ANNUAL REPORT 2022

ORIENT INSURANCE LIMITED

CONTENTS

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

KPMG 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

Anuradha Siriwardane
Senior Vice President - Technical

Ameera Hindurangala
Senior Vice President - Strategy & Operations

Rochana Kulatunge
Senior Vice President - Sales & Distribution

Rihab Thaha
Senior Vice President - Finance

BRANCH NETWORK

Western Province

Avissawella	No. 223, Colombo Road, Ukwatte, Avissawella
Gampaha	No.119, Oruthota Road, Gampaha
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
Puttalam	No. 171/1, Kurunegala, Puttalam

North Central Province

Anuradhapura	No.190, Godage Mawatha, Kada Dolaha, Anuradhapura

Eastern Province

Trincomalee	No. 113, Thiruganasampather Street, Trincomalee

Sabaragamuwa Province

Kegalle	No. 362, Colombo Road, Ranwalla, Kegalle
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
Galle	No. 287/A, Wakwella Road, Galle
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
Panadura	No. 201 Galle Road, Panadura
Rathnapura	No. 510, Colombo Road, Veralupa, Rathnapura

CHAIRMAN’S MESSAGE

It is with great pleasure I present the Annual Report and the Financial Statements of Orient Insurance Limited for the financial year ended 31st December 2022.

TOWARDS RESILIENT GROWTH

I am pleased to announce that the Company successfully ended the year 2022 achieving a healthy growth of 13% and achieving the budgeted profit. The year 2022 was a challenging year for the entire nation due to economic and political volatility. The country was on the verge of an economic disaster as it was highly vulnerable to external shocks because of high debt and witnessed a massive financial and energy crisis with depleting foreign exchange reserves.

This situation worsened after the advent of the Russia-Ukraine war and subsequent sanctions on Russia by the West had led to a major impact on global supply chains, which in turn pushed up oil and commodity prices causing surging inflation resulting in price hikes of all key essential products.

I’m pleased to state that amidst these challenges, we successfully managed to uphold our excellent service standards with several processes and service enhancements through digital transformation. The Company’s disciplined underwriting approach together with our strong partnerships with our customers and intermediaries enabled us to overcome these challenges and continue our sustainable quality growth journey. Our employee’s dedication towards living our values of Respect, Integrity, Collaboration and Excellence has steered us through these unprecedent conditions and enabled us to accomplish for another successful year.

In spite of hostile economic conditions, the Company recorded an impressive growth rate in both turnover and profit. The Gross Written Premium increased by 13%, from LKR 2.2 billion in 2021 to LKR 2.5 billion in 2022. Profit after tax increased by 16% from LKR 137 million in 2021 to LKR 159 million in 2022. The shareholder's equity recorded an increase of 14% over 2021 while our total assets recorded a growth of 21%. The basic earnings per share increased from LKR 16.59 in 2021 to LKR 19.25 in 2022.

These achievements are clearly the results of the Company's focus on superior customer service, leaner processes and the quality of business underwritten by the company supported by a competent executive team.

We expect that Sri Lanka's economy will contract further in 2023 before it begins a gradual recovery in 2024, as the country navigates this crisis. The economy contracted by 7.8% in 2022 and its forecast to contract by 3% in 2023 as it continues to grapple with the challenge of debt restructuring and balance of payments difficulties. Reform measures, such as the reversal of the tax cuts of 2019, and the recent approval of the International Monetary Fund's (IMF) Extended Fund Facility arrangement we feel will support the country's efforts to stabilize its economy.

Having carefully monitored these sentiments the Company strongly believed that Sri Lanka is a resilient nation and will overcome these challenges soon and in line with these expectations the Company maintained its expansion momentum by opening 02 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 Insurance Regulatory Commission of Sri Lanka for their guidance and continued support. I also thank the Insurance Ombudsman's office for his 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.

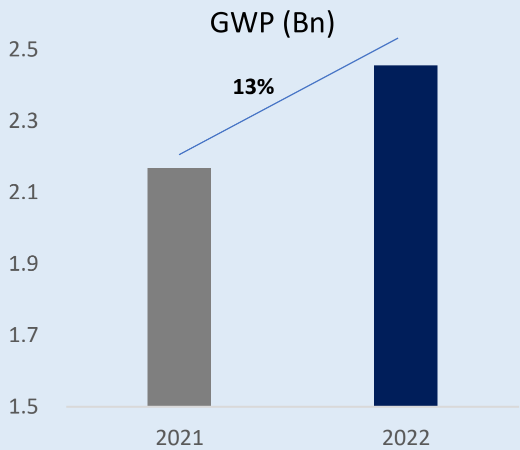
We are truly thankful to our clients and partners who have supported us. We thank our employees for their dedication and hard work, which has resulted in achieving such great results despite the challenges the Company experienced. We look forward to this continued commitment in the year 2023.

Omer Elamin
Chairman
15th May 2023

MANAGING DIRECTOR'S MESSAGE

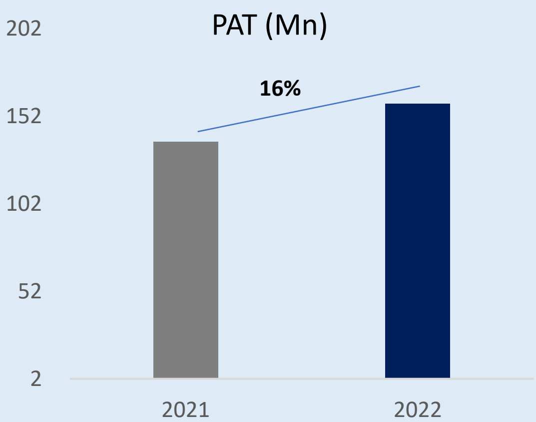
"GWP grew by 13% to LKR 2.5 Bn in 2022"

I am delighted to share with you the Annual Report for the year 2022. Orient Insurance Limited continued its sustainable quality growth journey and posted very strong results despite the formidable economic and related challenges in the country. The Company takes pride in mentioning that we have fulfilled our purpose, of being the Premier Insurer of choice in these truly challenging times by honoring and protection our promise to take quality and affordable insurance solutions closer to customers doorsteps, and honoring our commitments to our customers, business partners, employees, shareholders and regulators, whilst strengthening and preserving our balance sheet despite headwinds.



Our work ambiance at Orient Insurance is smart learning and fast adoption of lessons learnt. This has strengthened us and given us the might to face all these challenges and focus on our brand promise of creating positive customer experiences, which is the very core of our business and everything we do is in pursuit of this.

"PAT grew by 16% to LKR 159 Mn in 2022"



Operating against the backdrop of one of the worst years in Sri Lanka's history, the Company succeeded in recording an impressive growth rate in both turnover and profit. The shareholder's equity recorded an increase of 14% over 2021 while our total assets recorded a growth of 21%. The basic earnings per share increased from LKR 16.59 in 2021 to LKR 19.25 in 2022.

We successfully managed to achieve our business objectives, through absolute professionalism in Underwriting, Claims and Servicing which created trust amongst customers and all stakeholders. Our bold and rapid expansion of branch network distribution touchpoints, and new partnerships gave us the added advantage, and enabled us to offer world-class security and protection to our customers.

The current economic challenges of our nation are unprecedented and possess severe threats to the industry in which we operate. The local economy was impacted by high inflation following the devaluation of LKR by as much as 80% against the US dollar, which led to interest rates and inflation soaring. Focused on managing operational costs, the Company critically assessed resources and managed them expertly to meet budgeted targets.

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.

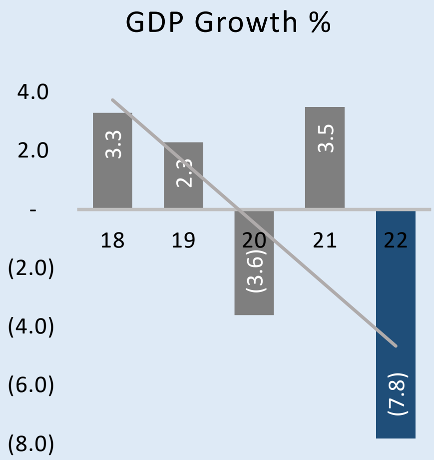
In the year 2023, we are confident to integrate our strength and resources to overcome obstacles and achieve our business goals whilst fully understanding the severe economic hardships our customers and stakeholders face and are committed to winning together.

Managing Director & CEO
Tanuj Edward
15th May 2023

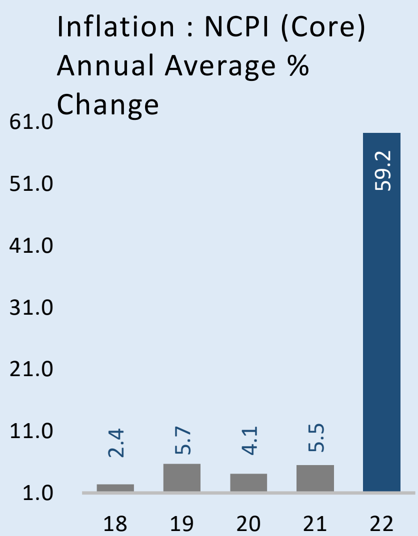
MANAGEMENT DISCUSSION AND ANALYSIS

Macro-Economic Environment

As a country Sri Lanka faced one of the worst economic crisis after its independence since 1948, due to the unprecedented economic crisis amidst the domestic and global headwinds that reversed the post-pandemic come back. Early months in 2022 triggered a shortage of foreign reserves to manage the day-to-day operation of the country. The depleted foreign reserves and shortage of foreign currency created a massive shortage of fuel and other essential items which pushed prices and the country recorded an all-time high inflation in excess of 60%. All these began a spiral of events including power cuts, long queues and a political and civil unrest, which resulted in change in political leadership including the President.



However, the dire economic condition continued in the first three quarters of the year resulting in a negative GDP growth of 7.8% compared to the growth of 3.5% in 2021. The negative growth sentiment is expected to continue throughout 2023 and a slight growth is expected after the second quarter of 2024.

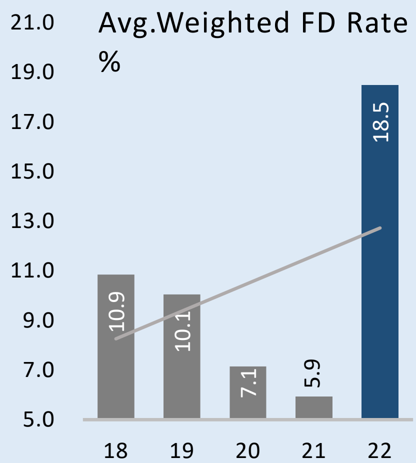


The overall size of the economy in US dollar terms contracted to USD 77.1 billion in 2022, compared to USD 88.5 billion in 2021, due to the large depreciation of the exchange rate. Per capita GDP also declined to USD 3,474 in 2022 from USD 3,997 in 2021. The all item inflation started to increase drastically in the second quarter of the year to an average of 64% for the first three months of 2022 and reached a historic high in September 2022, food inflation recorded an average of 88% in the quarter due to low agriculture production and higher prices on imported food items owing to the rupee depreciation. The USD appreciated by 80% on average over the Sri Lankan rupee within a very short period of time, resulting in price increases in almost all the items. The situation worsened as fuel and cooking gas were in short supply for a considerable period of time.

