

A Transformative *Spirit*



JANASHAKTHI
INSURANCE

Janashakthi Insurance PLC
Annual Report 2012

Contents

Our Vision, Our Mission and Values	1
Operational Highlights 2012	2
Significant Events 2012	6
Chairman's Message	12
Managing Director's Review	16
Board of Directors	22
Corporate Management	26
Management Team	30
Management Discussion and Analysis	34
Corporate Governance	70
Statement of Solvency	98
Board Audit Committee Report	99
The Board Remuneration Committee Report	101
Risk Management	102
Value Addition to the National Economy	115
Implementation of Sri Lanka Financial Reporting Standards (SLFRSs)	116
Sustainability Report	122
Financial Reports	171-271

Financial Reports

Annual Report of the Board of Directors' on the Affairs of the Company	171
Net IBNR and Liability Adequacy Test Certification	178
Actuarial Reports	179
Statement of Directors' Responsibility	181
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	182
Independent Auditor's Report	183
Statement of Financial Position	184
Income Statement	185
Statement of Changes in Equity	187
Statement of Cash Flows	188
Notes to the Statement of Cash Flows	189
Income Statement- Segmental Review	190
Cash Flow Statement - Segmental Review	191
Non - Life Insurance Statement of Financial Position - Segmental Review	192
Life Insurance Statement of Financial Position - Segmental Review	193
Life - Insurance Statement of Financial Position - Segmental Review (NIC)	194
Underwriting Results - Segmental Review	195
Explanatory Information and Summary of Significant Accounting Policies	196
Notes to the Financial Statements	212
Insurance and Financial Risk	243
Organisational Structure	250
Glossary of Insurance Terms	251
Shareholder Information	255
Decade at a Glance	260
Branch Network	264
Notes	269
Notice of Meeting	270
Form of Proxy	271
Corporate Information	Inner Back Cover

A Transformative *Spirit*

For us at Janashakthi, the year in review was one that witnessed change and vigour and we liken our response to a woven fabric in which each thread adds strength and vitality to the material. A marriage of tradition and innovation; the best of local and global practices have come together to revitalize an entity that continues to lead while building for a stronger tomorrow. As we adapted and experienced a positive flux throughout the year, our weave was further enhanced by the various individuals that have been a part of our success. We continue into the future, creating a vibrant tapestry of hopes and experiences, all touched by our ethos that we are as strong as each and every thread of customer need that is the weft on which we weave our care and protection.

Our Vision

To be the No. 1 Insurer in Sri Lanka with Excellence in Service Standards

Our Mission

To strive for excellence in:

- Service delivery to policyholders.
- The development of the company's human resources.
- Attaining a fair return on capital to shareholders.
- Continuing to fulfil our social and corporate responsibility.

Values

- To be a customer driven organisation, exceeding customer expectations.
- To be open and transparent in all our dealings.
- To adopt a professional approach in all our dealings.
- To adhere to societally legal high ethical standards and practices.
- To value employee development, their well being, happiness and welfare.
- To strengthen the Janashakthi family culture.
- To be a civic conscious and socially responsible organisation.



Operational Highlights 2012

2,847

Permanent Staff

2187

Field Staff

105

Branches

LKR 7.985 Bn

Gross Written Premium

LKR 15.844 Bn

Total Assets

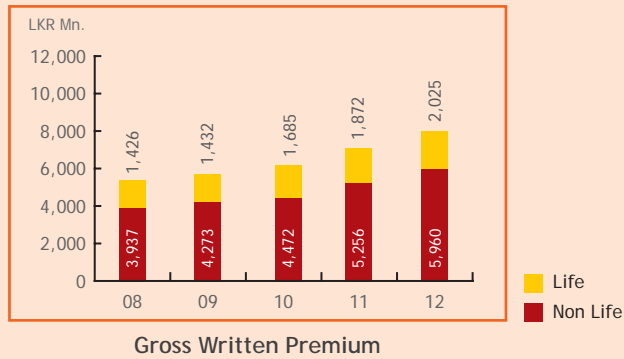
650,030

Policy Relationships in Total

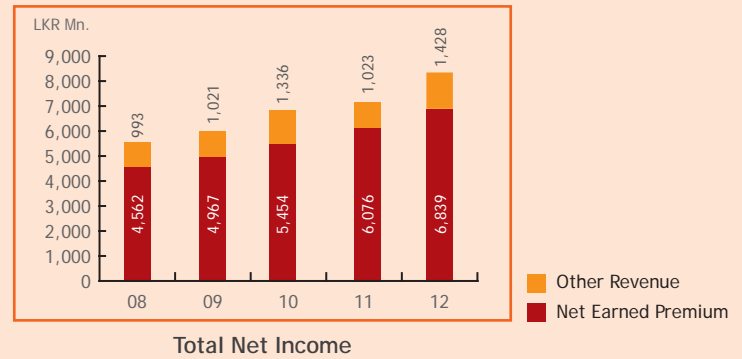
LKR 800 Mn

Post Tax Profits

Operational Highlights Contd.



Gross Written Premium



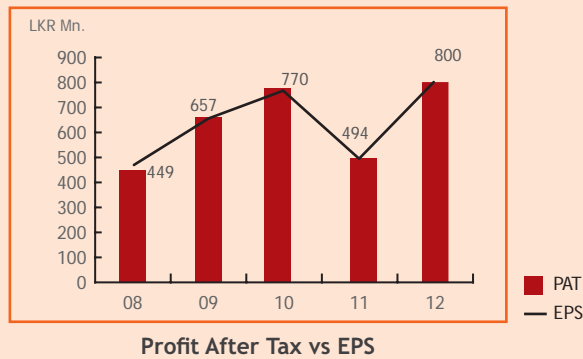
Total Net Income

+12%

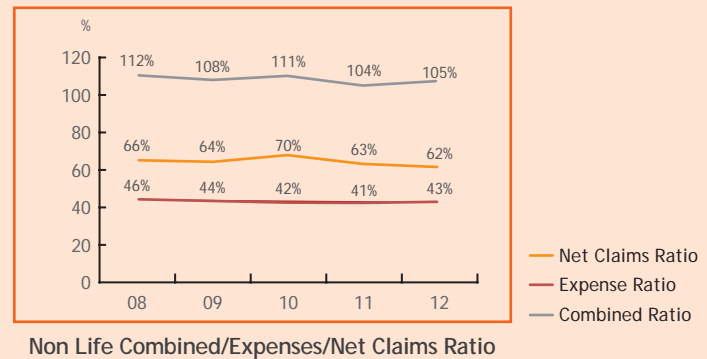
Total Gross Written Premium of the Company experienced a growth of 12% to LKR 7,985 Mn from LKR 7,128Mn during 2012 and has recorded a very strong progressive growth over the past 5 years.

+16%

Total Net Income has increased by 16% to LKR 8,267 Mn from LKR 7,099 Mn during 2012, crossing the LKR 8 Bn Revenue threshold for the first time.



Profit After Tax vs EPS



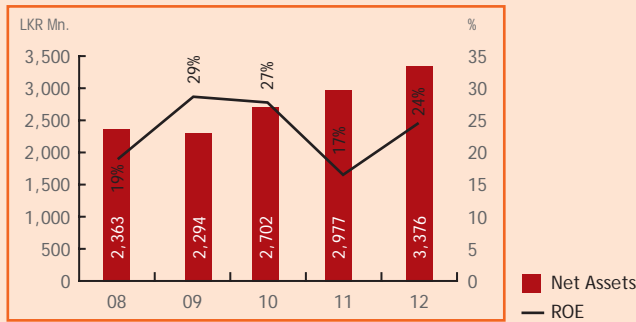
Non Life Combined/Expenses/Net Claims Ratio

+62%

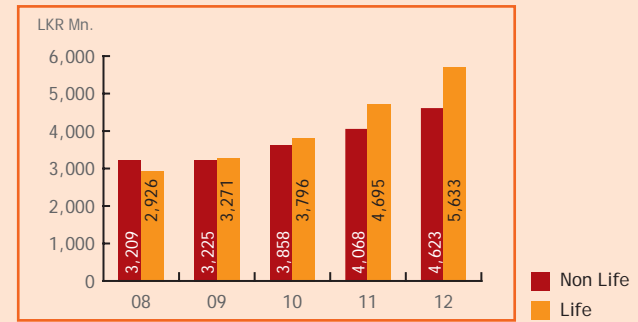
In Comparison to the prior year, Company has recorded a growth of 62% in Profit After Tax over 2012. This is the best ever performance of the Company.

105% Combined Ratio

The above ratio is carefully monitored and has been on an improved trend. 2012 results are impacted by Branch infrastructure improvement and new staff recruitment.



Net Assets & ROE



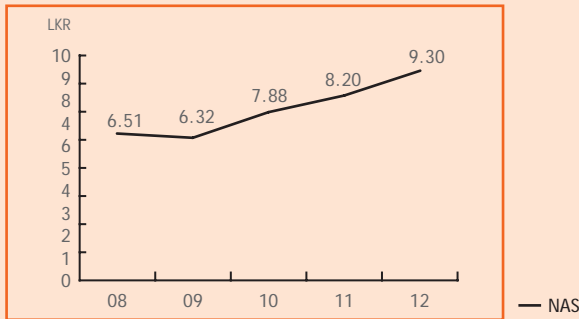
Non Life & Life Fund

+13%

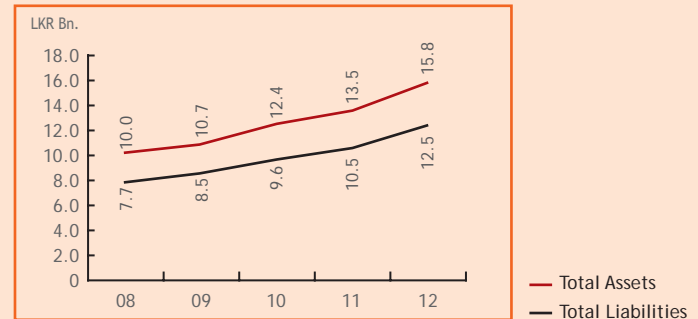
The Company is continuously increasing its Net Assets with a 50% increase in its Return on Equity during 2012.

Life: +20% Non-Life: +14%

In comparison to the prior year, the company achieved a growth of 20% in its Life Fund and a growth of 14% in its Non-life Fund during the year under review.



Net Assets per Share



Asset Liability Trend Analysis

Steady Growth in Net Assets Per Share

Steady Growth in net assets per share over last five year reflects wealth creation by the Company to its stakeholders.

LKR15.8 Bn

Total Assets of the Company has grown to LKR 15.8 Bn reflecting a growth of 17% against pervious year.

Significant Events 2012



1 January

"Prarthana" - Launch of revived life insurance campaign being shared with children from "Subothipura Home"

2 February

Enhancing Awareness - Janashakthi sponsored event on Director's responsibilities - Prakash Schaffter stressing a point

3 March

Annual Awards Twenty 12 - Best Performer - M.S. Sampan with Prakash Schaffter, Shehara De Silva and Suresh Basnayake

4 April

Janashakthi sponsors UN Global effort on Sustainability - Prakash Schaffter with UNDP Country Director Douglas Kay

5 May

New refurbished branch being opened at Katugastota - Part of the island wide branch upgrades

6 June

Janashakthi sponsored athletes who were winners & finalists at Junior Asian Championships on a ceremonial parade through Colombo



7 July

Leasing sector at cricket sponsored by Janashakthi

8 August

Motor Clinic sponsored by Janashakthi - initiated at Anuradhapura

9 September

Prize Winner at a Janashakthi felicitation of those special to us - "Our Broker Network"

10 October

One of the many reward tours to sales staff - Goa, India 2012

11 November

Our IT does us proud ! - Winning an Asian Award for inhouse created market leadership developments

12 December

Special merit award for Best CSR Project at the "Best Corporate Citizen's Awards" organised by Ceylon Chamber of Commerce



A Transformative *Spirit*

Laying the Groundwork

People at the heart of what we do

Thread by thread, strand by strand, the many components of Janashakthi are gathered together and merged in order to create a brilliant pattern. We begin from the core belief that in an unstable and changing world order we will deliver on our promises. We design to be the most ethical insurer, delivering world class, asset protection. Our work ethic and enthusiasm are stitched together to create the strength, resilience and vibrancy that embrace this challenge of staying constant in a state of uncertainty and yet flexible to stay relevant in a changing world. We retain the best of the old and embrace the new.



Founder of Janashakthi

The “genuine intention to do good to society is of paramount importance” which also “ensures that good governance, corporate social responsibility and transparency automatically falls into place”

A fitting recognition for Janashakthi's Founding Father

Mr. C.T.A. Schaffter, the founder of Janashakthi Insurance Company, and widely considered the “Father of Insurance” in Sri Lanka, was honoured with a prestigious Lifetime Achievement Award by the Asia Insurance Review, at a glittering award ceremony held in Malaysia, in October 2012.

The awards, organised by Asia Insurance Review for over 16 years, recognises and salutes excellence amongst Asian Insurers and is a much coveted endorsement by peers in the industry. It is keenly contested across Asia and is awarded after a careful and comprehensive evaluation by an internationally eminent panel of industry experts. The award also coincided with Mr. Schaffter's completion of sixty

years in the field of insurance. At the age of 82 years, he now serves the Company as Deputy Chairman and works everyday, contributing significantly with his expertise, acumen, innovative spirit and wisdom to the growth of the Company he founded in 1994. To mark his sixtieth year in the industry Mr. Schaffter has published a book “My Sixty Years in Insurance” which is neither a biography nor a history of insurance but an informal weaving of the two.

Mr. Schaffter first entered the arena of Insurance in 1952 as a clerk in the Life Department of the Ceylon Insurance Company. In 1953, he joined Manufacturers Life (now Manulife), also as a clerk, but was promoted Branch Secretary within three years and was the company's No. 2 in Ceylon. In 1958, he joined the Insurance Department of Carson Cumberbatch & Co., a large agency house managing tea and rubber estates, at which he rose to be the Manager. In 1973, he moved to India with his family and worked as an Insurance Consultant and a Loss Adjustor both in India and Sri Lanka and his services were much sought after by leading individuals, and mercantile establishments.


Having worked in India for 12 years where he practically pioneered the concept of Insurance Consultancy. Mr. Schaffter's contribution to the industry includes some significant milestones.

He was tasked by the Sri Lankan minister in charge of insurance in 1979 to develop a blueprint for a setting up a subsidiary/ independent corporation that would catalyse the liberalisation of the local insurance industry. The establishment of the National Insurance Corporation (NIC) was done following this blueprint. He was appointed the Principal Agent of the NIC. He also managed two of the other eight newly approved players in the market at that time - Acland Finance & Investments Ltd. and James Finlay & Company.

He presented another landmark paper in 1986 on the invitation of the then Finance Minister. The paper was successfully presented to Parliament to break a 25 year state monopoly and allow private ownership within the Insurance Industry in Sri Lanka.

In 1988 Mr. Schaffter formed P&I Insurance Brokers in Sri Lanka and in 1993 acquired Acland Finance & Investments Ltd.

Following the establishment of Jansahakthi in 1994 with just 32 staff, the following year he established the first specialist Non-Life insurance company in Sri Lanka. He then built 90 branches for the Company on a novel concept of franchise agents. His innovations continued and include the “Janashakthi Life Unlimited” - the only insurance policy in Sri Lanka, and perhaps in the world, to offer Life and hospitalisation benefits for the entire lifetime of the policyholder, even after premium payments ceased.

A close-up portrait of an elderly man with white hair and glasses, smiling. He is wearing a dark suit jacket, a white shirt, and a red tie with a grey paisley pattern. The background is a warm orange and yellow pattern of overlapping teardrop shapes.

Mr. Schaffter also served as the President of the Sri Lanka Insurance Association in 2001/02 and was for several years the representative for insurance at the Ceylon Chamber of Commerce. He has also served in the Insurance Legislation Committee, the Government Pension Fund, and the Financial Reform Committee.

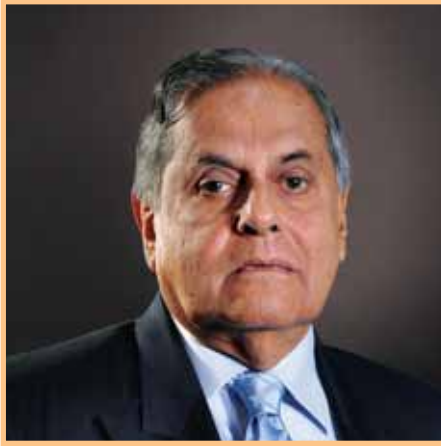
A vibrant and versatile personality, Mr. Schaffter had an outstanding school record, he was Head Prefect, and Captain of both Cricket and Hockey at his Alma Mater St. Thomas College. He went on to become an outstanding sportsman representing Sri Lanka in Hockey and Cricket. He was later a National Selector for both Cricket and Hockey for many years and was the Manager of Sri Lanka's National Cricket Team on several occasions. He was also appointed a Vice President of the Ceylon Olympic Association.

Mr. Schaffter insists that integrity in business is essential and that the "genuine intention to do good to society is of paramount importance" which also "ensures that good governance, corporate social responsibility and transparency automatically falls into place". His legacy goes beyond three generations of industry players to whom he has been, as the staff tribute to his sixtieth anniversary notes, "the oak, the anchor and the lamp that lit them onwards to greater heights".



Chairman's Message

“It is a matter of pride to report that your Company achieved several national and international accolades during the year”



W.T. Ellawala
Chairman

It gives me great pleasure to welcome you to the 20th Annual General Meeting of Janashakthi Insurance Company PLC.

The macro economic environment

Sri Lanka's economy, following two consecutive years of robust growth of 8% and 8.3% in 2010 and 2011 respectively, grew by 7.2% during the first half of 2012 and is projected to have grown at a reduced pace of 6.2% in 2012. The deceleration in growth for 2012 as per Central Bank findings could be attributed to the relatively lower growth in agriculture due to weather conditions- of an unprecedented drought which was thereafter followed by floods in areas where agriculture is the main activity, and services sectors during the year. Several key policy changes that were introduced during the first half of the year such as the increase in import taxes and the depreciation of the Rupee, impacted the Insurance business.

The global economy continued to remain challenging in 2012 mainly due to vulnerabilities in several key economies. Although 2013 is expected to see growth in major economies, critical policy reforms in the Euro Zone and USA will be key determinants of growth in 2013. The uncertainty of external downside risks still remains for emerging and developing economies. Growth in world trade volumes is expected to reduce to 3.2 % in 2012 from a higher growth of 12.6 % and 5.8 % recorded in 2010 and 2011 respectively.

Non-Life Insurance Industry

Sri Lanka's Insurance market has 22 companies as at 31st December 2012 out of which 07 companies transact only Non-Life Insurance whilst 12 companies transact both Non-Life and Life Insurance. This number of players, for a population of just over 20 Mn, and a low insurance penetration level of 10.9%, is disproportionately high, thus resulting in an intensely price competitive industry.

The Motor Insurance segment faced significant challenges due to several policy changes in the environment. Most significant among them was the increase in vehicle import taxes to correct Sri Lanka's widening trade deficit. The increase in import duties led to a sharp decline in vehicle imports, and consequently, a decrease in the demand for motor insurance, further intensifying competition in the motor insurance market. An environment of higher interest rates and a depreciating exchange rate further exacerbated the impact on import demand. On the other hand, continued economic growth and increase in infrastructure development and tourism and related industries favourably impacted the non-motor segments of the Non-Life Insurance business.

