Orient Insurance Limited

ANNUAL REPORT 2023

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Head Office

Orient Insurance Limited
133, Bauddhaloka Mawatha, Colombo 04
Tel: [+94] 112 030300

Registration No PB 4720

Date of incorporation - 03 June 2011

Auditors

Ernst & Young Chartered Accountants

Company Secretary

Rihab Thaha

Bankers

Bank of Ceylon
Commercial Bank of Ceylon
Cargills Bank
DFCC Bank
Hatton National Bank
National Development Bank
Nations Trust Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
Union Bank of Colombo

BOARD OF DIRECTORS

Omer Hassan Elamin
Chairman

Tanuj Edward
Managing Director/ Executive Director

G.L. Priya Aponso
Independent Non-Executive Director

Deshapriya De Silva
Independent Non-Executive Director

EXECUTIVE MANAGEMENT

Tanuj Edward
Managing Director & Chief Executive Officer

Rihab Thaha
Senior Vice President - Finance

Ameera Hindurangala
Senior Vice President - Strategy & Operations

Rochana Kulatunge
Senior Vice President - Sales & Distribution

Pasindu Abeygunawardana
Senior Vice President – Operation Control

BRANCH NETWORK

Western Province

Avissawella	No. 223, Colombo Road, Ukwatte, Avissawella
Gampaha	No.119, Oruthota Road, Gampaha
Horana	No. 515, Panadura Road, Horana
Kiribathgoda	No. 502A, Kandy Road, Mahara, Kadawatha
Maharagama	No.107/1, High Level Road, Moraketiya, Pannipitiya
Negombo	No. 06, St.Joseph Street, Negombo
Panadura	No. 3b, Galle Road, Pinwatta, Panadura

Central Province

Kandy	No. 147, Kotugodella Street, Kandy
Dambulla	No. 745, Anuradhapura Road, Dambulla
Matale	No. 22, Raththota Road, Mandandawela, Matale

North Western Province

Chilaw	No. 85C, Puttalam Road, Chilaw
Kurunegala	No. 254/1/1, First Floor, Colombo Road, Kurunegala
Kuliyapitiya	No. 60 1/1, Kurunegala Road, Kuliyapitiya
Wennappuwa	No. 22, Peragas Junction, Kolingadiya, Wennappuwa
Nikaweratiya	No. 226, Kurunegala Road, Nikawaratiya
Puttalam	No. 171/1, Kurunegala, Puttalam

North Central Province

Thambuththegama	No. 132,Near The Daily Fair,Thambuththegama.
Anuradhapura	No.190, Godage Mawatha, Kada Dolaha, Anuradhapura
Polonnaruwa	No. 260/B Batticoloa Road, Polonnaruwa

Eastern Province

Trincomalee	No. 113, Thiruganasampather Street, Trincomalee

Sabaragamuwa Province

Kegalle	No. 362, Colombo Road, Ranwalla, Kegalle
Rathnapura	No. 66/2, Bandaranayake Mawatha,Ratnapura,Sri Lanka.
Embilipitiya	No 168/A, Piyakaru Building, New Town, Embilipitiya

Southern Province

Galle	No. 60B, Colombo Road, Kaluwella Road, Galle
Matara	No. 306, 2/1, Anagarika Dharmapala Mawatha,Nupe, Matara

Point of Sales (POS) Outlets

Anuradhapura	No. 521/40, 4th Cross Street, New Town, Anuradhapura
Badulla	No. 16A, Station Road, Badulla
Borellla	No. 445,Bauddhaloka mawatha, Colombo – 08
Dambulla	No. 22, First Floor, Kurunegala Junction, Dambulla
Gampaha	No.163A, Ja-Ela Road, Gampaha
Kuliyapitiya	No. 463/A,Madampe Road, Kuliyapitiya
Kandy	No. 400, Katugasthota Road, Kandy
Kurunegala	No. 204, Colombo Road, Wanduragala, Kurunegala
Matara	No. 215E, Galle Road, Pamburna, Matara
Negombo	No. 262, Chillaw Road, Periyamulla, Negombo
Nugegoda	No. 330, High Level Road, Nugegoda
Rathnapura	No. 510, Colombo Road, Veralupa, Rathnapura

CHAIRMAN'S MESSAGE

It is with great pleasure I present the Annual Report and the Audited Financial Statements of Orient Insurance Limited for the financial year ended 31st December 2023.

TRUST, RELAIBILITY AND EXCELLENCE

It is with immense pride and satisfaction to announce that the company successfully ended the year 2023 by delivering remarkable returns and value to the stakeholders by achieving a commendable growth of 20% in revenue and 15% growth in net profit after tax, in an extremely challenging market and economic conditions.

Even though the year 2023 was a challenging year for the general insurance industry which recorded a moderate growth of 4.87%, I am pleased that we successfully managed to navigate the company and achieve the desired results with firm commitment to our core principles Respect, Integrity, Collaboration and Excellence.

The enormous challenges we faced during the year tested the courage and determination of our management and served as opportunities for progress and improvement. The Company's disciplined underwriting approach and prudent decision-making in all aspects of the operations together with our strong partnerships with our customers and intermediaries enabled us to continue our sustainable quality growth journey.

The company recorded an impressive growth rate in both turnover and profit. The Gross Written Premium increased by 20%, from LKR 2.5 billion in 2022 to LKR 2.9 billion in 2023. Profit after tax increased by 15% from LKR 159 million in 2022 to LKR 182 million in 2023. The shareholder's equity recorded an increase of 14% over 2022 while our total assets recorded a growth of 12%. The basic earnings per share increased from LKR 19.25 in 2022 to LKR 22.10 in 2023.
These achievements are clearly the results of the company's focus on excellent customer service, leaner processes and the quality of business underwritten by the company supported by a competent executive team.

Sri Lanka's economy is projected to see a moderate growth of 2.2% in 2024, showing signs of stabilization, following the severe economic downturn of 2022. However, high debt service obligations are expected to exert pressure on fiscal balances. Risks to the outlook remain, particularly related to inadequate debt restructuring, reversal of reforms, financial sector vulnerabilities, and the enduring impact of the crisis.

"The Insurers are likely to face another challenging year"

The year ahead will be tough and all the challenges that we have been faced for the past few years is expected to continue. The motor insurance segment is expected to record its worst performing year in 2024 as cost pressures, the requirement to cede 100% of the SRCC & T component to NITF and sustained high inflation will challenge company's profit abilities specially as the ban on import of vehicles continue. Companies will have to increase the motor premiums to maintain a sustainable combined ratio. Adoptability and bold initiatives to tackle these challenges would be crucial for the business and I am confident that we have the resource and expertise to overcome these challenges and steer the business to greater heights.

Our strategic direction remains focused, driven by digital transformation, and data-driven decision-making combined with Ease of doing business. The company will maintain it's expansion momentum by opening new branches in strategic cities in the country and takes pride in maintaining the reputation as one of the fastest growing General Insurance companies in Sri Lanka. We have plans to further grow and expand the company over the medium term and we will continue to create new opportunities for insurance services across all customer segments.

APPRECIATION

I thank the Chairman and the Director General of The Insurance Regulatory Commission of Sri Lanka for their guidance and continued support. I also thank the Insurance Ombudsman's Office for their contribution to the insurance industry. I take this opportunity to thank our Directors of the Board, for their continued support and invaluable assistance to the company. I also take this opportunity to thank the Managing Director & CEO and the Senior Management for their perpetual commitment towards achieving the company's objectives.

We are truly thankful to our clients and partners who have supported us. We thank our employees for their dedication and hard work, which has resulted in achieving such great results despite the challenges the company experienced. We look forward to this continued commitment in the year 2024.

Omer Elamin
Chairman
07th May 2024

MANAGING DIRECTOR'S MESSAGE

2023 presented a unique set of challenges for Orient Insurance. The fallout of the economic crisis, continuing ban on import of vehicles cast a long shadow, and the insurance industry felt its fair share of pressure. Despite these headwinds, I am proud to report that Orient Insurance not only weathered the storm but also achieved its profit and growth targets and delivered strong results.

Our unwavering commitment to sustainable quality growth remains at the heart of our strategy. This translates to providing our customers with the best possible service while maintaining robust financial foundation. In 2023, we focused heavily on making it easier to do business with Orient Insurance. We streamlined processes, improved accessibility through digital channels, and constantly sought ways to deliver a positive customer experience. This focus on customer-centricity is a cornerstone of our vision – to be the preferred insurance choice for all our clients and stakeholders.

The regulatory landscape also saw significant changes in the past year. While these changes are necessary for a healthy and evolving industry. Our team demonstrated remarkable agility in adapting to these new regulations while ensuring full compliance. In addition, the requirement to cede 100% of the SRCC & T premiums to NITF created greater uncertainty and challenges to the Company and industry as a whole. The industry pushback and the governments understanding differed this requirement to be effective 1st January 2024 which was a significant relief to the industry.

Inflationary, and economic pressures continue to push the overall claim costs across the industry which poses yet another challenge to the business to maintain healthy financial ratios. However, we proactively right price our portfolios and adopt robust cost management initiatives to counter these challenges, whilst implementing stringent risk management practices.

Operating against the backdrop of all the challenges, the Company succeeded in recording an impressive growth rate in both turnover and profit. The shareholder's equity recorded an increase of 14% over 2022 while our total assets recorded a growth of 12%. The basic earnings per share increased from LKR 19.25 in 2022 to LKR 22.10 in 2023.

By prioritizing professionalism in underwriting, claims, and servicing, we not only achieved our business objectives but also fostered trust with customers and stakeholders. This unwavering commitment to excellence, coupled with our bold expansion of distribution channels and strategic partnerships, allowed us to deliver world-class security and protection, solidifying our position as a leader in the industry.

We are confident of upholding all our commitments to our valued customers, business partners and stakeholders, being a multinational with rich parentage of the #1 Insurance company in the Middle East Orient Insurance Group, and our ultimate parent the prestigious Al-Futtaim Group also gives us the added advantage of security and stability and the knowhow to wither these external challenges, and work towards our purpose of winning together with all stakeholders and ensuring continued value creation.

Each decision and move we initiated was strengthened and driven by our inherent core values of Respect, Integrity, Collaboration & Excellence (RICE) in everything we do, even though the external dynamics were very challenging in all facets of the business, our culture uplifted the spirits of our employees to overcome and overachieve the set trajectories for the year under review.

My gratitude is as always extended to our chairman, as my strength and mentor, to lead and embrace each change from what we all believed was the new normal and the onset of which we reaffirmed our commitment to being operationally resilient, the Board of Directors for their guidance and their constant reinforcement, the senior management, and staff for their unwavering commitment and dedication and to our business partners for their persistence and trust.

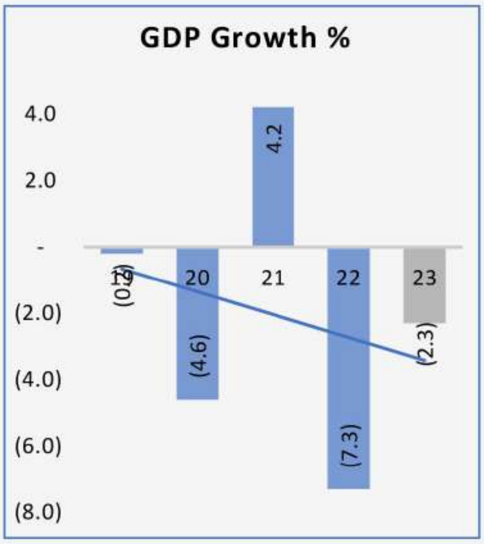
Looking ahead, we remain optimistic. The resilience showcased by our employees and the unwavering loyalty of our customers give us immense confidence in the future. We will continue to prioritize sustainable growth, customer satisfaction, and compliance as we navigate the ever-changing economic and regulatory environment.

Managing Director & CEO
Tanuj Edward
07th May 2024

MANAGEMENT DISCUSSION AND ANALYSIS

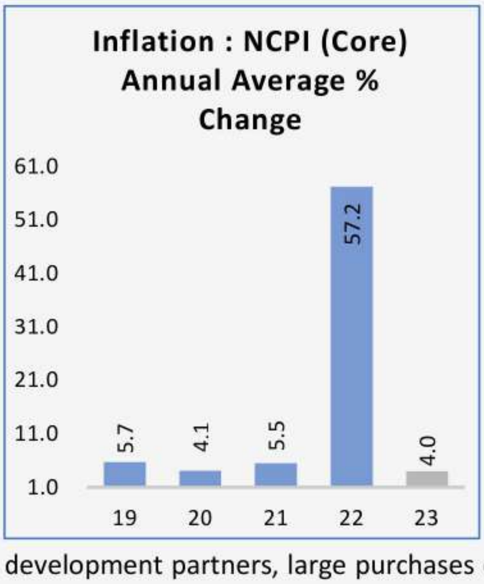
Macro-Economic Environment

The Sri Lankan economy progressed on the path towards restored macroeconomic stability in 2023 where inflation was brought down from its highest levels in history observed in 2022, to single-digit levels. Moreover, amidst uncertainties and challenging conditions following the worst crisis in the country's history, economic activity resumed gradually supported by the gradual easing of monetary policy and monetary conditions and the revival in the external sector. Completion of the domestic debt optimization in June 2023 supported the upward revision of country's credit rating by both Fitch Ratings and S&P Global Ratings.



Improved economic conditions have narrowed down the negative GDP growth in 2023 to negative 2.3% compared to previous year (-7.8%). However, GDP for the fourth quarter of 2023, compared to the fourth quarter of 2022, had recorded a 4.5 percent growth. Continuation of the economic crisis triggered in 2022, shortage of essential goods, high inflation, depreciating domestic currency and disruption in global supply chains resulted in negative growth rate in 2023.

The overall size of the economy in US dollar terms contracted to USD 73.1 billion in 2023, compared to USD 77.1 billion in 2022, despite growth in third and fourth quarters of 2023 (1.6 and 4.5 percent, respectively) following six quarters of contraction, This was driven by shrinking construction and mining, financial and IT services, and textile manufacturing, amid weak demand, tight private credit, and shortages of inputs, and was partly offset by growth in transport, accommodation, food, and beverage services, resulting from a rebound in tourism. Per capita GDP also declined to USD 3,474 in 2022 from USD 3,997 in 2021. Inflation remained benign, after declining to single-digit levels in July 2023, supported by currency appreciation and improved supply. Inflation is expected to stabilize around the targeted level of 5% over the medium term, supported by appropriate policy measures and well-anchored inflation expectations. Nevertheless, a temporary uptick in inflation is likely in the near term mainly due to the proposed value added tax (VAT) increase and its possible second-round impact.

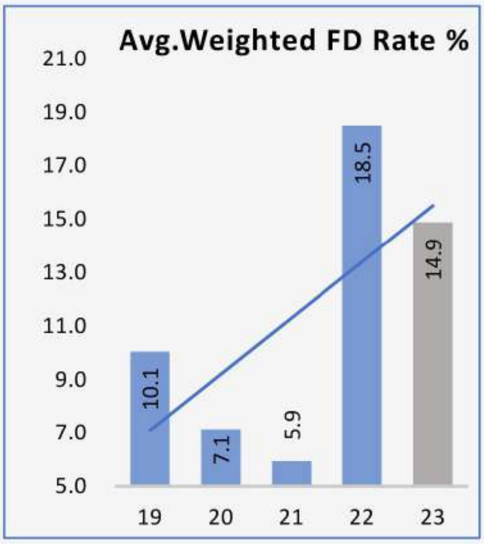


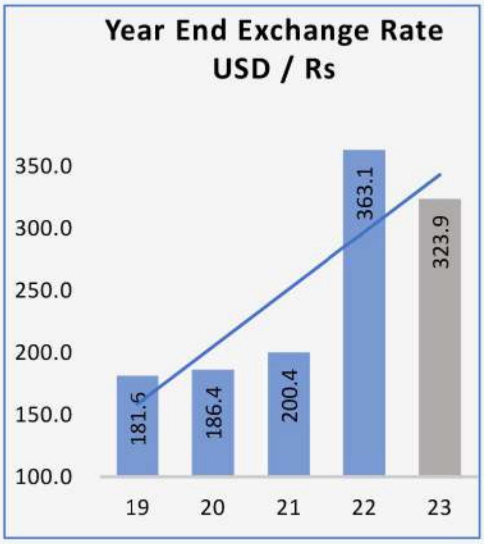
In 2023, the current account recorded a surplus for the first time since 1977, as remittances and tourism rebounded sharply, and imports remained subdued. The continued external debt service suspension, inflows from development partners, large purchases of foreign exchange, and postponed repayments on existing credit lines have helped build usable official reserves to about 2 months of imports. The Rupee appreciated by 12.1 percent against the US Dollar in 2023.

The interest rates recorded decreased in 2023 compared to the sharp increase in 2022. The Monetary Policy Board of the Central Bank of Sri Lanka, reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) respectively throughout the year. The Board arrived at this decision following a careful analysis of the current and expected developments in the domestic and global economy, with the aim of achieving and maintaining inflation at the targeted level of 5 per cent over the medium term, while enabling the economy to reach and stabilize at the potential level.

Merchandise trade deficit for 2023 recorded the lowest level since 2010, supported by relatively larger contraction in import expenditure than that of export earnings. The overall deficit in the trade account in 2023 contracted to USD 4.9 billion from the deficit of USD 5.2 billion recorded in 2022. Export income decreased to USD 11.9 billion in 2023 compared to USD 13.1 billion in 2022. Worker remittances steeped to USD 5.9 billion in 2023 from USD 3.8 billion in 2022, recording a YoY growth of 57.5%. Earnings from Tourism recorded a net income of USD 2.1 billion in 2023 income compared USD 1.2 billion in 2022.

The Sri Lankan rupee (LKR) has undergone a remarkable turnaround in 2023, experiencing a significant appreciation against the US dollar and other major currencies. This comes after a period of sharp depreciation in 2022, which was a major contributor to the country's economic crisis. Since late 2022, the rupee has been on an upward trajectory. As of May 2023, the Central Bank of Sri Lanka reported a notable appreciation of nearly 20% against the US dollar. This positive trend extended to other currencies as well, with the LKR appreciating against the Euro, Yen, Pound Sterling, and even the Indian Rupee. The Central bank intervention in tighter monetary policy helped maintain the rupee appreciation throughout the year.