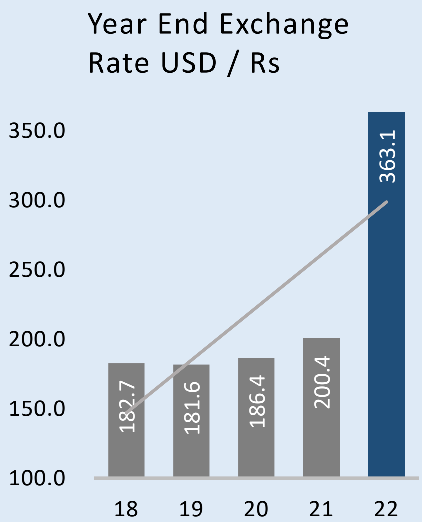
The interest rates recorded increased in 2022 compared to the steepest decline in 2021. The Monetary Board of Central Bank increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) to combat high inflation. Sri Lanka's trade deficit declined by USD 2.9 billion during the year 2022, driven by a larger contraction in expenditure on imports over earnings from exports. The overall deficit in the trade account in 2022 contracted to USD 5.2 billion from the deficit of USD 8.1 billion recorded in 2021. Export income as a percentage of GDP increased to 17% from 14.1% last year, whereas Imports as a percentage of GDP increased to 23.7% from 23.3%.

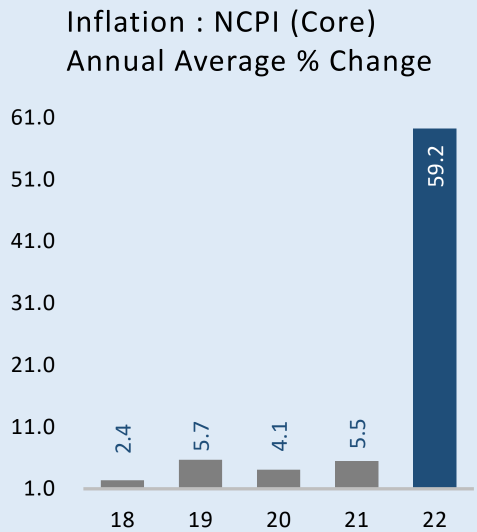
Worker remittances plummeted to USD 3.8 billion in 2022 from USD 5.5 billion in 2021. Tourism income on the other hand showed a positive trend in 2022 compared to 2021 with YoY increase of 120%.

The Sri Lankan rupee experienced high volatility and experienced the largest depreciation against the US dollar during the first half of 2022, before stabilizing around the guidance band introduced in May 2022. The annual closing exchange rate of the Sri Lankan rupee depreciated against the US dollar by 81% percent, from LKR. 200.4 in 2021 to LKR 363.1 in 2022. The Central bank intervention in domestic foreign exchange market helped maintain the rupee in the range of LKR 200 to LKR 203 per US dollar during early 2022. Due to the external pressures and significant shortage in foreign exchange, the Central Bank loosened it's strict control over the USD and introduced a variation band, which was announced on a daily basis, as a temporary measure to manage the intraday volatility in the exchange rate.



The Country's foreign income sources have showed a promising increase commencing from the last quarter of 2022. Tourism being one of the key income sources has gained its momentum and continues to grow. Investor confidence is gradually increasing post IMF bailout.





The General Insurance Industry

Out of twenty-eight (28) Insurance Companies (Insurers) in operation as of 31st December 2022, 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 12.4% to LKR 122.2 billion in 2022 compared to LKR 108.8 billion in previous year. The assets of the General Insurance Business amounted to LKR 278,583 million (Q4, 2021: LKR 249,217 million) depicting a growth of 11.78%.

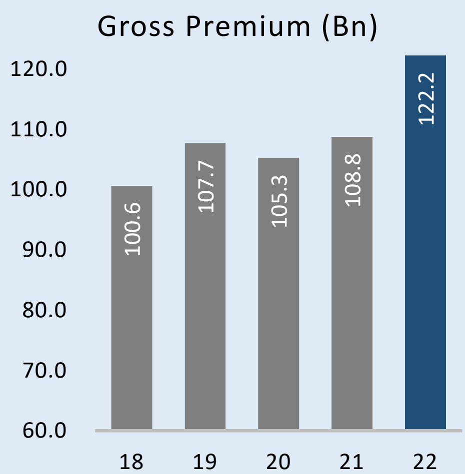
Investment of General Insurance Business amounted to LKR 88,899 million in 2022, which is a 16.63% increase compared to the same period last year.

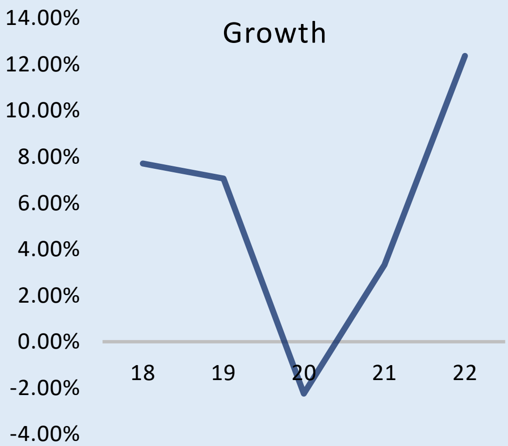
The claims incurred in the General Insurance Business, including Motor, Fire, Marine and other categories, amounted to LKR 61,624 million (Q4, 2021: LKR 48,354 million), which is a YoY increase of 27.44%.

Profit Before Tax (PBT) of the General Insurance Business amounted to LKR 26,897 million (Q4, 2021: LKR 19,042 million) showing YoY increase of 41.25%.

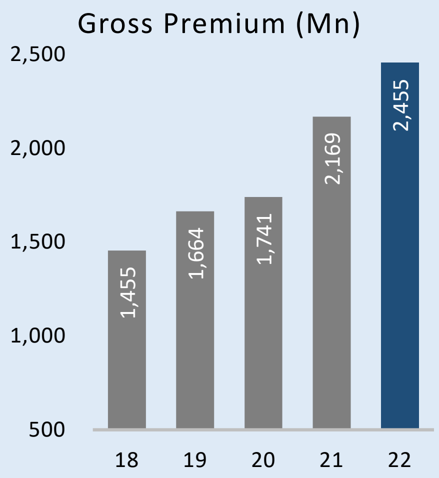
The growth of Motor Insurance was drastically affected due to the vehicle import restrictions which continued in year 2022. As a result, Motor vehicle prices increased significantly owing to short supply in vehicles. Motor spare part prices too increased significantly due to high inflation and import restrictions, 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. Shortage of foreign currencies and strict exchange control policies of the central bank created a backlog in remittance of reinsurance premiums and this along with country credit rating downgrades resulted in reinsurers restricting covers, increasing premiums and withdrawing from the market. We also note with concern that the NITF (National Insurance Trust Fund) to date has not secured the retro cover for the 30% compulsory session ceded by insurance companies. This is a significant country risk, the NIFF may face severe financial burdens in the event the country faces a catastrophe or the trigger of a few large claims.

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





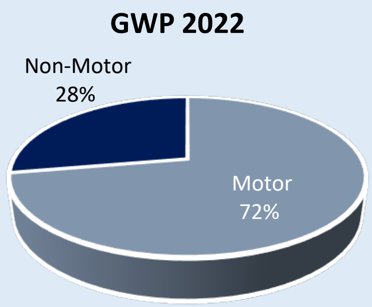
Performance of the Company

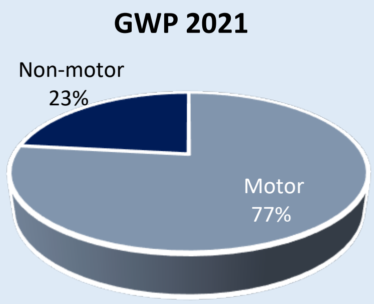


In this backdrop the Company's performance in 2022 is highly commendable despite the negative sentiments in the market which created many operational challenges to achieve its set objectives for the year. The growth trajectory of the Company is remarkable in this backdrop where it recorded a revenue growth of 13.2% compared to 12.4% by the industry. Profits have continued to grow by 16% to LKR 158.8 million.

Market changes and Tax reforms introduced in the latter part of the year compelled the Company to make adjustments in premiums and mitigate costs. However, with all these reforms the Company held it course and continued its sustainable quality growth and maintains its status as one of the preferred insurance partners of customers and other stakeholders. The Company takes pride in mentioning that Service excellence continues to be its unique selling proposition that differentiates the Company from the rest of the competition.

The business composition of the Company marginally changed compared to the previous year, where business underwritten under Non-Motor line increased by 5% and as a result the company managed to reduce its dependency on the Motor portfolio by the same percentage.

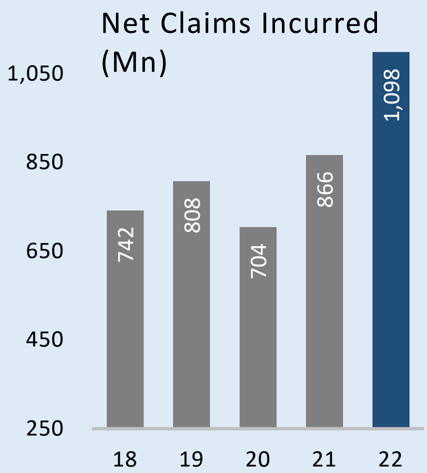


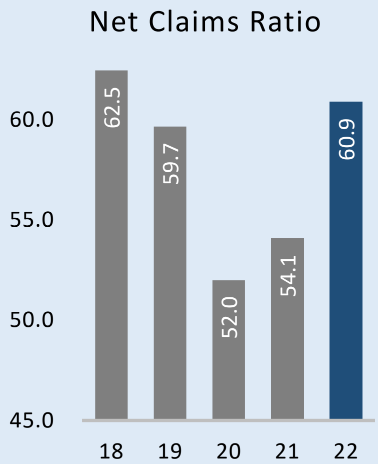


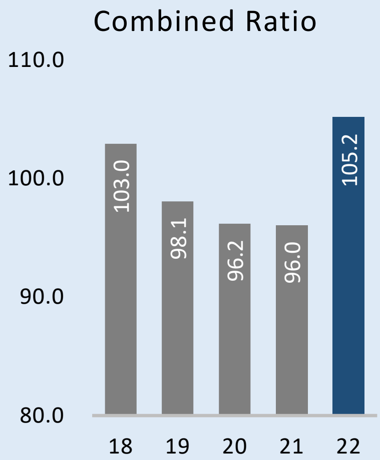
The Company continues to invest in its IT infrastructure, software and many B2B and B2C initiatives that would significantly increase efficiency, reduce costs, and contribute to our ease of doing business philosophy.

