.26	64.30	65.99	64.45	64.63	62.46	61.86	69.53	64.39	65.52
Expense Ratio	38.69	38.19	39.67	44.72	43.68	42.80	41.30	41.94	44.06	47.36
Combined Ratio	105.95	102.48	105.66	109.17	108.31	105.26	103.16	111.47	108.45	112.88
Other Information										
No. of Shares ('000)	544,500	544,500	544,500	363,000	363,000	363,000	363,000	363,000	363,000	363,000

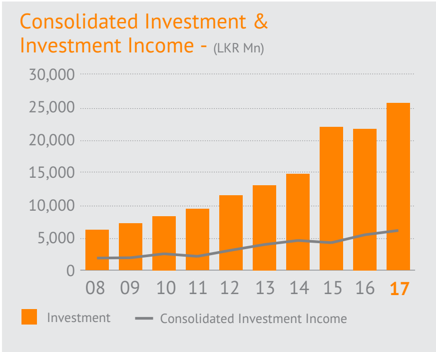
Decade at a Glance

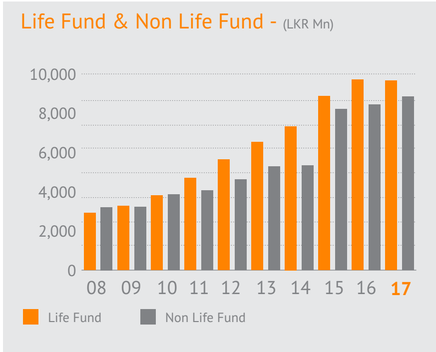


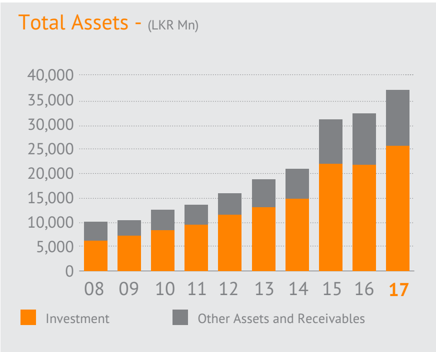


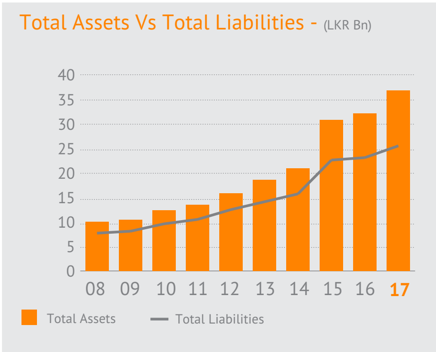












Glossary of Insurance Terms

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

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

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

AVAILABLE FOR SALE (AFS)
Securities that have been acquired neither for short-term sale nor to be held to maturity. These are shown at fair value on the statement of financial position and changes in value are taken straight to equity instead of the income statement.

BANCASSURANCE
An arrangement whereby banks sell Insurance and investment products to their customers on behalf of other financial providers.

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

BONUS
Bonus is a method of distribution of surplus amongst the participating policyholders of a life Insurance company. A bonus is an enhancement to the basic sum assured under a contract, and is declared as percentage of the sum assured.

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

CASH FLOW STATEMENT
Statement on the origin and utilisation of cash and cash equivalents during the accounting period. It shows the changes in liquid funds separated into cash flows from operating, investing and financing activities.

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

CLAIMS INCURRED
The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.

CLAIMS INCURRED BUT NOT REPORTED (IBNR)
A reserve to cover the expected cost of losses that have occurred by the date of Statement of Financial Position but have not yet been reported to the insurer.

CLAIMS OUTSTANDING – LONG TERM INSURANCE
The amounts provided to cover the estimated ultimate cost of settling claims arising out of an event which have been notified by date of Statement of Financial Position, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

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

Deferred Acquisition Expenses/Deferred Acquisition

COMBINED RATIO
Sum of the loss ratio and expense ratio.

CORPORATE GOVERNANCE
Serves to ensure responsible management and supervision of enterprises and is intended to foster the trust of investors, clients, employees and the general public in companies.

DEPOSIT PREMIUM
A premium paid on the inception of a contract of Insurance or reInsurance, which is subject to adjustment at a later date. A deposit premium may represent the minimum amount payable.

EARNINGS PER SHARE
Ratio calculated by dividing the consolidated net income/ (loss) by the weighted average number of shares outstanding.

EXPENSE RESERVE
Expenses which vary with and are primarily related to the acquisition of new Insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the date of Statement of Financial Position.

EARNED PREMIUM
Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.