The General Insurance Industry

Out of twenty-eight (28) Insurance Companies (Insurers) in operation as of 31st December 2023, fourteen (14) companies underwrite Long-Term (Life) Insurance Business, and twelve (12) underwrite General Insurance Business, two (02) companies function as composite companies (transacting in both Long Term and General Insurance Businesses).

Gross Written Premium (GWP) grew by 4.9%to LKR 128.2 billion in 2023 compared to LKR 122.2 billion in previous year. The assets of the General Insurance Business amounted to LKR 267.6 billion (Q4, 2022: LKR 278.6 billion) depicting a marginal decline of 3.9%.

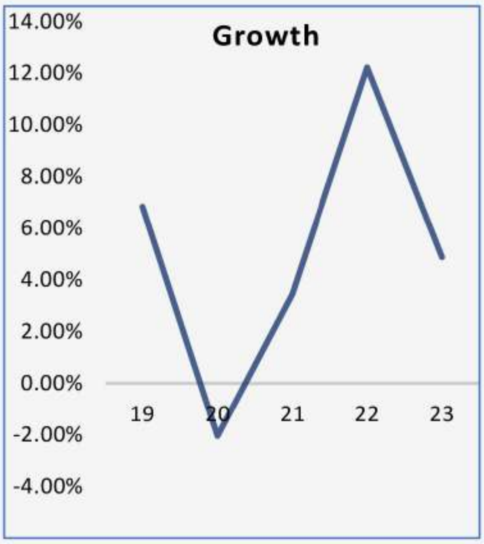
Investment of General Insurance Business amounted to LKR 77,382 million in 2023, which is a 12.96% decrease compared to the same period last year.

The claims incurred in the General Insurance Business, including Motor, Fire, Marine and other categories, amounted to LKE 61,416 million (Q4, 2022: LKR 61,624 million), which is a YoY decrease of 0.34%.

Profit Before Tax (PBT) of the General Insurance Business amounted to LKR 23,553million (Q4, 2022: LKR 26,897 million) showing YoY decrease of 12.4%

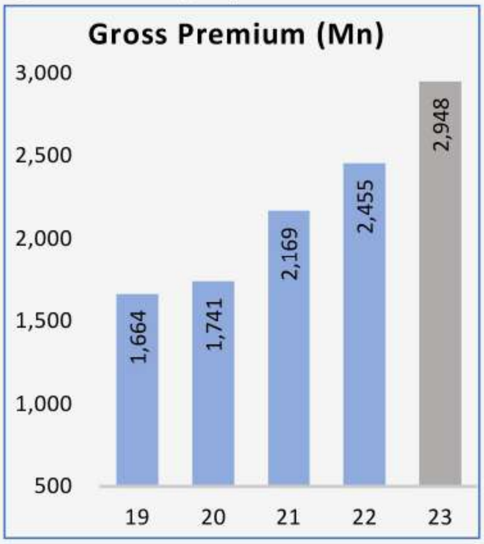
The growth of Motor Insurance was drastically affected due to the vehicle import restrictions which continued from March 2020. Motor GWP stood at LKR 65,085 million in 2023 compared to LKR 64,772 in previous year. Motor vehicle prices increased significantly owing to short supply in vehicles. Motor spare part prices too increased significantly due import restrictions and scarcity, this impacted the motor loss ratios of companies significantly. Similarly, Medical inflation too has increased drastically due to increases in medicine and medical equipment prices.

The following table illustrates the growth of the General Insurance Business over the past 5 years:



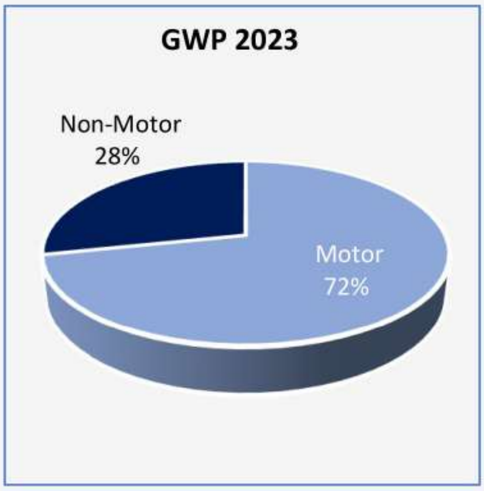
Performance of the Company

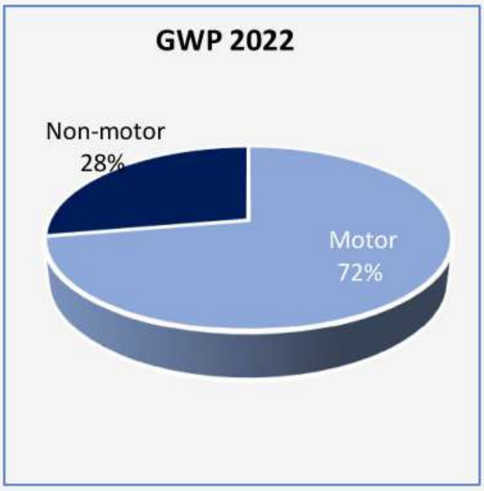
Despite the prevailing negative market sentiment and challenging economic environment in 2023, the Company's performance remains commendable. This highlights the company's resilience and its ability to navigate complex situations. The Company's growth trajectory stands out against the industry backdrop, achieving a remarkable 20.1% revenue growth compared to the industry's sluggish 4.9%increase. Profits have continued to grow by 14.8% to LKR 182.3 million.



Despite navigating a year marked by market shifts and policy reforms, the Company demonstrated its agility by adjusting premiums and optimizing costs. This commitment to efficiency did not hinder its focus on sustainable, high-quality growth. As a result, the Company retains its position as a preferred insurance partner, recognized for its unwavering commitment to service excellence – a core differentiator that sets it apart from the competition.

The business composition in 2023 of the Company unchanged compared to the previous year, where business underwritten under Motor : Non-Motor lines recorded 72% : 28% in both years.

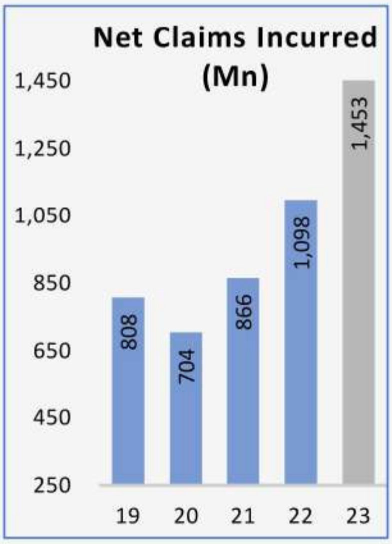


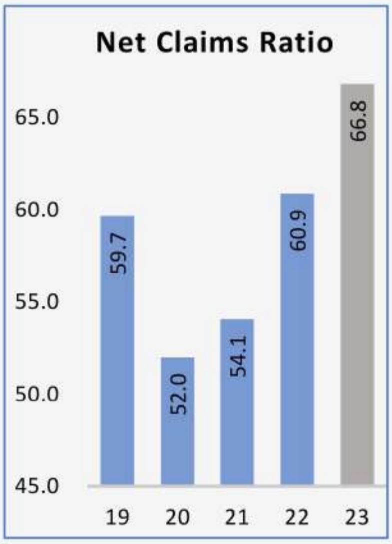


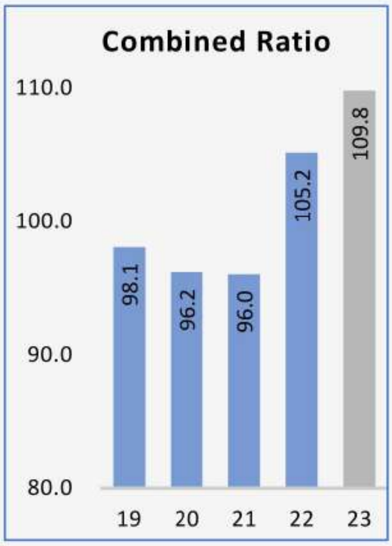
The Company is pouring resources into IT infrastructure upgrades, advanced software solutions, and both B2B and B2C initiatives. This multi-pronged approach aims to streamline internal processes through automation and data-driven insights, leading to significant efficiency gains and cost reductions. Ultimately, these investments are designed to empower partners and customers alike, fostering a smoother business environment that reflects our "ease of doing business" philosophy.

The overall claim cost has increased by 32.3% in 2023 compared to the previous year. The increase in claim cost is mainly driven by Motor claims (30.0% YoY increase) owing to high spare, labor and material costs.

The increase in claim costs has resulted in higher Net loss ratio for the year 2023 at 66.8% compared to 60.9% in the previous year. Combined Operating Ratio (COR) surpassed 100% owing to high Loss ratio which were beyond the control of the business. Expense ratio too decreased to 32.4%from 34.8% over the same period last year due to robust actions taken on curtailing administrative expenses.







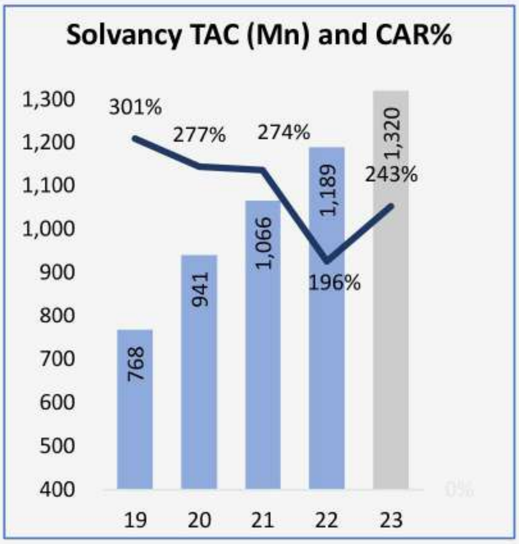
Interest rates have been revised by the Central Bank in 2023. low interest rates on Government securities and Fixed deposits have yielded unfavorable interest income to the Company. Interest income rose to LKR 496.4 million from LKR 336.9 million last year (47.3% increase) surpassing budgeted figure by 6.4% despite the lower rates prevalent in the market. Prudent investment decisions made during the years to lock in investments in high earning instruments resulted in favorable outcome despite volatile interest rates experienced in 2023. This favorable gain on interest income contributed positively towards Profit After Tax of the Company.

Profit Before Tax (PBT) increased to LKR 283.06 million in 2023 compared to LKR 243.48 million in 2022. Profit After Tax (PAT) increased to LKR 182.34 million in 2023 from LKR 158.78 million in 2022 with a YoY increase of 14.8%. Profits were impacted by the new Tax changes imposed in 2023 compared to 2022.

The total equity increased from LKR 1.31 billion in 2022 to LKR 1.49 billion in 2023. Total financial investments of the Company increased from LKR 2.47 billion in 2022 to LKR 2.66 billion as at end of the financial year under review, resulting a 7.7% growth.

A key requirement of our Company is to ensure compliance with the solvency obligations of the Insurance Regulatory Commission of Sri Lanka (IRCSL), Capital Adequacy Ratio (CAR) and Total Available Capital (TAC). As of 31st December 2023, the Company has complied with the regulatory requirement by recording a TAC of LKR 1,320.0 million and a CAR of 243%.

These results clearly demonstrate the high level of solvency of the Company in terms of its scale of operations.



Strength, Stability and Parentage

Orient Insurance Limited is a fully owned subsidiary of Orient Insurance PJSC which is owned by one of the largest and diversified business conglomerates Al-Futtaim Group. The Al-Futtaim Group also owns AMW Group of companies, including AMW Capital Leasing & Finance PLC. Further, the Company is managed by sound professionals and a management team with proven caliber and experience spanning many decades in the insurance sector. Each member of our senior management team has worked and gained experience under local and multinational insurance companies during their careers.

Our parent, Orient Insurance PJSC has secured two ratings, 'A Excellent' by A M Best, and 'A Strong' by Standard & Poor's. These ratings reflect the strength and recognition of the Company and its outstanding performance despite the current challenging market conditions.

Orient Insurance prides itself to have world-class top-rated reinsurers as their strategic reinsurance partners, the reinsurance arrangements of the Company are places with financially strong, reputed, and globally rated reinsurance giants such as QBE, SCR, AXAXL and other reputed companies. Combined with the strength and stability of our rich parentage and the reinsurers, the Company is well geared to provide world-class insurance to our clients.

Regulations

The Insurance Regulatory Commission of Sri Lanka governs the regulatory aspects of the insurance industry. The Parliament enacted the Regulation of Insurance Industry (Amendment) Act, No. 23 of 2017 on the 19th October 2017. On the 4th October 2018, IRCSL exempted our Company from the listing requirements.

We work closely with the Insurance Regulatory Commission of Sri Lanka to implement regulations which enable safeguarding all stakeholder interests. During the year under review, the IRCSL issued 2 directions depicted below;

1. Principal officers of Insurance Companies and Insurance Brokering Companies
2. Regulation of insurance industry act – Condition of average

Outlook into the future

Sri Lanka's economy is emerging from a deep crisis, but the path to full recovery remains uncertain. While crucial reforms have brought some initial stabilization, the situation is still delicate. Several challenges loom on the horizon, stemming from the scars of the crisis and casting a shadow over the country's long-term economic prospects. Despite all the challenges in hand, there are also positive signs. The International Monetary Fund (IMF) has acknowledged Sri Lanka's progress in implementing reforms and expressed optimism about the country's economic outlook. The Asian Development Bank (ADB) also projects continued economic growth in 2024 and 2025.

Sri Lanka got a shot of hope in March 2023 with the approval of the International Monetary Fund's Extended Fund Facility (EFF). However, concerns lingered around how the government would handle domestic debt. By mid-2023, the Sri Lankan government (GOSL) finalized its Domestic Debt Optimisation (DDO) plan, with a key twist: it excluded domestic bank holdings of government securities. This move helped ease some anxieties.

Fast forward to December 2023, and things were looking brighter. The IMF completed its first review of the EFF program, impressed with Sri Lanka's progress. This unlocked an additional $337 million in funding to support the country's ongoing economic reforms.

Despite the challenging economic landscape in Sri Lanka, we are incredibly proud of our company's performance. We not only weathered the storm but thrived, achieving significant growth that surpassed the industry average. Our year-over-year growth of 20.1% stands out against the industry's 4.9% increase. This success would not have been possible without our unwavering commitment to our brand promise – 'Creating positive customer experiences.' We prioritize a 'service-first culture' throughout our organization, ensuring customer satisfaction remains at the heart of everything we do.

The secret sauce behind our achievements is putting our core values – Respect, Integrity, Collaboration, and Excellence (RICE) – into action. These are not just words on a poster; they are embedded in every transaction we process. This commitment to RICE fosters a strong, collaborative network across our Company and distribution channels nationwide. This ensures consistent, positive experiences for all our customers and partners.

Orient was resilient to market changes and quick to respond in changing internal processes to overcome challenges. The management team and the staff members possessed a positive attitude towards all these changes and pushed the Company to greater heights. Orient being a multinational company and under the patronage of the No 1 Insurance company in Middle East, Orient Insurance PJSC which is part of the prestigious Al-Futtaim group added strength and character to overcome challenges.

2024, "A Year of Innovative Growth and Customer Centric Evolution"

2024 is all about pioneering growth and transforming ourselves into a truly customer-centric organization. We are passionate about creating unforgettable experiences for our customers, and we believe that offering distinctive services will solidify our reputation as leaders in customer focus.

By anticipating market shifts before the competition, we have consistently achieved impressive growth that outpaces the industry. This relentless pursuit of innovation, combined with the power of technology, will continue to bolster our product offerings. The recent launch of our online platform for buying motor products is a prime example of our cutting-edge technological advancements.

It is expected that the year 2024 will continue to be challenging, but we as a Company are hopeful that despite all the challenges, the Company will remain resilient and ensure to serve its valuable customers, business partners whilst creating great value to its shareholders.

Management Team

DIRECTOR'S PROFILE

Omer Elamin

Chairman

[Non-executive Director (Member of the Board since May 2011)]

Mr. Omer Elamin is currently the Group President of Orient Insurance PJSC, Dubai and he leads Orient Insurance Group in seven countries.

The company is a well-recognized Insurer operating in the UAE insurance market with a capital of 500 million Dirhams and accredited with the highest credit rating in the region of 'A+' Strong (S&P) and 'A' Excellent (AM Best).

Mr. Elamin holds a BA degree from the University of Cairo. He is the Advisory Board Member for Al-Futtaim Finance, Dubai and a member of the Al-Futtaim Group HR committee.

He was also a former Insurance Advisory Board Member for Dubai Financial Center (DIFC), Former Board Member of Arab War Risk Insurance Syndicate - Manama Bahrain, Former Chairman of the Insurance Business Group, Dubai Chamber of Commerce and Former Chairman of the High Technical Committee - UAE Insurance Association.

Mr. Elamin has made remarkable contributions to the insurance sector in the Middle East with more than 40 years of experience in the industry. His stellar leadership and business know-how have also been recognized by various conferences. In April 2019, he has been ranked among the Top 10 CEOs in the Insurance category at the TOP CEO Conference and Awards held in Bahrain.

Tanuj Edward

Managing Director & CEO

[Executive Director (Member of the Board since November 2021)]

Mr. Tanuj Edward, Managing Director & CEO, counts over 34 years of professional experience in the insurance industry and held many Senior Management positions in Sri Lanka and overseas. Mr. Edward is a Chartered Insurer and an Associate Member of the Chartered Insurance Institute of London and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Throughout his illustrious career, holding key positions in the insurance industry of Sri Lanka and overseas, Mr. Edward has been the recipient of multiple accolades and recognition awards for his services. His very latest sprint was bagging the special award of recognition of "Al-Futtaim Values Award", the most prestigious recognition awarded by the group. His achievement thus went beyond his own halo and garnered recognition to Sri Lanka in a global forum.

Under his leadership during the very challenging couple of years the company has shown that despite the challenges of the global pandemic, the company has stood steadfast and maintained its growth potential. #Strongerthancorona, was the key element of this growth. The company prides itself that they managed to achieve their business objectives and served all the expectations of their valuable customers and stakeholders without having to adhere to any salary reductions or redundancies.