The overall claim cost has increased by 26.8% compared to the previous year. The increase in claim cost is mainly driven by Motor claims (31.2% YoY increase) owing to high spare, labor and material costs.

This increase in claim costs has resulted in higher Net loss ratio for the year at 60.9% compared to 54.1% in the previous year. Combined Operating Ratio (COR) surpassed 100% after three years owing to high Loss and Expense ratios which were beyond the control of the business. Expense ratio too increased to 34.8% from 31.4% over the same period last year due to the above factors.







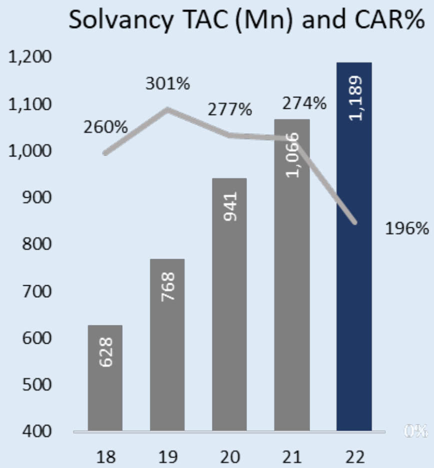
Interest rates have been increased by the Central Bank to curtail inflation in 2022. High interest rates on Government securities and Fixed deposits have yielded favorable interest income to the Company. Interest income rose to LKR 336.9 million from LKR 120.6 million last year (179.5% increase) surpassing budgeted figure by 145.5%. This favorable gain on interest income contributed positively towards Profit After Tax of the Company.

Profit Before Tax (PBT) increased to LKR 243.5 million in 2022 compared to LKR 183.9 million in 2021. Profit After Tax (PAT) increased to LKR 158.8 million in 2022 from LKR 136.9 million in 2021 with a YoY increase of 16.0%. Profits were impacted by the new Tax changes imposed in 2022 compared to 2021.

The total equity increased from LKR 1.15 billion in 2021 to LKR 1.31 billion in 2022. Total financial investments of the Company increased from LKR 2.1 billion to LKR 2.5 billion as at end of the financial year under review, resulting a 15% 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 2022, the Company has complied with the regulatory requirement by recording a TAC of LKR 1,188.6 million and a CAR of 196%.

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. Corporate Governance Framework for Insurers – Revised
2. Restriction on Providing Codes & Restriction on Changing Codes

Outlook into the future

Sri Lanka is going through a series of events that has changed our assumptions on business environment significantly. These events commenced from the Easter attack in 2019 then to COVID in 2020 to 2021 and the economic crisis in 2022. All these combined with the social & economic crisis created a significant impact and challenges to our business, however we made several realignments to counter these during the year in order to achieve our targets set for the year.

As the country took desperate measures to counter all these challenges, and secure an extend fund facility from the International Monetary Fund (IMF) which is lending USD 3 billion in 4 trenches to help the country recover. As a result of this and renewed confidence, we see positive signs of gradual recovery. Timely progress on debt restructure and much-needed reforms, together with implementation of measures under the IMF program, would be essential.

The International Monetary Fund's (IMF) bail out gave the nation a ray of hope to all its citizens and helped build confidence levels in the business community, lenders, foreign countries as well as lending and rating agencies.

According to the government, its objective is to transform the country into a fully developed nation on the global stage by 2048. This is encouraging to note, and the Company too is investing on much needed technological and branch infrastructure to be ready to reap the benefits as the country recovers gradually.

Looking back at all these challenges we as a Company are proud to note that we have successfully overcome all these adversities and recorded an excellent performance by recording above the industry growth of 13.2% YoY opposed to industry growth of 12.4%. The Company's brand promise of "Creating positive customer experiences" greatly contributed towards this success as we strive to sustain our service first culture.

These outstanding achievements were possible as the company and its employees lived the Company's core values of Respect, Integrity, Collaboration & Excellence, known in short through the acronym "RICE". These values are enshrined in every transaction processed by delivering "a predictable customer service" that enabled consistent positive experiences for our customers and partners throughout the company and its distribution network across the country.

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.

2023, “Trust, Reliability, Excellence”

The Company commenced the year 2023 under the theme “Trust, Reliability, Excellence”, which is in line with creating positive customer experiences. The Company strongly believes and thrives to differentiate it from the rest of the competition in terms of service excellence which is its unique selling proposition. The steady growth of the Company and resilience in turbulent times was mainly due to customer loyalty it has earned over the years as a result of its service first culture, quality of staff, and ease of doing business philosophy.

It is expected that the year 2023 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.

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' Stable (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 30 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 33 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

	2022 LKR Mn	2021 LKR Mn	Change %
RESULTS FOR THE YEAR			
Gross Written Premium	2,455.5	2,168.9	13%
Investment and Other Income	453.0	171.5	164%
Profit Before Tax	243.5	183.9	32%
Profit After Tax	158.8	136.9	16%
Basic Earnings Per Share (LKR)	19.25	16.59	16%
Retention Ratio (%)	77.1	82.5	-7%
Loss Ratio (%)	60.9	54.1	13%
Combined Ratio (%)	105.2	96.0	10%
FINANCIAL POSITION AT YEAR END			
Total Assets	3,866.7	3,194.6	21%
Equity	1,311.7	1,154.1	14%
Investments	2,467.8	2,141.2	15%
STATUTORY REQUIREMENTS			
Capital Adequacy Ratio (CAR) %	196.0	272.0	-28%
Total Available Capital (TAC)	1,188.6	1,060.4	12%

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 2022 to the shareholders of the Company.

This Report was approved by the Board of Directors on 20th June 2023.

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

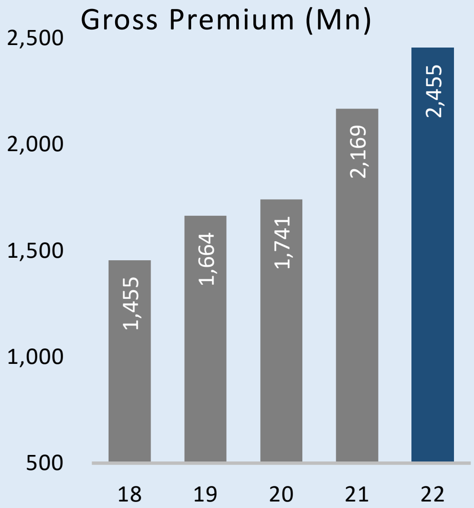
Our remuneration policy is designed to attract, reward, recognize, motivate and compensate employees for their services to Al-Futtaim's success in line with market practice. A key feature of our remuneration policy is recognizing and rewarding our employees in order to help drive performance. To do this, 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 13.2% despite negative sentiment in the market.

Year 2022 was a challenging year for the Company as external market conditions were dampened compared to previous year. However, the Company was able to meet and beat the performance indicators set out for the year under review.

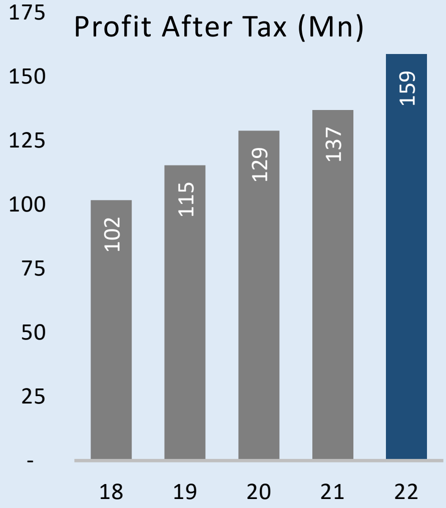


The Company record a steady growth in Gross Written Premiums (GWP) and Profitability. The Gross Written Premiums increased by 13.2%, from LKR 2.17 billion in 2021 to LKR 2.45 billion in 2022.

The growth in Motor premiums slowed down due to the continuation of import restrictions introduced by the government to curtail foreign exchange outflow.

The Company increased the share of Non-Motor business to counter the impact of lower Motor insurance premiums. However, motor premiums grew by 6.4% while the Non-Motor premiums grew by 35.7%.

Premium ceded to reinsurers amounted to 22.9% of the gross premiums in 2022, compared with 17.5% reported in 2021. This was due to increase volumes in Non-Motor premiums, where reinsurance outgo is high.



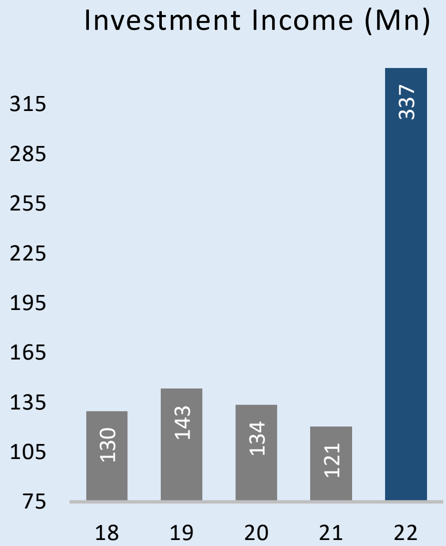
Net Earned Premium increased by 12.6%, from LKR 1.60 million in 2021 to LKR 1.80 million in 2022.

Underwriting and net acquisition costs increased marginally by 2%, from LKR 169.3 million in 2021 to LKR 172.0 million in 2022.

The claims incurred increased by 26.8% in comparison with same period last year. The net claims incurred increased from LKR 865.9 million in 2021 to LKR 1,098.0 million in 2022, 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 after a three-year period to 105.2% in 2022. The main contributor for the increase in combined ratio was due to the direct impact of the sudden external shocks due to peak inflation and currency depreciation.

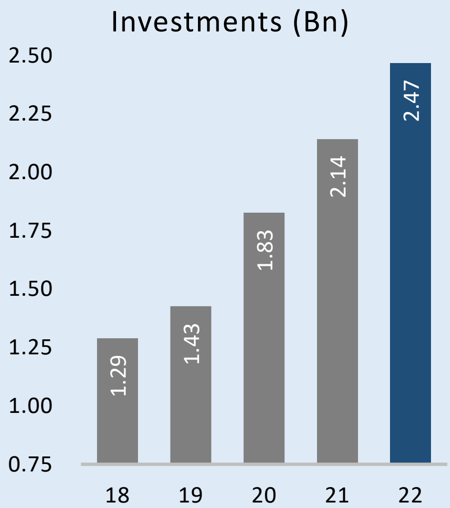
Underwriting results were affected due to high claims and higher administrative costs.