Life Insurance Industry

The Life Insurance industry in Sri Lanka consists of 15 companies, as at 31st December 2012. Three companies operate as stand alone Life Insurance companies whilst the others offer both Life and Non-Life Insurance products. Penetration in Life insurance amongst Sri Lanka's population is at about 9% and indicates significant under penetration vis a vis other regional economies.

The Banking industry continued to be a formidable competitor for Life Insurance business in Sri Lanka, due to a preference for saving at high interest rates available in the banking system. Thus, there is a need for a collective effort by the industry to generate greater public

Chairman's Message Contd.

awareness of the benefits of insurance as a source of financial assistance at times of livelihood contingencies.

Company Performance

Your Company achieved a Profit After Tax of LKR 800 Mn and a consolidated Gross Written Premium of LKR 7,985 Mn recording an increase of 12% over the previous year. I see this as a very positive performance in an environment of a sharp decline in motor vehicle registrations which impacted your Company's core business. The Company also performed well in terms of underwriting profit recording LKR 2,130 Mn compared with LKR 1,918 Mn the previous year, reflecting an increase of 11%. This is mainly attributable to the lower claims experienced by the Company.

Achievements

It is a matter of pride to report that your Company achieved several national and international accolades during the year. The awards were in recognition of technological innovation, brand innovation, industry leadership and brand excellence, and CSR Practices during the year. It is also fitting that our Deputy Chairman was awarded the prestigious Lifetime Achievement Award from Asia Insurance Review for his significant contribution to the Insurance Industry in Sri Lanka, in a career spanning over sixty years. The specific awards are listed in the MD's message that follows.

Governance

In last year's report, I mentioned "low public trust in insurance" as one of the challenges that the industry must address. Developing trust must be initiated at the highest level of management and reinforced by building awareness through customer interaction. At Janashakthi, Corporate Governance is about engendering trust, and hence, about effective, transparent and accountable governance of the enterprise by the management, including the Board - the highest governing body. It believes that high standards in

governance is indispensable to create long-term value to its stakeholders and must be pursued uncompromisingly to ensure growth in a sustainable manner.

The Company has taken several initiatives to ensure that its principles and values based on "fairness" are inculcated amongst its employees across the organisation. The company Code of Conduct which sets out the need for high standards of integrity, through out the organisation, is one of the key formal means towards this end. The value of Fairness also prompts your company to place emphasis on the processes of making decisions and implementation of policies. Hence, emphasis is placed on processes such as information gathering and stakeholder engagement in order to facilitate greater transparency, precise decisions and clear policies to strive for fairness to all stakeholders.

The composition of Janashakthi's Board is fully compliant with the listing Rules of the Colombo stock Exchange (CSE) and the regulatory framework of the Securities and Exchange Commission (SEC) in terms of providing a proper balance of Executive and Non-Executive Independent Directors.

Sustainability and Social Responsibility

Janashakthi's social and sustainability initiatives during the year were driven by values that the Company espouses such as "inclusivity" and support of local entrepreneurship. Some of our other social initiatives during the year exemplify how a corporate's business objectives can be interwoven with the goal of benefiting communities and other stakeholders.

The Company's Rural Athlete Sponsorship Project is one such initiative that also links the Company's island wide branch network and their integral presence in the communities.

Our sustainable approach to business also means that we adopt a win-win approach of partnership with customers, and a service oriented culture permeates the organization - driven by a core company value - Sincerity. The company strives to ensure that its team of employees live the values and practice the highest ethical standards expected of them via many mechanisms that are in place across the organisation.

Regulatory changes

Several new regulatory measures, as previously mentioned, were introduced following amendments to the Regulation of Insurance Industry (RII) Act, in January 2011. The most significant of these is the segregation of the Life (Long term) and Non-Life Insurance businesses into two separate entities by February, 2015. Another is the introduction of Risk Based Capital which requires companies to be capitalised according to the risks that are associated with the business structure and composition of the balance sheet. Whilst we appreciate the rationale for the introduction of these regulatory measures - such as the strengthening of protection to policy holders, encouragement of good governance, and facilitating greater transparency, we are also concerned about the significant challenges they have brought forth. We trust that the ongoing discussions between the IBSL and the Insurance Association of Sri Lanka, will generate solutions to at least some of these challenges such as the escalation of costs due to duplication of overheads and the acquisition of the costly IT systems to manage and deliver the new requirements.

It must also be mentioned that the Company made all the necessary adjustments to fully comply with the requirements of the new Sri Lanka Financial Reporting Standards as stipulated by the Institute of Chartered Accountants of Sri Lanka, and the Financial

Statements of this Annual Report for the period 1st January to 31st December 2012 are in accordance with these standards.

Outlook

The Sri Lanka economy is estimated to grow by 7.7% in 2013. Interest rates began to decline in December 2012 whilst inflation, which has been on the rise since March 2012 seems likely to continue an upward trend. The pace of domestic economic activity as well as the performance of Sri Lanka's main export markets would be key factors that would determine industry performance in 2013. The prevailing turmoil in the Middle East and the Euro Zone crisis could also impact on worker remittances and earnings from tourism, resulting in slowing down Sri Lanka's GDP growth. The global economic outlook, sanctions against Iranian oil imports, and international oil prices are factors which could adversely impact Sri Lanka's trade balance and the balance of payments, which in turn would determine growth and the outlook for policy reforms in 2013.

Janashakthi stands well poised to harness the opportunities for expanding Non-Life Insurance that rapid socio - economic growth offer. Whilst the year just ended focused mainly on consolidation, the year ahead is likely to see the Company pursue growth and at the same time focusing on retaining existing customers. JIPLC also expects the Non Motor segment to increase its contribution to JIPLC's profitability, especially in the backdrop of a slowdown in the Motor sector since 2012.

We believe that competition provides a healthy impetus, and is in fact necessary, for innovation, continuous improvements of processes and customer service levels. However, competition on price per se is short sighted, results in underwriting risks and is detrimental to the industry and its sustainability. If current level of price competition prevails and continues to impact margins, the profitability of the insurance industry will depend increasingly on how

prudently the Companies manage their investments. We hope that the stock market will begin to pick up, if not return to its 2011 levels of performance, enabling considerable earnings on our Life investment portfolio and thus countervailing the subdued prospects in the Life segment in the year ahead.

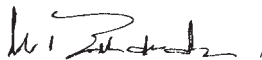
Sri Lanka is said to have the fastest aging population in South Asia and those over 60 years is estimated to constitute 21.9% of the population by 2031, as per the World Bank's Ageing Study. This demographic change of a significant portion of the population constituting non wage earning people - would emerge as one of the most pressing socio economic issues which the country must begin to address now. A rising demand, for health insurance for the elderly and a source of income in retirement such as pension annuity schemes, are key market factors that the Insurance Industry must now encompass for sustainable profitability in the medium to long term. We are confident that Janashakthi is well positioned to take a leadership role in such efforts in the country. The newest addition to its portfolio- the "Janashakthi LifeSaver", launched during the year, is one such product.

Life insurance, especially in Sri Lanka, continues to be significantly dependent on the level of disposable incomes of households and inflation would hence be a key determinant of prospects for growth. We hope that disposable income levels will increase and inflation will be contained as projected by the Central Bank of Sri Lanka as such a scenario will have a positive impact on the Life Insurance business in 2013.

The low penetration levels of insurance in Sri Lanka vis vis other regional economies, combined with the need to raise awareness of the value of financial solutions to meet life's contingencies, offer tremendous potential for the Life Insurance business in the medium to long term, and your company is well positioned to harness that potential in the years ahead. People are a critical success factor in sales of Life Insurance products and we have identified measures to strengthen Janashakthi's Life sales efforts. The Company has identified considerable potential in the newly opened up areas of the North & East and will pursue greater penetration in these areas, as it pursues a strategy of growth with renewed vigour, motivated by the wish to be a light to people in their darkest hours.

Acknowledgements

I would like to thank the Deputy Chairman who continues to be actively engaged in the business, despite having retired several years ago and my other colleagues on the Board for their valuable support and guidance. I extend my sincere appreciation to the Managing Director and all employees across the Company for their tireless efforts, loyalty, sense of ownership and the effort made to continually improve the Company's performance. I also take the opportunity to express my gratitude to our customers, business associates and shareholders for their loyalty, trust and confidence in our capacity to look after their interests and deliver a profitable return on their investment.



W.T. Ellawala
Chairman
26 February 2013



Managing Director's Review

“Stringent cost control coupled with the Company’s strategy of prudent underwriting resulted in, record profit of LKR 800 Mn”



Prakash Schaffter
Managing Director

Dear Shareholder,

It is my pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2012.

Performance

Your Company posted record profits for the year ended 31st December 2012. In the backdrop of the downturn, in importation of motor vehicles, the Company achieved a consolidated revenue of LKR 8.26 Bn and grew consolidated GWP by 12%, recording LKR 7,985 Mn. Stringent cost control coupled with the Company's strategy of prudent underwriting resulted in a record profit of LKR 800 Mn, posting a growth of 62%. Profit before tax also grew 62% to record LKR 863 Mn.

The Motor Gross Written Premium during the year surpassed a milestone of LKR 4 Bn growing by 14% over the previous year and closely in line with budgeted targets. We consider the achievements in the Motor segment as most encouraging as it was in an inimical environment of reduced vehicle imports, a depreciated exchange rate and higher interest rates. Increase in duty on vehicle imports during the first quarter of 2012 saw a reversal of the status quo of 2011 in which new registrations were at a record high. In contrast, vehicle registrations in 2012 declined by 40%. Janashakthi's performance this year is hence, more than ever, a reflection of the growing strength of its sales force and the continued focus on service excellence. Janashakthi continued to be a leader in its most profitable vehicle segments of Private Cars, Motor Cycles, Three Wheelers and dual purpose vehicles in which categories it continued to record considerable success during the year.

The Non Motor Gross Written Premium reached LKR 1,572 Mn growing by 11% over the previous year. This was closely in line with budgeted targets, however below the market's growth of 24%. The Company placed greater emphasis on growing the non motor categories of Fire, Marine, Engineering and Miscellaneous. Achieving profitability in the Medical segment continued to be challenging and this is due to issues inherent to the industry. Your Company monitored this segment closely with an eye on the bottom line, despite the many challenges.

The Gross Written Premium of the Life Business grew by 8% in the year under review compared with 11% in 2011. This growth was above the industry growth in 2012, but considerably below the company's budgeted target growth of 20%. Increasing Inflation, and the depreciation of the rupee by more than 14% during the year, which impacted disposable income of a significant portion of JIPLC's market, were key factor that dampened growth in this segment. A notable development was that renewals of Life policies increased by 19%, reaching a record high during the year under review, mainly due to the follow-up efforts by our sales force.

New Products and Distribution Channels

In a pioneering initiative to harness the potential of mobile technology in product and service innovation, JIPLC during the year under review launched a Life insurance policy for post paid customers of Mobitel. Mobitel has a total subscriber base, and hence a target market, of 4.7 Mn. This novel initiative in Sri Lanka's market enables a customer to activate a personal accident policy of LKR 500,000 or a natural death cover of LKR 100,000, by merely responding

“Our brand identity was refreshed and revitalised during the year so that it better represents Janashakthi's core values as it stands today”

to a SMS sent by the mobile service provider for a monthly premium of LKR 50/=. The customer is also relieved of the effort to make the monthly premium, as it is debited to his / her monthly phone bill.

We also expanded our Bancassurance channel during the year to include Sri Lanka's leading private bank - Commercial Bank PLC. in our network, bringing the total number of Bancassurance partners to eight.

The “Janashakthi LifeSaver” was launched during the last quarter and is a product which factors in Sri Lanka's changing demographics of an aging population. It is a trail blazing initiative in the market with an unique offer of a monthly pension sans an age limit, thus providing a financial solution to individuals when they most need it.

In response to a growing consumer demand for dental care- springing from increased awareness, the Company also launched a new Health insurance product for dental care branded as “Denta Shakthi”. “Denta Shakthi” would fill a existing vacuum in the market as many existing insurance policies completely rule out some or all dental or oral treatments. The “Denta Shakthi” policy would allow customers routine treatments as well as specific orthodontic and implantology treatment and surgery and even removable appliances for children based on the dental cover and premium structure.

A focused effort to develop the E Marine business was a key factor which contributed to overall growth of Marine business by 33%, during the year under review. The E Marine site was further enhanced to increase the ease of doing business with us, enabling our clients to print the policy at their desks without having to step out of their offices.

The Company also conducted several intense marketing campaigns to create awareness of several policies launched previously. These policies included the Jansahakthi's HotelPlus Policy; the Contractors All Risk Policy which offers a comprehensive range of innovative risk management solutions for the Engineering and Construction sector; the “Awaranaya” Policy as well as the Directors' and Officers' Liability Insurance.

Our brand identity was refreshed and revitalised during the year so that it better represents Janashakthi's core values as it stands today. A process of brainstorming in consultation with an external agency helped better communicate the values which have been implicit in our visual identity of a lamp. These values of vision, good over evil, clarity over subterfuge, truth over lies, knowledge over ignorance, energy over apathy, and the assurance of a better quality of life are being communicated internally and externally to reenergize us towards what we see as the ethos of our business, namely, to offer “a humble commitment to light up and lighten our customers' dark uncertainties”.

Accolades & Awards

It is most rewarding and encouraging that an unique geographical information system to mitigate insurance risk, built in house by Janashakthi's IT team was selected as Asia's “Best Insurer Technology” in 2012. The award is presented by the Asian Insurance Technology which recognises regional insurance companies developing innovative solutions to mitigate risk and

Janashakthi was amongst three companies to win in this category. The award was accepted at a glittering ceremony during the Asia Insurance Review's CIO summit held in Singapore in 2012. This software, as acknowledged by the Asian Insurance Technology is a "use of game changing technology to improve risk management and to enhance customer service". It maps local weather patterns and assesses the Company's insurance risk by blending core insurance application data with available GIS services through Google maps. In addition, the application provides the Janashakthi team a wide range of solutions including the ability to map exact location of assessors with the integration of a GPS tracking device installed on an assessor's motor cycle.

The Company is also proud to have been a multiple winner at the Asia Leadership Awards by World Brand Congress, held in India during November 2012. The four awards won by Janashakthi were, the award for Business Innovation; award for Industry Leadership; award for Brand Leadership and award for Brand Excellence.

Janashakthi was also honored with two prestigious awards for Corporate Social Responsibility and exceptional Branding and Marketing at the CMO (Chief Marketing Officer Council) Asia Awards held in Singapore in May 2012. This is the second successive year in which Janashakthi won the award for "Brand Excellence in Banking, Financial Services and Insurance" competing against leading global brands. This year, the Company also won the "Best CSR Practices Award -2012" -Asia's highest recognition of corporate organisations that have a significant impact on lives of people around them. Janashakthi was the only Sri Lanka Insurance company to secure top honours at the CMO Asia Awards in 2011 as well as 2012.

In addition the Company was recognised by the Ceylon Chamber of Commerce at the Best Corporate Citizen Awards 2012, with a special Merit Award in the "Best CSR project" category for its Rural Athlete sponsorship program.

Janashakthi was also recognised for its financial reporting in 2012, with the Bronze Award, in the Insurance Sector at the Annual Report Awards held by the Institute of Chartered Accountants of Sri Lanka.

It is fitting that our Deputy Chairman and founder Mr. Chandra Schaffter was feted with a prestigious Lifetime Achievement Award from Asia Insurance Review, in 2012, for his significant contribution to the Insurance Industry. The awards, hosted by Asia Insurance Review for over 16 years, are a much-coveted endorsement by peers in the industry. It is keenly contested across Asia and is awarded after a careful and comprehensive evaluation by a leading panel of international industry experts.

Strategy and Outlook

Despite the intensely competitive environment, your Company is optimistic about the significant potential in the Non-Life Insurance industry. We will continue to hold market share whilst pursuing growth. Whilst the past two to three years was a period of consolidation of the existing facets of our business, the year ahead is likely to see us pursue growth, with new products and expansion of the branch network. The Company will continue to focus on exploring alternate channels of business whilst expanding the already established alternate channels such as the mobile technology platform, Bancassurance, E Marine and E Travel.

Recognising the important role that Mobile Technology has come to play in the future sustainability of any enterprise, our strategies would look to harness this platform for product and service innovation and in every other aspect of our business.

The Company's "Hotel Plus" Policy, which offers a comprehensive range of risk mitigation solutions combined with the flexibility to select covers which are most applicable to a hotel, sees JIPLC well poised to harness the envisaged growth in the tourism sector.

Our Life business, will increase its focus on marketing offers of protective benefits such as solutions for financial security after retirement or when faced with ill health - times when solutions are most needed. This approach is also a reflection of the partnership approach we take with our customers.

Sri Lanka's changing demographics combined with a growing awareness amongst the public, of benefits of Insurance as a financial solution during life's contingencies, is expected to spur a rise in demand for pension products over the next few years. The strength of the sales team is a critical success factor in the Life Insurance business, in particular. And the knowledge and competencies to sell a product on need basis is a vital ingredient. Your Company, who is currently the 5th player in the Life market, has identified as a key shortcoming - the need to strengthen its Life Insurance distribution channel; and would accordingly take corrective measures in the year ahead. Enhancing the quality of our sales effort and a review of the sales structure are hence current priorities towards this end. These corrective measures

“Janashakthi, since its inception has embraced technology as a key ingredient of successful entrepreneurship, and the Company has been the first or amongst the first to adopt the newest in technology”

together with product innovation would help strengthen Janashakthi's Life business in the near future. The Company will also look at how best it could manage its health portfolio and address declining profitability in this category.

Janashakthi, since its inception has embraced technology as a key ingredient of successful entrepreneurship, and the Company has been the first or amongst the first to adopt the newest in technology, seeing many benefits as a result. Harnessing the potential of Information technology and mobile technology will continue to be one of our key strategic priorities, and an impetus to continuously raise the bar for ourselves in all aspects of our business.

In an intensely competitive industry we are always mindful of the need for constant innovation in solutions and service standards in order to maintain the head start we gained, hence recruiting and retaining the right people and training will also be high priorities for us.

Interest rates began to decline in December 2012 following Central Bank rate changes, and are likely to be on a downward trend, at least in the first half of 2013. Thus, the fixed investment income earned by the Insurance industry in 2013 are likely to be comparatively flatter than in 2012. The rising trend in Inflation is likely to be a challenge that will impact purchasing power and disposable income as well as industrial and commercial activities in 2013.

Challenges in the Policy & the Regulatory Environment

As discussed previously and elsewhere in this report, there are a number of new regulatory changes which are being implemented at present. The proposed segregation of the Non-Life and Long term (Life) insurance businesses is one which requires the industry to make significant adjustments posing many challenges. There is considerable uncertainty in the industry about the final outcome and the possible implications in a post segregated environment. The modalities and the extent of segregation and its implications are being discussed and we in the industry appreciate and welcome the current dialogue and negotiations between the IBSL and the industry -represented by the IASL (Insurance Association of Sri Lanka), and hope the final solution will support the long term sustainability of the industry.

As mentioned in our last year's report, the Risk Based Capital Adequacy measurement will impose considerable challenges in terms of embedding the technology platform that is required to make the complex computations to determine capital adequacy levels. As such, the changes we are required to make to our systems and the restructure of our balance sheet in order to meet the Risk Based Capital reporting structure, will be hurdles to overcome prior to the live implementation scheduled for 1st January, 2015.