Mr. Edward Commenced his insurance career at Union Assurance Limited in 1990, thereafter he joined Norwich Union, and returned back to Sri Lanka to Join Eagle Insurance and was part of Eagle Star, Zurich, AVIVA and AIA, thereafter he Joined Abu Dhabi National Insurance Company (ADNIC) to gain exposure in Marine Hull, Aviation and Energy. After a successful learning there, Mr. Edward returned to Sri Lanka to Join AIA and continued there until the sale to Janashakthi in the capacities of Chief Operating Officer, and Deputy CEO AIA General insurance company. On the date of the sale to Janashakthi, he Joined Orient Insurance Limited as its CEO and rose to his current position as its Managing Director and CEO.

G. L. Priya Aponso

[Independent Non-Executive Director (Member of the Board since September 2020)]

Mr. Priya Aponso is an experienced and renowned personality within Orient and the Insurance industry.

Mr. Aponso commenced his career in the Insurance Industry in 1988 when he joined CTC Eagle Insurance Ltd (now known as AIA Insurance Lanka Ltd) at the inception of the Company. He held progressively responsible positions before being appointed as the Chief Financial Officer in 2001, a position he retained until a few months prior to his retirement in 2010.

He served as the Chief Financial Officer of People's Insurance Ltd from its inception in 2010 to 2011. After which he joined Orient Insurance Ltd as the Senior Vice President – Finance from its inception in 2011 to 2015. He was a consultant – Finance to the National Insurance Trust Fund Board (NITF) between 2015 and 2016, as well as Janashakthi Insurance PLC (2016-2017).

Mr. Aponso was a member of the Group Internal Audit Team of Eagle Star Insurance Group UK, who conducted Internal Audit assignments in several branches of the Eagle Star Group in England, Scotland Isle of Man and Hong Kong.

He has completed a General Insurance Accounting and Management Information training program at Zurich Insurance Group Head Office and a Reinsurance Accounting and Reporting training program conducted by Swiss Re in their branch office in Munich. He has obtained certifications in General Management from the National University of Singapore, in Communication Skills from the Management Institute of Ahmadabad, in Top Management from FALIA Tokyo, and in Shipping Business from JICA Tokyo.

He is a also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Deshapriya De Silva

[Independent Non-Executive Director (Member of the Board since November 2021)]

Mr. Deshapriya De Silva one of the known professionals in the Insurance industry who reached the pinnacle of the industry starting from 1985. Mr. De Silva started his profession at Mercantile Credit and has gained 35 years of experience by working at ACW insurance, Union Assurance and Fair first Insurance. He has held key positions in the insurance industry in motor, health, fire and other miscellaneous business units while directly handling operational departments throughout his 35 years of experience. His expertise in engagement and implementation of the general insurance system, designing health insurance systems, implementation of Reinsurance automation systems and implementation of the Motor front-end system are some of his achievement and initiations that added value to industry norms. Mr. De Silva was heading the claims function at Fair First Insurance as the Deputy General Manager until he reached his retirement.

Mr. De Silva's experience in the insurance field and business management, qualifies him further as an industry professional as a Chartered Insurer by profession and possesses the qualification of Associate Ship of the Chartered insurance Institute (ACII). His recognition in the industry also includes positions such as Chief Examiner for insurance for the Institute of Bankers of Sri Lanka (IBSL) from 2013 to 2017.

He is also a Senior Associate of the Australian and New Zealand institute of insurance and finance (ANZIIF), and a member of British computer society (MBCS). Mr. De Silva as a professional has qualified himself in the field of management and holds a Diploma in Business Management from the National Institute of business management (NIBM).

FINANCIAL HIGHLIGHTS

	2023 LKR Mn	2022 LKR Mn	Change %
RESULTS FOR THE YEAR			
Gross Written Premium	2,948.1	2,455.5	20%
Investment and Other Income	781.4	453.0	72%
Profit Before Tax	283.1	243.5	16%
Profit After Tax	182.3	158.8	15%
Basic Earnings Per Share (LKR)	22.1	19.3	15%
Retention Ratio (%)	81.5	77.1	6%
Loss Ratio (%)	66.8	60.9	10%
Combined Ratio (%)	109.8	105.2	4%
FINANCIAL POSITION AT YEAR END			
Total Assets	4,326.0	3,866.7	12%
Equity	1,494.3	1,311.7	14%
Investments	2,657.2	2,467.8	8%
STATUTORY REQUIREMENTS			
Capital Adequacy Ratio (CAR) %	243.0	196.0	24%
Total Available Capital (TAC)	1,319.9	1,188.6	11%

REPORTS OF THE DIRECTORS

The Board of Directors of Orient Insurance Limited has pleasure in presenting its Annual Report together with the Audited Financial Statements for the financial year ended 31st December 2023 to the shareholders of the Company.

This Report was approved by the Board of Directors on 06th June 2024.

Our Vision

To be the premier insurer of choice.

Our Mission

To reach the consumer and corporate segments with appealing risk solutions.

Corporate Conduct

In achieving the vision and mission, all directors and employees conduct their activities with the highest level of ethical standards and integrity.

Principal Activities

The principal activity of the company is primarily engaged in business of Non-Life insurance.

There were no significant changes in the nature of principal activities of the Company during the financial year under review. The Company has not engaged in any activities, which contravene laws and relevant regulations.

Human Resources

The Company implements appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives.

Remuneration policy

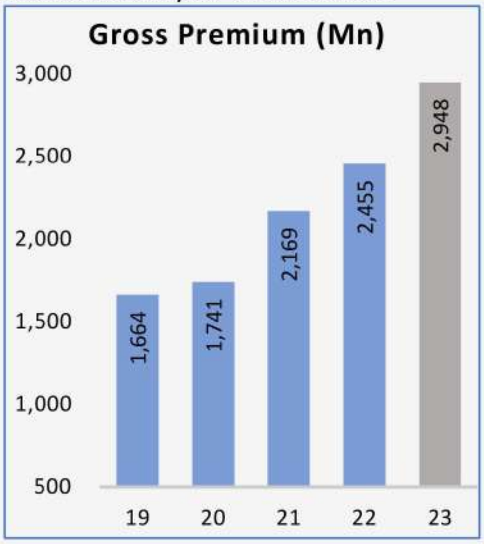
Our remuneration policy is designed to attract, reward, recognize, motivate and compensate employees for their services to Al-Futtaim's success in line with market practice. A key feature of our remuneration policy is recognizing and rewarding our employees in order to help drive performance. To do this, we offer market-aligned rewards and benefits to attract, engage, retain, and drive superior performance in all sectors, businesses, and regions where our businesses compete for talent. Our Total Rewards policy (TRP) for employees consists Fixed and Variable compensation, Benefits, Performance-based elements, and cost of operations work related element.

We aim to inspire and take part in the moments that matter to our employees, offering rewards that they will appreciate at any given time whether in their personal and professional lives. Our policy is a testament as well as a document to showcase the Al-Futtaim commitment to providing each employee the opportunity to grow, evolve and contribute.

Performance Review

Orient recorded a YoY growth of 20.1%, ahead of industry.

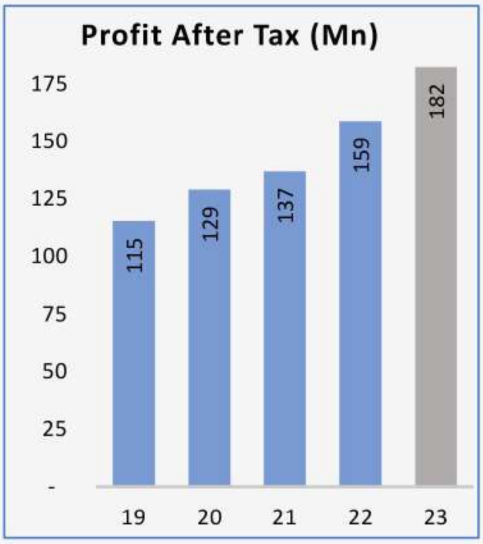
Year 2023 was a challenging year for the, General industry at large. Despite sluggish growth in industry Gross Written Premium, Company recorded a growth rate ahead of industry average in 2023. The Company trajectory on capitalizing profitable business segments continued in year under review.



The Company record a steady growth in Gross Written Premiums (GWP) and Profitability. The Gross Written Premiums increased by 20.1%, from LKR 2.46 billion in 2022 to LKR 2.95 billion in 2023.

Continuation of vehicle import restrictions imposed since March 2020 continued, resulting in lower growth on Motor segments in 2023. Further, spare part prices increased owing to lower demand.

The Company increased the share of Non-Motor business to counter the impact of lower Motor insurance premiums. However, motor premiums grew by 19.1% while the Non-Motor premiums grew by 22.7%.



Net Earned Premium increased by 20.5%, from LKR 1,803 million in 2022 to LKR 2,174 million in 2023.

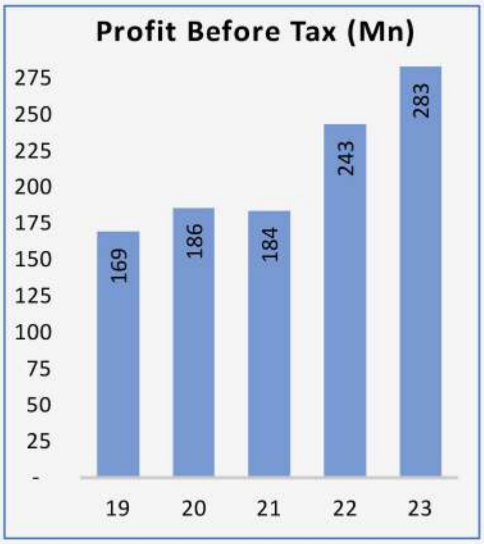
Underwriting and net acquisition costs increased by 33.1%, from LKR 172.0 million in 2022 to LKR 229.0 million in 2023.

The claims incurred increased by 32.3% in comparison with same period last year. The net claims incurred increased from LKR 1,098 million in 2022 to LKR 1,453 million in 2023, one of the main factors for this were the drastic increase in motor spare part and labour costs which pushed motor claim costs significantly.

Combined Ratio surpassed 100% threshold for the second consecutive year to 109.8% opposed to 105.2 in previous year. The Combined Ratio was mainly driven by the Loss ratio recorded for the year.

Underwriting results were negatively affected due to higher claims and administrative costs. Company has taken corrective measures in curtailing claim leakages and administrative expenses.

Interest rates were reduced drastically in 2023 compared to previous year. Despite depleting interest rates throughout the year, Company earned an investment income of LKR 496 million for the year 2023 compared to LKR 337 million in 2022 (47.3% YoY increase). Negative underwriting result recorded for the year was cushioned by the positive investment income recorded for the year.



The Profit before Tax increased by 16.3%, from LKR 243.5 million in 2022 to LKR 283.1 million in 2023, while the Profit after tax increased by 14.8%, from LKR 158.8 million in 2022 to LKR 182.3 million in 2023.

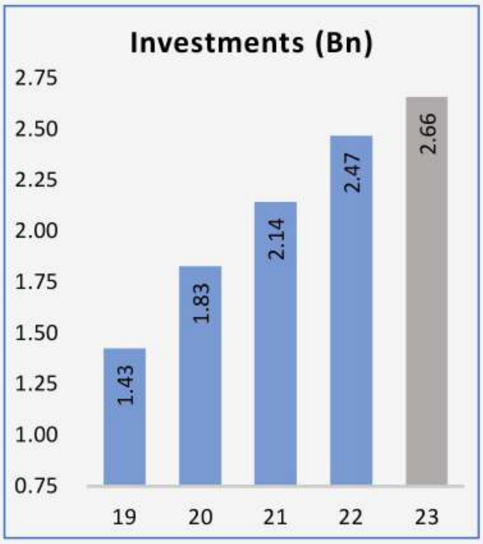
The other comprehensive income increased by 15.9%, from LKR 157.6 million in 2022 to LKR 182.6 million in 2023.

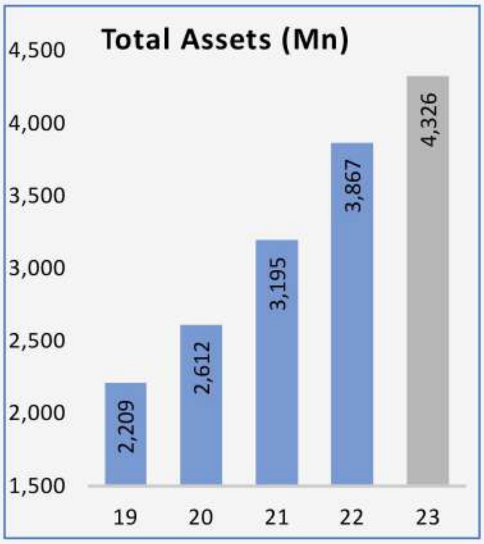
The investment portfolio includes government securities, bank deposits and corporate debts. The investments increased by 7.7%, from LKR 2.47 billion in 2022 to LKR 2.66 billion in 2023.

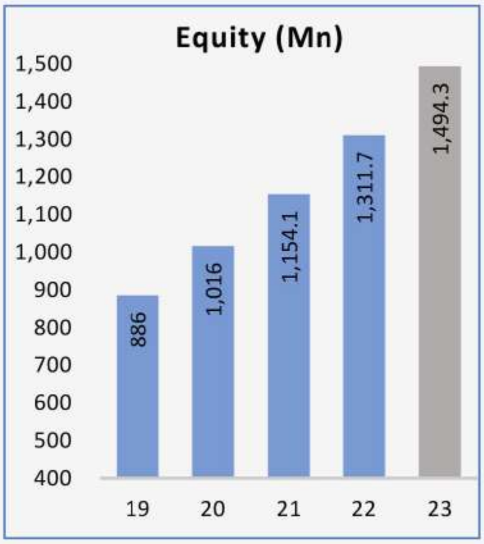
Investments in government debt securities amounted to LKR 1,519.8 million representing 57% (2022 LKR 939.2 million, 38%) of the total investments.

The Total Assets increased to LKR 4.3 billion in 2023, compared to LKR 3.9 billion recorded in 2022, reflecting a 11.9% growth.

Improved profitability resulted in equity increasing from LKR 1,311.7 million in 2022 to LKR 1,494.3 million in 2023. This is an excellent achievement, considering the very competitive market environment.







Key Financial Highlights

In LKR Mn	*2019*	*2020*	*2021*	*2022*	*2023*	*Growth 23 vs 22*	*CAGR*
Gross Written Premium	1,664	1,741	2,169	2,455	2,948	20%	15%
Net Earned Premium	1,354	1,355	1,601	1,803	2,174	21%	13%
Total Benefits, Claims and Expenses	808	704	866	1,098	1,453	32%	16%
Investment and Other Income	143	134	121	337	496	47%	36%
Profit Before Tax	169	186	184	243	283	16%	14%
Profit After Tax	115	129	137	159	182	15%	12%
Total Comprehensive Income	117	130	138	158	183	16%	12%

Share Capital

The Stated Capital of the Company was LKR 825,000,000/- as at 31st December 2023, represented by issued and fully paid LKR 825,000 voting ordinary shares.

Corporate Governance

The Board of Directors is committed towards maintaining good and effective corporate governance. The operations of the Company are effectively directed and controlled within the corporate governance framework.

Corporate governance is a collective effort of the Company's management, it is Board of directors, shareholders, auditors, and other stakeholders. The key aspects of corporate governance are transparency of corporate structures and operations, the accountability of managers and the Board to shareholders and other stakeholders at large.

Orient Insurance Limited (Company) has adopted all the required rules and practices by which the Board of directors ensures accountability, fairness, and transparency in the Company's relationships with all its stakeholder.

The Company's core business is providing Non-Life insurance products to the Sri Lankan market and it is duly licensed by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The Company is a limited liability company which is owned by Orient Insurance PJSC UAE and the ultimate parent of the Company is Al-Futtaim Company LLC (UAE).

Statement of Compliance

Orient Insurance Ltd firmly believes that value creation to all the stakeholders should be achieved via ethically driven business processes. This is ensured by conducting business with a firm commitment and taking ethical business decisions by safeguarding the interest of all the stakeholders. All the business processes and business practices are in line with the Group policies which have been readjusted to suit local business context. Orient Insurance Ltd has gained and retained trust of the stakeholders throughout the year by managing Company affairs in a fair and transparent manner.

The Company is compliant with all the rules and regulations stipulated for the limited liability companies by the Colombo Stock Exchange and Insurance Regulatory Commission of Sri Lanka (IRCSL).

Operations at Orient Insurance Ltd are embedded with a sound corporate governance culture, giving assurance to all the stakeholders. The Company was subject to statutory and regulatory requirements in relation to governance and operations during the year under review.