Interest rates rose sharply the company earned an investment income of LKR 337 million for the year 2022 compared to LKR 121 million in 2021 (179% 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 32%, from LKR 183.9 million in 2021 to LKR 243.5 million in 2022, while the Profit after tax increased by 16%, from LKR 136.9 million in 2021 to LKR 158.8 million in 2022.

The other comprehensive income increased by 14%, from LKR 137.8 million in 2021 to LKR 157.6 million in 2022.

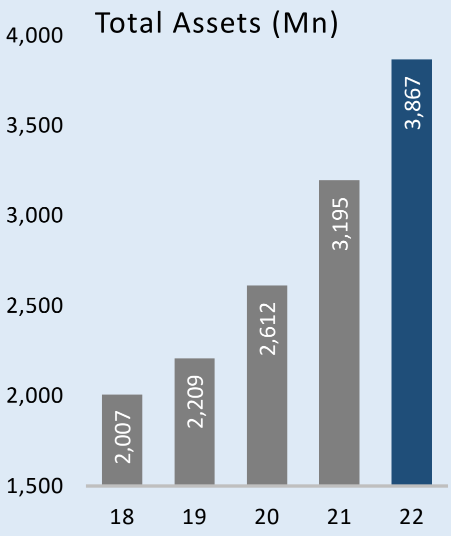


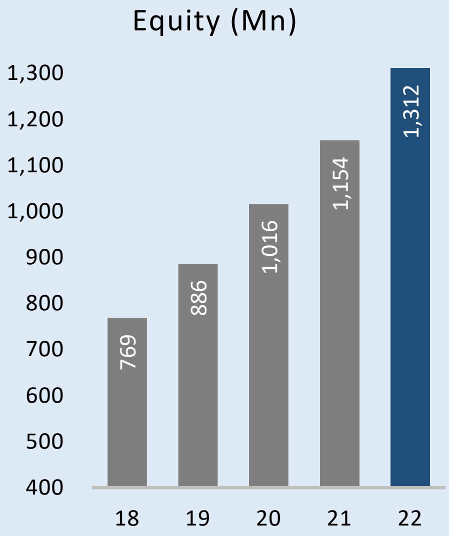
The investment portfolio includes government securities, bank deposits and corporate debts. The investments increased by 15%, from LKR 2.14 billion in 2021 to LKR 2.47 billion in 2022.

Investments in government debt securities amounted to LKR 939.2 million representing 38% (2021 LKR 1,112.9 million, 52%) of the total investments.

The Total Assets increased to LKR 3.9 billion in 2022, when compared to LKR 3.2 billion recorded in 2021, reflecting a 21% growth.

Improved profitability resulted in equity increasing from LKR 1,154.1 million in 2021 to LKR 1,311.7 million in 2022. This is an excellent achievement, considering the very competitive market environment.





Key Financial Highlights

In LKR Mn	*2018*	*2019*	*2020*	*2021*	*2022*	*Growth 22 vs 21*	*CAGR*
Gross Written Premium	1,455	1,664	1,741	2,169	2,455	13%	14%
Net Earned Premium	1,187	1,354	1,355	1,601	1,803	13%	11%
Total Benefits, Claims and Expenses	742	808	704	866	1,098	27%	10%
Investment and Other Income	130	143	134	121	337	179%	27%
Profit Before Tax	95	169	186	184	243	32%	27%
Profit After Tax	102	115	129	137	159	16%	12%
Total Comprehensive Income	100	117	130	138	158	14%	12%

Share Capital

The Stated Capital of the Company was LKR 825,000,000/- as at 31st December 2022, 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's 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 it's 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 2022

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 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 Vice President - Operation Control attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Vice President - Operation Control serves as the Secretary of the Investment 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 March 2022. 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 by the Audit Committee.

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 2022 was approved by the committee members during the Audit committee meeting held on 31st March 2022.

External Audit

The Committee reviewed the External audit report for the year 2021 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 2021 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 2022 and therefore, is in compliance with the above-mentioned statutory requirement. Total net assets of the Company amounted to LKR 1,312 million (2021 – LKR 1,154 million) as at the reporting date of 31st December 2022.

Appointment of Auditors

Consequent to the change of Auditors of the parent company, Orient Insurance PJSC, a Resolution proposing to change the current auditors, KPMG and appoint Ernst & Young as the auditors of the Company for the financial year 2023 and authorize 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: 15th May 2023

ORIENT INSURANCE LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Twelfth ANNUAL GENERAL MEETING** of **ORIENT INSURANCE LIMITED** ("the Company") will be held on 20th June 2023 commencing at 12.00 p.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 2022 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 2023 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, 25th May 2023

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 PROXYDD

I/We .... of...being a member of Orient Insurance Limited, hereby appoint ....(holder 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 20th June 2023 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 2022 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 2022

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

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 ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on page 03 to 62.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements 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 Information

Our opinion on the financial statements does not cover any other information and we will not express any form of assurance conclusion thereon. Management is responsible for the other information. These financial statements do not include any other information.

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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA
W.J.C. Perera FCA
W.K.D.C Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K.Sumanasekara FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyard FCMA (UK), FTII

KPMG

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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

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.

Further, as required by section 47(2) of the Regulations 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 IRCSL give true and fair view of the financial position.

KPMG

Colombo, Sri Lanka
28 February 2023

For the year ended 31 December,	Note	2022 Dec Rs. ' 000	2021 Dec Rs. ' 000
Gross Written Premium	7	2,455,485	2,168,884
Change in Reserve for Unearned Premium		(153,192)	(245,251)
Gross Earned Premium		**2,302,293**	**1,923,633**
Premiums Ceded to Reinsurers	8	(563,313)	(378,680)
Change in Reserve for Unearned Reinsurance Premium		64,142	56,355
Net Earned Premium	9	**1,803,122**	**1,601,308**
Other Revenue			
Net Investment Income	10	336,985	120,583
Other Operating Income	11	116,030	50,957
Total Other Revenue		**453,015**	**171,540**
Total Net Revenue		**2,256,137**	**1,772,848**
Net Benefits, Claims and Expenses			
Net Insurance Benefits and Claims	12	1,098,018	865,895
Underwriting and Net Acquisition Cost	13	172,024	169,305
Other Operating and Administrative Expenses	14	674,654	508,648
Depreciation and amortisation		45,164	41,259
Net finance (income) / expenses	15	22,798	3,803
Total Benefits, Claims and Expenses		**2,012,658**	**1,588,910**
Profit Before Taxation	16	243,479	183,938
Income Tax Expense	17	(84,702)	(47,041)
Profit for the year		**158,777**	**136,897**
Earnings per share			
Basic Earnings per share (Rs)	18	**19.25**	**16.59**

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

KPMG ★ Chartered Accountants ★

ORIENT INSURANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Profit for the year		158,777	136,897
Other Comprehensive Income			
Items that will never be reclassified to profit or loss			
Actuarial Gain/(Loss) on defined benefit plan	32.2	(1,703)	1,211
Related Tax	26.1	511	(291)
		(1,192)	920
Other comprehensive income for the year, net of tax		(1,192)	920
Total comprehensive income		**157,585**	**137,817**

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

KPMG Chartered Accountants

ORIENT INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December,	Note	2022 Dec Rs. ' 000	2021 Dec Rs. ' 000
Financial Investments	19	2,399,546	1,465,879
Property Plant and Equipment	20	134,237	138,713
Intangible Assets	21	10,581	5,545
Reinsurance Receivables	22	323,062	132,816
Premium Receivables	23	691,580	599,503
Receivables and Other Assets	24	14,172	12,415
Deferred acquisition cost	25	157,815	138,783
Deferred Tax Assets	26	20,591	2,845
Cash and Cash Equivalents	27	115,089	698,104
Total Assets		**3,866,673**	**3,194,603**
Equity and Liabilities			
Equity			
Stated Capital	28	825,000	825,000
Retained Earnings		486,722	329,137
Total Equity		**1,311,722**	**1,154,137**
Liabilities			
Insurance Contract Liabilities	29	1,715,947	1,499,160
Reinsurance Payable	30	201,602	106,739
Deferred Revenue	31	40,020	32,493
Employee Benefits	32	27,369	19,307
Other Liabilities	33	296,275	227,976
Lease Liabilities	34	93,980	100,249
Current Tax Liabilities	35	71,825	32,121
Amount due to related parties	36	107,933	22,421
Total Liabilities		**2,554,951**	**2,040,466**
Total Equity and Liabilities		**3,866,673**	**3,194,603**

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.

....
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
Chairman

....
Tanuj Edward
Director

28 February 2023
Colombo

KPMG Chartered Accountants

ORIENT INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022,

	Stated capital Rs. ' 000	Retained earnings Rs. ' 000	Total Rs. ' 000
Balance as at 1 January 2021	825,000	191,320.00	1,016,320
Profit for the year	-	136,897	136,897
Other comprehensive income for the year, net of tax			
Actual Gain/(Loss) on retirement benefit obligation	-	920	920
Net change in available for sale financial assets	-	-	-
Total other comprehensive income	-	**920**	**920**
Total comprehensive income for the year	-	**137,817**	**137,817**
Balance as at 31 December 2021	**825,000**	**329,137**	**1,154,137**
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**

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

KPMG * Chartered Accountants *

ORIENT INSURANCE LIMITED
STATEMENT OF CASH FLOWS

For the year ended,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Profit before tax		243,479	183,938
Adjustment for:			
Depreciation and amortisation	20,21	45,164	41,259
Provision/(reversal) of impairment of premium receivable	23.2	8,000	8,500
Provision for employee benefits	32	7,122	5,261
Interest on lease liability	34	10,551	7,177
Fair Value adjustment on Refundable deposit		(834)	(1,016)
Loss on Assets write-off		-	7
Profit before working capital changes		**313,482**	**245,126**
Net change in operational assets			
Net change in reinsurance assets		(190,246)	(49,513)
Net change in premium receivables		(100,077)	(156,559)
Net change in accrued interest		(311,797)	(117,688)
Net change in receivables and other assets		(3,450)	(2,005)
Net change in operational liabilities			
Net change in other liabilities		56,794	37,009
Net change in insurance contract liabilities		216,788	283,226
Net change in related party payables		85,512	(4,676)
Net change in reinsurance payables		94,863	53,633
Cash generated in operating activities		**161,869**	**288,553**
Gratuity paid	32	(763)	(3,380)
Income tax self assesment payments		(62,233)	(39,592)
Net cash from operating activities		**98,873**	**245,581**
Cash flows from investing activities			
Acquisition of investments	19. 1 (b)	(5,349,819)	(2,570,141)
Maturity proceeds of investments	19. 1 (b)	4,727,949	3,049,569
Acquisition of intangible assets	21	(6,875)	(2,938)
Acquisition of property, plant and equipment	20	(20,265)	(25,419)
Net cash used in investing activities		**(649,010)**	**451,071**
Cash flows from financing activities			
Repayment of lease liabilities	34.3	(32,877)	(30,806)
Net cash used in financing activities		**(32,877)**	**(30,806)**
Net (decrease)/ increase in cash and cash equivalents		(583,014)	665,846
Cash and cash equivalents as at 1 January		698,104	32,258
Cash and cash equivalents as at 31 December		**115,090**	**698,104**

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

KPMG Chartered Accountants

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 2022 is 282 (2021 – 247).