The Government's policy, that all government owned businesses should be insured by state owned insurance companies has created a state owned monopoly on all large scale infrastructure activities such as road construction and public utility projects. It is our fervent hope that a level playing field will be facilitated, restoring fair competition in the market as it once existed.

Our Sustainable approach to business

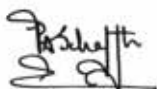
Janashakthi is a result of local entrepreneurship and vision and a pioneering spirit. This pioneering spirit has been reflected in our approach throughout our 19 years in business, this fact together with the solid platform which the Company has put together will be key factors that support the future sustainability of the Company.

We firmly believe that the communities and the environment which we are a part of, are interdependent. Our enterprise is thus committed to a triple bottom line for sustainable growth and profitability. During the year under review our value driven sustainable initiatives at a national level included sports and Sri Lankan entrepreneurship. Our efforts in our flagship project of the sponsorship of rural athletes, rewarded us with the tremendous satisfaction of seeing our student athletes bring home a Gold, a Silver and a Bronze for Sri Lanka at the Junior Asian Athletic Championship in 2012. In addition we also engaged with communities at different localities supporting local infrastructure and some of these initiatives also integrated brand building; exemplifying Janashakthi's strategic approach to CSR. This year also saw our launch into

a partnership on an environmental initiative for water conservation. Our Sustainability initiatives are presented in detail in pages 152 to 153 in this report.

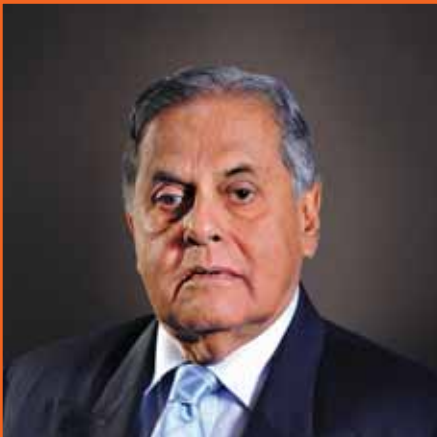
Acknowledgements

I would like to express my sincere gratitude to the Chairman, Deputy Chairman and my colleagues on the Board for their guidance, unstinted support and for the confidence placed in me and my entire team of employees. I extend my very sincere appreciation to our strong team for their unwavering commitment, belief and identification with the forward march of our Company and the positive customer centric focus that exists across all segments which in turn creates the drive to continually exceed our performance standards. A special note of appreciation is conveyed to our regulators, the Insurance Board of Sri Lanka for their very positive and cordial relationship with and the guidance given to our Company. Also wish to place on record a very sincere thank you to our shareholders, customers, business associates and other stakeholders for their support and inspiration as we look to the year ahead with new vigor to move towards our vision to be Sri Lanka's No 1 Insurance Provider.

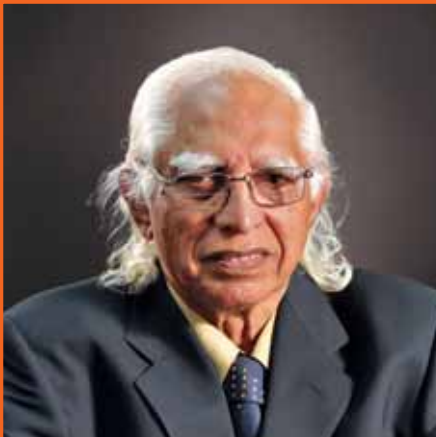


Prakash Schaffter
Managing Director
26 February 2013

Board of Directors



1



2



3



4



5



6



7



8



9

1

W.T. Ellawala

Non-Executive Chairman

W.T. Ellawala has served as Non-Executive Chairman of Janashakthi since 2005. He is a highly respected business leader and some of the key positions he currently holds include, Chairman and CEO of C.W. Mackie PLC, Managing Director of The Ceylon Trading Co. Ltd. and Director of Maersk Lanka (Pvt.) Ltd.. He is also the Chairman of The Sri Lanka Society of Rubber Industry; a past Chairman of the Colombo Rubber Traders' Association and the Sri Lanka Shippers' Council. A former Member of the Committee of the Ceylon Chamber of Commerce and Chairman of the Chamber's Advisory Council; he is also an Honorary Member of the Colombo Tea Traders' Association and President and Trustee of the Sinhalese Sports Club. He was also a former Advisor to the Ministry of Ports & Shipping and a Consultant on Sea Transport at UN-ESCAP in Bangkok.

2

C.T.A. Schaffter

Deputy Chairman

Widely considered the 'Father of Insurance' in Sri Lanka he counts over 60 years in an evolving insurance industry. The recipient of the Life time achievement award presented at the Asia Insurance Industry awards in 2012, Asia's most prestigious awards spanning many countries.

He is the founder of Janashakthi Insurance PLC and continues to make his presence felt in the Industry through numerous industry related fora and committees. Over his career, recently captured in his autobiographical publication 'My sixty years in Insurance', he played a key role in establishing and managing several insurance related businesses and insurance companies.

A well known sports personality, he is a double international having represented Sri Lanka in both Cricket and Hockey. He has served the administration of sports at different levels being a National selector in both Cricket and Hockey, Vice President of the National Olympic Committee, Sri Lanka Cricket, President of the Mercantile Cricket Association and was manager of the National Cricket team on several occasions.

3

Prakash Schaffter

Managing Director

A key member of the Management team since the inception of the Company in 1994 and has been leading the Company since 2006. Fellow Membership of the Chartered Insurance Institute and a Masters in Business Administration from the University of Cambridge in addition to over 25 years in the Industry makes him one of the leaders at the forefront of the Sri Lankan Insurance Industry.

A Vice President of the Insurance Association of Sri Lanka (IASL) and serving in several industry related committees, he is also a former President of the Young Presidents' Organisation, former secretary of Sri Lanka Cricket and former President of Tamil Union Cricket and Athlete Club.

4

L.C.R. de C Wijetunge

Non-Executive Director

A member of the Board since 2007, he is currently the Chairman Emeritus of Nestle Lanka PLC. and Chairman of Lion Brewery PLC., Ceylon Beverage Holdings PLC. and Union Residencies (Pvt) Ltd.. He also serves on the Boards of Hunter & Co Ltd., East India Retailing (Pvt) Ltd., Lanka Canneries and Health & Co Ltd.; and as Trustee of Joseph Frazer Memorial Hospital. He also serves as a Member of the Monetary Policy Committee of the Central Bank of Sri Lanka and is also the President of the Swiss Business Circle of Colombo and the Vice President of Baur Asia, and a director of Swiss Trading Group.

Board of Directors Contd.

5

Manjula Mathews

Non-Executive Director

Having relinquished her executive role at Janashakthi Insurance PLC as Finance Director in 2007 she has continued to serve in a Non-Executive capacity whilst heading Dunamis Capital PLC.

She is widely credited with having turned around Dunamis Capital PLC having rationalised its business portfolio and staff. Dunamis continues to be active in the Finance and Property sectors through listed subsidiaries First Capital Holdings PLC and Kelsey Developments PLC in which she serves in an executive capacity.

With a Masters Degree in Business Administration from the University of Cambridge and a Fellowship of the Chartered Institute of Management Accountants (UK) combined with over two decades of experience in finance, marketing and general management in UK and Sri Lanka, she is well equipped in multiple disciplines to contribute towards the Company's success.

6

Deshamanya Dr. Nihal Jinasena

Non Executive Director

A member of the Board since 2006, he is currently the Chairman of L. M. Jinasena Group of Companies and of Loadstar (Pvt) Limited, the largest export company in Sri Lanka. A Chartered Engineer and a Fellow of the Institution of Engineers, Sri Lanka, and a Fellow of the Institution of Engineers of the UK; he also holds an Honorary Doctorate from Loughborough University, UK. He has been honored with the prestigious title of "Deshamanya" - awarded by the President of Sri Lanka, for his many achievements.

He has served as the Chairman of DFCC Bank and DFCC Vardhana Bank and as a member of the Securities and Exchange Commission and the Insurance Board of Sri Lanka. He is also a member of the National Research Council.

7

Ramesh Schaffter

Executive Director

A versatile personality with over two decades experience in Finance & Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants Sri Lanka and an Associate member of the Chartered Institute of Marketing. Having served as Secretary to the Board since the inception of the company in 1994, he was appointed to the Board in 2004. He has also served on the Boards of several public listed and unlisted companies.

An accomplished public speaker he is a multiple award winner at National and International level Toastmasters' contests. He is the Vice President of the Tamil Union Cricket & Athletic Club and is the incumbent President of Habitat for Humanity Sri Lanka, a NGO engaged in providing housing for low-income families. He has founded Swarga TV and Swargam TV which are television channels carried on a cable TV platform in addition to Christian Arts Foundation (Chraft) an organization which promotes music and drama.

8

Eardley Perera

Non-Executive Director

Appointed to the Board in 2005, he is a Chartered Marketer and a Graduate of the Chartered Institute of Marketing, UK and has followed management training in Sweden, the UK, South Korea, the Philippines and Singapore. He currently serves as the Non-Executive Chairman of M&E (Pvt) Ltd.; and Non Executive Director of Dunamis Capital PLC and associate companies, First Capital PLC, Keells Food Products PLC, ODEL PLC, Sting Consultants (Pvt) Ltd., Brand Finance Lanka (Pvt) Ltd. and Ma's Tropical Foods Products (Pvt) Ltd.. He also serves as a member of the Board of Study of the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura and is engaged in management education and consulting.

9

Anushya Coomaraswamy

Non-Executive Director

A member of the Janashakthi Board since 2006, she is a Fellow of the Chartered Institute of Management Accountants UK and a member of the Institute of Chartered Accountants of Sri Lanka. Her career spanning over 20 years in the private sector includes many senior management positions which includes, Group Finance Director, John Keells Holdings PLC. from 1994-2002. She has also served as, an Advisor to the Ministry of Finance, the Chairperson of the Public Utilities Commission and a Member of the Public Enterprise Reform Commission. She is also an Independent Director of Printcare PLC. and Aitken Spence Plantation Management (Pvt) Limited and has been a member of the Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka.

Corporate Management



1



2



3



4



5



6



7



8

1

Dayalanie Abeygunawardena
General Manager Life & Non-Life

An Associate Member of the Chartered Insurance Institute, UK and a Chartered Insurer; she also holds a MBA degree from Edith Cowan University, Australia and counts over 25 years experience in the Insurance industry. She is an Executive Member of the Insurance Association of Sri Lanka, and a Member of the Technical Advisory Committee of the Government Riot, Strike & Terrorism Fund and the Foundation for the Advancement of Life Insurance Around the World. She is also a regular contributor to industry fora and committees and has presented technical papers at international conferences.

Comprehensive training she has followed includes Reinsurance & Reinsurance Accounting from Commercial Union UK, Strategic Management in Life Insurance from Japan, and advanced technical training on Non-Life Insurance from Munich Re Germany.

2

Shehara de Silva
General Manager - Sales & Marketing

An experienced international marketer and a branding and corporate consultant with a track record of high impact business development in Malaysia and Sri Lanka, She has been behind the success of several iconic local and Fortune 500 multinational brands. She brings strong leadership and strategic capabilities, with innovative communication flair to unlock corporate brand value. A holder of a B.A. degree in Humanities from the University of Kelaniya, she is also a member of the Chartered Institute of Marketing UK, a Chartered Practitioner of Marketing and a Diploma holder in Market Research from the Institute of Commercial Management UK.

She worked for over a decade with Omnicom companies in Kuala Lumpur where she began in the early 90's as Director, Strategic Planning at Naga DDB and was promoted as a Group Director and Chief Strategy Officer. She also set up the country office for Interbrand which, during her tenure as its Managing Director, was ranked Malaysia's no 1 brand consultancy.

Her previous experience also includes as Deputy Director General, at the Board of Investment of Sri Lanka, and as Marketing Director at New Zealand Milk Products. Her brand building assignments include Volkswagen, American Express, Pepsi, Panasonic, Malaysia Tourism, Mobil, Cadbury, Hasbro, Mercedes, Anchor, Kohomba, Singer, Rathhi and NDB.

3

Bertal Pinto - Jayawardena
General Manager Finance & Planning

A member of the Institute of Chartered Accountants of Sri Lanka, and an Associate Member of the Institute of Chartered Management Accountants UK., he is also a Member of the Institute of Management, UK and a multiple award winner at accounting examinations. He counts over 20 years experience in senior management positions which include The Head of Finance, MIS & Risk Management at People's Bank; Head of Finance & Administration at Standard Chartered Bank and Board member of People's Leasing Company. His initial professional training was at KPMG Ford Rhodes Thornton & Co., during which time he was seconded to Peat Marwick Mitchell in Zambia for a brief spell.

A holder of a Diploma in Risk Management obtained through a scholarship awarded by the Swedish International Development Agency, he has also followed a Strategic Senior Management Programme in Life Insurance in Japan. His training and exposure also covers Finance, Banking, Insurance and Management, in the UK, India, Malaysia, China, Thailand, UAE, USA & Romania.

He has served as a resource person and a panelist at many professional fora organised by the Institute of Chartered Accountants of Sri Lanka, CIMA Sri Lanka, Central Bank of Sri Lanka and others. He was a Council Member of CIMA Sri Lanka. He was recently invited to chair a session at the National Conference on "Youth in Reconciliation" organised by the Lakshman Kadiragamar Institute of International & Strategic Studies, based on his work as Founder Trustee of the Ekamuthu Oray Makkal Unity Mission Trust, which is committed to fostering unity, reconciliation and healing amongst teenagers and young adults.

4

B. Gamini Peiris

General Manager - Human Resources & Administration

An Associate of the Institute of Chartered Accountants of Sri Lanka, his more than two decades of experience in finance, accounting and general administration in the construction, trading, manufacturing and insurance sectors holds him in good stead to lead the 'people team' at the company. He also holds a Bachelor's Degree in Commerce with Honours and a MBA from the University of Sri Jayewardenepura.

5

Shani Ranasinghe

Deputy General Manager - Non-Life Insurance

An Associate Member and a Chartered Insurer of the Chartered Insurance Institute of UK, she also holds a MBA from Edith Cowen University, Australia. She has been with the company since its inception and counts over 16 years experience in General Underwriting, Claims and Marketing and holds responsibility for the operations of the Policy Processing, Technical, General Claims and the Full Option Departments.

She represents Janashakthi at the Industry General Insurance Forum (GIF), The National Insurance Trust Fund (NITF) Working Committee, and has attended various reinsurance conferences organised by the Singapore Reinsurers' Association, The East Asian Insurance Congress and the Foundation for the Advancement of Life and Insurance Around the World (FALIA), and was also the company's representative on the committee which organized the Federation of Afro-Asian Insurers and Reinsurers (FAIR) conference in Sri Lanka.

6

Shelton Seneviratne

Deputy General Manager Life Insurance & Branch Servicing

A Fellow of the Chartered Insurance Institute UK and a Chartered Insurer, he also holds a B.Sc. (Hons) degree from the University of Sri Jayawardanepura. He counts over 30 years experience in the industry and holds responsibility for the operations of Life. He was the first Sri Lankan to be elected a Fellow of the Australian & New Zealand Institute of Insurance & Finance (ANZIIF) and was also elected as a Fellow of the Indian Insurance Institute. He is also a qualified ISO Lead Auditor.

He represents the company at the Industry Life Insurance Forum and is the company's Liaison Officer to the Insurance Ombudsman. He has received comprehensive training in Non-Life Insurance and Reinsurance from Munich Re Germany and Advanced Technical training in Underwriting and Claims from Swiss Re. He has also attended various Life, Non-Life and Reinsurance seminars and conferences in Japan, Hong Kong, Singapore, Malaysia, Canada, India, Indonesia and Philippine.

He is the Vice President of the Company Sports and Welfare club.

7

Marlon Peter

Deputy General Manager - Auto Center

Spearheading the Janashakthi Full Option Auto Centre since its inception in September 2005, he has held senior positions in the Insurance, Risk Management and survey departments prior to his current appointment. Having begun his career in motor insurance in 1980, his expertise has led him to surveys on numerous Motor Insurance Advisory Committees, including being the head of the last motor tariff revision in the country. This included motor policy changes and introduction of new covers/endorsement wordings.

Prior to joining Janashakthi in 1998 he was employed at both Protection & Indemnity Co. Ltd and CTC Eagle Insurance Co. Ltd.

8

Graeme La Brooy

Deputy General Manager -General Sales

Having joined Janashakthi in 2006 as the Head of Sales of the Head office operations in Life and the Non-Life business. Thereafter he progressed and took over the responsibility for the island wide general insurance sales unit in the year 2010. He counts over 20 years of management experience in the insurance and garment sectors. His managerial career has always been in the field of sales, where he has reached a senior position of heading a sales force in excess of 1,000 team members.

Apart from his progress in the corporate world, he has been involved with cricket administration and has represented Sri Lanka in Cricket between 1986 and 1992. Thereafter he has held many positions including that of President of the Sri Lanka Cricketers Association from 2008 to 2011. He is currently the International Cricket Council's Asian Region Match Referee.