The below segment provides details of all the statues applicable to the Company and Company's compliance with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Primary statues applicable to the Company:

- The Companies Act No. 7 of 2007 (as amended)
- Regulation of Insurance Industry Act No 43 of 2000 (as amended)
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987
- Inland Revenue Act No. 10 of 2006 (as amended)
- Shop and Office Employees Act No. 15 of 1954
- Employees' Provident Fund Act No. 15 of 1958 (as amended)
- Employees' Trust Fund Act No. 46 of 1980 (as amended)
- Payment of Gratuity Act No. 12 of 1980 (as amended)
- Financial Transactions Reporting Act No. 6 of 2005 (as amended)
- Prevention of Money Laundering Act No. 5 of 2006
- Foreign Exchange Act No 12 of 2017
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Other Laws that govern the tax regime for companies in Sri Lanka
- Directives issued by the IRCSL
- Guidelines issued by the IRCSL
- Listing Rules of the CSE, Rules, Regulations and Guidelines issued by the Securities and Exchange Commission of Sri Lanka

It is also required that the Company comply with the following rules, regulations directives and guidelines:

- Circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Directives issued by the IRCSL
- Guidelines issued by the IRCSL
- Listing Rules of the CSE, Rules, Regulations and Guidelines issued by the Securities and Exchange Commission of Sri Lanka

Status of compliance with section 7.10

	Requirement	*Status*
7.10.1	Non-Executive directors - minimum 2 or 1/3 of total which ever higher	Complied
7.10.2a	Independent directors - minimum 2 or 1/3 of total which ever higher	Complied
7.10.2b	Each Non-Executive Director to submit a declaration of his/her independence or non-independence in the prescribed format	Complied
7.10.3 a	Names of directors determined to be independent should be disclosed in the annual report	Complied
7.10.3 b	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report	Not applicable
7.10.3 c	A brief resume of each director should be published in the Annual Report	Complied
7.10.3 d	Provide to the Exchange a brief resume of such director upon appointment of a new director to its board	Not applicable
7.10.5	A listed entity shall have a Remuneration Committee	Complied
7.10.5 a	The Remuneration Committee shall comprise of a minimum of two independent non-executive directors or non-executive directors' majority of whom shall be independent whichever is higher	Complied
	One non-executive director shall be appointed as Chairman of the Committee by the board of directors	Complied
7.10.5 b	The Remuneration Committee shall recommend the remuneration of executive directors and Chief Executive Officer	Complied
7.10.5 c	The annual report should set out the names of directors comprising the remuneration committee, contain a statement of remuneration policy and setout aggregate remuneration paid to executive and non-executive directors	Complied
7.10.6	A listed Company shall have an Audit Committee	Complied
7.10.6 a	The Audit Committee shall comprise a minimum of two independent non-executive directors or a non-executive director a majority of whom shall be independent, whichever is higher.	Complied
	One non-executive director shall be appointed as Chairman of the committee by the board of directors	Complied
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings.	Complied
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied
7.10.6 b	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied
7.10.6 c	The names of the directors comprising the audit committee should be disclosed in the annual report.	Complied
	The committee should make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.	Complied

	The annual report shall contain a report by the audit committee, setting out the manner of compliance of the functions in relation to the above, during the period to which the annual report relates.	Complied
7.10.7	In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance.	Not Applicable

Appointment of Board

No new members were appointed to the Board in year 2023.

Director's Retirement

In accordance with Article No. 83 of the Articles of Association of the Company, Directors appointed to the office of Chairman is not subject to retirement by rotation.

Mr. G. L. Priya Aponso and Mr. Deshapriya De Silva, Independent Non-Executive Directors of the Company, retires and are eligible for re-appointment at the Annual General Meeting.

Director's Meetings

The number of Board Meetings held during the financial year under review were four and the number of meetings attended by each Director of the Company are as follows:

Mr. G.L. Priya Aponso	4/4
Mr. Tanuj Edward	4/4
Mr. Deshapriya De Silva	4/4

Board Committees

The Board has delegated some of its functions to Board committees while retaining final decision rights pertaining to matters under the purview of these committees.

Investment Committee

The Board Investment Committee comprised of the following members including two Independent Non-Executive Directors and one Executive Director.

Mr. Deshapriya De Silva	- Chairman / Independent Non-Executive Director
Mr. G.L. Priya Aponso	- Independent Non-Executive Director
Mr. Tanuj Edward	- Executive Director

Senior Vice President – Finance and Senior Vice President Operation Control attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Senior Vice President – Finance serves as the Secretary of the Investment Committee.

The Investment Committee held four meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. G.L. Priya Aponso	4/4
Mr. Tanuj Edward	4/4
Mr. Deshapriya De Silva	4/4

Remuneration Committee

The Board Remuneration Committee comprised of the following members including two Independent Non-Executive Directors and one Executive Director.

Mr. G.L. Priya Aponso	- Chairman / Independent Non-Executive Director
Mr. Tanuj Edward	- Executive Director
Mr. Deshapriya De Silva	- Independent Non-Executive Director

Senior Vice President – Finance attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Head of the Human Resources serves as the Secretary of the Remuneration Committee.

The Remuneration Committee held two meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. G.L. Priya Aponso	2/2
Mr. Tanuj Edward	2/2
Mr. Deshapriya De Silva	2/2

Audit Committee

The Board Audit Committee comprised of the following members including two Independent Non-Executive Directors and one Executive director.

Mr. G.L. Priya Aponso	- Chairman / Independent Non-Executive Director
Mr. Tanuj Edward	- Executive Director
Mr. Deshapriya De Silva	- Independent Non-Executive Director

The Senior Vice President – Finance and Senior Vice President - Operation Control attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Senior Vice President - Operation Control serves as the Secretary of the Audit Committee.

The Audit Committee held four meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. G.L. Priya Aponso	4/4
Mr. Tanuj Edward	4/4
Mr. Deshapriya De Silva	4/4

The Audit committee reviewed the independence, objectivity and performance of the Company's Internal audit function and External audit findings including Management Letter for the year under review.

Purpose

The purpose of Audit Committee is to:

- Assist the Board of Directors in executing their responsibilities over financial reporting process.
- Review the system of Internal control and Risk management procedure.
- Monitor effectiveness and efficacy of Internal Audit function.
- Review the Company's process for monitoring compliance with laws and regulations.
- Make recommendations to the Board on independence, performance, and appointment of external auditors.

Charter of Audit Committee

The Charter of the Audit Committee approved by the Board during February 2023. The Charter defines the Terms of Reference of the Committee and Committee's functions. The Audit plan detailed the audits to be conducted during the year. The Charter and the Plan are set to be reviewed annually.

Compliance with Laws and Regulation

The Audit Committee reviewed the Company compliance with laws and regulations through review of checklists signed off by the management on quarterly basis. This covers compliance with all applicable compliance submissions relating to Insurance Regulatory Commission of Sri Lanka (IRCSL), Department of Inland Revenue and Labor regulations.

Internal Audit

The Committee is responsible in reviewing and approving the internal Audit plan, scope and reporting requirements of the Company/Group annually and ensuring that internal auditors have adequate access to information to carry out their audits. The Audit plan for year 2023 was approved by the committee members during the Audit committee meeting held on 24th February 2023.

External Audit

The Committee reviewed the External audit report for the year 2022 and discussions were held between the committee members and management of the external auditors on the external audit findings, Management Letter and improvements needs to be done to safeguard Company's assets. Recommendations issued by the External auditor for the year 2022 were completed by the end of year.

Conclusion

The Committee, along with the management assessed the internal controls of the Company and actions were taken to improve the same. The Committee is satisfied with the current internal controls in place and the risk management initiatives taken in safeguarding Company's assets.

Director's Remuneration and Other Benefits

Details of the fees paid to the Directors during the financial year are given in Note. 36 to the Financial Statements.

Financial Statements

The Financial Statements of the Company are prepared in conformity with the currently applicable Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.

In the opinion of Directors, the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007 and the provisions of the Regulation of Insurance Industry Act No. 43 of 2000 together with the rules and regulations applicable to regulated General Insurance companies of Sri Lanka and subsequent amendments thereto.

Related Party Transactions

The Directors have disclosed the transactions with related parties in terms of the Sri Lanka Accounting Standards – LKAS 24 – Related Party Transactions. Due regard has been accorded to these disclosures in the preparation of the Company's Financial Statements. These transactions are listed under the notes to the Financial Statements.

Minimum Capital Requirement to continue General Insurance Business

Section 13(b) of the Regulation of the Insurance Act, No. 43 of 2000 requires a minimum Stated Capital as prescribed by the Insurance Regulatory Commission of Sri Lanka to be maintained by any insurer to carry on Non-Life Business. The requirement gazetted for the year under review is LKR 500 million per each class of business for all new insurance companies and Orient Insurance Ltd has an issued and fully paid Stated Capital of LKR 825 million as of 31st December 2023 and therefore, is in compliance with the above-mentioned statutory requirement. Total net assets of the Company amounted to LKR 1,494 million (2022 – LKR 1,312 million) as at the reporting date of 31st December 2023.

Appointment of Auditors

Auditors of the Company, Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2024. A Resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Sgd.
Rihab Thaha
Company Secretary
Dated: 07th May 2024

ORIENT INSURANCE LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Thirteenth ANNUAL GENERAL MEETING** of **ORIENT INSURANCE LIMITED** ("the Company") will be held on 06th June 2024 commencing at 11.30 a.m. at No. 133, Bauddhaloka Mawatha, Colombo 04, to transact the following businesses:

AGENDA

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Annual Report of the Directors, Financial Statement for the year ended 31st December 2023 and the Report of the Auditors thereon.
3. To re-elect Mr. G.L. Priya Aponso as a Director, who retires by rotation at the Annual General Meeting in terms of Article 85 of the Articles of Association of the company.
4. To re-elect Mr. Deshapriya De Silva as a Director, who retires by rotation at the Annual General Meeting in terms of Article 85 of the Articles of Association of the company.
6. To appoint the Auditors for the financial year 2024 and authorize the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board

Sgd.
Rihab Thaha
Company Secretary
Colombo
Dated, 07th May 2024

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on its/his behalf.
2. A proxy need not be a member of the Company. The Form of Proxy will be found at the end of the Annual Report.
3. The completed Form of Proxy should be deposited at No. 133, Bauddhaloka Mawatha, Colombo 4, Sri Lanka not less than 48 hours before the date and time appointed for the meeting.

ORIENT INSURANCE LIMITED

FORM OF PROXY

I/We ………………………………………………………………………………………
of………………………………………………………………………………being a member of Orient Insurance Limited, hereby appoint
…………………………………………………………………………………
……(hold
er of NIC/Passport No………………………………) of……………………………………………………………………(or failing him)

………………………………………………………………………………………
of……………………………………………………………………………………………………

as our Proxy to represent and vote for us on our behalf at the Annual General Meeting of the Company to be held on 06th June 2024 and at any adjournment thereon and at every poll which may be taken in consequence thereon.

	For	Against
1. To receive and adopt the Statement of Accounts for the year ended 31st December 2023 and to receive the Report of the Auditors.	☐	☐
2. To appoint Ernst & Young as Auditors and authorize the Directors to determine their remuneration.	☐	☐
3. To reappoint Mr. Priya Aponso as an Independent Non-Executive Director of the Company.	☐	☐
4. To reappoint Mr. Deshapriya De Silva as an Independent Non-Executive Director of the Company.	☐	☐
5. To transact any other business of which due notice shall be given.	☐	☐

* The proxy may vote as he thinks fit on any other resolution brought before the meeting

As witness my hand/our hands this ………………………………………… day of
……………………………………………………………………
Two Thousand & Twenty-Three.

……………………………………………
………………………………………
Signature

Seal

1. Kindly complete the form of proxy, by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. If the Proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.

3. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

4. The completed form of proxy should be deposited at No. 133, Bauddhaloka Mawatha, Colombo 4, Sri Lanka, not less than 48 hours, before the time appointed for the holding of the meeting.

AUDITED FINANCIALS

ORIENT INSURANCE LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31ST DECEMBER 2023

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

DNG/PAR/PE

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ORIENT INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orient Insurance Limited ("Company"), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Other Matter

The financial statements of Orient Insurance Limited for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 28 February 2023.

Other information included in the company's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

(Contd...2/)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on other legal and regulatory requirements

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

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

Ernst & Young

20 February 2024
Colombo

INCOME STATEMENT

Year ended 31 December

	Note	2023 Dec Rs. ' 000	2022 Dec Rs. ' 000
Gross Written Premium	7.	2,948,127	2,455,485
Change in Reserve for Unearned Premium		(203,651)	(153,192)
Gross Earned Premium		2,744,476	2,302,293
Premiums Ceded to Reinsurers	8.	(544,589)	(563,313)
Change in Reserve for Unearned Reinsurance Premium		(26,236)	64,142
Net Earned Premium	9.	2,173,651	1,803,122
Net Investment Income	10.	496,425	336,985
Other Operating Income	11.	284,950	116,030
Other Revenue		781,375	453,015
Total Net Revenue		2,955,026	2,256,137
Net Insurance Benefits and Claims	12.	1,452,752	1,098,018
Underwriting and Net Acquisition Cost	13.	228,950	172,024
Other Operating and Administrative Expenses	14.	934,146	674,654
Depreciation and amortisation		53,078	45,164
Other Operating Expenses		987,224	719,818
Net finance cost	15.	3,039	22,798
Total Expense		2,671,965	2,012,658
Profit Before Taxation	16.	283,061	243,479
Income Tax Expense	17.	(100,720)	(84,702)
Profit for the year		182,341	158,777
Earnings per share			
Basic Earnings per share (Rs)	18.	22.10	19.25

The Notes to the Financial Statements are an integral part of these Financial Statements

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Orient Insurance Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Profit for the year		182,341	158,777
Other Comprehensive Income			
Items that will never be reclassified to profit or loss			
Actuarial Gain/(Loss) on defined benefit plan	32.2	347	(1,703)
Related Tax	26.1	(104)	511
		243	(1,192)
Other comprehensive income for the year, net of tax		243	(1,192)
Total comprehensive income		182,584	157,585

The Notes to the Financial Statements are an integral part of these Financial Statements

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 Dec Rs. ' 000	2022 Dec Rs. ' 000
Financial Investments	19	2,657,247	2,399,546
Property Plant and Equipment	20	152,495	134,237
Intangible Assets	21	29,471	10,581
Reinsurance Receivables	22	346,477	323,062
Premium Receivables	23	849,265	691,580
Receivables and Other Assets	24	18,747	14,172
Deferred acquisition cost	25	179,044	157,815
Deferred Tax Assets	26	-	20,591
Cash and Cash Equivalents	27	93,204	115,089
Total Assets		4,325,950	3,866,673
Equity and Liabilities			
Equity			
Stated Capital	28	825,000	825,000
Retained Earnings		669,306	486,722
Total Equity		1,494,306	1,311,722
Liabilities			
Insurance Contract Liabilities	29	2,013,205	1,715,947
Reinsurance Payable	30	122,794	201,602
Deferred Revenue	31	32,217	40,020
Employee Benefits	32	32,355	27,369
Other Liabilities	33	441,276	296,275
Lease Liabilities	34	87,342	93,980
Current Tax Liabilities	35	32,482	71,825
Amount due to related parties	36	66,572	107,933
Deferred Tax Liabilities	26	3,401	-
Total Liabilities		2,831,644	2,554,951
Total Equity and Liabilities		4,325,950	3,866,673

The Notes to the Financial Statements are an integral part of these Financial Statements.
These Financial Statements are in compliance with the requirement of the Companies Act No.07 of 2007.

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Rihab Thaha
Senior Vice President - Finance

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

Signed for and on behalf of the Board :

....	....
Omer Elamin	Tanuj Edward
Chairman	**Director**

ERNST & YOUNG Chartered Accountants COLOMBO

20 February 2024
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

	Stated capital	Retained earnings	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000
Balance as at 1 January 2022	825,000	329,137	1,154,137
Profit for the year	-	158,777	158,777
Other comprehensive income for the year, net of tax			
Actual Gain/(Loss) on retirement benefit obligation	-	(1,192)	(1,192)
Total other comprehensive income	-	(1,192)	(1,192)
Total comprehensive income for the year	-	157,585	157,585
Balance as at 31 December 2022	825,000	486,722	1,311,722
Balance as at 1 January 2023	825,000	486,722	1,311,722
Profit for the year	-	182,341	182,341
Other comprehensive income for the year, net of tax			
Actual Gain/(Loss) on retirement benefit obligation	-	243	243
Net change in available for sale financial assets	-	-	-
Total other comprehensive income	-	243	243
Total comprehensive income for the year	-	182,584	182,584
Balance as at 31 December 2023	825,000	669,306	1,494,306

The Notes to the Financial Statements are an integral part of these Financial Statements

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STATEMENT OF CASH FLOWS

Year ended 31 December

		2023 Rs. ' 000	2022 Rs. ' 000
Profit before tax		283,061	243,479
Adjustment for:			
Depreciation and amortisation	20,21	53,078	45,164
Provision/(reversal) of impairment of premium receivable	23.2	-	8,000
Provision for employee benefits	32	10,430	7,122
Interest on lease liability	34.	10,998	10,551
Fair Value adjustment on Refundable deposit		(1,056)	(834)
Loss on Assets write-off		-	-
Profit before working capital changes		356,511	313,482
Net change in operational assets			
Net change in reinsurance assets		(23,415)	(190,246)
Net change in premium receivables		(157,685)	(100,077)
Net change in accrued interest		(473,006)	(311,797)
Net change in receivables and other assets		(4,114)	(3,450)
Net change in operational liabilities			
Net change in other liabilities		115,969	56,794
Net change in insurance contract liabilities		297,258	216,788
Net change in related party payables		(41,361)	85,512
Net change in reinsurance payables		(78,808)	94,863
Cash generated in operating activities		(8,651)	161,869
Gratuity paid	32	(5,097)	(763)
Income tax self assessment payments		(116,175)	(62,233)
Net cash from operating activities		(129,923)	98,873
Cash flows from investing activities			
Acquisition of investments	19. 1 (b)	(5,508,645)	(5,349,819)
Maturity proceeds of investments	19. 1 (b)	5,723,951	4,727,949
Acquisition of intangible assets	21	(21,520)	(6,875)
Acquisition of property, plant and equipment	20	(47,847)	(20,265)
Net cash used in investing activities		145,938	(649,010)
Cash flows from financing activities			
Repayment of lease liabilities	34.3	(37,900)	(32,877)
Net cash used in financing activities		(37,900)	(32,877)
Net (decrease)/ increase in cash and cash equivalents		(21,884)	(583,014)
Cash and cash equivalents as at 1 January		115,089	698,104
Cash and cash equivalents as at 31 December		93,204	115,089

The Notes to the Financial Statements are an integral part of these Financial Statements

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1. CORPORATE INFORMATION

1.1 Reporting Entity

Orient Insurance Limited ("Company") is incorporated in December 2011 with limited liability and domiciled in Sri Lanka. The registered office of the Company is located at No. 133, New Bullers Road, Colombo 04.

1.2 Principal Activities and Nature of Operations

The Company is primarily engaged in the business of underwriting 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 and Ultimate Parent Entity

The Company's parent undertaking and controlling entity is Orient Insurance PJSC which is incorporated in United Arab Emirates and is a fully owned subsidiary of Al-Futtaim Company LLC incorporated in United Arab Emirates.

1.4 Number of Employees

The staff strength of the Company as at 31 December 2023 is 300 (2022 – 282).