1.5 Approval of Financial Statements

The Financial Statements of Orient Insurance Limited for the year ended 31st December 2022, were authorised for issue by the Board of Directors on 28th February 2023.

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.

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.

KPMG Chartered Accountants

-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 2025 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 2022 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.

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.

KPMG Chartered Acco...

2 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.

3 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

4 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.

KPMG Chartered Accountants

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 1/24 basis except for the travel policies which are computed on a 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.

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 1/24 basis except for the travel policies which are computed on a 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.

KPMG Chartered Accountants

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.

KPMG Chartered Accountants

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.

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.

KPMG Chartered Accountants

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.

KPMG Chartered Accountants

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 losses 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.

KPMG Chartered Accountants

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.

KPMG Chartered Accountants

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.

KPMG
Chartered Accountants

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.

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.

KPMG * Chartered Accountants *

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 lease period

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.

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.

KPMG Chartered Accountants

KPMG Chartered Accountants

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.

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 by an independent external Actuary on quarterly basis.

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/ 24 basis except for travel class which is subject to 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.

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 independent external actuary 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.

KPMG Chartered Accountants

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.

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:

KPMG Chartered Accountants

- 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.

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.

KPMG Chartered Accountants

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, favourable and unfavourable, 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.

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 2025.

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.

KPMG Chartered Accountants

	31 Dec 22 (Rs'000)	31 Dec 21 (Rs'000)
Insurance contract liabilities	1,715,947	1,499,160
Reinsurance Payable	201,602	106,739
Deferred commission income	40,020	32,493
Liabilities connected with insurance contracts	**1,957,569**	**1,638,392**
Total liabilities	**2,554,951**	**2,040,466**
Predominance ratio	**77%**	**80%**

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 2025.

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.

KPMG Chartered Accountants

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	1,498,588	Amortized Cost	1,498,588	-
Repo	L&R	870,916	Amortized Cost	870,916	-
Debentures	L&R	30,042	Amortized Cost	30,042	-

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.

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

KPMG Chartered Accountants

- 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 2025.

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.

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.

KPMG Chartered Accountants

KPMG
Chartered Accountants

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.

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.

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.

KPMG Chartered Accountants

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.

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 insurance finance 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 2025. 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.

KPMG Chartered Accountants

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.

6.3 Other new accounting pronouncements

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to LKAS 8)
- Deferred tax related to Assets and liabilities arising from a single transaction (Amendments to LKAS 12)

KPMG Chartered Accountants

For the year ended 31 December 2022,

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,	2022 Rs. ' 000	2021 Rs. ' 000
Fire	254,411	164,660
Motor	1,773,180	1,666,172
Marine	19,910	17,915
Casualty	237,186	110,013
Engineering	87,478	75,185
Medical	83,320	134,939
	2,455,485	**2,168,884**

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,	2022 Rs. ' 000	2021 Rs. ' 000
Fire	212,897	146,416
Motor	89,630	74,329
Marine	13,863	12,428
Casualty	168,307	78,062
Engineering	78,616	67,445
	563,313	**378,680**

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	2022 Rs. ' 000	2021 Rs. ' 000
Gross written premium	7	2,455,485	2,168,884
Premium ceded to reinsurers	8	(563,313)	(378,680)
Total net written premium		**1,892,172**	**1,790,204**
Change in reserve for unearned premium	9.1	(153,192)	(245,251)
Change in reserve for unearned reinsurance premium	9.2	64,142	56,355
Net change in reserve for unearned premium		**(89,050)**	**(188,896)**
Net Earned Premium		**1,803,122**	**1,601,308**

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.

KPMG Chartered Accountants

For the year ended 31 December 2022,

10 NET INVESTMENT INCOME

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Interest income	10.1	336,985	120,583
Total net investment income		**336,985**	**120,583**

10.1 Interest income

Interest Income from Financial Investments - Loans and Receivables		
- Term Deposits	173,688	75,397
- Reverse REPO	110,510	43,346
- Corporate debts	2,292	1,840
- Treasury Bill	37,614	-
- Tresury Bond	12,881	-
	336,985	**120,583**

11 OTHER OPERATING INCOME

For the year ended 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Policy administration fee	101,923	49,107
Miscellaneous income	14,107	1,850
Total other income	**116,030**	**50,957**

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	2022 Rs. ' 000	2021 Rs. ' 000
Gross benefits and claims paid		1,262,561	879,141
Claims ceded to reinsurers		(116,866)	(55,727)
Net insurance benefits and claims paid	12.1	**1,145,695**	**823,414**
Gross change in liabilities	29.1	127,737	94,330
Change in liabilities ceded to reinsurers	29.1	(175,414)	(51,849)
Total net benefits and claims	12.2	**1,098,018**	**865,895**

KPMG Chartered Accountants

12.1 Net insurance benefits and claims paid

For the year ended 31 December,	2022			2021		
Rs. ' 000	**Gross claims paid**	**Claims recovered from reinsurers**	**Net claims paid**	**Gross claims paid**	**Claims recovered from reinsurers**	**Net claims paid**
Fire	84,271	78,097	6,174	37,569	35,911	1,658
Motor	1,054,348	8,198	1,046,150	725,457	7,279	718,178
Marine	13,147	11,109	2,038	4,858	1,873	2,985
Casualty	21,614	13,935	7,679	9,862	4,957	4,905
Engineering	6,642	5,527	1,115	7,736	5,707	2,029
Medical	87,001	-	87,001	97,839	-	97,839
	1,267,023	**116,866**	**1,150,157**	**883,321**	**55,727**	**827,594**
Recoveries from sale of salvage	(4,462)	-	(4,462)	(4,180)	-	(4,180)
	1,262,561	**116,866**	**1,145,695**	**879,141**	**55,727**	**823,414**

For the year ended 31 December 2022,

12 NET BENEFITS AND CLAIMS (Contd.)

12.2 Total net benefits and claims

For the year ended 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Gross claims incurred	1,390,298	973,471
Reinsurance recoveries	(292,280)	(107,576)
	1,098,018	**865,895**

13 UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)

For the year ended 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Acquisition cost	294,495	252,706
Net change in reserve for deferred acquisition cost (DAC)	(19,032)	(25,204)
	275,463	**227,502**
Reinsurance commission income	110,966	70,720
Net change in reserve for unearned commission (UER)	(7,527)	(12,523)
	103,439	**58,197**
Total underwriting and net acquisition costs	**172,024**	**169,305**

14 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Employee benefits expenses	14.1	347,525	285,194
Administration and establishment expenses		252,773	183,326
Selling expenses		74,356	40,128
Total other operating and administrative expenses		**674,654**	**508,648**
14.1 Employee benefits expenses			
Staff remuneration		309,423	254,677
Defined contribution plan cost - EPF	32.1	21,662	17,320
Defined contribution plan cost - ETF	32.1	5,415	4,330
Defined benefit plan cost	32.2	7,122	5,261
Staff welfare		1,596	1,611
Training expenses		2,307	1,995
		347,525	**285,194**

15 NET FINANCE (INCOME) / EXPENSES

	2022	2021
Interest expense - Leases	10,551	7,177
Realized exchange gain	(32,718)	(3,374)
Unrealized exchange loss	44,965	-
	22,798	**3,803**

16 PROFIT BEFORE TAX

Profit for the year is stated after charging:

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Auditors remuneration			
Audit & audit related services		1,140	945
Non audit related services		410	368
Defined contribution plan cost - EPF	14.1	21,662	17,320
Defined contribution plan cost - ETF	14.1	5,415	4,330
Defined benefit plan cost	14.1	7,122	5,261
Provision for impairment of premium receivable	23.2	8,000	8,500
Data processing expenses		53,798	43,441

KPMG Chartered Accountants

For the year ended 31 December 2022,

17 INCOME TAX EXPENSE

17.1 Amount recognised in profit or loss

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Current tax expense			
Current tax expense for the year		104,444	52,880
Over provision adjustment from prior year		(2,507)	(6,701)
Total current tax expense	17.2	101,937	46,179
Deferred tax expense			
Reversal/(Origination) of deferred tax assets	26.1	(16,557)	294
Origination/(Reversal) of deferred tax liabilities	26.1	(679)	568
Net Deferred tax reversal		(17,236)	862
Income Tax Expense		**84,702**	**47,041**

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. I st 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.

17.2 Reconciliation of effective Tax rate

	Tax rate	2022 Rs. ' 000	2021 Rs. ' 000
Accounting profit before tax from continuing operations		243,479	183,938
At the statutory income tax rate of 24% (2021 :24%)	9%	21,177	44,145
At the statutory income tax rate of 30% (2021 :24%)	19%	46,571	-
Exempt Income	-39%	(95,248)	(28,940)
Aggregated disallowable expenses	24%	59,220	24,518
Aggregated allowable expenses	-9%	(21,667)	(15,783)
Investment Income	39%	94,391	28,940
Over provision adjustment from prior year	-1%	(2,507)	(6,701)
Current Tax Expenses	**42%**	**101,937**	**46,179**

17.3 Amount recognised in OCI

Remeasurement of defined benefit liability	511	(291)
	511	**(291)**

KPMG Chartered Accountants

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.

For the year ended 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Profit for the period attributable to the owners of the Company	158,777	136,897
Weighted average number of ordinary shares	8,250	8,250
Basic Earnings Per Share (Rs.)	**19.25**	**16.59**

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

As at 31 December 2022,

19 FINANCIAL INVESTMENTS

The following provides details of how insurance funds have been invested. The majority of the Company's investments, i.e. 62% are in Bank deposits with Banks and Financial Institutions and Finance Companies. Government securities and Corporate debts are account for a further 38% of investments.