Management Team



G.K.D.D.C. Bandara
Senior AGM - National Life Sales



K.D.C.S. Basnayake
Senior AGM-General Sales



L.G. Munasinghe
AGM - Human Resources Development



M.R. Ismail
Senior AGM - Strategic Business (Life)



P. Pavalachandran
AGM - Finance



P.K. Abeysekera
AGM - Legal



S. Thananchayan
AGM - Full Option



T. Vithanage
AGM - Information Technology



A. T. J. Joseph
AGM-LIFE Sales (North East Zone)



E.P.S. Ranawaka
AGM - General Sales (Southern Zone)



K.G. Yamuna
AGM - Policy Processing



M. Chandrasekaran
AGM-Bancassurance



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



V. Sri Vijayakanthan
AGM - General Sales (North East Zone)



S. De Silva
AGM- Life (Central Zone)



H.P. Dambadeniya
Senior Manager - Motor Surveys



K. Delwatta
Senior Manager - Audit & Investigations



M.R. Muthumani
Senior Manager - Auto Centre



Karthigun Siva
Senior Manager - Technical & Reinsurance



L.D. Keragala
Senior Manager - Software Development



A. Hassanali
Senior Manager - Investments



P. Thambar
Senior Manager - Non Motor Claims



B.P.A. Perera
Senior Regional Sales Manager-General



R.B. Wijesinha
Senior Manager - Human Resources Management



A. Karunarathne
Senior Regional Sales
Manager



N.G. Nanayakkara
Senior Manager General
Sales (Central Zone)



K. N. R. Perera
Senior Manager -
Legal



D. Senevirathne
Senior Manager -
Life Operations



K.L.N.C. Chandrasena
Senior Manager CRM. &
Research



H. M. Nimal Herath
Senior Regional Sales
Manager - General



T. I. Jamaldeen
Senior Manager -
Corporate Sales-Life



P.J. Kodikara
Zonal sales Manager -
General



S. Gunasekara
Senior Manager - Branch
Operations



P.G.K. Premaratne
Senior Regional Sales
Manager -Life Sales



N.D.E. Seneviratne
Senior Regional Sales
Manager - General



A.G.G. Kumarasinghe
Senior Regional Sales
Manager-Life



R.K.A. Gunawardena
Zonal Sales Manager Life
Sales



A.T. Devendra
Senior Manager - Full
Option



K.D.P. Amarasekara
Senior Brand Manager



F K Sedar
Senior Manager - Human
Resource Development



H.M.D.S. Randika
Senior Regional Sales
Manager (General Sales)



M.M.M. Maffaz
Zonal Sales Manager - Life
(Southern Zone)



M. S. Sampan
Senior Sales Manager

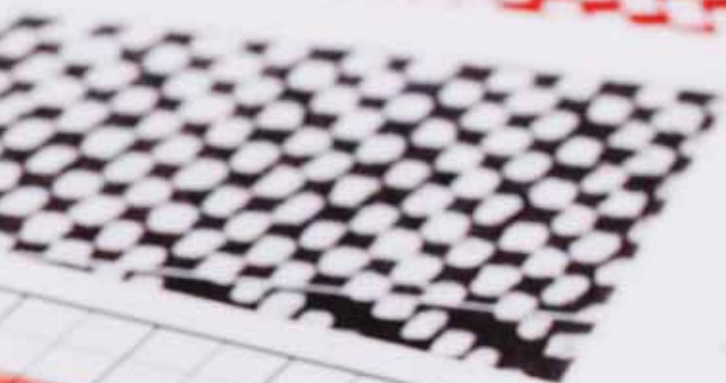
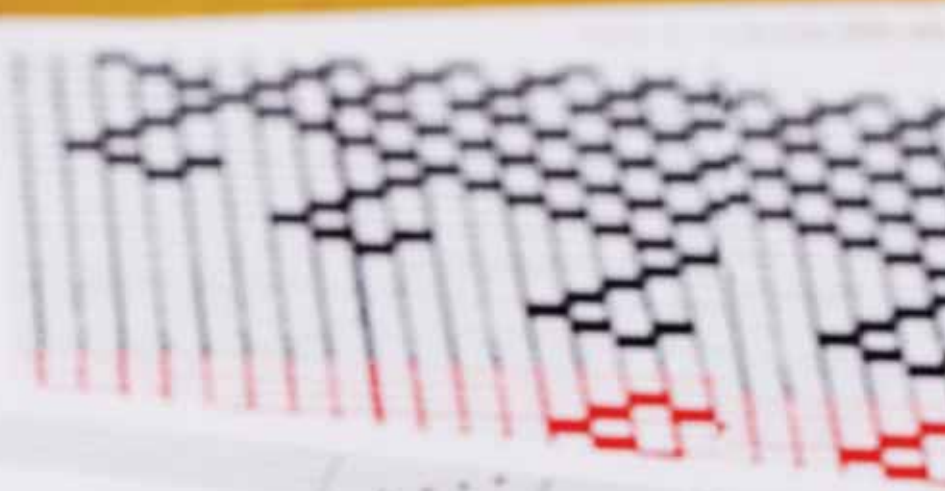


R. Balraj (AGM- Marketing)
Absent

A Transformative Spirit

Purpose Makes Practice

Here at Janashakthi, we have a clear vision for the future and into the fabric of our being we stitch the dream to be the largest, fairest, the most accessible and most accountable Insurance company in the country. Our people, our work ethic, and our enthusiasm compose the different patterns and vibrant hues that by deed, by product and by service we weave ever incremental value delivery. We will continue to add to the length and breadth of this weave with innovation and vitality.



Black & White Collared
Taffeta, Alpaca, Merino
& Handspun Wool in Wool
and Tabby

Balanced Twill, 7x2 Twill
Weave, & Joseph Friseph
Genoa & Dena & De



4x4 grid
red orange

2x6 grid

al Pointed Twisted

rtical Herringbone

Long and Short



Management Discussion and Analysis

“JIPLC focused on growing alternate channels of business such as expanding the bancassurance channel; enhancing the E Marine and E Travel and the launch of a new mobile technology based product in 2012”

This Management discussion begins with an overview of key local and global, economic and industry developments in 2012 which provided a backdrop for, or directly impacted, the performance of Sri Lanka's Insurance Industry in 2012 and will also continue to impact the industry in 2013.

Economic Overview

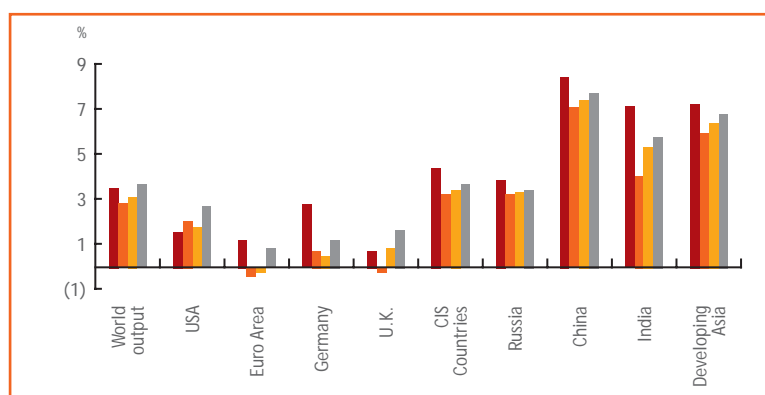
Global Economy

Insurance being a financial product, in a small open economy such as Sri Lanka which depends significantly on trade and tourism and other foreign exchange remittances, is impacted by the performance of the key economies in the world.

The global economy continued to remain challenging in 2012 mainly due to vulnerabilities in several key economies. The IMF's projections updated in January 2013 for global growth for 2012 and 2013, at 3.2% and 3.5% respectively, are downward revisions of its estimates made in November and June 2012, which in turn was lower than the projections made in its Economic Outlook of April. These downward revisions have been prompted by the delay in the implementation of appropriate policy measures in the Euro and fiscal policy deadlock in the USA. Although 2013 is expected to see growth re accelerate, downward risks have also heightened as per IMF assessments and effective implementation of critical policy responses in the Euro Zone and USA will be key determinants of growth in 2013. The uncertainty of external downside risks hence still remains for emerging and developing economies. Economic growth for the U.S has been revised down from the earlier forecasts to 2% in 2013 and 2.3% in 2012, compared with growth of 1.8% in 2011, whilst growth in the Euro Zone is estimated to have declined by 0.04% in 2012 and to continue to decline in 2013 by 0.2% compared with a growth of 1.4% in 2011. Unemployment levels are projected

to remain high in most of these economies. Growth in world trade volumes are expected to moderate to 3.2 % in 2012, from a higher growth of 12.6 % and 5.8 % recorded in 2010 and 2011 respectively.

Although output is likely to remain sluggish in advanced economies, the IMF estimates economic activity to be "relatively solid in many emerging market and developing economies". Growth in developing Asia, according to IMF's estimates in October, has reduced to less than 7% in the first half 2012 (compared with 7.8 % in 2011) mainly as export growth remained low due to reduced import demand from advanced economies and economic activity in China also slowed sharply following a tightening of credit conditions. China is estimated to have recorded a growth of 7.8% in 2012 compared with 9.2% in 2011, and is expected to grow by 8.2% in 2013.



World Economic Growth

■ 2011 ■ 2013 F
 ■ 2012 ■ 2014 F

Sri Lankan Economy

Sri Lanka's economy, following two consecutive years of robust growth of 8% and 8.3% in 2010 and 2011 respectively, grew by 7.2% during the first half of 2012 and is projected to have grown at a reduced pace of 6.2% in 2012. The deceleration in growth for 2012 as per Central Bank findings could be attributed to the relatively lower growth in the Agriculture (in the latter half of the year) and Services sectors during the year.

Several key policy changes that were introduced during the first half of the year such as the increase in import taxes and the depreciation of the Rupee, impacted the Insurance business and these will be discussed in the context of the company's performance in the ensuing sections.

The Agriculture sector rebound, growing by 10.3% in the first half of 2012 compared with a contraction of 1.4 % in the first half of 2011. The strong performance in the Agriculture sector during the first half of the year was mainly on account of the bumper paddy harvest in the 2011/12 Maha season, an increase in the production of vegetable and highland crops and a substantial increase in fish production.

Management Discussion and Analysis Contd.

The Industry sector also registered considerable growth of 10.2% during the first half of 2012, as the strong performance of factory industry recorded in 2011 continued into the first quarter of 2012. Expansion in the Construction and Mining and Quarrying activities were the key contributors to this growth. Thereafter however, performance of the factory industry began to slowdown as external as well as domestic economic developments began to impact demand. The slowdown in certain key economies impacted export demand whilst the upward adjustment of domestic energy prices, tightening of monetary policy, increase in certain taxes as well as the depreciation of the Rupee weighed down on domestic demand, and hence, on production for the domestic market.

The Services sector decelerated to 5.1% during the first half of 2012 compared with a growth of 9.1% in the corresponding period of 2011 and this was mainly due to the dampening effect of weak global trade on exports, and the decline in imports in response to policy measures introduced during the first quarter, as well as the slowdown in the transportation and communication sub-sectors.

Banking, Insurance and Real estate sub sector grew by 6.8 % during the first half of 2012 compared with 7.6 % in the corresponding period in the last year. Whilst a healthy performance of the banking sector contributed to this growth as reported by the Central Bank, non-bank financial institutions and insurance companies also performed well during the period under review with an improvement in interest income and premium.

Unemployment continued to decline reflecting the sustained growth momentum across all sectors of the economy, declining

during the first half of 2012 to 3.9% from 4.3% in the corresponding period of 2011. The full implementation of new infrastructure development projects, an increase in self-employment opportunities and broad based higher economic growth contributed to the steady decline in the unemployment rate.

Key Indicators of Sri Lanka Economy

Indicator	2008	2009	2010	2011	2012F
GDP (%)	5.9%	3.5%	8.0%	8.28%	6.2%
Inflation (GDP Deflator)	16.3%	5.9%	7.3%	7.8%	10.5%
Fiscal Deficit (% of GDP)	7.7%	9.7%	7.9%	6.9%	6.7%
Yearly Average Exchange Rate: (SLR/USD)	108.33	114.6	113	110.57	127.4
Trade Deficit (US\$'Mn)	5981	3122	4883	9710	10740
BOP Surplus(Deficit):(US\$'Mn)	(1384)	2725	1250	-1061	100

Source: Census and Statistics Department of Sri Lanka

Exports and Imports Growth

	Dec 2011 (US\$Mn)	Dec 2012 (US\$Mn)	Growth
Exports	933.4	871.0	-6.7%
Agricultural	211.2	217.4	2.94%
Industrial	719.9	643.7	-10.6%
Mineral	1.9	9.2	384.2%
Imports	1875.8	1512.2	-19.4%
Consumer Goods	325.3	240.2	-26.2%
Intermediate Goods	1160.4	869.9	-25.0%
Investment Goods	381.7	401.3	5.1%
Balance of Trade	(942.4)	(641.2)	-32.0%

Source: Central Bank of Sri Lanka

Notes:

Total Exports as at December 2012 - \$871Mn, this being a drop of 6.7% from the corresponding period last year.

Drop in exports during the month of December 2012 was mainly due to the 10.6% YOY decrease in Industrial exports. In 2012, earnings from industrial exports declined 7.8% as textiles and garments, a key sub category of industrial exports fell 4.8%.

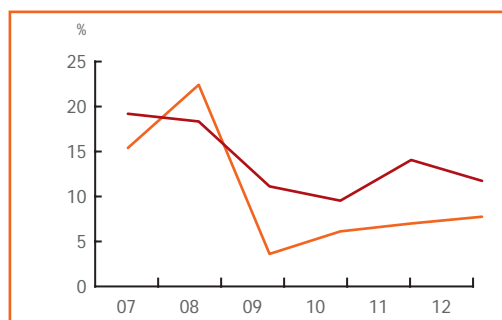
Income from exports from the Agriculture sector grew by 2.9% YOY in December as exports in tea, spices and seafood increased. However, in 2012 agricultural exports declined 7.8% as weak global demand resulted in decreases across most sub categories under agricultural sector.

Imports for December fell 19.4% YOY to \$1512.2Mn. This decrease was mainly due to all categories of imports declining.

Imports expenditure on intermediate goods decreased 25% YOY largely due to fall in expenditure on petroleum which decreased 25.1% YOY. Expenditure on consumer goods fell 26.2% YOY in December due to decrease in food and vehicle imports. The reduction in vehicle imports depicted a consumer goods decline by 18% during 2012.

Inflation

The year on year change in Inflation which has been at single digit levels since February 2009 began to rise gradually from March to the higher single digits, and was at 9.2% in December 2012 whilst the annual average change was at 7.6% in end December. The revision of administered prices, mainly energy prices to reflect developments in the international market, the depreciation of the Rupee, supply side disruptions due to the drought conditions that prevailed during the year as well as the increase in import duties on several food items, contributed to this upward pressure on prices. Inflation continues to be an important factor in determining the purchasing



Movement of Inflation & Interest Rates

— Inflation Annual Average
— PLR

Data Source: Central Bank of Sri Lanka

power of the market for Life Insurance products in Sri Lanka, and particularly so for the main target markets of Janashakthi (JIPLC).

Exchange Rate

In the first quarter of 2012, the Central Bank of Sri Lanka abolished the Rupee trading band to allow the exchange rate to adjust more flexibly necessitated by the tremendous pressure on the country's balance of payments due to significant increase in import expenditure. This resulted in a sharper than expected depreciation, of more than 11%, against the US Dollar during the first quarter of 2012 and a depreciation of 12.2% for the year. The depreciation also impacted prices of imported items, and hence inflation.

Interest Rates

The Central Bank tightened monetary policy in 2012 by raising policy rates in February and April, and by imposing a ceiling on Rupee lending by licensed banks in March 2012. In line with this increase in policy rates and tight monetary conditions, both lending and deposit rates rose substantially during the year. Commercial banks' Average Weighted Prime Lending Rate was 14.29% at year end on 31st December, compared with 13.44% at end 2011. This significant tightening of monetary policy was necessitated by the rapid growth in credit extended to the private sector by the banking system, which contributed to a higher than targeted growth of money supply. Continued monetary expansion posed two risks to macro economic stability. Firstly, was a risk of the emergence of demand driven inflation and secondly, the risk of an expansion of the trade deficit, due to increased imports fuelled by rapid credit growth. Following a review of the environment in December when conditions seemed to permit easing of monetary policy, the Central Bank decided to induce a downward adjustment of policy rates, by 25 basis points each while allowing the ceiling on rupee lending by banks to expire at end 2012. Accordingly, the Repurchase rate and the Reverse Repurchase rate of the Central Bank lowered to 7.50 % and 9.50 %, respectively in December.

Insurance business is highly vulnerable to the movement in interest rates. In the Life insurance sector, the returns generated by the investment portfolio will be a key determinant of the benefits enjoyed by the policy holders. Thus, the volatility in interest rates combined with high inflation could impact the Life insurance business adversely.

Outlook for 2013

Supported by the gradual recovery of global demand and the continuation of the post-war growth momentum, the Sri Lankan economy is expected to grow at a higher pace in 2013, with growth of around 7.5 % in 2013 and over 8 % in the medium-term. This growth is expected to be broad based with performance of all sectors of the economy expected to improve.

However, downside risks also still remain as the envisaged growth in export demand is still uncertain due to the policy uncertainties which will determine the recovery of the Euro and US economies. Moreover, the prospect of higher oil prices and uncertainty with regard to the sanctions against the import of Iranian oil by the USA pose further downside risks to Sri Lanka's growth. A pickup in export demand would offer better prospects for the growth of



Bancassurance Partnership agreement with Commercial Bank

Non-Life Insurance in particular. Another is the satisfactory performance of the Services account which is expected to continue to be facilitated by higher tourism earnings, port and airport related activities and information technology. Accordingly, the contribution from external trade and transport and communication sub sectors are expected to rise in 2013 with the increase in port and aviation activities. Earnings from passenger fares and travel and tourism are expected to increase with the growth in tourist arrivals which are projected to exceed 1.25 Mn in 2013. Moreover, contribution to growth from regions outside the Western Province is expected to increase, due to the accelerated implementation of regional development programmes including several large scale infrastructure projects, thus facilitating wealth generation amongst populations outside the western province. This could provide opportunities for branch expansion and greater penetration for the Insurance sector in the medium to long term.

Additionally, the Central bank forecasts inflation to remain at upper single digit levels until March 2013 but to decline to mid single digit levels towards the latter half of the year. This could facilitate a favorable impact on the disposable incomes of a considerable percentage of the population.

Tourism and Infrastructure are amongst the identified thrust areas of the post war Sri Lankan economy, and the growth achieved in these two sectors in the past two years are expected to gather further momentum in the next few years, and thus, offer brighter prospects for the Non Life businesses of the Insurance Industry.

Insurance Industry

Global Insurance Industry overview

The number of natural catastrophes which had significantly impacted the industry in 2011, decreased in the first half of 2012; and as commented by Fitch ratings, the (re) insurance industry thus “experienced manageable and below-average natural catastrophe losses in the first half of 2012”, which amounted to “U.S. Dollars 12 bn. (in the first half of 2012) which is well below the record high for the first half of last year- of US Dollars 81.7 bn. in insured losses, which were primarily from the Japanese earthquake and the Tsunami, the New Zealand earthquake and the US spring storms.” Underwriting results thus improved significantly in the first half of 2012, with catastrophe-related losses declining to approximately 2% of earned premiums from 44% in first-half 2011. However disasters such as Hurricane Sandy in the U.S. and the magnitude of its impact, burdened the industry during the second half of 2012. Thus, the increasing likelihood of natural catastrophes across the globe and the increased intensity of their impacts caused by erratic weather patterns due to global warming will continue to be key factors in determining the future performance of the insurance industry.

The International Association of Insurance Supervisors in its first ever Global Insurance Market Report, acknowledges the resilience of the insurance industry over the years. Primary Insurers and reinsurers surveyed for the report, were at the end of 2011, found to be better capitalised than at the beginning of the financial crisis of 2008 and to have achieved sizeable performance improvements after the financial crisis of 2008. However, as the 2012 Global Insurance Industry Report by Capgemini reveals, Non-Life Insurers responded to the financial crisis of 2008 and 2009 by turning their focus to the “core drivers of underwriting performance pursuing more cost effective ways to acquire business and manage expenses and claims It further finds that, despite rising premium volumes in some markets “few are in a position to raise rates and few can expect any great income from investments in the near term and few expect any decline in claims”. These global market conditions mirror conditions of Sri Lanka’s Insurance industry. As a result, for non-life insurers “to achieve sustained performance in the coming years, optimising client acquisition and retaining strategies, increasing efficiencies of claims management and undertaking transformative initiatives in other operational areas will be needed.” These will then contribute towards incremental cost efficiencies as a driver of higher profitability.

Sri Lanka’s Insurance sector

The Insurance sector has experienced growth in total assets, premium income and profitability, albeit at a slower pace. There were 22 Insurance companies in operation at the end of June 2012. Out of these, 12 companies were composite insurers, while 7 companies engaged exclusively in Non-Life Insurance and 3 companies conducted long term Insurance business. The total assets of the Insurance sector increased by 19.8% up to end November 2012 and by 15.4 % in the first six months of 2012, as against 23.6 % in the corresponding

period in 2011. Further, the total Gross Written Premium (GWP) of Insurance companies rose by only 13.5 % in the first half of 2012 compared with an increase of 23.4 % in the same period in 2011.

Despite the decline in investment income, the total income of the Insurance sector grew. The decline in prices in the stock market affected investment income which decreased by 9 % during the first half of 2012 as against a marginal decline of 0.1 % in the corresponding period of 2011. However, the total income increased by 8.2 % in the first half of 2012. The aggregate profit before tax of the Insurance sector increased by 27 %, on account of higher profits generated in the Non-Life Insurance sector.