1.5 Approval of Financial Statements

The Financial Statements of Orient Insurance Limited for the year ended 31st December 2023, were authorised for issue by the Board of Directors on 20th February 2024.

1.6 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements as per the provisions of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards, regulation of Insurance industry Act no.43 of 2000.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statements of Compliance

The Financial Statements of the Company are prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) set out by the Institute of Chartered Accountants of Sri Lanka. The Company also provide information as required under the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, Sri Lanka Accounting Standards Act No. 15 of 1995, rules and regulations of the Insurance Regulatory Commission of Sri Lanka.

These financial statements include the following components:

-a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.
-a Statement of Financial Position providing the information on the financial position of the Company as at the year-end.
-a Statement of Changes in Equity depicting all changes in shareholders of the Company.
-a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows.
-Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

The Company has opted to defer full application of SLFRS 9 – Financial Instruments, until the earlier of 2026 or on adoption of SLFRS -17 Insurance Contracts, by exercising the temporary exemption provided to an insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended).

2.1.2 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements' and subsequent amendments. Refer note 6 Notes to these Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.1.3 Going Concern

The Company has prepared the financial statements for the year ended 31st December 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis. Based on such assessment Directors are satisfied that it has the resources to continue in business for a foreseeable future.

In determining the above significant management judgements, estimates and assumptions, the Company has taken into consideration the existing and anticipated impact of macroeconomic uncertainties prevailing in the country including prevailing foreign exchange market limitations, high inflation, prevailing increased interest rates and local currency depreciation have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

The Board is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continued to be prepared on the going concern basis.

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2.1.4 Basis of Measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Net defined benefit assets/ (liabilities)	Actuarially valued and recognized at the present value of the defined benefit obligation	32
Incurred But Not Reported (IBNR) / Incurred But Not Enough Reported Liabilities (IBNER)	Actuarially determined values based on internationally accepted actuarial policies and methodologies	29

No adjustments have been made for inflationary factors affecting the financial statements.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included as follows

Critical Accounting Estimates / Judgments	Disclosure reference Notes to the Financial Statements
Insurance contract liabilities	5.27
Measurement of defined benefit obligations: Key actuarial assumptions	5.29
Recognition of deferred tax assets	5.18.2
Impairment test: Key assumptions underlying recoverable amounts	5.21.7
Recognition and measurement of provisions and contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources	5.31
Deferred acquisition cost	5.22.1
Determination of the fair value of financial instruments	5.21.6
Liability Adequacy Test	5.27.5

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5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

5.1 Foreign Currency

Transactions in foreign currencies are translated into the respective functional currency of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized costs in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the available-for-sale equity instruments are recognized in OCI.

Income Statement and Statement of Profit or Loss and Other Comprehensive Income

5.2 Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon approval of the policy.

Premium include any adjustments arising in the accounting period for premiums receivable in respect if business written in prior accounting periods.

5.3 Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/365 basis. The proportion attributable to subsequent period is deferred as a provision for unearned premiums.

5.4 Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered during the period, and are generally recognized on the date on which the policy incepts. Premium include any adjustments arising in the accounting period for premiums receivable in respect if business written in prior accounting periods.

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5.5 Unearned Reinsurance Premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are calculated on the 1/365 basis.

5.6 Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

5.7 Acquisition Costs

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

5.8 Reinsurance Commission Income

Reinsurance commission income on outwards reinsurance contracts are recognized as revenue when receivable. Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

5.9 Gross Claims Expense

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of setting those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on quarterly basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

5.10 Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognized when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR as well.

Other Revenue

5.11 Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognized in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

5.15 Other Income

Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.

Expenses and Taxation

5.16 Expenditure Recognition

Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

5.17 Finance Cost

Interest paid is recognized in the Income Statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

5.18 Income Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in items recognized directly in equity or in Income Statement and Statement of Profit or Loss and Other Comprehensive Income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent assets.

5.18.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

5.18.2 Deferred Tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused 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 income 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 profit 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 to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets are setoff, if a legally enforceable right exist to set off current tax assets against current tax liabilities and deferred tax assets relate to the same taxable entity and the same taxation authority.

5.18.3 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5.18.4 Crop Insurance Levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after tax.

5.18.5 Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except;

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as a part of receivables or payables in the statement of financial position.

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5.19 Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Statement of Financial Position

5.20 Insurance and Investment Contracts

5.20.1 Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Contracts where the Company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

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.

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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF").

5.20.2 Impact of Unrealized Gains and Losses on Available For Sale Assets on Liabilities from Insurance Contracts

Where unrealized gains or losses arise on available- for-sale assets, the adjustment to the liabilities arising from insurance contracts and investment contracts with DPF is equal to the effect that the realization of those gains or losses at the end of the reporting period would have had on those liabilities (and related assets) and is recognized directly in other comprehensive income.

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5.21 Financial Assets and Liabilities

5.21.1 Non Derivative Financial Assets

Initial Recognition and Measurement

The Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.
Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories;

- Loans and receivables (L&R)

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

Subsequent Measurement

(a) Loans and Receivables (L&R)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of investments in reverse repos', reinsurance receivables, premium receivables and cash and cash equivalents.

Cash and cash equivalent

Cash and cash equivalents comprise cash balances, and call deposits with original maturities of three months or less. Bank overdrafts are included in the statement of financial position under liabilities.

For the purpose of the cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Premiums receivable

Premium receivables are recognized 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 recognized in the Income Statement.

Premium receivables are derecognized when de-recognition criteria for financial assets, as described in Note 5.21.3, have been met.

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5.21.2 Non Derivative Financial Liabilities

Initial Recognition and Measurement

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interest bearing borrowings, reinsurance payables, other liabilities and bank overdrafts.
Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification, as follows

Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

De-recognition of Insurance Payables

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

5.21.3 De-recognition

The Company de-recognizes a financial asset when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either;

(a) The Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition 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 the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and
(ii) Any cumulative gain or loss that had been recognised in Income Statement and Statement of Profit or Loss and Other Comprehensive Income is recognised in profit or loss.

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

5.21.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

5.21.5 Amortised Cost Measurement

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

5.21.6 Fair Value Measurement

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

Determination of Fair Value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

5.21.7 Impairment

Financial Assets

The Company assesses at each reporting date 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 finance assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one or more events that has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

(a) Impairment losses on financial assets carried at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in Income Statement under other cost and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

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5.22 Deferred Expenses

5.22.1 Deferred Acquisition Costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

DAC is amortised over the period in which the related revenues are earned. The re-insurers share of deferred acquisition costs is amortised in the same manner as the unearned premium reserve is amortised.

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 and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the Income Statement

DAC is derecognised when the related contracts are either settled or disposed.

5.22.2 Reinsurance Commissions – Unearned Commission Reserve (UCR)

Commissions receivable on outward reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

5.23 Property, Plant and Equipment

5.23.1 Recognition and Measurement

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

Basis of Recognition

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

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

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Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in "other operating income" in the Income Statement.

5.23.2 Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

5.23.3 Repairs and Maintenance

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

5.23.4 Depreciation

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Company
Office furniture	7 years
Furniture and fittings	4 - 5 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
ROU Asset	Over the shorter of the lease term and estimated useful lives of the underlying class of assets

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 20.

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5.23.5 Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the Income Statement.

5.23.6 De-recognition

An item of property, plant and equipment is de- recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is de- recognised.

5.24 Intangible Assets

Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are

amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.25 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

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In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

5.26 Equity Movements

Ordinary shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

5.27 Insurance Contract Liabilities

5.27.1 Insurance liabilities

Insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and Incurred But Not Reported (IBNR), and Incurred But Not Enough Reported (IBNER) and the provision for unearned premium and the provision for premium deficiency.

5.27.2 Claims Payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is assessed on quarterly basis by an Actuary appointed for the Orient Group Head Office in UAE.

5.27.3 Provision for Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Provision for unearned premium is calculated on a 1/365 basis.

At each reporting date, the Company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement in comprehensive income by setting up a provision for premium deficiency.

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5.27.5 Liability Adequacy Test (LAT)

At the end of each reporting period the Company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy. Insurance liability adequacy is assessed by an actuary appointed for the Orient Group Head Office in UAE on an annual basis.

5.28 Reinsurance

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 Income Statement.

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.

5.29 Employee Benefits

5.29.1 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

5.29.2 Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes a defined percentage of gross emoluments of employees to an approved Provident Fund and to the Employees' Trust Fund respectively.

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 Employees 'Provident Fund managed by the Central Bank of Sri Lanka.

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Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the ETF Fund Board of Sri Lanka.

5.29.3 Defined Benefit Plans

Gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the payment of gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continued service. In order to meet this liability, a provision is carried forward in the statement of financial position as per Sri Lanka Accounting Standard LKAS 19 Employee Benefits. This calculation in performed annually by a qualified independent actuary using the projected unit credit method (PUC).

The initial cost, the gratuity charge for the period is included as an expense/income in the income statement and the gain/loss on change in assumptions after the initial adoption, if any, is included as an expense/income in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

5.30 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate may use. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;
— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
— amounts expected to be payable under a residual value guarantee; and
— the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income'.

5.31 Provisions and Contingencies (other than insurance provisions)

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

5.32 Capital Commitments

Capital commitments of the Company are disclosed in the Note 40 to the financial statements.

5.33 Events Occurring after the Reporting Date

Events after the reporting period are those events, favorable and unfavorable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

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5.34 Statement of cash flows

The cash flow statement has been prepared using the indirect method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Cash Flow Statements."

Interest and dividend received are classified as operating cash flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

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

6. STANDARDS ISSUED AND NOT EFFECTIVE FOR THE COMPANY AS AT REPORTING DATE

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

6.1.1 SLFRS 9 – Financial Instruments

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

Classification and Measurement
Impairment
Hedge Accounting

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

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) 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 1st January 2026.

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

- 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 Fair Value Through Profit or Loss and;
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

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	31 Dec 23 (Rs'000)	31 Dec 22 (Rs'000)
Insurance contract liabilities	2,013,205	1,715,947
Reinsurance Payable	122,794	201,602
Deferred commission income	32,217	40,020
Liabilities connected with insurance contracts	**2,168,216**	**1,957,569**
Total liabilities	**2,831,644**	**2,554,951**
Predominance ratio	**77%**	**77%**

Having considered the above criteria, Orient Insurance Limited are predominantly connected with Insurance activities, company may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2026.

Summary of the Requirements Classification and Measurement Financial Assets

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

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

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

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale. Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

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 Other Comprehensive Income; and
-the remaining amount of change in the fair value is presented in Profit or Loss.

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

Impairment

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

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

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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;

Disclosures to provide comparability

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Classification – 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 includes three principal classification categories for financial assets; measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) and Fair Value Through Profit or Loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), Loans and Receivables (L & R), Fair Value Through Profit or Loss (FVTPL) and Available For Sale (AFS).

The table below provides an initial assessment made by the Company on its portfolio of financial assets.

Financial assets that meet the Solely Payment of Principal and Interest (SPPI) Test

(excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current classification	Carrying value Under LKAS 39 (Rs'000)	Classification under SLFRS 9	Carrying value (Rs'000)	Changes in Carrying value (Rs.000)
Fixed Deposits	L&R	1,107,396	Amortized Cost	1,107,396	-
Repo	L&R	50,026	Amortized Cost	50,026	-
Treasury Bills	L&R	1,469,787	Amortized Cost	1,469,787	
Debentures	L&R	30,038	Amortized Cost	30,038	-

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.

- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.

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- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.

- Debt investment securities that are classified as Available For Sale under LKAS 39 may, under SLFRS 9 ,be classified under FVTOCI or amortised cost and measured at fair value /amortised cost depending on the particular circumstance.

- The majority of the equity investment securities that are classified as Available For Sale under LKAS 39 will be classified under FVTOCI and measured at at fair value under SLFRS 9. However, some of the equity investment securities are held for Long-Term strategic purposes and will be designated as FVTOCI on initial recognition and measured at fair value.

6.2 New Accounting Standards Issued But Not Effective as at the Reporting Date

6.2.1 SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 1 January 2026.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with new measurement model for all insurance contracts.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply to them SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

a. the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
b. the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
c. the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

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Recognition

Currently, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") until those costs were included in profit or loss and OCI. Under SLFRS 17, only insurance acquisition cash flows that arises and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.
An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

a) the beginning of the coverage period;
b) the date when the first payment from a policyholder becomes due; and
c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Measurement Model) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

a) the amount of fulfilment cash flows ("FCF"), which comprise:

I. estimates of future cash flows;
II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
III. a risk adjustment for non-financial risk

b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Discount rates

The discount rates applied to the estimate of cash flows shall:

a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

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Contractual Service Margin

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

a) the initial recognition of an amount for the FCF;
b) the derecognition at that date of any asset or liability recognised for acquisition cash flows: and
c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

a) the liability for remaining coverage comprising:

    I. the FCF related to future services and;
    II. the CSM of the group at that date;

b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

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Modification and De-recognition

Modification of an insurance contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

a) if, had the modified terms been included at contract's inception, this would have led to:

  I. exclusion from the Standard's scope;
  II. unbundling of different embedded derivatives;
  III. redefinition of the contract boundary; or
  IV. the reallocation to a different group of contracts; or

b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or

c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

a) insurance contracts issued that are assets;
b) insurance contracts issued that are liabilities;
c) reinsurance contracts held that are assets; and
d) reinsurance contracts held that are liabilities.

Recognition and Presentation in the statement(s) of financial performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

a) an insurance service result, comprising insurance revenue and insurance service expenses; and
b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

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Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

a) the effect of the time value of many and changes in the time value of money; and

b) the effect of changes in assumptions that relate to financial risk; but

c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insuran inance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income ("OCI").

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct participating insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

Disclosures

An entity shall disclose qualitative and quantitative information about:

a) the amounts recognised in its Financial Statements that arise from insurance contracts;
b) the significant judgements, and changes in those judgements, made when applying SLFRS 17; and
c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted if both SLFRS 15 'Revenue from Contracts with Customers' and SLFRS 9 'Financial instruments' have also been applied. The Company intends to adopt the new standard on its mandatory effective date.

Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM or the loss component at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition entity has a choice need for annual groups.

At the date of initial application of the Standard, those entities already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard.

Entities can choose not to restate SLFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of SLFRS 9.

The Company has completed a gap assessment for SLFRS 17 in consultation with external consultants of actuarial and finance and in the process of initiating an implementation plan. This will involve setting of accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing and implementing appropriate actuarial and finance system changes.

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7. GROSS WRITTEN PREMIUM

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks in order to pay customer claims/ benefits if the event insured against occurs/ specified term is completed. GWP is accounted on an accrual basis.

For the year ended 31 December,	2023 Rs. ' 000	2022 Rs. ' 000
Fire	260,525	254,411
Motor	2,111,217	1,773,180
Marine	16,809	19,910
Casualty	255,741	237,186
Engineering	87,946	87,478
Medical	215,889	83,320
	2,948,127	2,455,485

8. PREMIUM CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks. This is accounted on an accrual basis.

For the year ended 31 December,	2023 Rs. ' 000	2022 Rs. ' 000
Fire	229,539	212,897
Motor	109,301	89,630
Marine	12,427	13,863
Casualty	117,500	168,307
Engineering	75,822	78,616
	544,589	563,313

9. NET EARNED PREMIUM

This represents the net earned premium for the financial year subsequent to deduction of reinsurance and net change in unearned premiums.

For the year ended 31 December,	Note	2023 Rs. ' 000	2022 Rs. ' 000
Gross written premium	7.	2,948,127	2,455,485
Premium ceded to reinsurers	8.	(544,589)	(563,313)
Total net written premium		2,403,538	1,892,172
Change in reserve for unearned premium	9.1	(203,651)	(153,192)
Change in reserve for unearned reinsurance premium	9.2	(26,236)	64,142
Net change in reserve for unearned premium		(229,887)	(89,050)
Net Earned Premium		2,173,651	1,803,122

9.1 The change in reserve for unearned premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

9.2 The change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

10. NET INVESTMENT INCOME

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Interest income	10.1	496,425	336,985
Total net investment income		496,425	336,985

10.1 Interest income

Interest Income from Financial Investments - Loans and Receivables

	2023	2022
- Term Deposits	252,175	173,688
- Reverse REPO	166,156	110,510
- Corporate debts	3,131	2,292
- Treasury Bill	74,963	37,614
- Tresury Bond	-	12,881
	496,425	336,985

11. OTHER OPERATING INCOME

For the year ended 31 December,

	2023 Rs. ' 000	2022 Rs. ' 000
Policy administration fee	221,241	101,923
Miscellaneous income	63,709	14,107
Total other income	284,950	116,030

12. NET BENEFITS AND CLAIMS

Net claims incurred reflect the total amount of claims and claims related expenses incurred during the year, net of amounts due from reinsurers. Since claims expenses are based on the information available as at a particular date, the charge for the year include any over or under provisioning with regard to the previous years claims. A provision is also made in respect of claims incurred by policyholders but not informed to insurers as at the reporting date. Such claims are commonly referred to as Incurred But Not Reported (IBNR) claims, and is computed based on internationally accepted actuarial principles.

For the year ended 31 December,

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Gross benefits and claims paid		1,810,728	1,262,561
Claims ceded to reinsurers		(426,695)	(116,866)
Net insurance benefits and claims paid	12.1	1,384,033	1,145,695
Gross change in liabilities	29.1	67,371	127,737
Change in liabilities ceded to reinsurers	29.1	1,348	(175,414)
Total net benefits and claims	12.2	1,452,752	1,098,018

12.1 Net insurance benefits and claims paid

For the year ended 31 December,
Rs. ' 000

	2023			2022		
	Gross claims paid	**Claims recovered from reinsurers**	**Net claims paid**	**Gross claims paid**	**Claims recovered from reinsurers**	**Net claims paid**
Fire	300,045	294,391	5,654	84,271	78,097	6,174
Motor	1,304,704	74,538	1,230,166	1,054,348	8,198	1,046,150
Marine	13,252	6,697	6,555	13,147	11,109	2,038
Casualty	58,900	38,778	20,122	21,614	13,935	7,679
Engineering	14,205	12,291	1,914	6,642	5,527	1,115
Medical	119,622	-	119,622	87,001	-	87,001
	1,810,728	426,695	1,384,033	1,267,023	116,866	1,150,157
Recoveries from sale of salvage		-	-	(4,462)	-	(4,462)
	1,810,728	426,695	1,384,033	1,262,561	116,866	1,145,695

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12. NET BENEFITS AND CLAIMS (Contd...)