As at 31 December 2022,

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

19 FINANCIAL INVESTMENTS (Contd.)

	Note	2022 Carrying Value Rs. ' 000	2022 Fair Value Rs. ' 000	2021 Carrying Value Rs. ' 000	2021 Fair Value Rs. ' 000
Loans and receivables (L&R)	19.1	2,399,546	2,399,546	1,465,879	1,465,879
Total financial investments		**2,399,546**	**2,399,546**	**1,465,879**	**1,465,879**

19.1 Loans and receivables (L&R)

	Note	2022 Rs. '000	2021 Rs. '000
Bank deposit			
- Licensed Commercial Banks		1,141,544	789,042
- Licensed Finance Companies		357,044	212,437
Reverse repurchase agreements		870,916	437,560
Corporate debts		30,042	26,840
	19.1 (a)	**2,399,546**	**1,465,879**

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

	2022 Rs. '000	2021 Rs. '000
As at 01 January	**1,465,879**	**1,827,619**
Purchases during the year	5,349,819	2,570,141
Maturities during the year	(4,727,949)	(3,049,569)
Net change in accrued interest	311,797	117,688
As at 31 December	**2,399,546**	**1,465,879**

KPMG Chartered Accountants

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 2021	11,149	23,181	34,541	22,660	91,531
Additions during the year	2,238	4,245	18,936	-	25,419
Write off during the year	-	-	(2,950)	-	(2,950)
Balance as at 31 December 2021	**13,387**	**27,426**	**50,527**	**22,660**	**114,000**
Balance as at 31 January 2022	13,387	27,426	50,527	22,660	114,000
Additions during the year	3,960	4,904	11,401	-	20,265
Write off during the year	-	-	-	-	-
Balance as at 31 December 2022	**17,347**	**32,330**	**61,928**	**22,660**	**134,265**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2021	7,973	14,033	26,395	22,039	70,440
Depreciation for the year	1,762	2,590	7,821	605	12,778
Write off during the year		-	(2,943)	-	(2,943)
Balance as at 31 December 2021	**9,735**	**16,623**	**31,273**	**22,644**	**80,275**
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**
Carrying value					
As at 31 December 2022	**5,605**	**12,908**	**20,292**	-	**38,805**
As at 31 December 2021	**3,652**	**10,803**	**19,254**	**16**	**33,725**

As at 31 December 2022,

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. (2021-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	
	2022	**2021**
	Rs. '000	**Rs. '000**
Balance as at 1 January	104,988	25,166
Additions from entering to new lease agreements	18,050	107,266
Depreciation charge for the year	(27,606)	(27,444)
Balance as at 31 December	**95,432**	**104,988**

20.2.1 Depreciation charge for the year is Rs.43.3 million which includes Rs.27.6 million of depreciation relating to Right of Use Assest and 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

	2022	**2021**
	Rs. '000	**Rs. '000**
Property, plant and equipment owned (Note 20.1)	38,805	33,725
Right-of-use assets (Note 20.2)	95,432	104,988
	134,237	**138,713**

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. 20.3 million (2021 - 25.4 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 2022. 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,	**2022**	**2021**
	Rs. ' 000	**Rs. ' 000**
Computer equipment	27,308	20,044
Office equipment	7,929	5,454
Furniture and fittings	10,257	9,785
Motor Vehicle	22,660	22,427
Total	**68,154**	**57,710**

KPMG Chartered Accountants

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

As at 31 December 2022,

21 INTANGIBLE ASSETS

As at 31 December,	2022 Rs. '000	2021 Rs. '000
Computer software		
Cost		
Balance as at 1 January	31,059	28,121
Additions	6,875	2,938
Balance as at 31 December	**37,934**	**31,059**
Accumulated amortisation and impairment losses		
Balance as at 1 January	25,514	24,477
Amortisation	1,839	1,037
Balance as at 31 December	**27,353**	**25,514**
Carrying amount as at 31 December	**10,581**	**5,545**

KPMG * Chartered Accountants *

21.1 Acquisition of intangible assets during the year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 6.8 million (2021 - 2.9 million) and company paid 4.8Mn in cash.

21.2 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. 22.7 million (2021 - Rs. 22.6 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 2022. 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. (2021 - Nil)

22 REINSURANCE RECIEVABLE

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Reinsurance receivable on outstanding claims	22.1	249,629	91,750
Incurred But Not Reported (IBNR) - Reinsurance		56,950	39,415
		306,579	131,165
Reinsurance receivable on settled claims	22.2	16,483	1,651
Total reinsurance receivables		**323,062**	**132,816**

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 recievable 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 recievable balances as at the reporting date are classified as reinsurance recievebles on settled claims.

Following breakup shows the gross recievable and payable compenents,

	2022 Rs. '000	2021 Rs. '000
Gross receivable balance	353,561	140,338
Gross payable balance	(30,499)	(7,522)
	323,062	132,816

22.3 Impairment of reinsurance receivables

As at 31 December 2022, there were no impairment loss recorded for reinsurance receivables.

As at 31 December 2022,

23 PREMIUM RECIEVABLE

As at 31 December,	Note	2022 Rs. '000	2021 Rs. '000
Premium Receivables	23.1	724,219	624,142
Less - Impairment of premium receivables	23.2	(32,639)	(24,639)
		691,580	**599,503**

23.1 Premium receivable from

Leasing agents	23.1.1	262,778	237,544
Brokers	23.1.1	293,429	254,822
Travel agents	23.1.1	30,376	16,941
Other	23.1.2	137,636	114,835
		724,219	**624,142**

23.1.1 Premium receivable balances for leasing agents, brokers and travel agents are accounted on a net basis of agent wise gross premium recievable 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 recievable balances as at the reporting date are classified as premium recievable.

Following breakup shows the gross recievable and payable compenent of each type of agent,

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

As at 31 December 2021,	Receivables portion	Payable portion	Net
Leasing agents	248,537	(10,993)	237,544
Brokers	271,864	(17,042)	254,822
Travel Agent	19,221	(2,280)	16,941

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

Balance as at 1 January	24,639	16,139
Provision during the year	8,000	8,500
Balance as at 31 December	**32,639**	**24,639**

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.

KPMG Chartered Accountants

As at 31 December 2022,

24 RECEIVABLES AND OTHER ASSETS

As at 31 December,	Note	2022 Rs. '000	2021 Rs. '000
Financial assets			
Refundable deposits		8,761	7,637
		8,761	**7,637**
Non financial assets			
Prepayments		5,378	2,257
Other receivables		33	2,521
		5,411	**4,778**
Total receivables and other assets		**14,172**	**12,415**

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

25 DEFERRED ACQUISITION COST (DAC)

	Note	2022 Rs. ' 000	2021 Rs. ' 000
Balance as at 1 January		138,783	113,579
Acquisition cost during the Year	13	294,495	252.706
Amortisation for the Year		(275,463)	(227,502)
Balance as at 31 December		**157,815**	**138,783**

26 DEFERRED TAX

As at 31 December,		2022 Rs. ' 000	2021 Rs. ' 000
Deferred tax liabilities	26.2	(1,109)	(1,788)
Deferred tax assets	26.3	21,700	4,633
Net deferred tax asset		**20,591**	**2,845**

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

	2022	2021
Deferred tax liabilities		
Balance at the beginning of the year	1,788	1,220
Recognised in profit or loss		
Originated/ (Reversed) during the year - Recognised in Profit or Loss	(1,126)	742
Effect of change in tax rates (Note 26.4)	447	(174)
Total amount originated/ (Reversed) during the year in profit or loss	(679)	568
Balance at the end of the year	**1,109**	**1,788**
Deferred tax assets		
Balance at the beginning of the year	4,633	5,218
Recognised in profit or loss		
Originated during the year - Recognised in Profit or Loss	15.398	451
Effect of change in tax rates	1,159	(745)
Total amount (Reversed)/ originated during the year in profit or loss	16,557	(294)
Recognised in OCI		
Actuarial Gain/(Loss)	511	(291)
Balance at the end of the year	**21,700**	**4,633**

KPMG Chartered Accountants

As at 31 December 2022,

26 DEFERRED TAX (Contd.)

As at 31 December,	2022		2021	
Rs. ' 000	Temporary difference	Tax effect	Temporary difference	Tax effect
26.2 Deferred tax liabilities				
Right of use asset	95,432	28,630	104,988	25,197
Lease liability	(93,980)	(28,194)	(100,249)	(24,060)
Property, plant and equipment	2,246	673	2,712	651
	3,698	**1,109**	**7,451**	**1,788**
26.3 Deferred tax assets				
Employee benefits	25,666	7,700	20,518	4,924
Actuarial gain	1,703	511	(1,211)	(291)
Forex Translation Gain/(Loss)	44,965	13,490		
	72,334	**21,700**	**19,307**	**4,633**
Net deferred tax liabilities	**68,636**	**20,591**	**11,856**	**2,845**
Tax rate		**30%**		**24%**

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

As at 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Cash and cash equivalents			
Cash at bank		46,286	22,390
Cash in hand		569	356
Short term investments	27.1	68,234	675,358
Total cash and cash equivalents		**115,089**	**698,104**

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

	2022		2021	
	Number of shares	Rs. '000	Number of shares	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.

KPMG Chartered Accountants

As at 31 December 2022,

29 INSURANCE CONTRACT LIABILITIES

As at 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Outstanding claims provision (Gross)	29.2	633,425	505,688
Provision for unearned premiums (Net)	29.3	1,082,522	993,472
		1,715,947	**1,499,160**

29.1 Movement in insurance contract liabilities

The Company enters into reinsurance agreements in order to mitigate insurance risks as outlined in Note 37.1.6 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	2022 Insurance Contract Liabilities	2022 Re insurance	2022 Net	2021 Insurance Contract Liabilities	2021 Re insurance	2021 Net
Provision for reported claims		507,169	(249,629)	257,540	412,103	(91,750)	320,353
Incurred But Not Reported (IBNR)		126,256	(56,950)	69,306	93,585	(39,415)	54,170
Outstanding claims provisioı	29.2	**633,425**	**(306,579)**	**326,846**	**505,688**	**(131,165)**	**374,523**
Provision for unearned premiums	29.3	1,313,885	(231,363)	1,082,522	1,160,693	(167,221)	993,472
Total		**1,947,310**	**(537,942)**	**1,409,368**	**1,666,381**	**(298,386)**	**1,367,995**

29.2 Outstanding claims provision

The movement in the outstanding claims provision is as follows;

As at 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Provision for reported claims		
Balance as at 1 January	320,353	291,341
Claims incurred during the year	1,082,882	852,426
Claims paid during the year	(1,145,695)	(823,414)
Balance as at 31 December	**257,540**	**320,353**
Incurred But not reported (IBNR)		
Balance as at 1 January	54,170	40,701
Increase/(decrease) in IBNR	15,136	13,469
Balance as at 31 December	**69,306**	**54,170**
	326,846	**374,523**

KPMG Chartered Accountants

29.2.1 Valuation of IBNR

The Incurred but not reported claims has been actuarially computed by Mr. Shariq Sikander, FSA, CERA, for and on behalf of SHMA Consulting DMCC (Dubai). The Valuation of IBNR was certified on 08 February 2023 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 2022, but covering periods after 31 December 2022.