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

FAIR VALUE
The price that a reasonable buyer would be willing to pay and a reasonable seller would be willing to accept for a product on the open market.

GROSS CLAIMS RESERVE – NON-LIFE
The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated ultimate cost, arising out of an event occurred by the end of the accounting period, less amounts already paid in respect of those claims.

GROSS WRITTEN PREMIUM – LIFE
Premium to which the insurer is contractually entitled and received in the accounting period.

GROSS WRITTEN PREMIUM – NON-LIFE
Premium which an insurer in contractually entitled to receive from the insured in relation to contracts of Insurance.

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

Glossary of Insurance Terms

INSURANCE PROVISION – NON-LIFE
This comprises the gross claims reserve, unearned premium reserve net of re-Insurance and the deferred acquisition expenses.

INSURANCE PROVISION – LONG TERM
The fund or funds to be maintained by an insurer in respect of its Long Term Insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

INTERIM PAYMENTS
Periodic payments to the policyholders on a specific type of policy.

JGIL
Janashakthi General Insurance Limited.

JIPLC
Janashakthi Insurance PLC

LIFE SURPLUS
The excess of the assets over the liabilities as determined by the actuary (taking into account solvency requirements) and after distribution of dividends to policyholders.

LONG TERM INSURANCE
Commonly referred to as Life Insurance contracts, as opposed to annual Non-Life Insurance policies.

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

NET COMBINED RATIO – NON-LIFE
This ratio indicated the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

NET EARNED PREMIUM
Gross written premium adjusted for the reInsurance incurred and for the increase or decrease in unearned premium.

NET EXPENSES RATIO – NON-LIFE
A formula used by Insurance companies to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff and operating expenses).

Formula: Net acquisition expenses and operating expenses/ Net earned premium

NET LOSS RATIO – NON-LIFE
A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reInsurances).

Formula: Net claims incurred / Net earned premium

NET WRITTEN PREMIUM
Gross written premium less reInsurance premium payable.

NET CLAIMS INCURRED
Claims incurred less reInsurance recoveries.

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

PREMIUM
The consideration payable by the insured for an Insurance contract.

PROFIT COMMISSION
Commission received from the reinsurer based on the net profit of the reinsurer as defined in the agreement between the insurer and the reinsurer.

REVENUE ACCOUNT
An account which shows a financial summary of the Insurance related revenue transactions for the accounting period.

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

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

REINSURANCE PREMIUM
The premium payable to the reinsurer.

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

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

SURRENDER
Termination of an Insurance policy by the insured before the expiry of its term (more common in Life Insurance).

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

TECHNICAL RESERVE
This comprises of the claims reserve net of reInsurance, unearned premium reserve net of reInsurance and the deferred acquisition costs.

UNDERWRITING RESULT
This is the profit generated purely from the Non-Life Insurance business without taking into account the investment income and other non-technical income and expenses.

UNEARNED PREMIUM
It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the date of Statement of Financial Position.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of Janashakthi Insurance PLC will be held on 28 June 2018 at 10.00 a.m. at Jasmine Hall of BMICH, Bauddhaloka Mawatha, Colombo 07 to transact the following businesses:

1. To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2017 together with the Report of the Auditor's thereon.

2. To re-elect Mr. Ramesh Schaffter who retires by rotation in terms of Article 94 of the Articles of Association of the Company and offers himself for re-election as a Director.

3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. L C R de C Wijetunge who has reached the age of eighty (80) years;

   IT IS HEREBY RESOLVED that the age limit referred to in Section 211 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. L C R de C Wijetunge, who has reached the age of eighty (80) years of age and that he be re-appointed as a Director of the Company.

4. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A D E I Perera who has reached the age of seventy two (72) years;

   IT IS HEREBY RESOLVED that the age limit referred to in Section 211 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. A D E I Perera, who has reached the age of seventy two (72) years of age and that he be re-appointed as a Director of the Company.

5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and authorise the Board of Directors to determine their remuneration.

6. To authorise the Directors to determine and make donations.

By order of the Board

K H L Corporate Services Limited
Secretaries

14 May 2018

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.

2. A Proxy need not be a member of the Company.

3. A Form of Proxy is enclosed for this purpose.

4. The completed Form of Proxy must be deposited at the Office of the Company Secretaries, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting.

5. Members/Proxy holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting.

Note

Note

Form of Proxy

I/We .... of

....

being a member/s of the above named Company, hereby appoint Mr/Mrs/Miss ....