The import duty concessions which were available up to the 1st quarter of 2012, buoyed vehicle imports, and thus increased the demand for vehicle insurance during this period. This trend experienced in 2011 and the first quarter of 2012 however began to reverse from the end of the first quarter reflecting the fact that fleets of vehicles are a significant determinant of the performance of the non life Insurance sector in Sri Lanka. Moreover, there was a further decline in volumes of trade due to a slow down in key export markets which further impacted the non life businesses in the industry. The GWP in the non-life sector continues to be dominated by five larger players. However given low switching costs in this industry, new entrants to the market, are able to capture market share rapidly through competitive pricing which is also facilitated by their low cost structure. Limited avenues for differentiation is a characteristic of the market thus prompting price wars, which in the short term have helped smaller players to grow their top line but at the expense of bottom line profitability.

All Insurance companies complied with the statutory solvency margin requirement for Non-Life Insurance as at end June 2012 whereas one company was non-compliant with the minimum solvency requirement for long term insurance. The overall solvency ratios for long term and Non-Life Insurance remained at 5.8% and 2.3%, respectively, at end June 2012. (Source: Central Bank)

Industry GWP - Non-Life /Life										
	2008		2009		2010		2011		2012	
	LKR	%	LKR	%	LKR	%	LKR	%	LKR	%
Life	23,613	41%	24,005	42%	31,152	47%	35,181	45%	35,064	40%
Non-Life	34,558	59%	33,548	58%	35,101	53%	43,331	55%	51,989	60%
Total	58,171	100%	57,553	100%	66,253	100%	78,512	100%	87,053	100%

Outlook

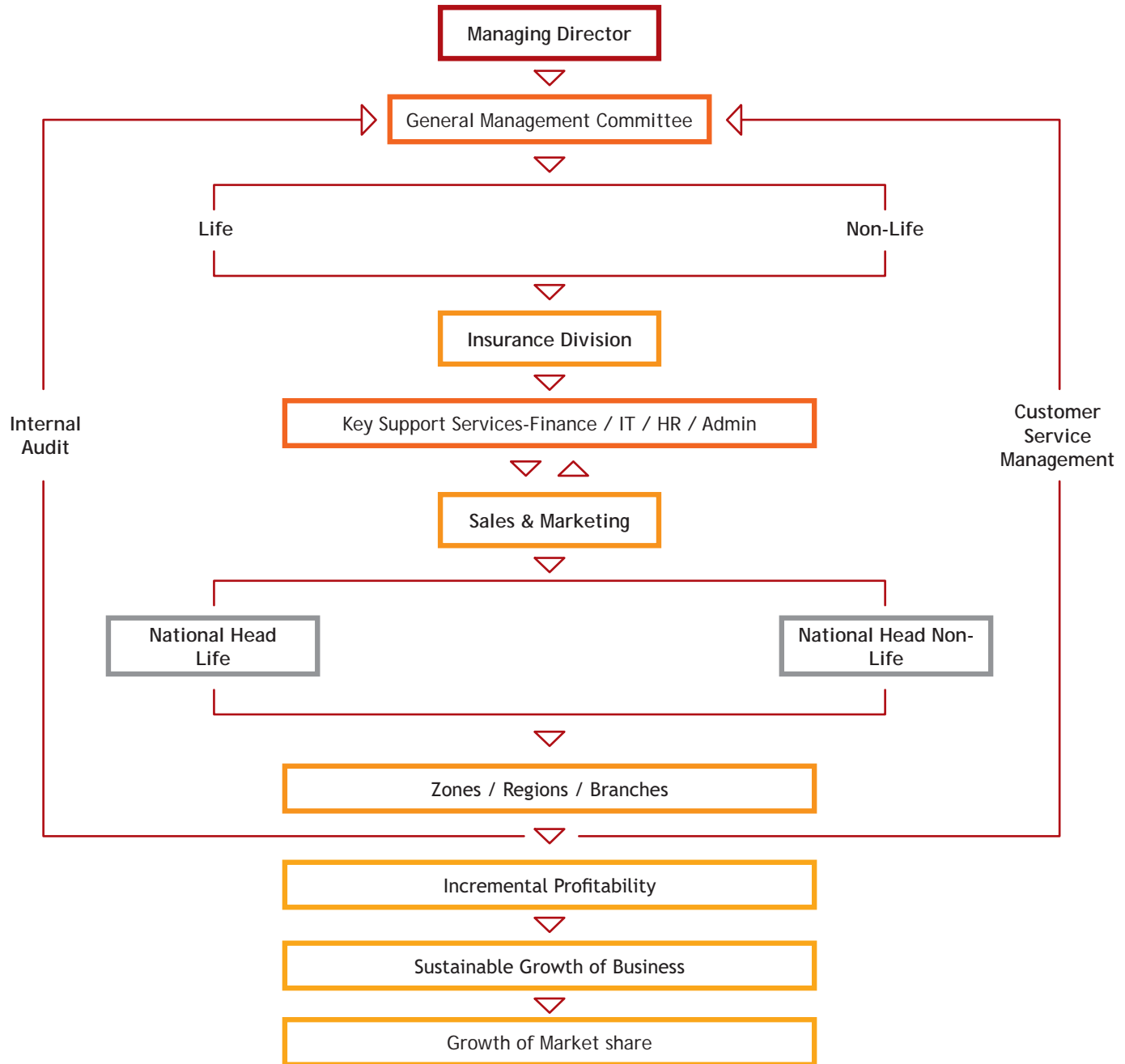
Following the provisions made in the Regulation of Insurance Industry (RII) Act, amended in January 2011, the composite Insurance businesses are gearing themselves to segregate the Long term and Non-Life Insurance businesses into two separate entities by 2015. The industry is hence currently faced with uncertainty about the final outcome and possible impacts once the process of segregation is complete. This regulatory requirement has been introduced primarily to ensure protection to the policy holders by enabling the identification of assets and liabilities of the two classes separately, thus preventing the set off of losses of one class from the profits of the other. This measure would thus also help engender greater trust and investor confidence in the industry and companies which are positioned with transparency, good governance and financial (balance sheet) strength are likely to benefit.

Moreover, listing on the Stock Exchange (by 2016) has been made mandatory for all Insurance companies, providing these companies access to the stock market to raise capital when necessary, and ensuring greater transparency. The Insurance Board of Sri Lanka (IBSL) has also initiated the move to a risk based capital adequacy framework for Insurance companies. In addition, the solvency margin rule was further amended requiring Insurers to maintain a solvency margin in respect of each class of Insurance business.

A fact that cannot be ignored is that most insurance companies depend on investment income to uphold their overall bottom line and hence Government securities make up a major portion of insurers' investments. As interest rates have begun to decline since December 2012 following Central Bank directives, the fixed investment incomes earned by the Insurance industry is likely to be comparatively less in 2013 and hence negatively impact profitability in the Life segment.

Moreover, a continued downturn or worsening of the economic conditions in some of the key economies will impact a large cross section of Sri Lankan businesses which in turn could limit near term growth prospects.

JIPLC
Matrix Organisation Structure
of Business Process Management



The above chart depicts the business process management structure of the company.

This structure has been constructed to also depict the harmonious inter-relationships and the goal congruence that is aimed at, in driving forward the day-to-day business of the company.

The component performance parts that make up the whole of Janashakthi is more fully explained hereunder.

Company Performance

The Premium Income from both Life and Non-Life Business of the company increased by

12% in 2012, from LKR 7,128 Mn to LKR 7,985 Mn. Profits after tax increased by 62% to reach LKR 800 Mn whilst JIPLC's total market share was at 9% at the end of the fourth quarter. The consolidated Gross Written Premium (GWP) grew by 12% vis a vis a growth of 16% in 2011. This was a noteworthy achievement especially in the backdrop of the downturn experienced in the market for Janashakthi's core business -Motor Insurance. The key factors which enabled this performance during the year were the prudent underwriting and excellent claims management by the Company. A focus on bottom line growth also contributed.

Uncertainties, challenges and risk taking are inevitable in business. Some of the key developments and challenges in the macro business environment which your company encounters regularly, or did so specifically during the year under review, and the company's response to meet these challenges which are common to both Non-Life and Life businesses or specific to one, are presented in summary below.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
<p>The Market & Competition An intensely price competitive environment (specially in Non-Life Insurance) in Sri Lanka and high bargaining power amongst customers due to low switching costs and short term nature of contracts. Particularly so in the case of corporate customers in Non-Life insurance which has continued to affect underwriting profitability.</p>	<p>Pressure on margins and volumes. Hence, growing of market share and sales volumes whilst managing the bottom line impact of such growth is a challenge.</p>	<p>Maintaining high level of customer service consistently, and constant innovation to enhance service standards. Emphasis was placed on speed of service, Continuous effort to streamline the cost management process enabling the Company to maintain the healthy bottom line even during a price competitive environment.</p>	<p>The Full Option Call centre was upgraded during the year, customer payment options were increased further strengthening JIPLC's position as the company with the second highest number of payment points .</p> <p>A tri-lingual renewal team was established within the Call Centre with the teams' focus being to provide support via renewal calls made to customers 14 days prior to the expiry of a policy. The positive impact of this is reflected in the growth in the renewal ratio plus the positive impact on the mind set of JIPLC sales force.</p> <p>The use of the many applications of the in-house built software and its GPS tracking device installed on assessors motorbikes to map exact location of an accident, plot a new location, offers online a list of Janashakthi branches, enlisted garages, emission testing centres, etc.</p>

Management Discussion and Analysis Contd.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
<p>Several large organisations and companies have launched into Insurance business or their in house schemes, thereby taking corporate clientele away from existing players in the market.</p>	<p>Loss of business due to clients moving business into insurance subsidiaries of their own.</p> <p>Reduced underwriting profitability</p>	<p>Trading off volume growth for bottom line growth (profitability) whenever needed.</p> <p>Enhancing efficiencies and employee productivity to counter very tight profit margins by managing costs.</p> <p>Focus on customer service as the competitive edge in a market where price competitiveness is not possible, Enhancing competitive positioning of JIPLC, for example refreshing and fine tuning of brand in 2012.</p> <p>On line management information system to identify profitable customer segments, channels and product attributes enabling the company to develop strategies to retain profitable customer segments while identifying new opportunities.</p> <p>Implemented strategies to build long-term relationships with high end corporate clients.</p>	<p>Adoption of customer retention strategies in the Motor Insurance business</p> <p>HR Training programmes which focused on gearing employees for alternate channels of business and service excellence.</p> <p>Continuous effort to maintain the lapse ratio at the lowest level.</p> <p>The brand was refreshed renewed and revitalised with greater thrust on the brand values of sincerity and trust</p>
<p>High claims ratio, in the Motor segment in the past years, which is likely to continue.</p>	<p>Low profitability due to high claims costs. The use of claims by some customers as a means to make profits due to economic hardships, necessitating a high level of scrutiny to minimise fraudulent claims.</p>	<p>Managing claims and expenses. Strengthening screening of claims to assess their authenticity.</p> <p>JIPLC was able to achieve its best claims ratio since the establishment of - Full Option Brand.</p> <p>Actual claims ratio performed much better than budgeted, this was mainly a result of the efficient processing of claims by trained staff.</p> <p>Same day claims settlement improved by 20% over last year, bringing in higher customer satisfaction.</p>	<p>Created "The Hub" - Part of Claims Processing Team merged with the Call Centre; significantly improving the same day claim settlement ability.</p> <p>Introduction of the Lean Processing methodology; thus deviating from traditional processing formats which resulted in - enhanced customer service via increased customer awareness, improved team accountability and ownership and improved turnaround times through equal distribution of claims processing. The use of the comprehensive set of in house built software to monitor motor claim processing staff and enable collaboration between Janashakthi's call centre staff and assessors.</p> <p>Staff rotation to create better awareness, higher exposure and create stronger contingency planning.</p>

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Managing Motor Claims to achieve better bottom lines in a market in which competition was made more intense by the change in import duty structure which resulted in a decline in new vehicle registrations in 2012.	The decline in new vehicle registrations resulted in existing players having to work much harder to increase market share in an environment in which competition was made more severe.	Service excellence, a segmented approach to marketing, and strengthening of existing channels. JIPLC was able to achieve its best claims ratio since the establishment of - Full Option Brand.	Initiatives were made to strengthen existing channels and to constantly improve service
Claims for Non-Motor	The year 2012 compared to 2011 was less volatile for Flood claims. And despite a significant number of claims intimated in October and December, the claims cumulatively for the year 2012 was still less than 2011	Developing technology and processes to improve risk mitigation. The award winning GIS Flood mapping program - an on going initiative undertaken by JIPLC to identify flood prone areas in the country.	Information obtained from the GPS system was used by the underwriting and technical staff to design and issue policies that are competitive and in line with the market requirements.
Low penetration levels, this is particularly so in the Life segment; a lack of awareness of Life Insurance in some markets; being viewed more as an investment vehicle than a Risk Management tool (as an insurance product per se).	Much opportunity due to current low penetration levels.	Creating greater awareness to educate on the benefits, finding alternate channels	<p>Increased focus on the post war resurgence in the North & East where people are more aware of the fragility of life and during the past few decades have had little exposure to Insurance products.</p> <p>Aggressive promotion of “Janarakshana” a product with LKR One Mn personal accident cover attached with hospitalisation benefits.</p> <p>A low cost product with less than LKR 7.00 a day and significant increase in sales volume during last year.</p>

Management Discussion and Analysis Contd.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Life Market - Low per capita income levels in Sri Lanka and increased inflation leading to low demand for Life products and other non-mandatory insurance products	Life insurance needs to be sales driven. The caliber of the sales people becomes a critical success factor.	<p>Taking corrective measures to address the shortcomings identified in JIPLC's Life sales effort.</p> <p>Creating awareness and educating the public on the value of having a financial solution for life's contingencies and changing perceptions of life insurance products as a Savings option.</p> <p>Focus on target marketing and need based selling, Creating new channels of business, and expanding the alternate channels already established such as the Bancassurance channel launched into in 2006.</p>	<p>On 1st December 2012 launched a mobile phone linked Life product enabling post paid subscribers to receive a Life insurance cover by responding to a SMS and facilitating the payment of premiums via the monthly phone bill. Expanded the Bancassurance channel to include Commercial Bank bringing the total number of banks in the JIPLC channel to 8.</p> <p>Focused on specific high income groups in selected cities. Launched an unique product which affords life time cover branded as "Janashakthi LifeSaver".</p>
Changing demographics of an aging population. Sri Lanka is said to have the fastest aging population in South Asia and those over 60 years estimated to constitute over 21% of the population by 2031 .	Increase in need for health and retirement insurance. Pay as you go schemes may become less affordable	Exploring ways to complement traditional insurance solutions by innovative ways of hedging or redistributing longevity risk, e.g. through swaps or bonds. Increase focus on developing retirement plans. Strategic focus on creating awareness on the benefits of a financial solution when most needed rather than as a savings solution.	Launch of the Janashakthi LifeSaver which offers a pension for life -the first of its kind in the market sans an age limit to be eligible for a monthly pension.
The competition from banks which are in a more advantageous position due to: their ability pay higher interest rates; public perceptions of banks as superior organisation and easier accessibility to higher branch network and visibility etc.	Difficulty in promoting Life Insurance products vis a vis saving at a bank.	<p>Expanding the Bancassurance channel to utilise the bank's advantages in marketing.</p> <p>Focus on target marketing and need based selling to those who can afford a premium and will have the discipline to make regular payments.</p> <p>Creating awareness of the benefits of insurance vis a vis a mere Savings plan.</p>	Added Commercial Bank to the network of Bancassurance channels.
Increase in vehicle import duties which reduced imports of vehicles.	A 40% reduction in vehicle imports significantly impacted the demand for Motor Insurance.	Strengthening existing business opportunities; strengthening the sales force. Promoting the non motor business to make a higher contribution to profits.	Began a segmented approach to marketing motor insurance, conducted innovative marketing programmes such as the vehicle clinics to create brand awareness amongst current market segments.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Slow down in global economic activity, especially in key export markets combined with currency fluctuations resulting in reduced exports and hence reduced demand for trade related insurance.	Dampened growth in Non-motor insurance segment due to reduced demand from a large cross section of local companies impacted by the slow down.	Strengthened key client relationships for a greater share of their bussiness. Strengthening of distribution channels. Strategic partnership with key trade & industry associations.	Profiling of key customers & segmentation to provide greater customer service for key clients. Special programmes to strengthen relationships with brokering communities. Continuous focus and incentivicing the corporate driven sales teams. Tie up with Federation of Chamber of Commerce & iIndustry of Sri Lanka. (FCCISL). Aggresively promotion of e-based distribution channels, such as e-marine,e-travel for greater customer convenience.
Investment Climate			
Increased interest rates in 2012	High interest rates enabled higher returns on fixed investments and hence increased profitability.	Major part of the Life investment portfolio was moved towards high interest earning investments.	Streamlined investment instruments in the portfolio to maximise returns.
Fluctuations in interest and the resulting difficulty in predicting rates	Impacted Life Investment Insurance products with fixed interest rates.	Rate fluctuations taken into consideration at new product development stage and new business initiatives.	Current Rate fluctuations were taken into consideration in planning for the future. Designed a new Retirement market product without an upfront commitment for which interest rates would be linked to prevailing market rates.
High inflation	Reduced disposable incomes leads to reduced demand for Life Insurance products	JIPLC's key market segment is one that is sensitive to changes in purchasing power, hence made Marketing initiatives to expand into upper income market segments.	Several Marketing initiatives were launched to suit the requirement.