As at 31st December, Rs. ' 000	2022 Unearned Premiums	2022 Re insurance	2022 Net	2021 Unearned Premiums	2021 Re insurance	2021 Net
Balance as at 1 January	1,160,693	167,221	993,472	915,442	110,866	804,576
Premiums written in the year	2,455,485	563,313	1,892,172	2,168,884	378,680	1,790,204
Premiums earned during the year	(2,302,293)	(499,171)	(1,803,122)	(1,923,633)	(322,325)	(1,601,308)
Balance as at 31 December	**1,313,885**	**231,363**	**1,082,522**	**1,160,693**	**167,221**	**993,472**

As at 31 December 2022,

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. Shariq Sikander, FSA, CERA, for and on behalf of SHMA Consulting DMCC (Dubai) as at 31 December 2022 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 Consultant Actuary's report, the Company adequately satisfies the LAT as at 31 December 2022. No additional provision was required against the LAT as at 31 December 2022.

29.5 Technical reserves

As at 31 December	Note	2022 Rs. ' 000	2021 Rs. ' 000
Insurance contract liabilities	29	1,715,947	1,499,160
Deferred acquisition cost (net)		(117,795)	(106,290)
Reinsurance receivable on outstanding claims (Exclusive of IBNR)	22	(249,629)	(91,750)
Reinsurance receivable on outstanding claims IBNR/ IBNER	22	(56,950)	(39,415)
		1,291,573	**1,261,705**

30 REINSURANCE PAYABLES

As at 31 December ,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Reinsurance Payable	30.1	201,602	106,739
		201,602	**106,739**

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

Following breakup shows the gross payable and recievable compenents,

Gross payable balance	346,396	163,283
Gross receivable balance	(144,794)	(56,545)
	201,602	**106,739**

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	2022 Rs. ' 000	2021 Rs. ' 000
Balance as at 1 January		32,493	19,970
Commission income	13	110,966	70,720
Recognised during the year		(103,439)	(58,197)
		40,020	**32,493**

32 EMPLOYEE BENEFITS

The Company had 282 employees (full-time equivalents) as of 31 December 2022. Personnel and other related costs incurred for the year ended 31 December 2022 was Rs. 347.5 million (2021- Rs. 285 million) which include staff remuneration of Rs. 309 million (2021- 254.6 million) as of 31 December 2022.

KPMG Chartered Accountants

As at 31 December 2022,

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,	2022 Rs. ' 000	2021 Rs. ' 000
Employees' Provident fund (EPF)		
Employer's contribution (12%)	21,662	17,320
Employee's contribution (8%)	14,441	11,547
Employees' trust fund (ETF)		
Employer's contribution (3%)	5,415	4,330

32.2 Movement in present value of gratuity

	2022	2021
Balance as at 1 January	19,307	18,637
Included in profit or loss:		
Interest Cost	1,989	1,356
Current Service Cost	5,133	3,905
	7,122	5,261
Benefits paid		
Benefits paid	(763)	(3,380)
	(763)	(3,380)
Included in Other Comprehensive Income:		
Actuarial Gain/(Loss)	1,703	(1,211)
Present Value Obligation as at 31 December	**27,369**	**19,307**

32.3 Principal actuarial assumptions used

	2022	2021
Discount rate	18.5%	10.5%
Salary increase	15.5%	9%
Retirement Age	60 Years	60 Years
Expected future working life time	2.17 Years	11.17 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 31 January 2023 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		2022		2021	
		Increase	Decrease	Increase	Decrease
Discount rate	1%	(26,829)	28,019	(17,330)	21,643
Future salary growth	1%	28,029	(26,809)	21,654	(17,288)

33 OTHER LIABILITIES

	2022 Rs. ' 000	2021 Rs. ' 000
Other financial liabilities		
Acquisition cost payable	119,284	121,819
Other liabilities	25,367	4,920
	144,651	126,739
Other non financial liabilities		
Government levies	26,843	12,547
Staff related provisions	37,421	30,000
Accruals and provisions	87,360	58,690
	151,624	101,237
	296,275	**227,976**

KPMG
Chartered Accountants

As at 31 December 2022,

34 Lease liabilities

For the year ended 31 December,	Note	2022 Rs. ' 000	2021 Rs. ' 000
Lease liabilities (Note 34.1)		93,980	100,249
		93,980	**100,249**

34.1 Lease liabilities

Balance as at the beginning of the year		100,249	20,945
Additions from entering to new lease agreements		15,523	102,933
Interest expense for the year	15	10,551	7,177
Others		534	
Repayment during the year		(32,877)	(30,806)
Balance at the end of the year		**93,980**	**100,249**

34.1.1 Other adjustments include 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

For the year ended 31 December,	2022 Rs. ' 000	2021 Rs. ' 000
Interest on lease liabilities	10,551	7,177
Depreciation of right-of-use assets	27,606	27,444
	38,157	**34,621**

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.

	2022 Rs. ' 000	2021 Rs. ' 000
Total cash outflow for leases	(32,877)	(17,278)
Cash outflow for leases - Head Office	-	(13,528)
Total cash outflow for leases	(32,877)	(30,806)

35 CURRENT TAX LIABILITIES

	Note	2022 Rs. ' 000	2021 Rs. ' 000
Balance as at the beginning of the year		32,121	62,085
Provision made for the year	17.1	104,444	52,880
Over provision adjustment from prior year	17.1	(2,507)	(6,701)
Refund Claims		(739)	-
Self assesment payments		(61,494)	(39,592)
Set off against liability			
- WHT		-	(36,551)
Balance as at the end of the year		**71,825**	**32,121**

KPMG Chartered Accountants

For the year ended 31 December 2022,

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

	2022 Rs. ' 000	2021 Rs. ' 000
Short term employment benefits	31,829	28,883
Post employment benefits	1,255	973
	33,084	**29,856**

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 2022.

36.4 Transactions with Related Parties

Details of related party transactions are reported below.

Company	Relationship	Nature of the transaction	Transactions during the year		Balance as at 31 December	
			2022 Rs. ' 000	2021 Rs. ' 000	2022 Rs. ' 000	2021 Rs. ' 000
Al Futtaim Group - UAE	Ultimate Parent	Services obtained by the Company	85,511	34,589	(107,932)	(22,421)
		Amount paid to Parent Company	-	(39,265)		
AMW Capital Leasing PLC	Common ultimate parent	Fixed deposits	152,611	(8,140)	346,891	212,437
		Insurance premium due in respect of customer policies	-	-	17,924	26,629
		Insurance premium income in respect of own policies	1,560	1,250	1	-
		Commission expense paid	(18,989)	(20,159)	-	-
Associated Motorways (Pvt) Limited	Common ultimate parent	Insurance premium due in respect of own policies		-	162	475
		Insurance premium income	23,044	20,810	-	-
		Claim expenses paid - Own policies	(12,481)	(4,338)	-	-
		Motor vehicle repair charges paid relating to claims	27,074	(21,114)	-	-
Associated Motor (Lanka) Company Limited	Common ultimate parent	Insurance premium due in respect of own policies	-	-	14	59
		Insurance premium income	-	1,159	-	
		Claim expenses paid	-	(136)	-	
Associated Property Development Private Limited	Common ultimate parent	Insurance premium income	-	376	-	
			258,330	**(34,969)**	**257,060**	**217,179**

KPMG Chartered Accountants

For the year ended 31 December 2022,

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 2022 and 31 December 2021

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.

KPMG
Chartered Accountants

For the year ended 31 December 2022,

37 RISK MANAGEMENT (Cont)

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.

KPMG ★ Chartered Accountants ★

For the year ended 31 December 2022,

37 RISK MANAGEMENT (Cont.)

37.1.5 Asset Liability Management Framework (ALM) (Cont)

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,

Rs. ' 000	2022		
	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**

Rs. ' 000	2021		
	Gross Claim	Reinsurance	Net
Provision for reported claims	412,103	(91,750)	320,353
Incurred But Not Reported (IBNR)	93,585	(39,415)	54,170
Total	**505,688**	**(131,165)**	**374,523**

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

	2022 Rs. ' 000	2021 Rs. ' 000
(+/-) 1% in claims ratio		
Net impact to PBT	(18,031)	(16,013)
Impact to Net Assets	(12,622)	(12,170)

KPMG Chartered Accountants

For the year ended 31 December 2022,

37 RISK MANAGEMENT (Contd.)

37.1.6 Estimation for claim reserve (Contd.)

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

	2022 Rs. ' 000	2021 Rs. ' 000
(+/-) 1% in Change in Net Claim Outstanding		
Net impact to PBT	3,268	3,745
Impact to Net Assets	2,288	2,846

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 2022,

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)					
Cumulaive 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**

As at 31 December 2021,

Rs. ' 000

Accident year	Before 2018 Rs. ' 000	2018 Rs. ' 000	2019 Rs. ' 000	2020 Rs. ' 000	2021 Rs. ' 000	Total Rs. ' 000
At the end of accident year		814,704	847,765	747,652	1,011,305	
One year later		775,713	821,910	679,907		
Two years later		781,408	817,139			
Three years later		782,225				
Four years later	2,399,377					
Current estimate of cumulative claims	2,399,377	782,225	817,139	679,907	1,011,305	
At the end of accident year		(609,013)	(634,604)	(500,958)	(696,626)	
One year later		(761,344)	(784,016)	(659,230)		
Two years later		(765,139)	(798,676)			
Three years later		(769,141)				
Four years later	(2,354,177)					
Cumulaive payments to date	(2,354,177)	(769,141)	(798,676)	(659,230)	(696,626)	
Gross outstanding claims	**45,200**	**13,084**	**18,463**	**20,677**	**314,679**	**412,103**

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

37.1.6 Estimation for claim reserve (Contd.)

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 minimise 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 minimise 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 2022, 81% 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	A+	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+	Fitch
Agora Syndicate 3268	A+	AM Best
New Re - Reinsurance Company	A+	AM Best
Solarelle Insurance Pvt Ltd	BB+	AM Best
Travelers	AA+	AM Best
Amlin	A+	AM Best
Markel	A+	AM Best
Hamilton	A-	AM Best
Inigo	A+	AM Best
Berkshire Hathaway Specialty Insurance Company	AA+	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-	Fitch
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	BB-	AM Best
QBE Re	A+	AM Best
AXA XL	A+	AM Best
Labuan Re	A-	AM Best
Volantes Syndicate	A	AM Best

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

37.1.7 Re insurance risk (Cont)

Reinsurers	Rating	Rating Agency
Swiss Reinsurence Co.	AA	AM Best
Gulf-Re	A	AM Best
ARIG	AA	Fitch
Mapfre Re	A+	AM Best
Scor Global	AA-	AM Best
Echo Re	A-	Fitch
Arch Re	AA-	AM Best
Trust Re	BBB+	AM Best
R+V Versicherung	AA-	Fitch
Generali	A+	AM Best
SCR RE	BBB	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 — **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**	

Rs. ' 000 — **2021**

Class	Gross Written Premium	Reinsurance	Net Written Premium	%
Fire	164,660	146,416	18,244	1%
Motor	1,666,172	74,329	1,591,843	89%
Marine	17,915	12,428	5,487	0%
Casualty	110,013	78,062	31,951	2%
Engineering	75,185	67,445	7,740	0%
Medical	134,939	-	134,939	8%
	2,168,884	**378,680**	**1,790,204**	
Motor / Non Motor Composition				
Motor	1,666,172	74,329	1,591,843	89%
Non Motor	502,712	304,351	198,361	11%
	2,168,884	**378,680**	**1,790,204**	

KPMG ★ Chartered Accountants

KPMG Chartered Accountants

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (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.