(holder of N.I.C.No ....) .... failing him/her

1. Husein N Esufally failing him
2. Prakash Anand Schaffter failing him
3. Ramesh Schaffter failing him
4. Manjula Mathews failing her
5. Athulugamage Damian Eardley Ignatius Perera failing him
6. Anushya Coomaraswamy failing her
7. Lionel Cuthbert Read De Cabraal Wijetunge failing him
8. Manamalabaduge Saman Jude Fernando

as my/our Proxy to represent me/us and vote on my/our behalf for/or against the resolution and/or to speak at the 25th Annual General Meeting of the Company to be held on 28 June 2018 at 10.00 a.m. at Jasmine Hall of BMICH, Bauddhaloka Mawatha, Colombo 07 and at any adjournment thereof for the following purposes;

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution

	FOR	AGAINST
1. Receiving of the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2017 together with the Report of the Auditor's thereon.		
2. Re-election of Mr. Ramesh Schaffter who retires by rotation in terms of Article 94 of the Articles of Association of the Company.		
3. Re-appointment of Mr. L C R de C Wijetunga as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007.		
4. Re-appointment of Mr. A D E I Perera as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007.		
5. Re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and authorise the Board of Directors to determine their remuneration.		
6. Authorisation of the Directors to determine and make donations.		

Signed this .... day of .... 2018.

....

Signature

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.

2. The completed form of Proxy should be deposited at the Office of the Company Secretaries, K H L Corporate Services Limited at No.15, Walukarama Road, Colombo 03, 48 hours before the time appointed for the holding of the meeting.

3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution.

5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

NAME OF COMPANY
Janashakthi Insurance PLC
- Incorporated as a Public Company on 28 August 1992 under the provisions of the Companies Act No.17 of 1982
- Subsequently re-registered under the Companies Act No.7 of 2007 on 6 May 2008.
- Insurance Company licensed by the Insurance Board of Sri Lanka in terms of Section 113 (2) (a) of the Regulation of Insurance Industry Act No.43 of 2000 on 01 January 2002.

COMPANY REGISTRATION NUMBER
PB 307 / PQ

STOCK EXCHANGE LISTING
The Shares of the Company are listed on the Colombo Stock Exchange, Main Board

REGISTERED OFFICE
675, Dr. Danister de Silva Mawatha,
Colombo 09, Sri Lanka.
P. O. Box 2202

CONTACT DETAILS
Telephone Number: 2303300
Fax Number: 2132299
E-mail: insurance@janashakthi.com
Corporate Website:http://www.janashakthi.com

ACCOUNTING YEAR-END
December 31

TAX PAYER IDENTIFICATION NUMBER (TIN)
134003642

VAT REGISTRATION NUMBER
134003642 – 7000

RATINGS
Claims Paying Ability Rating – A

BOARD OF DIRECTORS
Mr. Husein Esufally - *Chairman*
Mr. Prakash A. Schaffter - *Managing Director*
Mr. Ramesh Schaffter
Mrs. Manjula Mathews
Mr. A. D. E. I. Perera
Ms. A. Coomaraswamy
Mr. L. C. R. de C. Wijetunge
Mr. Jude Fernando
Mr. S A Chapman – Director/CEO (Resigned wef 30-04-2018)

COMPANY SECRETARY
K. H. L. Corporate Services Limited
No.2, Deal Place, Colombo 03
Tel: 011 2145030

COMPANY REGISTRAR
SSP Corporate Services (Private) Limited
No.101, Inner Flower Road,
Colombo 03
Tel: 2573894

EXTERNAL AUDITORS
M/s. Ernst & Young
Chartered Accountants,
201, De Saram Place,
Colombo 10
Tel: 2463500

CONSULTANT ACTUARY
Life Insurance
M/S K. A. Pandit, Consultants and Actuaries, India.
2nd Floor, Churchgate House,
Veer Nariman Road, Fort,
Mumbai - 400 001

Non-Life Insurance
NMG Financial Services Consulting Pte Ltd
Registration No: 199104459M
65, Chulia Street, #37 – 07/08 OCBC Centre,
049513, Singapore.

RE-INSURANCE PANEL
SCOR Reinsurance Asia Pacific Pte Ltd
National Insurance Trust Fund (NITF)
Trust International Insurance & Reinsurance Co. B.S.C.
General Insurance Corporation of India
Hannover Life Reinsurance Company
Emirates International Saudi Reinsurance Company
Saudi Reinsurance Company
Sirius International Insurance Corporation (Publ)
Partner Re
Swiss Reinsurance Company
XL Bermuda Singapore Branch
New India Assurance Company Limited
Barbican Insurance Group

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon
DFCC Bank
Hatton National Bank
Nations Trust Bank
National Savings Bank
NDB Bank
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank
Seylan Bank
Union Bank

Designed & produced by
emagewise
Printed by Printage (Pvt) Ltd

JANASHAKTHI
INSURANCE