12.2 Total net benefits and claims

	2023 Rs. ' 000	2022 Rs. ' 000
Gross claims incurred	1,878,099	1,390,298
Reinsurance recoveries	(425,347)	(292,280)
	1,452,752	1,098,018

13. UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)

	2023 Rs. ' 000	2022 Rs. ' 000
Acquisition cost	354,855	294,495
Net change in reserve for deferred acquisition cost (DAC)	(21,229)	(19,032)
	333,626	275,463
Reinsurance commission income	96,873	110,966
Net change in reserve for unearned commission (UER)	7,803	(7,527)
	104,676	103,439
Total underwriting and net acquisition costs	228,950	172,024

14. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Employee benefits expenses	14.1	418,942	347,525
Administration and establishment expenses		385,886	252,773
Selling expenses		129,318	74,356
Total other operating and administrative expenses		934,146	674,654

14.1 Employee benefits expenses

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Staff remuneration		373,368	309,424
Defined contribution plan cost - EPF	32.1	25,823	21,661
Defined contribution plan cost - ETF	32.1	6,456	5,415
Defined benefit plan cost	32.2	10,470	7,122
Staff welfare		1,112	1,596
Training expenses		1,713	2,307
		418,942	347,526

15. NET FINANCE (INCOME) / EXPENSES

	2023 Rs. ' 000	2022 Rs. ' 000
Interest expense - Leases	10,998	10,551
Realized exchange (gain)/ loss	29,069	(32,718)
Unrealized exchange (gain)/loss	(37,028)	44,965
	3,039	22,798

16. PROFIT BEFORE TAX

Profit for the year is stated after charging:

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Auditors remuneration			
Audit & audit related services		1,515	1,140
Non audit related services		764	410
Defined contribution plan cost - EPF	14.1	25,823	21,661
Defined contribution plan cost - ETF	14.1	6,456	5,415
Defined benefit plan cost	14.1	10,470	7,122
Provision for impairment of premium receivable	23.2	-	8,000
Data processing expenses		59,078	53,798

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17. INCOME TAX EXPENSE

17.1 Amount recognised in profit or loss

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Current tax expense			
Current tax expense for the year		83,667	104,444
Over provision adjustment from prior year		(6,836)	(2,507)
Total current tax expense	17.2	76,832	101,937
Deferred tax expense			
Reversal/(Origination) of deferred tax assets	26.1	22,998	(16,557)
Origination/(Reversal) of deferred tax liabilities	26.1	890	(679)
Net Deferred tax reversal		23,888	(17,236)
Income Tax Expense		100,720	84,702

17.1.1 As per the Inland Revenue (Amendment) Act No 45 of 2022 (certified on 19 December 2022), the standard rate of income Tax was increased to 30% from 24% w.e.f. 1st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company has computed the current tax payable on an actual basis for the first six months and the last six months by applying 24% and 30% respectively and deferred taxation at the rate of 30% in the financial statements for the year ended 31 December 2022. Current year applicable rate is 30%.

17.2 Reconciliation of effective Tax rate

	Tax rate	2023 Rs. ' 000	2022 Rs. ' 000
Accounting profit before tax from continuing operations		283,061	243,479
At the statutory income tax rate of 24% (2022 :24%)	0%	-	21,177
At the statutory income tax rate of 30% (2022 :30%)	30%	84,918	46,571
Exempt Income	-53%	(148,928)	(95,248)
Aggregated disallowable expenses	11%	31,983	59,220
Aggregated allowable expenses	-12%	(33,234)	(21,667)
Investment Income	53%	148,928	94,391
Over provision adjustment from prior year	-2%	(6,836)	(2,507)
Current Tax Expenses	27%	76,832	101,937

17.3 Amount recognised in OCI

	2023 Rs. ' 000	2022 Rs. ' 000
Remeasurement of defined benefit liability	(104)	511
	(104)	511

18. EARNINGS PER SHARE

18.1 Basic earnings per share

The calculation of basic earnings per share was based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as at the reporting date.

	2023 Rs. ' 000	2022 Rs. ' 000
Profit for the period attributable to the owners of the Company	182,341	158,777
Weighted average number of ordinary shares	8,250	8,250
Basic Earnings Per Share (Rs.)	22.10	19.25

18.2 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 18.1

19. FINANCIAL INVESTMENTS

The following provides details of how insurance funds have been invested. The majority of the Company's investments, i.e. 58% are in Government securities and Corporate debts. Deposits with Banks and Financial Institutions and Finance Companies are account for a further 42% of investments.

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The Company's financial instruments are summarised by the following categories:

19. FINANCIAL INVESTMENTS (Contd.)

	Note	2023 Carrying Value Rs. ' 000	2023 Fair Value Rs. ' 000	2022 Carrying Value Rs. ' 000	2022 Fair Value Rs. ' 000
Loans and receivables (L&R)	19.1	2,657,247	2,657,247	2,399,546	2,399,546
Total financial investments		2,657,247	2,657,247	2,399,546	2,399,546

19.1 Loans and receivables (L&R)

	Note	2023 Rs. '000	2022 Rs. '000
Bank deposit			
- Licensed Commercial Banks		757,452	1,141,544
- Licensed Finance Companies		349,944	357,044
Reverse repurchase agreements		50,026	870,916
Treasury Bills		1,469,787	-
Corporate debts		30,038	30,042
	19.1 (a)	2,657,247	2,399,546

19.1 (a) Impairment of L&R Financial Investments

At the reporting date, there were no L&R financial investments that were overdue and impaired.

19.1 (b) Net movement of L&R Financial Investments

	2023 Rs. '000	2022 Rs. '000
As at 01 January	2,399,546	1,465,879
Purchases during the year	5,508,645	5,349,819
Maturities during the year	(5,723,951)	(4,727,949)
Net change in accrued interest	473,006	311,797
As at 31 December	2,657,247	2,399,546

20. PROPERTY, PLANT AND EQUIPMENT

20.1 Property, plant and equipment owned

Rs. '000	Office equipment	Furniture and fittings	Computer equipment	Motor Vehicle	Total
Cost					
Balance as at 1 January 2022	13,387	27,426	50,527	22,660	114,000
Additions during the year	3,960	4,904	11,401	-	20,265
Balance as at 31 December 2022	17,347	32,330	61,928	22,660	134,265
Balance as at 31 January 2023	17,347	32,330	61,928	22,660	134,265
Additions during the year	2,433	7,665	9,049	28,700	47,847
Disposals during the year	-	-	-	(5,663)	(5,663)
Balance as at 31 December 2023	19,780	39,995	70,977	45,697	176,449
Accumulated depreciation and impairment losses					
Balance as at 1 January 2022	9,735	16,623	31,273	22,644	80,275
Depreciation for the year	2,007	2,799	10,363	16	15,185
Write off during the year		-	-	-	-
Balance as at 31 December 2022	11,742	19,422	41,636	22,660	95,460
Balance as at 1 January 2023	11,742	19,422	41,636	22,660	95,460
Depreciation for the year	2,173	3,414	11,423	3,258	20,269
Write off during the year	-	-	-	(5,663)	(5,663)
Balance as at 31 December 2023	13,915	22,836	53,059	20,255	110,066
Carrying value					
As at 31 December 2023	5,865	17,159	17,917	25,442	66,383
As at 31 December 2022	5,605	12,908	20,292	-	38,805

20. PROPERTY, PLANT AND EQUIPMENT (Contd.)

20.1.1 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date. (2022-No Title Restriction)

20.2 Right-of-use assets

The Company leases buildings. Information about leases for which the Company is a lessee is presented below.

	Building	
	2023	2022
	Rs. '000	Rs. '000
Balance as at 1 January	95,432	104,988
Additions from entering to new lease agreements	20,648	18,050
Depreciation charge for the year	(29,968)	(27,606)
Balance as at 31 December	86,112	95,432

20.2.1 Depreciation charge for the year is Rs.50.4 million (2022- Rs.43.3 million) which includes Rs.30.0 million (2022 - Rs.27.6 million) of depreciation relating to Right of Use Assest and Rs.0.2 million (2022 - Rs.0.5 million) relating to the lease payments during the time gap between end of the tenor and renewal date.

20.3 Total property, plant and equipment

	2023	2022
	Rs. '000	Rs. '000
Property, plant and equipment owned (Note 20.1)	66,383	38,805
Right-of-use assets (Note 20.2)	86,112	95,432
	152,495	134,237

20.4 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 47.8 million (2022 - 20.3 million) which the Company has fully paid for.

20.5 Capitalisation of borrowing costs

There were no borrowing costs relating to property, plant and equipment capitalised during the year.

20.6 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

20.7 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December,	2023 Rs. ' 000	2022 Rs. ' 000
Computer equipment	30,144	27,308
Office equipment	9,448	7,929
Furniture and fittings	11,602	10,257
Motor Vehicle	16,997	22,660
Total	68,191	68,154

20.8 Property, plant and equipment pledged as security

None of the property, plant and equipment have been pledged as securities as at the reporting date.

20.9 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

20.10 Compensation from third parties for items of property, plant and equipment

There are no compensation received or receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

21. INTANGIBLE ASSETS

	2023 Rs. '000	2022 Rs. '000
Computer software		
Cost		
Balance as at 1 January	37,934	31,059
Additions	21,520	6,875
Balance as at 31 December	59,454	37,934
Accumulated amortisation and impairment losses		
Balance as at 1 January	27,353	25,514
Amortisation	2,630	1,839
Balance as at 31 December	29,983	27,353
Carrying amount as at 31 December	29,471	10,581

21.1 Acquisition of intangible assets during the year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 21.5 million (2022 - 6.9 million) .

21.1 Fully amortized intangible assets in use

Intangible assets include fully amortized computer software which are in use of normal business activities having gross carrying amounts of Rs. 24.5 million (2022 - Rs. 22.7 million)

21.3 Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at 31 December 2023. Based on the assessment, no impairment indicators were identified.

21.4 Capitalisation of Borrowing Costs

There were no borrowing costs related to Intangible Assets capitalised during the year. (2022 - Nil)

22. REINSURANCE RECIEVABLE

	Note	2023 Rs. '000	2022 Rs. '000
Reinsurance receivable on outstanding claims	22.1	234,740	249,629
Incurred But Not Reported (IBNR) - Reinsurance		70,491	56,950
		305,231	306,579
Reinsurance receivable on settled claims	22.2	41,246	16,483
Total reinsurance receivables		346,477	323,062

22.1 The reinsurance portion of the Outstanding Claims have not been materialised, since these insurance claims have not been paid as at the reporting date.

22.2 Reinsurance receivable on settled claims are accounted on a net basis of reinsurer wise gross reinsurance receivable less gross reinsurance payable on the basis of that offsetting reflects the substance of the transaction and based on the grouds that the settlements are made on a net basis. Net reinsurer receivable balances as at the reporting date are classified as reinsurance receivables on settled claims.

Following breakup shows the gross receivable and payable components,

	2023 Rs. '000	2022 Rs. '000
Gross receivable balance	409,481	353,561
Gross payable balance	(63,004)	(30,499)
	346,477	323,062

22.3 Impairment of reinsurance receivables

As at 31 December 2023, there were no impairment loss recorded for reinsurance receivables.

23. PREMIUM RECIEVABLE

	Note	2023 Rs. '000	2022 Rs. '000
Premium Receivables	23.1	881,904	724,219
Less - Impairment of premium receivables	23.2	(32,639)	(32,639)
		849,265	691,580

23.1 Premium receivable from

		2023 Rs. '000	2022 Rs. '000
Leasing agents	23.1.1	275,275	262,778
Brokers	23.1.1	397,266	293,429
Travel agents	23.1.1	21,339	30,376
Other	23.1.2	188,025	137,636
		881,904	724,219

23.1.1 Premium receivable balances for leasing agents, brokers and travel agents are accounted on a net basis of agent wise gross premium receivable less payable for individual agent on the basis of offsetting reflects the substance of the transaction and based on the grouds that the settlements are made on a net basis. Net receivable balances as at the reporting date are classified as premium receivable. In current year Premium Receivable recorded in gross basis.

Following breakup shows the gross receivable and payable component of each type of agent,

As at 31 December 2023,	Receivables portion	Payable portion	Net
Leasing agents	275,389	-	275,389
Brokers	397,566	-	397,566
Travel Agent	21,339	-	21,339

As at 31 December 2022,	Receivables portion	Payable portion	Net
Leasing agents	274,563	(11,785)	262,778
Brokers	309,272	(15,843)	293,429
Travel Agent	35,112	(4,736)	30,376

23.1.2 Premium receivable balances from other are accounted on a gross basis since it doesn't qualify the conditions of LKAS 01, para 33 for offsetting.

23.2 Impairment of premium receivables

	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	32,639	24,639
Provision during the year	-	8,000
Balance as at 31 December	32,639	32,639

23.3 Collateral details

The Company does not hold any collateral as security against potential default by a policy holder or intermediaries.

23.4 Risk management initiatives relating to premium receivables

There is lower concentration of credit risk with respect to premium receivable as the Company has a large number of dispersed debtors. Refer to Note 37.2.1 to the financial statements.

24. RECEIVABLES AND OTHER ASSETS

	Note	2023 Rs. '000	2022 Rs. '000
Financial assets			
Refundable deposits		16,949	8,761
		16,949	8,761
Non financial assets			
Prepayments		1,300	5,378
Other receivables		498	33
		1,798	5,411
Total receivables and other assets		18,747	14,172

24.1 Refer Note 37 to the financial statements for risk management initiatives relating to other financial assets.

25. DEFERRED ACQUISITION COST (DAC)

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Balance as at 1 January		157,815	138,783
Acquisition cost during the Year	13	354,855	294,495
Amortisation for the Year		(333,626)	(275,463)
Balance as at 31 December		179,044	157,815

26. DEFERRED TAX

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Deferred tax liabilities	26.2	(1,999)	(1,109)
Deferred tax assets	26.3	(1,402)	21,700
Net deferred tax asset		(3,401)	20,591

26.1 The movements on the deferred tax account is as follows:

	2023 Rs. ' 000	2022 Rs. ' 000
Deferred tax liabilities		
Balance at the beginning of the year	1,109	1,788
Recognised in profit or loss		
Originated/ (Reversed) during the year - Recognised in Profit or Loss	890	(1,126)
Effect of change in tax rates (Note 26.4)	-	447
Total amount originated/ (Reversed) during the year in profit or loss	890	(679)
Balance at the end of the year	1,999	1,109
Deferred tax assets		
Balance at the beginning of the year	21,700	4,633
Recognised in profit or loss		
Originated during the year - Recognised in Profit or Loss	(22,998)	15,398
Effect of change in tax rates	-	1,159
Total amount (Reversed)/ originated during the year in profit or loss	(22,998)	16,557
Recognised in OCI		
Actuarial Gain/(Loss)	(105)	511
Balance at the end of the year	(1,402)	21,700

26. DEFERRED TAX (Contd...)

Rs. ' 000	2023 Temporary difference	2023 Tax effect	2022 Temporary difference	2022 Tax effect
26.2 Deferred tax liabilities				
Right of use asset	86,112	25,834	95,432	28,630
Lease liability	(87,342)	(26,203)	(93,980)	(28,194)
Property, plant and equipment	7,894	2,368	2,246	673
	6,664	1,999	3,698	1,109
26.3 Deferred tax assets				
Employee benefits	32,702	9,811	25,666	7,700
Actuarial gain	(347)	(105)	1,703	511
Changes in AFS reserve - Loss		-		
Forex Translation Gain/(Loss)	(37,028)	(11,108)	44,965	13,490
	(4,673)	(1,402)	72,334	21,700
Net deferred tax liabilities	(11,337)	(3,401)	68,636	20,591
Tax rate		30%		30%

26.4 Impact due to corporate income tax rate change

As explained in Note 17.1.1 the Income Tax rate has changed from 24% to 30% . Accordingly deferred tax has been computed at a tax rate of 30%

27. CASH AND CASH EQUIVALENTS

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Cash and cash equivalents			
Cash at bank		92,593	46,286
Cash in hand		612	569
Short term investments	27.1	-	68,234
Total cash and cash equivalents		93,204	115,089

27.1 Short term investments includes investment in Repos which are to be matured within 3 months.

27.2 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximate fair value as at the reporting date.

28. STATED CAPITAL

	2023 Number of shares	2023 Rs. '000	2022 Number of shares	2022 Rs. '000
Ordinary Shares	8,250,000	825,000	8,250,000	825,000

Ordinary Shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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29. INSURANCE CONTRACT LIABILITIES

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Outstanding claims provision (Gross)	29.2	700,796	633,425
Provision for unearned premiums (Net)	29.3	1,312,409	1,082,522
		2,013,205	1,715,947

29.1 Movement in insurance contract liabilities

The Company enters into reinsurance agreements in order to mitigate insurance risks as outlined in Note 37.1.5 Financial risk review. Although positions are managed on a net basis by management, insurance disclosures have been made on both gross and net basis in order to provide a comprehensive set of disclosures.

As at 31st December Rs. ' 000	Note	2023 Insurance Contract Liabilities	2023 Re insurance	2023 Net	2022 Insurance Contract Liabilities	2022 Re insurance	2022 Net
Provision for reported claims		478,032	(234,740)	243,292	507,169	(249,629)	257,540
Incurred But Not Reported (IBNR)		222,764	(70,491)	152,273	126,256	(56,950)	69,306
Outstanding claims provision	29.2	700,796	(305,231)	395,565	633,425	(306,579)	326,846
Provision for unearned premiums	29.3	1,517,536	(205,127)	1,312,409	1,313,885	(231,363)	1,082,522
Total		2,218,332	(510,358)	1,707,974	1,947,310	(537,942)	1,409,368

29.2 Outstanding claims provision

The movement in the outstanding claims provision is as follows;

	2023 Rs. ' 000	2022 Rs. ' 000
Provision for reported claims		
Balance as at 1 January	257,540	320,353
Claims incurred during the year	1,369,785	1,082,882
Claims paid during the year	(1,384,033)	(1,145,695)
Balance as at 31 December	243,292	257,540
Incurred But not reported (IBNR)		
Balance as at 1 January	69,306	54,170
Increase/(decrease) in IBNR	82,967	15,136
Balance as at 31 December	152,273	69,306
	395,565	326,846

29.2.1 Valuation of IBNR

The Incurred but not reported claims has been actuarially computed by Mr. Saqib Jamil , FSA, CERA, appointed Actuary for the Orient Group Head Office in UAE. The Valuation of IBNR was certified on 24 January 2024 for the above purpose.