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**	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**	
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**	

2021

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Maximum exposure to credit risk	**1,465,878**	**698,104**	**2,163,982**	**100%**
Carrying amount	**1,465,878**	698,104	**2,163,982**	
AAA	-	277	277	0%
AA+ to AA -	299,055	25,216	**324,271**	15%
A+ to A-	676,424	(3,396)	**673,028**	31%
BBB+ to BBB-	52,839	294	**53,133**	2%
CCC	-	-	-	0%
Government guaranteed	437,560	675,358	**1,112,918**	51%
Not rated	-	355	**355**	0%
Total	**1,465,878**	**698,104**	**2,163,982**	

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

37.2.1 Credit Quality analysis (Contd)

Neither past due nor impaired	**1,465,878**	**698,104**	**2,163,982**	
AAA	-	277	277	0%
AA+ to AA -	299,055	25,216	**324,271**	15%
A+ to A-	676,424	(3,396)	**673,028**	31%
BBB+ to BBB-	52,839	294	**53,133**	2%
CCC	-	-	-	0%
Government guaranteed	437,560	675,358	**1,112,918** .	51%
Not rated	-	355	**355**	0%
Total	**1,465,878**	**698,104**	**2,163,982**	
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:

	2022		**2021**	
Rs'000	**Reinsurance receivable**	**Premium receivable**	**Reinsurance receivable**	**Premium receivable**
Maximum exposure to credit risk	**266,112**	**691,580**	**93,401**	**599,503**
Neither past due nor impaired	61,171	422,242	12,509	364,182
Past due but not impaired				
61-90 days	18,456	180,056	(309)	82,083
90-180 days	17,074	107,377	7,488	114,950
180 days +	169,411	14,544	73,713	62,927
Total	**204,941**	**301,977**	**80,892**	**259,960**
Impaired	-	(32,639)	-	(24,639)
Total	**266,112**	**691,580**	**93,401**	**599,503**

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

	2022				**2021**			
Rs.Mn	**On paid claims**	**On reserve**	**Total**	**%**	**On paid claims**	**On reserve**	**Total**	**%**
AAA	-	-	-	0%	-	-	-	0%
AA	1,851	1,405	**3,256**	1%	-	1,786	**1,786**	2%
AA +	844	3,250	**4,094**	2%	-	-	-	0%
AA -	161	13,262	**13,423**	5%	583	1,965	**2,548**	3%
A +	1,717	17,971	**19,688**	7%	526	17,145	**17,671**	19%
A	719	16,931	**17,650**	7%	12	8,506	**8,518**	9%
A -	4,262	9,072	**13,334**	5%	21	3,651	**3,672**	4%
BBB +	1,873	15,985	**17,858**	7%	-	-	-	0%
BBB	-	6,513	**6,513**	2%	-	-	-	0%
BB +	-	1,816	**1,816**	1%	-	145	**145**	0%
BB -	-	213	**213**	0%	-	0	-	0
B +	-	-	-	0%	25	9,750	**9,775**	10%
CCC	-	2,643	**2,643**	1%				
NITF	3,369	141,799	**145,168**	55%	-	16,877	**16,877**	18%
Unrated	1,688	18,769	**20,457**	8%	484	31,925	**32,409**	35%
Total	**16,484**	**249,629**	**266,113**		**1,651**	**91,750**	**93,401**	
IBNR		56,950	**56,950**			39,415	**39,415**	
Total RI Receivable	**16,484**	**306,579**	**323,063**		**1,651**	**131,165**	**132,816**	

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

37.2.1 Credit Quality analysis (Contd)

Credit risk relating to premiums receivable

Rs'000	2022				2021			
	Upto 30 Days	31-60 Days	Above 60 Days	Total	Upto 30 Days	31-60 Days	Above 60 Days	Total
Total Receivables	299,727	122,515	301,977	**724,219**	227,180	137,002	259,960	**624,142**

Credit risk relating to cash and cash equivalents

The Company held cash and cash equivalents of Rs. 115 million as at 31 December 2022. The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated B+ or better.

37.2.2 Collateral of debt securities

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 51% is maintained at all times. As at the Reporting date, Company holds treasury bills worth Rs. 1,318,374,492/- as collateral for reverse repo investments amounting to Rs.870,916,087/-.

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	2022 Rs. ' 000	%	2021 Rs. ' 000	%
Government securities and related institutions	18.1	870.916	36%	437,560	30%
Fixed deposits and other deposits	18.1	1,498,588	62%	1,001,479	68%
Corporate debt instruments	18.1	30,042	1%	26.840	2%
Total		**2,399,546**	**100%**	**1,465,879**	**100%**

37.3 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.

KPMG Chartered Accountants

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

37.3.1 Maturity analysis for financial assets and financial liabilities (Contd.)

	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**

37.3.1 Maturity analysis for financial assets and financial liabilities (Contd)

	2021					
Rs'000	Carrying amount	Up to one year	1 - 5 years	Over 5 years	No Maturity Date	Total
Financial assets						
Loans and receivables	1,465,879	1,112,470	353,409	-	-	1,465,879
Reinsurance receivable	132,816	132,816	-	-	-	132,816
Premiums receivable	599,503	599,503	-	-	-	599,503
Other financial assets	7,637	7,637	-	-	-	7,637
Cash and cash equivalents	698,104	698,104	-	-	-	698,104
Total undiscounted assets	**2,903,939**	**2,550,530**	**353,409**	-	-	**2,903,939**
Financial liabilities						
Insurance contract liabilities	1,499,160	1,499,160	-	-	-	1,499,160
Reinsurance payable	106,739	106,739	-	-	-	106,739
Other financial liabilities	126,739	126,739	-	-	-	126,739
Lease Liabilities	100,249	1,986	98,263	-	-	100,249
Amount due to related parties	22,421	22,421	-	-	-	22,421
Total undiscounted liabilities	**1,855,308**	**1,757,045**	**98,263**	-	-	**1,855,308**
Total liquidity excess	**1,048,631**	**793,485**	**255,146**	-	-	**1,048,631**

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;

KPMG Chartered Accountants

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (Contd)

Maturity Analysis of Undiscounted Financial Liabilities (Contd.)

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

As at 31st December 2021,	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	100,249	2,021	8,622	111,657	-	122,300

Financial assets pledged as collateral
There were no financial assets pledged as collateral during the year ended 31 December 2022.

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	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	-	-	-	-

Rs'000	2021					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Loans and receivables	1,465,879	716,908	53,501	342,061	353,409	-
Cash and cash equivalents	698,104	698,104	-	-	-	-

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

Instruments	2022			2021		
Rs'000	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Government Securities	870,916	-	-	437,560	-	-
Fixed deposits	1,498,588	-	-	1,001,479	-	-
Corporate debt instruments	30,042	-	-	26,840	-	-
Total	**2,399,546**	-	-	**1,465,879**	-	-

For the year ended 31 December 2022,

37 FINANCIAL RISK REVIEW (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	2022			2021		
Rs'000	**Amount in Foreign Currency**	**Exchange rate**	**LKR amount**	**Amount in Foreign Currency**	**Exchange rate**	**LKR amount**
USD Deposits	$ 290	363.11	105,227	$ 285	202.86	57,804

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**	
	2022	**2021**
	Rs	**Rs**
(+) 1%	1,077	578
(-) 1%	(1,077)	(578)

KPMG Chartered Accountants

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.

For the year ended 31 December 2022,

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,		2022		2021	
Rs. ' 000	**Note**	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Loans and receivables :					
Reverse repos	19.1	870,916	870,916	437,560	437,560
Fixed term deposit	19.1	1,498,588	1,498,588	1,001,479	1,001,479
Debentures	19.1	22,425	30,042	26,453	26,840
		2,391,929	**2,399,546**	**1,465,492**	**1,465,879**

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
Volume Weighted Average (VWA) prices obtained from the "CSE Daily" report published by the Colombo Stock Exchange (CSE) is used in arriving at the fair value of debentures.

KPMG Chartered Accountants

For the year ended 31 December 2022,

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	2022 Fair Value	2022 Carrying Value	2021 Fair Value	2021 Carrying Value
Other financial assets :					
Reinsurance receivables	22	323,062	323,062	132,816	132,816
Premium receivables	23	691,580	691,580	599,503	599,503
Refundable deposits	24	8,761	8,761	7,637	7,637
Cash and cash equivalent	27	115,089	115,089	698,104	698,104
		1,138,492	**1,138,492**	**1,438,060**	**1,438,060**

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	2022 Fair Value	2022 Carrying Value	2021 Fair Value	2021 Carrying Value
Other financial liabilities :					
Reinsurance payables	30	201,602	201,602	106,739	106,739
Acquisition cost payable	33	119,284	119,284	121,819	121,819
Other financial liabilities	33	25,367	25,367	4,920	4,920
Lease Liabilities	34	93,980	93,980	100,249	100,249
		440,233	**440,233**	**333,727**	**333,727**

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;

KPMG Chartered Accountants

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 commence on the next two dates of trial on 2 and 17 May 2023.

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.

For the year ended 31 December 2022,

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.

KPMG
Chartered Accountants

Orient Insurance Limited
Address: 133, Bauddhaloka Mawatha, Colombo 04.
Tel: 0112030300 | Fax: 0112555589
Website: www.orientinsurance.lk
Email: info@orientinsurance.lk