Management Discussion and Analysis Contd.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Reinsurance			
<p>Catastrophic losses worldwide led to significant burden on reinsurance worldwide in 2011 and 2012. The strain on reinsurance even began to be reflected in a fall in the credit rating of some companies. Climate change will continue to increase frequency and severity of such whether related natural disasters rising sea levels in the wake of melting ice caps, regional water shortages and flooding with adverse consequences for human health, fauna and flora.</p>	<p>In case of adversity companies could have difficulty in finding placements in reinsurance programmes due to a strain on the latter's resources.</p> <p>Though Sri Lanka had two reasonably good years, global events did impact the renewal of reinsurance contracts locally.</p> <p>Many reinsurers were forced to change their underwriting strategies. Some withdrew from the market whilst some reduced participation.</p>	<p>Providing our reinsurance partners with a balanced and profitable portfolio.</p> <p>Continue to be placed with highly rated international Reinsurers and their performance is monitored monthly to assess if they have been adversely impacted. A conscious effort is made to underwrite a diversified portfolio. JIPLC uses the IT department to select risk & underwrite in a prudent manner in order to minimise the effects of the climatic change.</p> <p>Innovation using company resources such as IT to improve risk assessments.</p> <p>Ensuring that all risks carry a reasonable level of retention.</p> <p>Close scrutiny of underwriting guidelines which are amended as necessary.</p>	<p>The use of the flood mapping technology developed by in-house IT team which enabled the mapping of flood prone areas and the assessment of risk in each area enabling the company to have a mixed basket of risk.</p> <p>IT will be used to further strengthen our underwriting. Continue with focus on extensive use of in-house MIS to identify those niche market segments which are profitable, as well as identifying profit enhancing distribution channels and products.</p> <p>Launched into strategic CSR project on Water in partnership with Sri Lanka Water Partnership. The project aims advocacy on water conservation as well as sponsorship of research and efforts to reduce pollution and restore existing sources of water in selected areas. (Refer Sustainability Report pages 152 - 153)</p>
Organisational Resources			
<p>People : Attraction and retention of high caliber staff in an industry which has a high level of competition for trained staff.</p>	<p>Balancing the need for cost reduction with escalating staff costs for training etc.</p> <p>The latter is also exacerbated by branch expansion and the resulting need for recruitments.</p>	<p>Spearheaded by its' Managing Director who is supported by a vastly experienced management team.</p> <p>Pursuing a caring culture as a differentiator to selectively attract and retain high caliber staff. Staff surveys to improve staff morale through necessary measures. Focused on a strong HR and HR development team.</p>	<p>A number training programmes, tailor made in line with company strategy were conducted to build competencies and morale.</p> <p>The assessors were equipped with laptop computers and online access thereby improving their morale and perceptions of their job.</p> <p>Structured training modules for on the job training on the field for Marketing staff with experts to guide them.</p>
<p>Information Technology : being geared to constantly provide an edge in customer service in terms of responsiveness, speed of service and information analysis</p>	<p>Balancing need for cost management whilst keeping abreast of rapidly evolving technology.</p>	<p>IT receives high priority at the highest level of management at JIPLC, and is supported by a dynamic IT strategy and a strong in-house IT team.</p>	<p>The use of the extensive applications of the flood mapping technology which won the Asian Insurance Award.</p> <p>Internally developed efficient system modules for Budgeting and Planning & enhanced MIS reporting to facilitate decision making capabilities across the company.</p>

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Service provided by assessors : continuous improvements of touch points with customers.	High investments in training and development and developing soft skills.	A separate HR Development unit at JIPLC ensures need based and ongoing training.	The use of the in house built software and its GPS tracking device installed on assessors motorbikes to map exact location of an accident, offer online a list of branches, enlisted garages etc.
Regulatory Environment			
The Risk based Capital Framework which comes into effect from September 2012 and continuous through with a paralleled run in 2014 & live implementation in 1st quarter 2015.	With a risk sensitive minimum capital regime for the Sri Lanka's Insurance sector, IBSL aims to enhance supervisory abilities and enable market participants to effectively manage business risks. Many players in the industry currently lack of required actuarial expertise. The identification of new systems and procedures to adhere to the change.	JIPLC, which hitherto has had the highest stated capital in the industry and has comfortably met solvency margins, is now implementing measures to manage capital in the context of this requirement. JIPLC adhered to the road rest. Taking all required initiatives to gain access to expertise on actuarial knowledge & in the process of identifying/establishing systems and procedures required for the smooth implementation of the parallel run to be carried out in 2014 after the completion of the road test in 2013. Strategic measures are being taken to go live in 2015 in order to comply with the proposed IBSL guideline.	Commencement of the Road test. Establishing contacts to procure required actuarial expertise & systems. Evaluating systems and procedures in relation to Risk Base Capital framework.
Changes made to The Solvency Margin (Non-Life Insurance) rules, 2004 by Gazette notification number 1768/12. Solvency calculations : asset backed securities issued by a Company listed in a stock exchange and carrying an investment grade rating; can be treated as admissible assets for purpose of Solvency calculations. Balances with Current Accounts with any Bank which was previously considered as inadmissible.	Improved industry Solvency Ratio.	JIPLC's Solvency ratio was positively impacted, reflecting a better ratio.	Complied with the revised regulations.

Management Discussion and Analysis Contd.

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
<p>Implementation Of Sri Lanka financial reporting standards IFRS</p> <p>SLFRS 1- First Time Adoption - To provide a suitable starting point in accordance with SLRFS</p> <p>SLFRS 4 - Insurance Contracts - To specify the Financial reporting for Insurance Contracts</p> <p>SLFRS 7- Disclosure in Financial Instruments - To require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entities' financial position & performance.</p> <p>LKAS 32 - Presentation of Financial Instruments - To establish Principles for presenting Financial Instruments</p> <p>LKAS 39 - Recognition and measurement of Financial Instruments - To establish principles for recognising & measuring Financial assets and Financial Liabilities</p>	<p>Classification of financial instruments.</p> <p>Information on how to deal with possible tax issues due to LKAS changes.</p> <p>Implications on Solvency Computations, product unbundling decisions and consequences related to the change.</p> <p>Staff resource allocations needed to complete the transition process and sustain the same.</p> <p>Complying to the extensive disclosure requirements that have been requested by new LKAS such as quantification of Credit risk, market risk and Liquidity risk.</p> <p>Recognising assets and Liabilities under SLFRS.</p> <p>De-recognising assets and Liabilities not permitted by SLFRS. (De recognition of General Reserve)</p> <p>Determining effective interest rates for amortised cost computations</p>	<p>Identification of the required IT system changes.</p> <p>Identifying and developing expertise to comply with changes required for Tax computations.</p>	<p>Systems were changed and new software was installed.</p> <p>Clarifications and advice was obtained from expert authorities.</p> <p>Staff resource allocations were made to complete transition and sustain the same, provided on going training and development.</p>

The Challenge	Impact on Industry	JIPLC response /approach	Update of 2012
Separation of the businesses of Life and Non-Life Insurance, live implementation by 15th February 2015.	Higher overhead costs as common costs such as Marketing, Finance, Administration and branch networks, could no longer be shared. Favourably, would enable greater focus on each segment and thereby to improve the bottom line of each segment. Increased minimum Statutory Capital requirement will restrict the entry of new comers and could see some consolidation in the market due to smaller players falling short of requirements.	Have taken initial measures required to adhere to the proposed split to be implemented by 2014.	Active participation in Industry Forums/Discussions to identify the best suited operating model for JIPLC.

Non-Life Insurance

The Industry

Sri Lanka's Insurance market has 22 companies (as at 31st December 2012) out of which 07 companies transact only Non-Life Insurance whilst 12 companies transact both Non-Life and Life Insurance. The Non-Life Insurance market is estimated to have grown by 20 % in 2012 compared with 16% in 2011. This reduced rate of growth was due to a sharp decline in vehicle imports, and hence new vehicle registrations following government policy decision to raise import taxes during the first quarter of 2012. As Motor Insurance accounts for a significant 55% share of the Non-Life Insurance market, the impact of the decline in new vehicle registrations was a key constraint to growth in the Non-Life Insurance industry during the year under review.

Industry GWP-Non-Life										
	2008		2009		2010		2011		2012	
	LKR	%	LKR	%	LKR	%	LKR	%	LKR	%
Motor	18,718	54%	17,898	53%	20,949	60%	27,138	63%	31,972	61%
Fire	6,827	20%	7,049	21%	5,012	14%	5,379	12%	7,407	14%
Marine	1,827	5%	1,443	4%	1,499	4%	1,691	4%	1,666	3%
Misc	7,187	21%	7,158	21%	7,641	22%	9,123	21%	10,944	21%
Total	34,558	100%	33,548	100%	35,101	100%	43,331	100%	51,989	100%

Performance of JIPLC - Non-Life Insurance business

The company's Non-Life Insurance Gross Written Premium (GWP) achieved a growth of 13% compared to a growth of 18% recorded the previous year and an industry growth of 20% during the year under review. Albeit 3% below budgeted targets, your company considers this growth an excellent achievement due to adverse market conditions which impacted the industry's Motor Insurance business - which accounts for a significant 74% of the company's Non-Life Insurance business and 14 % of the Industry's Motor market. A reorganization of our portfolio to shed some of the less profitable businesses such as Medical Insurance contributed to the positive performance in 2012. Profit before Tax increased from LKR 533 Mn to LKR 559 Mn by 5% and this was mainly due to improvements in our underwriting performance.

Management Discussion and Analysis Contd.

The company's net Claims Ratio increased from 61.9% in 2011 to 62.5% in 2012. The expense ratio increased from 41.3% to 42.8% and the Combined ratio increased from 103.2 to 105.3 resulting a underwriting profit of LKR 1,026 Mn.

JIPLC's Motor Business.

Motor Insurance GWP grew by 14% over the previous year reaching a milestone of LKR 4 Bn compared with, LKR 3.83 Bn. in 2011 ,and an industry growth of 17.8% in 2012. This growth is a considerable achievement considering the backdrop of a sharp 40% decline in new vehicle imports. The strength of our sales force and established leasing channels were once again key contributors to this performance.

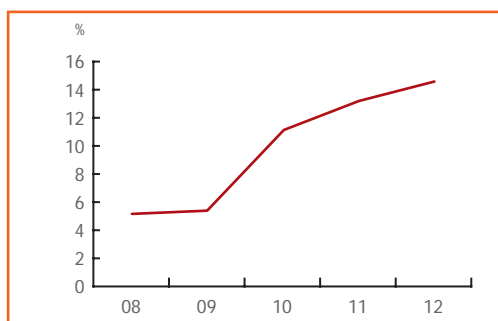
The company continued to focus on its four most profitable categories (in motor insurance) of Motor Cycles, Three Wheelers, Private Cars and dual-purpose vehicles, which contribute 60% to the segment's GWP and JIPLC continued to be the 3rd largest player in the Motor Insurance market with a market share of 14% in 2012.

Amongst the marketing initiatives carried out during the year was the launch of an integrated campaign to enhance market awareness and rekindle top of the mind recall of JIPLC's flagship brand "Janashakthi Full Option". A campaign for this brand was conducted after a lapse of 3 years, using all three media, with the aim of positioning the brand as a "Trusted Friend". This brand proposition is a cascading down of one of the company's core values - to "be a friend in need".

The "Motor Clinics" launched in October, was another branding initiative and another first in Sri Lanka's Insurance Industry. This concept

is a perfect case in point of how marketing objectives can be integrated into objectives of benefitting the larger communities. The clinics, conducted using expertise from the Automobile Institute of Research and Training, offers any car owner, an opportunity to obtain a free vehicle health check and be educated on comprehensive car care. The first of these clinics was conducted in Anuradhapura and scanned 244 vehicles during a two day period. It received many an accolade from appreciative car owners as they discovered how the knowledge and skills they gained on basic maintenance could prevent costly repairs, whilst the early diagnosis of faults in several cars had prevented breakdowns and large scale repairs, which if diagnosed later /undiagnosed, would have cost much more.

Janashakthi's "Auto Centre", the first and the only collision repair centre to be owned and operated by an Insurance Company continues to be a key element of our service offer. The excellent endorsements that this state of the art centre continues to receive from its customers, who include even those who make the trip from outstation for its service, is a reflection of the value we place on service excellence. As at end 2012 - which was its seventh year of operation the centre had repaired a total of 8,000 vehicles with an average of 175-200 vehicles per month.

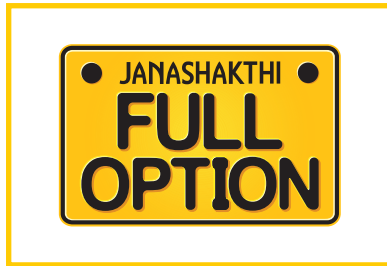


Motor GWP Growth Rate

Motor Products

The "Janashakthi Full Option" the Company's flagship brand in the Motor segment, continued to sustain its leading position in the market for the freedom of choice it provides customers- with a wide array of options at the time of a claim. A customer is able to select from options such as on-site claim approval, repair of the vehicle at a garage of his/her choice, or at Janashakthi Auto Center, or an any authorised agent.

The vehicle emergency cover, when launched in 2010 was another pioneering initiative in the country. This facility which is offered 24 hours a day, during all 365 days of the year enables a holder of the cover to obtain a vehicle in the event of a breakdown of his/her vehicle merely by making a phone call.



Outlook

Low costs of switching from one insurance provider to another and the transferability of no-claim bonuses continue to be key challenges that the industry has to deal with in a highly competitive market.

The rising claims rates as a result of a rapid increase in road accidents, due to increased congestion and lack of respect for road rules is a significant challenge which once again the industry should collectively address in partnership with law enforcement agencies. Janashakthi's road safety signage campaign is a small step towards this end.

The year ahead would see the company targeting growth in motor insurance by taking a segmented approach to the market, which will enable the offer of solutions according to varying needs of different groups, thus facilitating more customised solutions and greater flexibility to customers.

JIPLC's Non Motor Business.

JIPLC's Non motor business consists of 5 sub sectors namely, Fire, Engineering, Marine, Health and Miscellaneous. The Non-Motor sector grew by 10.08% during the year, whilst the industry as a whole grew by 23.61%. It is encouraging that JIPLC Non-Motor segment sans the Health sub sector grew by 17%. The professionalism and commitment of our well trained sales staff continued to be a key competitive advantage that contributed to the growth in both Non Motor as well as Motor businesses of the Company.

JIPLC focused on growing alternate channels of business such as expanding the bancassurance channel; enhancing the E Marine and E Travel and the launch of a new mobile technology based product in 2012.

The Company's Marine Insurance business grew considerably, by 33% and this was despite a downturn in Sri Lanka's overall trade volumes due to reduced export demand from some of the key export markets. The imposition of UN trade sanctions against Iran also somewhat impacted this segment as exports of tea were hit and made it difficult to underwrite policies to this region.

JIPLC continued to be a leading market player in the Tea Exports business. The Company's more focused effort to grow the E-Marine business was a key contributor to growth during the year. The E-Marine site which offers our importing and exporting clients an opportunity to obtain insurance for their imports or exports, on-line, was further enhanced to increase the ease of doing business with us and significantly reducing transaction time. The site offers customised solutions and clients have the opportunity to print their policies at their desk, without needing to step out of office to be insured as they are also offered a credit period during which they can make payments.

Another key initiative during the year was a series of campaigns to generate market awareness of "Awaranaya"; Non-Motor's flagship product which offers a comprehensive solution encompassing risks of fire, strike and riot, burglary, malicious damage and damage to electrical appliances due to short circuits etc., to shop owners and traders. An integrated advertising campaign was conducted during the year using print, radio and below the line advertising, which contributed to a growth of 34% in GWP of "Awaranaya" .

The hotel segment of the business made significant strides during the year, as JIPLC re-launched the "Hotel Plus" product. With wider options of 11 covers, it is the only policy in the market which offers the most comprehensive selection, as well as the flexibility, to select risks which are most relevant to one's property.

The Medical Insurance segment, 90% of which is made up of corporate packages, is inherently loss making and continues to be a challenging one for the Company. The segment declined by 3% during the year thus dampening growth of the entire Non Motor sector. During the year, Janashakthi launched a first of its kind dental insurance policy in partnership with India's multi-specialty dental clinic and orthodontic centre Dentavista Healthcare Private Limited. Many insurance policies completely rule out some or all dental or oral treatments.

Management Discussion and Analysis Contd.

Thus, responding to a growing consumer need springing from growing awareness of oral care, Janashakthi launched this scheme. Branded as “Denta Shakthi”, it allows customers routine treatments as well as specific orthodontic and implantology treatment of dental implants, gum surgery and even removable appliances for children based on the dental cover and premium structure.

JIPLC also promoted the Directors & Officers’ Liability Insurance policy, which was launched in 2011. The Company was a principal sponsor of a topical debate and discussion titled “Accountability and Protection”, which aimed at providing directors an insight into their responsibilities and liabilities as per the Companies Act 2007. The debate which took the form of a Breakfast meeting was held in partnership with the ACCA, ICCS and the Daily FT in February 2012 at the Cinnamon Grand and had the participation of many business leaders as well legal luminaries including those who were the architects of the Act, and others who were experts on the topic. As expected, the session proved to be a stimulating one.

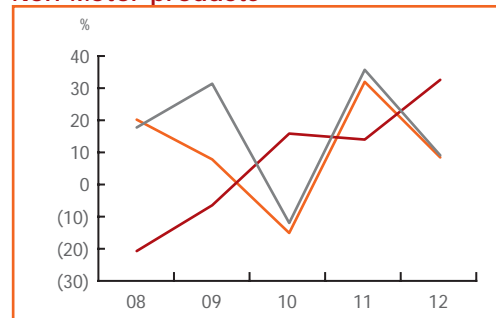
The Company’s E Travel business also performed well to grow by 32% during the year under review, and was supported by a more focused marketing effort. Whilst the focus hitherto had been on those traveling out of Sri Lanka, JIPLC also launched policies for tourists visiting or transiting in Sri Lanka to cover them at the onward destination(s) as well.

The Company also took steps to increase awareness of its comprehensive range of innovative risk management solutions for the Engineering and Construction sector. Engineering projects are capital intensive in nature and are exposed to a wide range of risks during the period of construction.

Thus, leveraging on our financial strength, underwriting expertise and highly skilled and experienced technical teams Janashakthi offers solutions to cover to all accidental damage to property, plant and machinery, temporary erections on site, all types of work related to contract during construction period-whether it be a billion dollar road construction project or a hydro power, water supply or a high rise civil construction project. The project specific insurance solutions can be tailor made and are backed by globally recognised re-insurers.

As discussed in table above, reinsurance, in the wake of increased frequency and intensity of natural catastrophes due to climate change, is a cause of concern for the near future. Reduced support from global reinsurers due to a strain on their capacities and the need for stricter underwriting criteria are resulting challenges that the industry would have to meet. JIPLC has initiated several measures to mitigate its risk exposure to such natural disasters. The Geographical Information system for Flood Mapping developed by our in-house IT team, which won the Asian Insurance Technology Award, described elsewhere in this section is an example. Such technology hence provides an opportunity to select the company’s geographic spread according to level of risk, and thereby ensure a healthy mix in the Company’s portfolio.

Non-Motor products



Non-motor GWP Growth Rate

— Fire
— Marine
— Miscellaneous

Non-motor products consists of Fire, Marine and Miscellaneous insurance. Janashakthi’s Fire Insurance Solutions include: - Coverage of damage to property from fire, lightning and other specified perils such as Riot and Strike, Malicious Damage, Terrorism, Explosion, Spontaneous Combustion, Sprinkler Leakage, Electrical Damage, Storm, Tempest, Flood, Cyclone, Earthquake, Tornado, Hurricane, Seaquake, Volcanic Eruption, Tsunami, Tidal Wave, Hail, Damage from Aircraft, Impact from Road Vehicles, and Bursting & Overflowing of Water.

Marine Insurance Solutions :- Coverage of vehicles of transportation and goods in transit on waterways, land and air.

Miscellaneous Insurance Solutions :- All non-motor policies other than Fire & Marine solutions such as Medical Insurance, Liability Insurance etc. fall under Miscellaneous insurance.

The table below gives the full range of Non Life Insurance products.

Marine	Motor	Fire	Miscellaneous
<ul style="list-style-type: none"> • Cargo Insurance • Hull & Machinery policies • Goods-in-transit policies 	<ul style="list-style-type: none"> • Janashakthi Full Option comprehensive policy. • 3rd party policy • Janashakthi Full Option Vehicle emergency policy 	<ul style="list-style-type: none"> • Fire & Lightning • Fire Consequential Loss policy • Engineering Policies such as : Contractors All Risk, Machinery Breakdown, Erection All Risk, Plant All Risk, Electronic Equipment policy, Boiler & Pressure Plant insurance. 	<ul style="list-style-type: none"> • Pay Direct Medical policy • Janashakthi Awaranaya Business • Janashakthi Awaranaya Home • Janarakshana • Janashakthi Sports Guard • Worldwide Travel Insurance • Title insurance, Bond insurance, Event insurance, Personal Accident insurance, Burglary policies are some of the generic products amongst a wide array of miscellaneous insurance solutions



Outlook

JIPLC sees significant potential in the alternate channels it has begun to develop such as the Bancassurance, E Marine and E Travel business. The Company will focus on offering innovative products and on enhancing service levels in travel insurance. The E Travel site will accordingly be upgraded during the year ahead. The “Awaranaya” policy with its comprehensive coverage backed by the Janashakthi brand name is also expected to grow to be a key contributor in the Company’s profile. Medical Insurance segment will continue to be a challenge which the Company will nevertheless attempt to streamline and grow with an eye on the bottom-line.