29.3 Provision for unearned premiums

The reserve for net unearned premium indicates the amount of premium which is attributable to policies written as at 31 December 2023, but covering periods after 31 December 2023.

As at 31st December, Rs. ' 000	2023 Unearned Premiums	2023 Re insurance	2023 Net	2022 Unearned Premiums	2022 Re insurance	2022 Net
Balance as at 1 January	1,313,885	231,363	1,082,522	1,160,693	167,221	993,472
Premiums written in the year	2,948,127	544,589	2,403,538	2,455,485	563,313	1,892,172
Premiums earned during the year	(2,744,476)	(570,825)	(2,173,651)	(2,302,293)	(499,170)	(1,803,123)
Balance as at 31 December	1,517,536	205,127	1,312,409	1,313,885	231,363	1,082,522

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29. INSURANCE CONTRACT LIABILITIES (Contd.)

29.4 Liability adequacy test (LAT)

A Liability Adequacy Test ("LAT") for insurance contract liability was carried out by Mr. Saqib Jamil , FSA, CERA, appointed Actuary for the Orient Group Head Office in UAE as at 31 December 2023 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the appointed Actuary's report, the Company adequately satisfies the LAT as at 31 December 2023. No additional provision was required against the LAT as at 31 December 2023.

29.5 Technical reserves

	Note	2023 Rs. ' 000	2022 Rs. ' 000
As at 31 December			
Insurance contract liabilities	29.	2,013,205	1,715,947
Deferred acquisition cost (net)		(146,827)	(117,795)
Reinsurance receivable on outstanding claims (Exclusive of IBNR)	22.	(234,740)	(249,629)
Reinsurance receivable on outstanding claims IBNR/ IBNER	22.	(70,491)	(56,950)
		1,561,147	1,291,573

30. REINSURANCE PAYABLES

	Note	2023 Rs. ' 000	2022 Rs. ' 000
As at 31 December ,			
Reinsurance Payable	30.1	122,794	201,602
		122,794	201,602

30.1 Reinsurance payables are accounted on a net basis of reinsurer wise gross reinsurance payable less gross reinsurance recievable on the basis of that offsetting reflects the substance of the transaction and based on the grouds that the settlements are made on a net basis. Net reinsurer payable balances as at the reporting date are classified as reinsurance payable.

Following breakup shows the gross payable and recievable compenents,

	2023	2022
Gross payable balance	318,116	346,396
Gross receivable balance	(195,323)	(144,794)
	122,794	201,602

31. DEFERRED REVENUE

This represents the income relating to acquisition of reinsurance contracts and are released to income as the insurance contract expires.

As at 31 December,	Note	2023 Rs. ' 000	2022 Rs. ' 000
Balance as at 1 January		40,020	32,493
Commission income	13.	96,873	110,966
Recognised during the year		(104,676)	(103,439)
		32,217	40,020

32. EMPLOYEE BENEFITS

The Company had 300 employees (full-time equivalents) as of 31 December 2023. Personnel and other related costs incurred for the year ended 31 December 2023 was Rs. 418.9 million (2022- Rs. 347.5 million) which include staff remuneration of Rs. 373 million (2022- 309 million) as of 31 December 2023.

32. EMPLOYEE BENEFITS (Contd.)

32.1 Defined contribution plans

Following contributions have been made for employee provident fund and employee trust fund during the year.

As at 31 December,	2023 Rs. ' 000	2022 Rs. ' 000
Employees' Provident fund (EPF)		
Employer's contribution (12%)	25,823	21,661
Employee's contribution (8%)	17,216	14,441
Employees' trust fund (ETF)		
Employer's contribution (3%)	6,456	5,415

32.2 Movement in present value of gratuity

	2023 Rs. ' 000	2022 Rs. ' 000
Balance as at 1 January	27,369	19,307
Included in profit or loss:		
Interest Cost	4,596	1,989
Current Service Cost	5,834	5,133
	10,430	7,122
Benefits paid		
Benefits paid	(5,097)	(763)
	(5,097)	(763)
Included in Other Comprehensive Income:		
Actuarial Gain/(Loss)	(347)	1,703
Present Value Obligation as at 31 December	32,355	27,369

32.3 Principal actuarial assumptions used

	2023	2022
Discount rate	14.2%	18.5%
Salary increase	13.58%	15.5%
Retirement Age	60 Years	60 Years
Expected future working life time	8.39 Years	2.17 Years

Assumptions regarding future mortality are based on published statistics and mortality tables. The actuarial valuations regarding above were carried out as at reporting date by Mr. Rahim Feroz Ali (ASA) for and on behalf of SHMA Consulting DMCC (Dubai). The valuation report was certified on 27 January 2024 for the above purpose.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

32.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

Rs. ' 000		2023		2022	
		Increase	Decrease	Increase	Decrease
Discount rate	1%	(31,167)	33,653	(26,829)	28,019
Future salary growth	1%	33,670	(31,133)	28,029	(26,809)

33. OTHER LIABILITIES

	2023 Rs. ' 000	2022 Rs. ' 000
Other financial liabilities		
Acquisition cost payable	148,258	119,284
Other liabilities	10,998	25,367
	159,256	144,651
Other non financial liabilities		
Government levies	39,929	26,843
Staff related provisions	42,187	37,421
Accruals and provisions	199,905	87,360
	282,020	151,624
	441,276	296,275

34. LEASE LIABILITIES

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Lease liabilities (Note 34.1)		87,342	93,980
		87,342	93,980

34.1 Lease liabilities

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Balance as at the beginning of the year		93,980	100,249
Additions from entering to new lease agreements		20,053	15,523
Interest expense for the year	15	10,998	10,551
Others		211	534
Repayment during the year		(37,900)	(32,877)
Balance at the end of the year		87,342	93,980

34.1.1 Other adjustments include 0.2 million (2022 - 0.5 million) rent payable relating to the lease payments during the time gap between end of the tenor and renewal date

34.2 Amounts recognised in profit or loss related to leases

	2023 Rs. ' 000	2022 Rs. ' 000
Interest on lease liabilities	10,998	10,551
Depreciation of right-of-use assets	30,179	28,140
	41,177	38,691

34.3 Amounts recognised in statement of cash flows

The Company has classified:
- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company
- short-term lease payments and payments for leases of low-value assets as operating activities.

The Company has not restated the comparative information.	2023 Rs. ' 000	2022 Rs. ' 000
Total cash outflow for leases	(37,900)	(32,877)

35. CURRENT TAX LIABILITIES

	Note	2023 Rs. ' 000	2022 Rs. ' 000
Balance as at the beginning of the year		71,825	32,121
Provision made for the year	17.1	83,667	104,444
Over provision adjustment from prior year	17.1	(6,836)	(2,507)
Refund Claims		-	(739)
Self assessment payments		(100,129)	(61,494)
Set off against liability		-	-
- WHT		(16,045)	-
Balance as at the end of the year		32,482	71,825

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36. RELATED PARTY DISCLOSURES

36.1 Parent and ultimate controlling party

The Company's immediate controlling party is Orient Insurance PJSC.

36.2 Transactions with key management personnel (KMPs)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and its parent Orient Insurance PJSC and ultimate parent company Al-Futtaim Company LLC (including Executive and Non-Executive Directors) and Chief Executive Officer.

36.3 Compensation of KMPs

	2023 Rs. ' 000	2022 Rs. ' 000
Short term employment benefits	37,375	31,829
Post employment benefits	2,366	1,255
	39,741	33,084

The short term employment benefits include only the directors fees and emoluments paid to executive directors. Where applicable such fees are paid directly to the companies that the Directors represent. There are no short-term, long-term, post - employment, terminal and share-based payments linked to the remuneration of the directors and no ex-gratia payments were made to directors during the year.

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2023.

36.4 Transactions with Related Parties

Details of related party transactions are reported below.

Company	Relationship	Nature of the transaction	Transactions during the year 2023 Rs. ' 000	Transactions during the year 2022 Rs. ' 000	Balance as at 31 December 2023 Rs. ' 000	Balance as at 31 December 2022 Rs. ' 000
Al Futtaim Group - UAE	Ultimate Parent	Services obtained by the Company	(32,112)	(85,511)	(66,572)	(107,932)
		Amount paid to Parent Company	73,473	-		
AMW Capital Leasing PLC	Common ultimate parent	Fixed deposits balance			339,763	346,891
		Fixed deposits - Investments	300,000	700,000		
		Fixed deposits - Maturities	(377,750)	(618,157)		
		Fixed deposits Income	70,622	52,611		
		Insurance premium due in respect of customer policies			7,879	17,924
		Insurance premium income in respect of own policies	1,006	1,560	10	1
		Claim expenses paid - Own	(536)	-		
		Commission expense paid	(12,133)	(18,989)	-	-
Associated Motorways (Pvt) Limited	Common ultimate parent	Insurance premium due in respect of own policies			398	162
		Insurance premium income	21,557	23,044		-
		Claim expenses paid - Own policies	(15,034)	(12,481)		-
		Motor vehicle repair charges paid relating to claims	(28,736)	(27,074)		-
Associated Motor (Lanka) Company Limited	Common ultimate parent	Insurance premium due in respect of own policies			14	14
		Insurance premium income	433	-		-
		Claim expenses paid		-		-
Associated Property Development Private Limited	Common ultimate parent	Insurance premium income	376	-	-	-
					281,492	257,060

37. RISK MANAGEMENT

This note presents information about Company's exposure to financial risks and management of capital.

37.1 Business Risk

The Company being in the insurance industry, business risk is the insurance risk that the Company is exposed to as a result of the insurance contracts undertaken. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim. Therefore, the objective is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

The risks faced by the Company and the manner in which these risks are managed by management are summarised below:

37.1.1 Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

37.1.2 Risk management framework

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Managing Director and other members of the senior management.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Managing Director under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

37.1.3 Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in Sri Lanka to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

37.1.4 Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and the public shareholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company is subject to regulatory requirements within Sri Lanka where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

37. RISK MANAGEMENT (Contd….)

37.1.5 Asset Liability Management Framework (ALM)

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 Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts.

The principal technique of the company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The executive management actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Managing Director regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, marine, motor, engineering, miscellaneous accident and medical classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk

Property

For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom. These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre- loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Motor

For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Engineering

For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses The extent of the loss or damage is the main factor that influences the level of claims.

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37. RISK MANAGEMENT (Contd...)

37.1.5 Asset Liability Management Framework (ALM)

Miscellaneous Accident

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third-party liability and professional indemnity, the extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Medical

In medical insurance, the main risk elements are illness and accidents and related healthcare costs.

The Company has adequate reinsurance arrangements to protect its financial viability against such claims for all the above classes except medical insurance where the risk is fully retained by the company

Geographical concentration of risks

The insurance risk arising from insurance contracts is primarily concentrated mainly in Sri Lanka. The geographical concentration of risks is similar to last year.

37.1.6 Estimation for claim reserve

Following table summarizes the outstanding claims position as at 31 December,

	2023		
Rs. ' 000	**Gross Claim**	**Reinsurance**	**Net**
Provision for reported claims	478,032	(234,740)	243,292
Incurred But Not Reported (IBNR)	222,764	(70,491)	152,273
Total	700,796	(305,231)	395,565

	2022		
Rs. ' 000	**Gross Claim**	**Reinsurance**	**Net**
Provision for reported claims	507,169	(249,629)	257,540
Incurred But Not Reported (IBNR)	126,256	(56,950)	69,306
Total	633,425	(306,579)	326,846

The table below shows the sensitivity of net profit before tax (PBT) and the sensitivity of net assets (NA) as a result of adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity.

The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the loss ratio would lead to a linear impact on net profit before tax and net assets.

Sensitivity of PBT and net assets due to increase in net claim ratio

	2023 Rs. ' 000	2022 Rs. ' 000
(+/-) 1% in claims ratio		
Net impact to PBT	(21,737)	(18,031)
Impact to Net Assets	(15,216)	(12,622)

37. RISK MANAGEMENT (Contd...)

37.1.6 Estimation for claim reserve

The following analysis is performed for possible movements in Net Claims Outstanding with all other assumptions held constant, showing the impact on net liabilities, Profit before Tax and equity. It should be noted that movements in these assumptions are non-linear

Sensitivity of PBT and net assets due to increase of Net Claim Outstanding

	2023 Rs. ' 000	2022 Rs. ' 000
(+/-) 1% in Change in Net Claim Outstanding		
Net impact to PBT	(3,956)	(3,268)
Impact to Net Assets	(2,769)	(2,288)

Claims Development Table

The following table reflects the cumulative incurred claims for each successive accident year at each statement of financial position date, together with cumulative payments to date:

As at 31 December 2023,

Accident year	Before 2020 Rs. ' 000	2020 Rs. ' 000	2021 Rs. ' 000	2022 Rs. ' 000	2023 Rs. ' 000	Total Rs. ' 000
At the end of accident year		747,652	1,011,305	1,403,935	1,643,862	
One year later		679,907	958,395	523,578		
Two years later		676,821	967,387			
Three years later		676,047				
Four years later	4,010,412					
Current estimate of cumulative claims	4,010,412	676,047	967,387	523,578	1,643,862	
At the end of accident year		(500,958)	(696,626)	(1,007,885)	(1,310,081)	
One year later		(659,230)	(921,073)	(447,795)		
Two years later		(665,434)	(956,287)			
Three years later		(670,203)				
Four years later	(3,958,888)					
Cumulative payments to date	(3,958,888)	(670,203)	(956,287)	(447,795)	(1,310,081)	
Gross outstanding claims	51,524	5,844	11,100	75,783	333,781	478,032

As at 31 December 2022,

Rs. ' 000

Accident year	Before 2019 Rs. ' 000	2019 Rs. ' 000	2020 Rs. ' 000	2021 Rs. ' 000	2022 Rs. ' 000	Total Rs. ' 000
At the end of accident year		847,765	747,652	1,011,305	1,403,935	
One year later		821,910	679,907	958,395		
Two years later		817,139	676,821			
Three years later		818,167				
Four years later	3,190,262					
Current estimate of cumulative claims	3,190,262	818,167	676,821	958,395	1,403,935	
At the end of accident year		(634,604)	(500,958)	(696,626)	(1,007,885)	
One year later		(784,016)	(659,230)	(921,073)		
Two years later		(798,676)	(665,434)			
Three years later		(802,175)				
Four years later	(3,143,844)					
Cumulative payments to date	(3,143,844)	(802,175)	(665,434)	(921,073)	(1,007,885)	
Gross outstanding claims	46,418	15,992	11,387	37,322	396,050	507,169

37. RISK MANAGEMENT (Contd...)

37.1.6 Estimation for claim reserve

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

37.1.7 Re insurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

As at 31 December 2023, 44% of our reinsurance receivables were due from reinsurers with a rating of "A-" or better and from the National Insurance Trust Fund (NITF). There were no collateral against reinsurance receivables as at reporting date. The ratings of reinsurer's and their related rating agencies are as follows:

Reinsurers	Rating	Rating Agency
Lloyd's Syndicate - TRV 5000	A+	AM Best
Royal and Sun Allianz Insurance Plc	AA-	Fitch
Berkley Re Singapore	AA-	AM Best
ACE Insurance Ltd	AA	Fitch
Lloyd's Syndicate MRS 457 - Munich Re Syndicate Limited	A+	AM Best
Starr International Insurance Singapore Pte Ltd	A+	AM Best
Lansforsakringar	A	S&P
AXIS	A+	AM Best
Abu Dhabi National Insurance Company (ADNIC)	A	AM Best
AIG General Insurance - Dubai	A	S&P
Agora Syndicate 3268	A+	AM Best
New Re - Reinsurance Company	A+	AM Best
Solarelle Insurance Pvt Ltd	BB+	AM Best
Travelers	A+	Fitch
Amlin	A	AM Best
Markel	a+	AM Best
Hamilton	A-	AM Best
Inigo	A	AM Best
Berkshire Hathaway Specialty Insurance Company	AAA	AM Best
Hannover Re	AA	AM Best
The New India Assurance Co. Ltd	BBB+	AM Best
MS Amlin Marine N.V.	A	AM Best
Korian -Re	A	AM Best
Sirius International Insurance Corporation	A-	AM Best
General Insurance Corporation	BBB+	AM Best
Saudi Re	A-	S&P
Emirates	A-	AM Best
Africa Re	A	AM Best
Oman Re	BB+	Fitch
NITF	N/A	
Liberty	A	AM Best
Tunis Re	BB	AM Best
Turk Re	A	AM Best
OBE Re	A+	AM Best
AXA XL	AA-	AM Best
Labuan Re	A-	AM Best
Volantes Syndicate	A	AM Best

37. RISK MANAGEMENT (Contd...)

37.1.7 Re insurance risk

Reinsurers	Rating	Rating Agency
Swiss Reinsurance Co.	A+	AM Best
Gulf-Re	A	AM Best
ARIG	AA	Fitch
Mapfre Re	A+	AM Best
Score Global	A	Fitch
Echo Re	A-	Fitch
Arch Re	AA-	AM Best
Trust Re	A-	AM Best
R+V Versicherung	AA-	Fitch
Generali	A+	AM Best
SCR RE	BB+	AM Best
Milli Re	CCC	AM Best
Helvetia	A+	S&P
Partner-Re	AA-	AM Best
Barents Re	A	AM Best

37.1.8 Concentration Risk

Concentration risk within the insurance business based on the Gross Written Premium is as follows,

Rs. ' 000 — **2023**

Class	Gross Written Premium	Reinsurance	Net Written Premium	%
Fire	260,525	229,539	30,986	1%
Motor	2,111,217	109,301	2,001,916	83%
Marine	16,809	12,427	4,382	0%
Casualty	255,741	117,500	138,241	6%
Engineering	87,946	75,822	12,124	1%
Medical	215,889	-	215,889	9%
	2,948,127	544,589	2,403,538	
Motor / Non Motor Composition				
Motor	2,111,217	109,301	2,001,916	83%
Non Motor	836,910	435,288	401,622	17%
	2,948,127	544,589	2,403,538	

Rs. ' 000 — **2022**

Class	Gross Written Premium	Reinsurance	Net Written Premium	%
Fire	254,411	212,897	41,514	2%
Motor	1,773,180	89,630	1,683,550	89%
Marine	19,910	13,863	6,047	0%
Casualty	237,186	168,307	68,879	4%
Engineering	87,478	78,616	8,862	0%
Medical	83,320	-	83,320	4%
	2,455,485	563,313	1,892,172	
Motor / Non Motor Composition				
Motor	1,773,180	89,630	1,683,550	89%
Non Motor	682,305	473,683	208,622	11%
	2,455,485	563,313	1,892,172	

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37. RISK MANAGEMENT (Contd...)

37.2 Credit risk

Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Company is exposed to credit risk on securities issued by third parties. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

37.2.1 Credit Quality analysis

The tables below set out information about the credit quality of financial investments (government securities and deposits with Banks and Financial Institutional) and the allowance for impairment loss held by the Company against the assets.

2023

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Maximum exposure to credit risk	2,657,247	93,204	2,750,451	0%
Carrying amount	2,657,247	93,204	2,750,451	
AAA	-	-	-	0%
AA+ to AA -	-	-	-	0%
A+ to A-	733,073	90,139	823,212	30%
BBB+ to BBB-	404,362	548	404,910	15%
BB+ to BB-	-	1,906	1,906	0%
B+ to B-	-	-	-	0%
CCC	-	-	-	0%
Government guaranteed	1,519,812	-	1,519,812	55%
Not rated	-	612	612	0%
Total	2,657,247	93,204	2,750,451	
Neither past due nor impaired	2,657,247	93,204	2,750,451	
AAA	-	-	-	0%
AA+ to AA -	-	-	-	0%
A+ to A-	733,073	90,139	823,212	30%
BBB+ to BBB-	404,362	548	404,910	15%
B+ to B-	-	1,906	1,906	0%
B+ to B-	-	-	-	0%
CCC	-	-	-	0%
Government guaranteed	1,519,812	-	1,519,812	55%
Not rated	-	612	612	0%
Total	2,657,247	93,204	2,750,451	
Past due but not impaired	**Nil**	**Nil**	**Nil**	
Impaired	**Nil**	**Nil**	**Nil**	

2022

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Maximum exposure to credit risk	2,399,546	115,087	2,514,633	**0%**
Carrying amount	2,399,546	115,087	2,514,633	
AAA	-	39	39	0%
AA+ to AA -	26,839	-	26,839	1%
A+ to A-	1,093,969	45,624	1,139,594	41%
BBB+ to BBB-	407,822	288	408,110	15%
B+ to B-	-	337	337	0%
CCC	-	-	-	0%
Government guaranteed	870,916	68,234	939,151	34%
Not rated	-	564	564	0%
Total	2,399,546	115,087	2,514,633	

37. RISK MANAGEMENT (Contd...)

37.2.1 Credit Quality analysis

2022

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Neither past due nor impaired	2,399,546	115,087	2,514,633	
AAA	-	39	39	0%
AA+ to AA -	26,839	-	26,839	1%
A+ to A-	1,093,969	45,624	1,139,594	45%
BBB+ to BBB-	407,822	288	408,110	16%
B+ to B-	-	337	337	0%
CCC	-	-	-	0%
Government guaranteed	870,916	68,234	939,151	37%
Not rated	-	564	564	0%
Total	2,399,546	115,087	2,514,633	
Past due but not impaired	**Nil**	**Nil**	**Nil**	
Impaired	**Nil**	**Nil**	**Nil**	

The following table provides information relating to credit risk exposure of other financial assets:

Rs'000	2023 Reinsurance receivable	2023 Premium receivable	2022 Reinsurance receivable	2022 Premium receivable
Maximum exposure to credit risk	275,986	849,265	266,112	691,580
Neither past due nor impaired	33,168	587,935	61,171	422,242
Past due but not impaired				
61-90 days	8,956	101,634	18,456	180,056
90-180 days	147,065	135,245	17,074	107,377
180 days +	86,797	57,090	169,411	14,544
Total	242,818	293,969	204,941	301,977
Impaired	-	(32,639)	-	(32,639)
Total	275,986	849,265	266,112	691,580

Credit risk relating to reinsurance receivable

There were no collateral against reinsurance receivables as at reporting date.

Credit risk of reinsurance receivables by rating class have been illustrated below in order to ensure that Company has significant control over managing them.

Credit risk relating to reinsurance receivable

Rs.Mn	2023 On paid claims	2023 On reserve	2023 Total	2023 %	2022 On paid claims	2022 On reserve	2022 Total	2022 %
AAA	157	2,968	3,125	1%	-	-	-	0%
AA	9,438	7,118	16,556	6%	1,851	1,405	3,256	1%
AA+	-	-	-	0%	844	3,250	4,094	2%
AA-	221	4,046	4,267	2%	161	13,262	13,423	5%
A+	2,626	9,722	12,348	4%	1,717	17,971	19,688	7%
A	3,506	20,039	23,545	9%	719	16,931	17,650	7%
A-	499	7,237	7,736	3%	4,262	9,072	13,334	5%
BBB+	6,028	15,291	21,318	8%	1,873	15,985	17,858	7%
BBB	-	950	950	0%	-	6,513	6,513	2%
BBB-	1	14	15	0%	-	-	-	0%
BB+	4,995	99,539	104,534	38%	-	1,816	1,816	1%
BB	105	830	934	0%	-	-	-	0%
BB-	-	-	-	0%	-	213	213	0%
B+	-	-	-	0%	-	-	-	0%
CCC	2,630	677	3,308	1%	-	2,643	2,643	1%
NITF	5,907	47,979	53,887	20%	3,369	141,799	145,168	55%
Unrated	5,133	18,330	23,463	9%	1,687	18,769	20,456	8%
Total	41,246	234,740	275,986		16,483	249,629	266,112	
IBNR	-	70,491	70,491		-	56,950	56,950	
Total RI Receivable	41,246	305,231	346,477		16,483	306,579	323,062	

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37. RISK MANAGEMENT (Contd...)

37.2.1 Credit Quality analysis

Credit risk relating to premiums receivable

Rs'000	2023				2022			
	Upto 30 Days	31-60 Days	Above 60 Days	Total	Upto 30 Days	31-60 Days	Above 60 Days	Total
Total Receivables	388,887	199,048	293,969	881,904	299,727	122,515	301,977	724,219

Credit risk relating to cash and cash equivalents

The Company held cash and cash equivalents of Rs. 93 million as at 31 December 2023. The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BB or better.

37.2.2 Collateral of debt securities

Treasury bill and Reverse repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 8% is maintained at all times. As at the Reporting date, Company holds treasury bills and treasury bond worth Rs. 1,644,606,984/- as collateral for treasury bill and reverse repo investments amounting to Rs.1,519,812,294/-.

37.2.3 Concentrations of credit risk

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk. The Company monitors concentrations of credit risk by sector and instruments. An analysis of concentrations of credit risk from financial investments is shown below.

By instrument:

As at 31 December,	Note	2023 Rs. ' 000	%	2022 Rs. ' 000	%
Government securities and related institutions	19.1	1,519,812	57%	870,916	36%
Fixed deposits and other deposits	19.1	1,107,396	42%	1,498,588	62%
Corporate debt instruments	19.1	30,038	1%	30,042	1%
Total		2,657,247	100%	2,399,546	100%

37.2.3 Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

37.3.1 Maturity analysis for financial assets and financial liabilities

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premium reserve, deferred acquisition expenses and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

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37. RISK MANAGEMENT (Contd...)

37.3.1 Maturity analysis for financial assets and financial liabilities

2023						
Rs'000	**Carrying amount**	**Up to one year**	**1 - 5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets						
Loans and receivables	2,657,247	2,627,209	30,038	-	-	2,657,247
Reinsurance receivable	346,477	346,477	-	-	-	346,477
Premiums receivable	849,265	849,265	-	-	-	849,265
Other financial assets	16,949	16,949	-	-	-	16,949
Cash and cash equivalents	93,204	93,204	-	-	-	93,204
Total undiscounted assets	3,963,142	3,933,104	30,038	-	-	3,963,142
Financial liabilities						
Insurance contract liabilities	2,013,205	2,013,205		-	-	2,013,205
Reinsurance payable	122,794	122,794		-	-	122,794
Other financial liabilities	159,256	159,256		-	-	159,256
Lease Liabilities	87,342	868	83,705	2,770	-	87,342
Amount due to related parties	66,572	66,572		-	-	66,572
Total undiscounted liabilities	2,449,169	2,362,695	83,705	2,770	-	2,449,169
Total liquidity excess	1,513,973	1,570,409	(53,667)	(2,770)	-	1,513,972

2022						
Rs'000	**Carrying amount**	**Up to one year**	**1 - 5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets						
Loans and receivables	2,399,546	2,369,504	30,042	-	-	2,399,546
Reinsurance receivable	323,062	323,062	-	-	-	323,062
Premiums receivable	691,580	691,580	-	-	-	691,580
Other financial assets	8,761	8,761	-	-	-	8,761
Cash and cash equivalents	115,089	115,089	-	-	-	115,089
Total undiscounted assets	3,538,038	3,507,996	30,042	-	-	3,538,038
Financial liabilities						
Insurance contract liabilities	1,715,947	1,715,947	-	-	-	1,715,947
Reinsurance payable	201,602	201,602	-	-	-	201,602
Other financial liabilities	144,651	144,651	-	-	-	144,651
Lease Liabilities	93,980	1,107	92,873	-	-	93,980
Amount due to related parties	107,933	107,933	-	-	-	107,933
Total undiscounted liabilities	2,264,113	2,171,240	92,873	-	-	2,264,113
Total liquidity excess	1,273,925	1,336,756	(62,831)	-	-	1,273,925

Maturity Analysis of Undiscounted Financial Liabilities

Undiscounted value of Reinsurance Creditors, Bank Overdraft and Other Financial Liabilities are same as the carring value considered under the maturity analysis as mentioned above. Undiscounted value of the Lease creditors and the maturity of undiscounted lease creditors of the Company are as follows;

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37. RISK MANAGEMENT (Contd...)

Maturity Analysis of Undiscounted Financial Liabilities (Contd.)

As at 31st December 2023,	Carrying Value	Undiscounted Value				
		Less Than One Year	One Year to Three Years	Three to Five Years	More than Five Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liabilities	87,342	932	76,756	24,235	3,720	105,643

As at 31st December 2022,	Carrying Value	Undiscounted Value				
		Less Than One Year	One Year to Three Years	Three to Five Years	More than Five Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liabilities	93,980	1,178	9,031	106,753	-	116,962

Financial assets pledged as collateral

There were no financial assets pledged as collateral during the year ended 31 December 2023.

37.4 Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company has assessed the market risk under main two categories namely;

i. Currency risk

ii. Interest rate risk

The table below sets out the allocation of assets and liabilities subject to market risk.

37.4.1 Exposure to interest rate risk

The following is a summary of the Company's interest rate gap position on non-trading portfolios.

Rs'000	2023					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Loans and receivables	2,657,247	396,148	631,163	1,599,897	30,038	-
Cash and cash equivalents	93,204	93,204	-	-	-	-

Rs'000	2022					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Loans and receivables	2,399,546	87,512	525,117	1,756,875	30,042	-
Cash and cash equivalents	115,089	115,089	-	-	-	-

The Company's investment portfolio is analysed based on the types of interest rates are as follow:

Instruments Rs'000	2023			2022		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Government Securities	1,519,812	-	-	870,916	-	-
Fixed deposits	1,107,396	-	-	1,498,588	-	-
Corporate debt instruments	30,038	-	-	30,042	-	-
Total	2,657,247	-	-	2,399,546	-	-

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37. RISK MANAGEMENT (Contd...)

37.4.2 Exposure to currency risks

As at the reporting date, net currency exposures representing the Company's equity were as follows.

Foreign currency exposures other than in respect of foreign operations

Foreign Currency Deposits	2023			2022		
in'000	**Amount in Foreign Currency**	**Exchange rate**	**LKR amount**	**Amount in Foreign Currency**	**Exchange rate**	**LKR amount**
USD Deposits	$ 720	323.60	232,990	$ 290	363.11	105,227

Sensitivity analysis

The table below shows the estimated impact on profitability and equity due to fluctuation of exchange rates on the USD bank balances.

Sensitivity of PBT and equity to changes in exchange rates

Change in variables	**Impact on Profit Before Tax**	
	2023	**2022**
	Rs	**Rs**
(+) 1%	2,330	1,052
(-) 1%	(2,330)	(1,052)

38. DETERMINATION OF FAIR VALUES

This note explains the methodology for valuing our financial assets and liabilities and provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

38.1 Valuation Models

The Company measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 19 for financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

38.2 Valuation Framework

The Company has an established control framework with respect to the measurement of fair values. The Company has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include :

* Verification of observable pricing;
* Re-performance of model valuations;
* Quarterly calibration and back-testing of models against observed market transactions;
* Analysis and investigation of significant daily valuation movements; and

* Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS.

38. DETERMINATION OF FAIR VALUES (Contd...)

38.3 Fair Value Hierarchy

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1
Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3
Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

38.4 Fair values of financial assets and liabilities not carried at fair value

As at 31 December,		2023		2022	
Rs. ' 000	Note	Fair Value	Carrying Value	Fair Value	Carrying Value
Loans and receivables :					
Reverse repos	19.1	1,519,812	1,519,812	870,916	870,916
Fixed term deposit	19.1	1,107,396	1,107,396	1,498,588	1,498,588
Debentures	19.1	23,836	30,038	22,425	30,042
		2,651,044	2,657,247	2,391,929	2,399,546

38.4.1 Fixed term deposit

The fair values of fixed term deposits with remaining maturity of less than one year and variable rate loans and advances are estimated to approximate their carrying amounts. For fixed rate term deposits with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of term deposits of similar credit risks and maturity.

38.4.2 Reverse Repos

The fair values of money market placements and reverse repurchase agreements with remaining maturity of less than one year also approximate their carrying amounts due to the relatively short maturity of the financial instruments.

38.4.3 Debentures

The Fair Value of Debenture is the sum of present values of all the coupon payments and the final redemption amount, discounted by using the rate of similar type of debenture issued and published in Colombo Stock Exchange (CSE)

38. DETERMINATION OF FAIR VALUES (Contd....)

38.5 Other Financial Assets

Other financial assets which are not recorded at fair value in the statement of financial position are listed below.

	Note	2023 Fair Value	2023 Carrying Value	2022 Fair Value	2022 Carrying Value
Other financial assets :					
Reinsurance receivables	22	346,477	346,477	323,062	323,062
Premium receivables	23	849,265	849,265	691,580	691,580
Refundable deposits	24	16,949	16,949	8,761	8,761
Cash and cash equivalent	27	93,204	93,204	115,089	115,089
		1,305,895	1,305,895	1,138,492	1,138,492

The carrying amount of cash and bank balances approximate fair values due to the relatively short maturity of the financial instruments. For other receivables the carrying values have been considered as the fair value due to uncertainty of the timing of the cash flows.

38.6 Other Financial Liabilities

Carrying values of financial liabilities have been considered as the fair value, due to uncertainty of the timing of the cash flow.

	Note	2023 Fair Value	2023 Carrying Value	2022 Fair Value	2022 Carrying Value
Other financial liabilities :					
Reinsurance payables	30	122,794	122,794	201,602	201,602
Acquisition cost payable	33	148,258	148,258	119,284	119,284
Other financial liabilities	33	10,998	10,998	25,367	25,367
Lease Liabilities	34	87,342	87,342	93,980	93,980
		369,392	369,392	440,233	440,233

39. COMPARATIVE FIGURES

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

40. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant capital commitments as at the reporting date.

40.1 Litigation and claims

There have been no material Contingent liabilities outstanding as at the reporting date except for the below;

40.1.1 Case No CHC 354/2018/MR.

The independent Loss Adjuster engaged by the Company has confirmed that the above mentioned case is pending in Commercial High Court. At present the Plaintiff, Abans is leading evidence and cross- examination will continue on the next date of trial 12th July 2024.

A policyholder ("plaintiff") had filed an action against the Company on 6 June 2018 in Commercial High Court Colombo, for losses and damages for rejecting claims relating to liability insurance policy taken from the Company. The Company has denied the claim of the plaintiff and is defending the matter in consultation with the Loss Adjuster. The outcome of this cannot be assessed as at reporting date. Based on the internal assessment carried out by the Board and confirmation provided by an independent Loss Adjuster, no provision was required to be made in the financial statements as at reporting date.

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40. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (Contd...)

40.2 Assessments on Income Tax

The Department of Inland Revenue has raised an assessment on income tax for the year of assessment 2017/2018, assessing the Company to pay an additional income tax liability of Rs. 0.9 million along with a penalty, totaling to Rs. 1.2 million. The Company has lodged an appeal in consultation with the Company's Tax Consultant with the Commissioner General of Inland Revenue against the said assessment.

40.3 Assessments on VAT

The Company has received Notice of Assessments for the years 2016,2017,2018 and 2019 where by the Department of Inland Revenue has disallowed some of the claimed input tax. The Company has dully appealed for the assessments in consultation with the Company's Tax Consultant.

40.4 Assessments on VAT and NBT on Financial Services

The Company has received Notice of Assessments for the years 2016, 2017, 2018 and 2019 on VAT and NBT on Financial Services from the Department of Inland Revenue.

The Company has duly appealed against the Assessment to the Tax Appeal Commission. The decision is pending from Tax Appeals Commission.

41. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

42. DIRECTOR'S RESPONSIBILITY

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

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