Tourism is today a significant contributor in the post war economic resurgence in Sri Lanka. The boom in this sector and the high arrival numbers projected for the next few years are seeing a rapid growth in construction of new hotels. Hence, the increasing demand for insurance of

this tourist infrastructure augurs well for growth in fire and other categories. The low claims ratios that this segment has traditionally recorded also makes it attractive, and the Company’s “Hotel Plus” Policy will see JIPLC well poised to harness the growth potential in this sector.

JIPLC’s key competitive advantages - of an excellent sales force, and claims meeting capability (JIPLC holds the distinction of being the Company to have paid out the highest amount as claims in the aftermath of the Tsunami in 2004) will continue to be key strengths in the future. Whilst the year just ended focused on consolidation, the year ahead is likely to see growth gather momentum. JIPLC also expects the Non-Motor segment to increase its contribution to JIPLC’s profitability, specially in the backdrop of a slow down in the Motor sector since 2012.

Crop Insurance and Poultry Insurance

Crop insurance, which was launched as business expanded to the North & East, was in response to a critical need to help people in the area who in order to obtain bank loans required to have insurance cover. Janashakthi moved into fill this vacuum and also expanded its offer by utilising its resources to help identify areas of high and low risk, and thereby assist banks in their loan disbursements.

Although the contribution of these two products to the company’s profitability is not significant, we will continue to offer them for the wider objective -of contributing to disadvantaged segments of our communities and hence, to nation building.

LIFE

The Market

The Life Insurance industry in Sri Lanka consists of 15 companies, as at 31st December 2012. Three companies operate as stand alone Life Insurance companies whilst others offer both Life and Non-Life Insurance products.

New and total Life policies in force.

	2011	2010	2009	2008	2007
No. of new life policies issued	587,916	516,139	468,317	567,621	490,454
No. of Life policies in force	2,408,202	2,214,976	2,068,548	2,082,358	1,867,981
No. of Life policies in force as a % of Total population.	11.5	10.7	10.1	10.3	9.3
No. of Life policies in force as a % of Total Labour force.	29.2	27.3	25.6	25.8	24.9

Source-IBSL Annual Report 2011

JIPLC- Performance

The Gross Written premium (GWP) of JIPLC's Life Business grew by 8% in the year under review compared with 11% in 2011. This growth was above the industry growth, but considerably below the company's budgeted target of 20%. Increasing inflation, the depreciation of the rupee by more than 14% during the year which impacted disposable incomes of a significant portion of JIPLC's market; and the loss of one of JIPLC's principal organisational accounts during the year due to the launch of their own internal insurance scheme, were the key factors which contributed to this decline in growth.

The first four months of 2012 saw the Company's Life business grow at a higher pace, whilst performance since April began to be impacted by the depreciation of the Rupee and the resulting impact on Cost of Living. JIPLC's Life premiums increased by 8%, from LKR 1,872 Mn. to LKR 2,025 Mn during the year under review. The first year premiums constituted LKR 720 Mn whilst the renewal business contributed the remainder.

Renewals increased by 19% reaching a record high during the year under review. Competitions amongst the sales team and incentivising and disincentivising them towards objectives, were some of the key measures which helped galvanise our sales team to achieve this all time high in renewals. Accordingly, the Persistency Ratio (PR) and the PRR ratio (Policy Retention Ratio) have been made Key Performance Indicators, and linked to the appraisals of the sales team. Declines in these ratios, also prompt warning letters to agents.



Negambo Branch Opening

Market share - Life Insurance					
	2008	2009	2010	2011	2012
Market size LKR (MNR)	23,613	23,767	31,151	35,128	35,064
Market growth	14%	1%	31%	13%	4%
Janashakthi size / Share LKR (Mn)	1,426	1,432	1,685	1,872	2,025
Janashakthi Growth	18%	0%	18%	11%	8%

New products and Distribution channels

Recognising the increasing importance of encompassing mobile technology in the medium to long term growth strategies for any enterprise and for the convenience it offers to customers, JIPLC launched a Life insurance policy for post paid customers in partnership with one of Sri Lanka's leading mobile service providers. This pioneering initiative in the market enables a customer to activate a Personal accident policy of LKR 500,000 or a Natural death cover of LKR 100,000, on a mere response to a SMS sent by the mobile service provider. Moreover, the customer is relieved of the hassle of making the monthly premium, as the premium of just LKR 50 is debited to the phone bill.

JIPLC expanded its Bank Assurance channel during the year by adding Sri Lanka's largest private bank - Commercial Bank PLC to its network of bancassurance partners, and bringing the total number of banks in this marketing channel to eight.

In the context of changing demographics the Company launched "Janashakthi LifeSaver" - a pioneering initiative in the market for its unique attribute which entitles a policy holder to be eligible for a monthly pension without an age limit. Whilst the other policies hitherto available in the market have stipulated an age until which he or she is eligible for a monthly pension we recognise that he or she must receive that pension until he or she is alive.

Our Brands

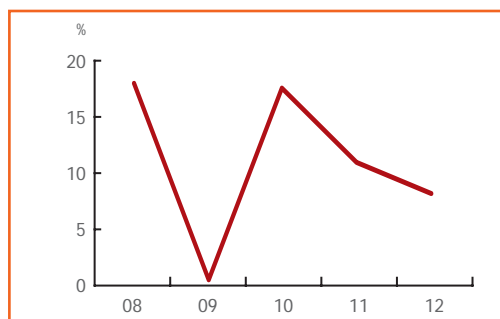
The table below lists the full range of Life Insurance products.



Name of Product	Target market	Special features of Product
Janashakthi Life Unlimited	Hospitalisation protection for the policyholder & their family	Only policy in the industry which gives lifetime hospitalisation for the policyholder upon limited payment period
Janashakthi Cash Advance	Provides financial return for the life insurance policy without requiring a wait till maturity of policy	Policy that gives cash payback every 3 years.
Janashakthi Jeevitha Vardana	Provides individuals protection against inflation Via the enhancement of life cover.	Increase of insurance cover by 50% every 5 years.
Janashakthi Shilpa Shakthi	Parents seeking financial protection for their childrens' secondary & tertiary education	Specially caters to children in international schools. Quarterly payback during the last 5 years of policy.
Janashakthi LifeSaver	Individuals who have established themselves in their careers, who seek financial protection & peace of mind in retirement	Receive a pension for you and your spouse for your entire life.
Janashakthi Jeevitha Thilina	Parents of newborn children, who wish to give their child financial protection & a gift, which is valuable for their future.	A gift for your child, which gives you returns till the child becomes 50 years.
Janashakthi Golden Bond	For customers who seek attractive returns for their investment along with life protection in the short run	Receive an attractive investment return in 3 years based on a guaranteed interest rate.
Janashakthi Life Investment Account	For customers who seek attractive returns for their investment along with life protection in the long run.	Keep your investment growing at an yearly guaranteed interest rate which allows you to plan for long term investment needs.

Additional Covers

Description	Details
Additional Life Cover	The insured can enhance the inbuilt life cover of a life policy at a nominal extra premium as a rider benefit. The sum assured under this benefit is payable on the death of the life assured at any time before the end of the policy term.
Personal Accident Cover	The insured can enhance the inbuilt Personal accident cover (covering death, total permanent disability and permanent partial disability due to accident) in the policy as a rider benefit by the life , at a nominal extra premium.
Critical Illness Cover	Critical illness cover for an amount equal to the total life insurance cover, including the riders on the life of the main life assured, can be availed of as rider benefit.
Hospitalisation Cover - Cash Plan	Hospitalisation Cover, under the Cash Plan, can be availed of as rider benefit in respect of members included in the policy.
Funeral Expenses	Cover at a nominal extra premium Funeral Expenses benefit and can be added to the life policy.



Life GWP Growth Rate

Outlook

Life Insurance in Sri Lanka has a penetration level of 11.5% as at 2011 which reflects considerable under penetration vis a vis regional and developed markets. The Life business is also dependent on purchasing power that in turn is impacted by level of inflation for a considerable segment of our market. Hence inflation will be a key determinant of the industry’s performance in 2013.

The lack of awareness of the value of Insurance as a financial solution when most needed- during life’s contingencies, has been a significant challenge to the growth of the industry. As Insurance is still looked to as a Savings option, banks provide formidable

competition due to their ability to afford higher interest rates, easier accessibility as well as public perceptions of banks as more reliable and trustworthy. Thus, is the need for a collective effort by the Life Insurance Industry to educate and generate public awareness of the value of Insurance as a financial solution for life’s contingencies and engender public confidence in Insurance as an industry. Additionally, the strengths of the banking system also provide a win-win platform for the Insurance industry to market its products. Hence Janshakthi’s focus on expanding its Bank Assurance channel as a key alternate channel of business.

Your Company will also concentrate on target marketing and need based selling which would facilitate more sustainable earnings than mere short term impact on turnover. The marketing efforts would focus on individuals who can afford a premium and have the discipline to make regular payment for a longer period. The Company’s market research unit will be a play a key supporting role in the implementation of these strategies.

The relatively low penetration levels, and changing demographics of an aging population that would spur demand for health and retirement insurance, combined with a post war environment of rapid economic growth are factors that support our buoyant outlook for Life Insurance over the medium to long term. We are also optimistic about the growth potential in the new channels of business and will continue to expand these channels whilst exploring other new channels.

The increase in number of migrant workers is another environmental factor that offers growth potential for Life products. This creates the opportunity for higher disposable income in the domestic market, whilst also providing opportunity to reach out to migrant workers at their geographic location of employment, to offer long term insurance and other solutions.

Low market awareness and some of the above factors also make Life Insurance in Sri Lanka largely a sales driven effort; thus, highlighting the fact that the caliber of the sales people are a critical success factor in Life Sales. Your Company has identified certain shortcomings

in its distribution channel, mainly the need to improve the quality of its sales effort and has initiated corrective measures towards this end. Recruitment, training and retention of competent, skilled and marketing oriented individuals is a priority. Our incentives structures will continue to be reviewed and fine tuned regularly as per changing market needs and strategies, in order to support a performance driven sales team.

Our People

In an intensely price competitive market in which 22 companies compete for customers, with very little margin for price flexibility, the commitment, dynamism and the strength of our team of 2847 individuals have been the key contributor to our performance. Providing an unique and excellent service to customers is a key to gaining and maintaining a competitive advantage and to ensuring the sustainability of our profitability.

Thus, harnessing the potential of our employees via training and development is prioritised at the highest level whilst HR Development initiatives are designed and carried out in a structured manner. Training and development includes a comprehensive training at recruitment, and need based as well as continuous training thereafter. The management and operations of the HR Development Department follow strict international guidelines of the ISO 9000:2008 standards, and accordingly, use total control documents to ensure continuous improvement in the quality of delivery and competency building. As identified in the MD's Review and elsewhere in this report, the need to strengthen our sales effort in the Life business has been identified as a key shortcoming. We have hence initiated several identified measures to improve the caliber of the sales team via training and reward and at point of recruitment.



Annual Sales Awards 2012 - Winners Group

We were heartened by the findings of an industry based salary survey conducted by a leading audit company which found JIPLC ranked amongst the higher category for the remuneration it offers employees.

Staff retention and a dearth of talent are significant challenge faced by Sri Lankan industry and our HR initiatives hence continuously fine tune the training and recruitment practices as well as the recognition and rewards schemes.

Several training programmes were designed to help achieve the company's strategic objectives during the year . These included a specialised training of 50 sales personnel for the Bancassurance channel by the Life Insurance and Market Research Association (LIMRA) of USA; a programme customised for the field and customer care staff who handle the markets in the North & East, conducted by an Indian trainer; three special workshops for the best 25 sales personnel to better equip them to deal with challenges associated with a high net worth market; and overseas training for some senior management team members on specialised insurance such as Marine Cargo, Business Interruption, Property Insurance, Engineering Claims and Risk-based Capital.

In our efforts to facilitate greater empowerment of employees, the Company began a process of appointing Grievance Council Advisers at regional levels. This process is to be completed in 2013 and would enable employees to bring up any issues or matters of concern directly with management.

The Company provided its motor assessors Note Book Computers with comprehensive software solutions which includes JGIS, JDMS and PDF Imaging system, as well as secure communication equipment to enable them to access the internet and work on line from anywhere in the

Management Discussion and Analysis Contd.

country. In addition to facilitating significant improvements in efficiencies and speeder of processing claims thereby enabling Janashakthi to enhance service levels, this initiative also aims to improve assessors' morale.

The HR department also commenced the upgrading of the E-HRM systems to enhance the MIS capabilities that the system offers.

Our customer centric approach permeates our corporate culture, and we strongly believe that service excellence must begin at home. Accordingly, internal service delivery is monitored and ensured via annual employee surveys, departmental and employee surveys.



Janashakthi is proud of our MDRT winners

Branding and Marketing

Our brand identity was refreshed and revitalised during the year so that it better represents Janashakthi as it stands today. A process of brainstorming in consultation with an external agency helped better communicate the values which were already implicit in our visual identity of light - namely vision, good over evil, clarity over subterfuge, truth over lies, knowledge over ignorance, energy over apathy, and a glimmer of hope and a promise of a new day. Our business we see as "a gesture of humble commitment to light up and lighten our customers dark

uncertainties". Internal and external communication on the refreshed brand identity, its promise and values, is now being carried out. The visual identity depicts how we spread light in the lives of Sri Lankans, keeping in mind simplicity, inclusivity and innovation. The design element of the visual identity is based on the core property of light which stems from the flame.



Asian Leadership Awards - Asian Marketing Leadership Awards - One of the many awards won by Janashakthi in 2012 - being received by Ravi Balraj

JIPLC's in house market research unit plays an invaluable role in the company's capacity to continue as a pioneer of many products. Research spearheaded by this unit consists of need-based research, as well as continuous research conducted quarterly, bi-annually or annually. Research is conducted by the in house unit as well as in conjunction with established market research organisations. Several focus group studies were conducted during the year in Galle, Matara, etc which enabled the company to gain valuable insights into peoples' fears, wants and needs regards insurance products. Product design is a key in financial products and R&D is thus, a key to the successful design of our insurance products which helps us continue the legacy of a pioneering journey.

Our customer service was further strengthened during the year with the upgrading of the 24 hour Call Centre as part of JIPLC's two pronged strategy, of making short term infrastructural improvements and long-term process improvements and designs to increase productivity and efficiency. The Call centre was re located during the year and expanded to a 24 desk unit as is now known as the "Hub". It offers tri lingual support for both Motor and medical claims, and has extended hours for the working window, and offers value added services such as cheque deposits to customer accounts on their behalf. The centre focuses on rapid settlement and accordingly, the "express" processing team has been relocated to function along side the call center.

Information Technology

Your Company is one which recognised the potential of IT in the success and sustainability of an enterprise, since its inception in 1994. We have either been the first or amongst the first to adopt the latest in technology such as a document management system to a core

insurance ERP system Technology continues to be a key to raising the bar for ourselves in every aspect of our business - whether it be in providing a superior and ever evolving customer service, or the management's decision making processes or product innovation, risk mitigation and assessments to being a preferred employer. The Asian Insurance Technology award winning, novel geographical information system built in-house by JIPLC's IT team, that maps local weather patterns and assesses insurance risk is a perfect example of the synergies that are possible when technology is embraced and a long term approach to business is combined with a company culture that nurtures innovation. In operation since July 2010 and built in house, Janashakthi's solution blends core insurance application data with publicly available GIS services through Google maps. For instance, the system provides flood prone area mapping with actual claim data from the core insurance system for different level of the risk areas such as medium or high, to enable a better risk analysis.

It also provides comprehensive set of features to monitor motor claim processing staff and enable collaboration between Janashakthi's call centre staff and assessors. The GIS application has given JIPLC insights to assess our risks and deploy our resources more meaningfully.

Usually, insurance companies pay-out hefty claims after any catastrophic event, which significantly hurts their profit margins. This is partly due to lack of data assessment on the risks associated with such catastrophes. Hence, information about the geographical location is a fundamental consideration of any type of insurance in-terms of risk analysis.

In addition, the application gives Janashakthi team a wide range of solutions including

the ability to map exact location of accidents and assessors with the integration of GPS tracking device installed on assessor's motor cycle and offers online assessors, a list of Janashakthi branches, enlisted garages, emission testing centres, facility to send SMS to any available assessor via Janashakthi SMS system and provision to plot a new location with given coordinate and so forth.

Moreover, the system allows core insurance and re-insurance teams to visually analyse the risk areas from a single interface which strengthens the decision making process, resulting in accurate, finer, speedy, cost effective underwriting.

Other IT initiatives during the year included the enhancement of the E marine insurance site as well as the development of new software for four new products in the Non-Life Insurance and Life Insurance categories. Two products applications were enhanced and re launched as Cash Advance and Jeevitha Vardana. Further, in addition to the continuous enhancement of the core Insurance application, the Company also upgraded its servers and the server operating systems in 2012 and enhanced the Janashakthi Document Management System (JDMS) with new features.

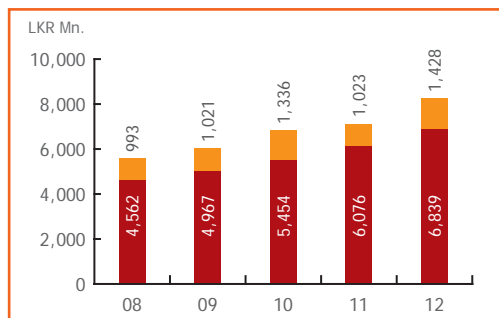
Financial Performance Review

Milestones and Key Highlights

- Highest ever Profit Before Tax of LKR 863 Mn in 19 years of operation.
- Highest ever Post Tax LKR 800 Mn
- EPS of LKR 2.20 highest since 2006
- Total Asset increases to LKR 15.8 Bn Highest in Company history.
- Capital and Reserves increased to LKR 3.376 Bn
- Statutory Capital Requirement has been met by a factor of over 7 times
- Consolidated revenue crosses LKR 8 Bn mark for first time and reaches LKR 8.266 Bn.

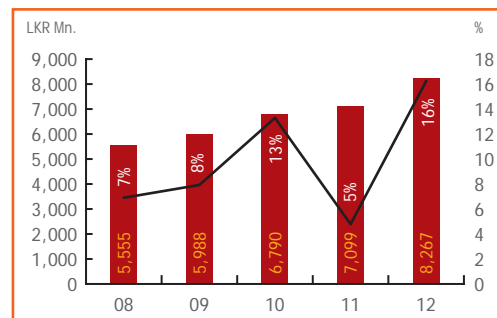
Consolidated Revenue

The Company recorded LKR 8.266 Bn Consolidated Revenue in 2012 in comparison to the prior year value of LKR 7.099 Bn reflecting a growth increase of 16.4%. The net earned premia of LKR 6.839 Bn comprised of 82.7% of total net revenue as against 85.6% to the prior year. This is primarily due to investment income recorded a value of LKR 1,086 Bn as against the prior year value of LKR 0.788 Bn. This is in turn due to upward curve in interest yields benefited the Company portfolio of investments thus reflecting a higher gain. Fees and commission income remained relatively stable at 2.6% of Gross Written Premia. This is due to flat fixed charges being levied for various services offered by the Company and thus the value of fees and commission remained approximately indirect proportion to the level of Gross Written Premia.



Consolidated Revenue

■ Other Revenue
■ Net Earned Premium

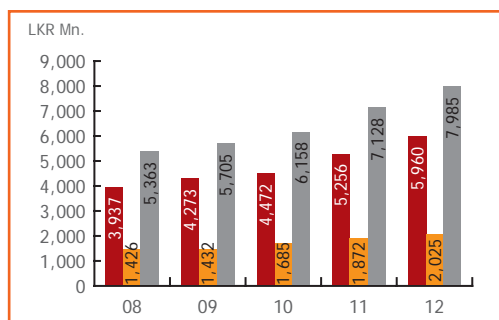


Growth in Consolidated Revenue

■ Revenue
— Growth against previous year

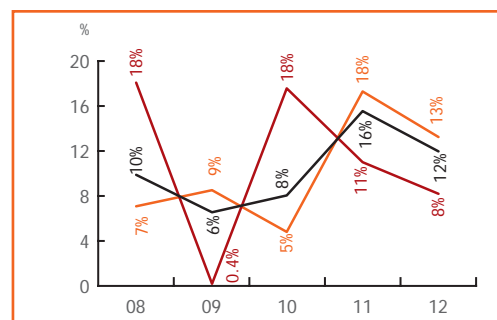
Gross Written Premia

Consolidated Gross Written Premia recorded LKR 7.985 Bn falling just under a milestone LKR 8 Bn mark. The value recorded in 2012 reflected a 12% increase over the prior year value of LKR 7.128 Bn. The Non-Life component of GWP grew by 13% more or less at the rate of industry growth. The Life Insurance component grew by 8% which is below the Company own expectations. This segment of income analysed more fully in the succeeding paragraph.



Gross Written Premium - Total

■ GWP-Non Life
■ GWP-Life
■ Total



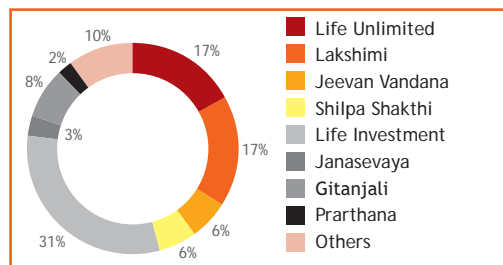
GWP Growth

— GWP-Non Life
— GWP-Life
— Total

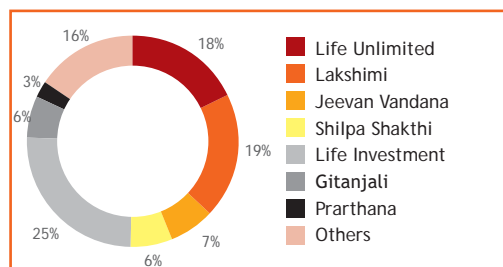
Life Insurance Operations

The Company recorded a value of LKR 2.025 Bn crossing the LKR 2 Bn threshold for the first time in Company history. However, the Company is not satisfied with this performance and has put in place a series of changes towards the end of 2012, which we expect to provide a beneficial incremental impact on Company's performance during 2013. This included restructuring of the sales force, the appointment of National Head for life, strengthening of sales leadership team and most importantly the launch of a highly innovative new product named as "Life Saver", which we anticipate will grow into been a very successful product of the Company. During the year under review the life investment plan products remained the most successful product for the Company accounting for approximately 31% of Gross Written Premia, followed by Life

Unlimited and the Lakshmi products of the Company, both of which account for 17% of Gross Written Premia.

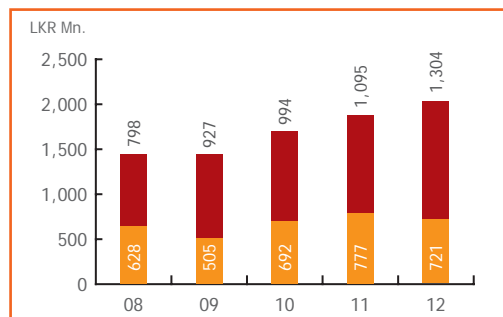


Life Gross Written Premium by Products - 2012



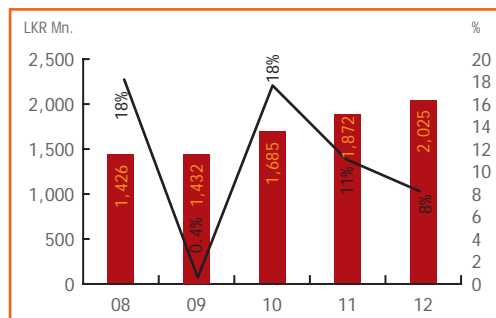
Life Gross Written Premium by Products - 2011

The Company has pursued with its policy of offering to the community and promoting the sales of "pure" Life Insurance products as against the Life Investment product, which is subject to the impact of fluctuating market interest rates.



Gross Written Premium - Life

■ First Year Premium
■ Renewal Premium

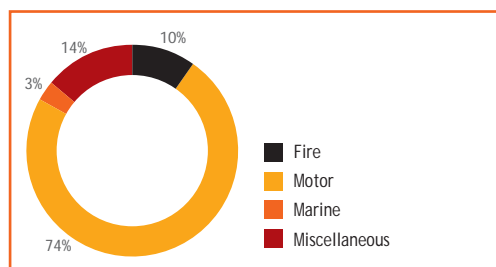


Growth of Life Gross Written Premium

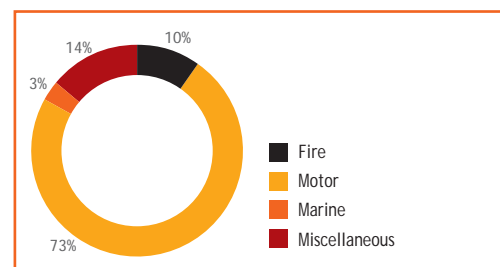
■ Gross Written Premium
— Growth against previous year

Non Life Operations

Janashakthi Insurance recorded a very satisfactory year in relation to Non-Life segment of business operations recording a value of LKR 5.96 Bn over the prior year value of LKR 5.256 Bn, which is a year on year rate of 13% growth.



Non-Life Gross Written Premium by Products 2012

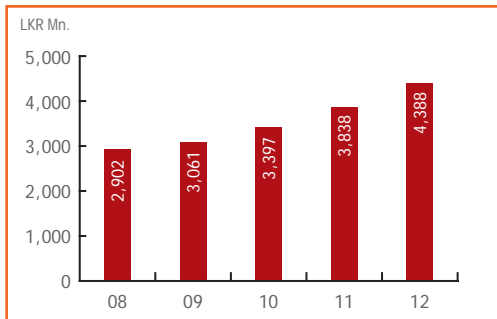


Non-Life Gross Written Premium by Products 2011

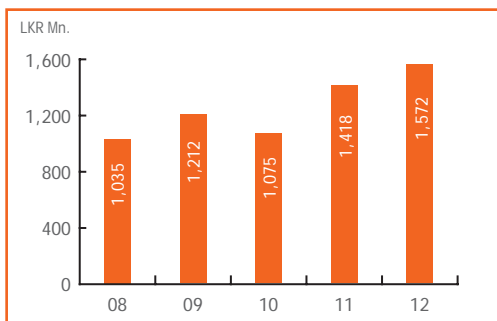
Relative component percentage between the four main classes of business i.e. Motor, Fire, Marine and Miscellaneous remain relatively the same, with motor accounting for 74% of GWP in the Non-Life segment as against 73% in the prior year. The motor segment recorded LKR 4.388 Bn as against the LKR 3.838 Bn of the prior year thus reflecting an annual growth of 14%. The Company was able to optimise a robust MIS platform to offer attractive rates to customers thus contributing to an overall growth of this segment. The Company has seen increasing business volumes in the Three Wheeler, Motor Cycle, Private Owned Vehicles and Dual Purpose Vehicle categories.

In addition to the Company's own Auto Centre, which is a state of art vehicle collision repair facility, the Company has also initiated the conduct of "Vehicle Clinics" to support customers. This is in top of the vehicle breakdown service facilities made available by the Company at each significant National or religious event across the Nation.

Management Discussion and Analysis Contd.

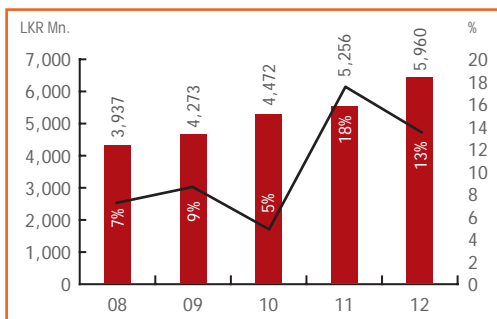


Gross Written Premium-Motor



Gross Written Premium-Non Motor

The Vehicle Emergency Service is also available to customers of the Company to support them at any time of need.



Non-Life Gross Written Premium Growth

■ Gross Written Premium
— Growth against previous year

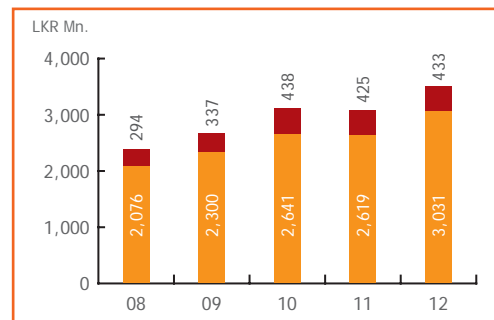
The Fire Insurance segment which accounts for 10% of the Company's Non-Life business segment grew by 8% and the miscellaneous section, which includes health insurance grew by 9%. Miscellaneous segments account for 14% of the overall Non-Life business portfolio.

The Company had been making continuous efforts to improve the quality of the service that is offered to both Motor and Non-Motor segments and has made considerable overall improvements in the manner in which marine and travel insurance portfolios are packaged and serviced in the hands of our customers.

Insurance Claims and Benefits

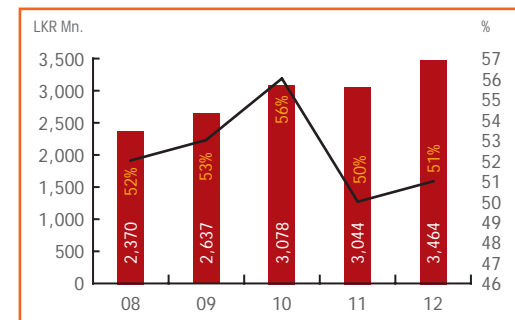
Janashakthi Insurance incurred of LKR 3.464 Bn, an increase from the LKR 3.044 Bn of the prior year reflecting an increase of pay out levels by the Company of 14%. The overall Net Claims Ratio increased to 51% from the prior year. The composition of the overall Net Claims Ratio reflected a ratio of 62% in the Non-Life area of operation that had a similar ratio in the prior year and a ratio of 22% in the Life operations of the prior year. The Life business area reflected a marginal decline from 23% to 22%.

The above ratio clearly reflect that the incurred claims in both Life and Non-Life have remained at constant level in relation to the revenue that had been generated.



Net Incurred Claims

■ Non-Life
■ Life



Consolidated Net Claims Ratio

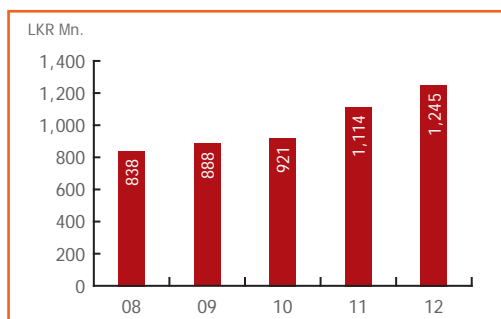
■ Net Incurred Claims
— Claims Ratio

Net Acquisition Cost

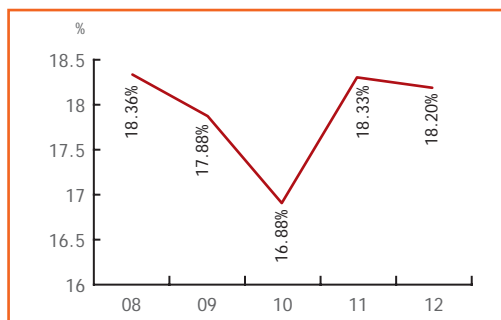
Net Acquisition Cost grew during the period under review to a value of LKR 1.245 Bn against LKR 1.114Bn in the prior year thus reflecting an annual growth of 12%. What is striking is that Net Acquisition Cost as a ratio against Net Earned Premium has remained at a ratio of 18%, which is fully in line with the ratio recorded during the past five years except in 2010 when the ratio stood at 17%. This is ample testimony through the level of efficiency and effectiveness of operations in a manner in which acquisition expenses are controlled in generating and acquiring new business and maintaining renewal levels of prior year relationships.

Janashakthi Insurance operates a business model that includes an extensive branch network and relatively large sales force. This model therefore by definition results in a higher level

of a cost structure due to the scale of operations. The usage of the existing MIS platform coupled together with the branch profit performance incentive schemes have contributed in encouraging the extended management of the Company to manage expenditure in every positive manner.



Net Acquisition Cost

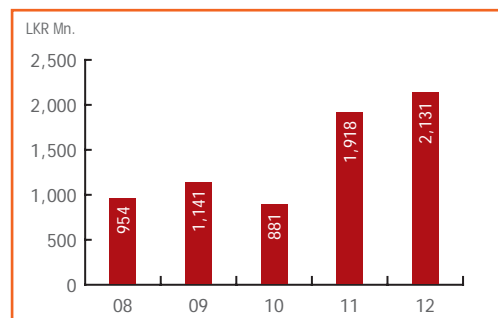


Net Acquisition Cost as a % NEP

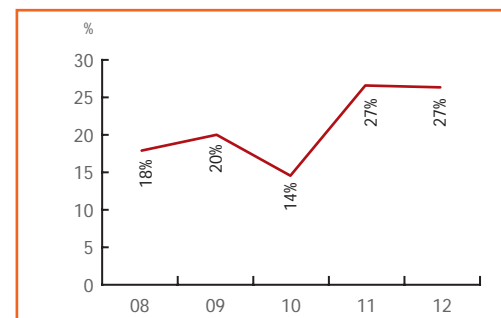
Consolidated Underwriting Results

The Company recorded a value of LKR 2.131 Bn as against the prior year value of LKR 1.918 Bn reflecting an annual growth of 27%. The primary reason for excellent underwriting results is the relatively lower net incurred payout experience of the Company. This in turn has been augmented by an efficient assessor team that does prompt onsite inspection and a highly efficient and well managed Full Option service center that runs a 24 hour operation to service customer

needs. Collectively all of these initiatives contribute towards an efficient process in managing the claims payout levels.



Consolidated Underwriting Contribution

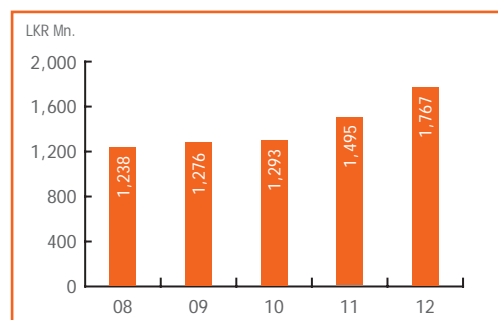


Underwriting Contribution as a % of GWP

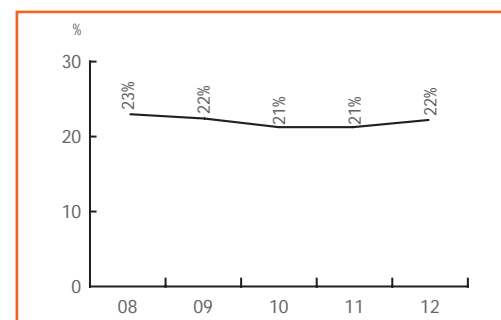
Operating Expenses

Janashakthi Insurance has continued its positive management of operating expenditure resulting at a cost of LKR 1.765 Bn as against LKR 1.495 Bn of the prior year reflecting a 18% cost increase. The cost increase in 2012 which is slightly higher than the run rate of previous year is due to the increase in premises and equipment expenditure which has increased by approximately 7 Bn over budgeted target levels and staff cost which increased by approximately 37 Bn over budgeted target levels. These in turn are due to investment in the branch network expansion and the recruitment of unbudgeted senior positions to strengthen the Company's business performance capability. However, we noted despite cost increase in 2012 that the ratio of operating expenditures to Gross Written Premium has remained at 22% as against 21% in 2011 respectively and 22% in 2009 and 23% in 2008.

Cost management has remained as a critical success factor of the Company and management of this expenditure category has contributed towards the improving results trend.



Operating Expenses



Operating Expenses as a % of GWP

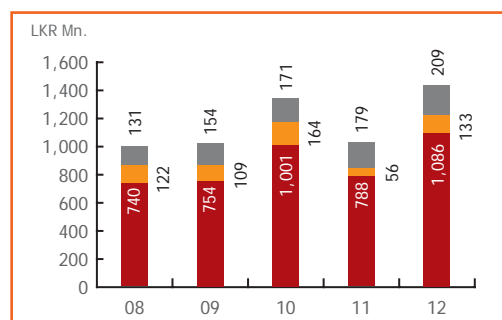
Investment Income and Other Income

Investment income and other income recorded a value of LKR 1.427 Bn as against LKR 1.023Bn recorded in the previous year reflecting an increase of 40%.

This significant positive movement was in relation to investment income itself, which increased from LKR 0.845 Bn to LKR 1.219 Bn which is an increase of 44%.

It is to be explained that the Company's strategy was to divest its portfolio of investment held on the stock exchange and transfer the proceeds in to longer-term securities and corporate debt instruments. This resulted in immediate gain to the Company.

It is important to clarify that the Company as at end of 2012 had a financial asset portfolio of LKR 10.36 Bn as against portfolio of LKR 8.28 Bn in the previous year. It is also relevant to find out that the subsequent to the implementation of SLFRS accounting principles that 39% of overall portfolio i.e LKR 3.9 Bn have been classified in the Held to Maturity category as these are long term investments procured to match against the long term liabilities of the Company and are thus protected from the impact of interest rate fluctuations.



Investment Income & Other Income

■ Investment Income
 ■ Other Income
 ■ Fees & Commission Income

Capital Structure, Assets and Liabilities

Total assets of the Company have grown to LKR 15.84 Bn as against the comparative re-stated Statement of Financial Position of LKR 13.50 Bn of the prior year reflecting a growth of 17%. This is directly in relation to the growth of the Company's business and investment of funds raised through premium growth in investment in to beneficial investment income generating financial assets.

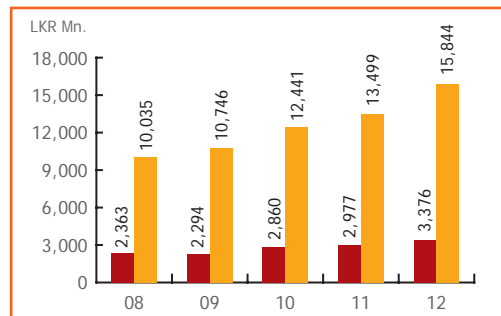
The Company's capital and revenue reserves have increased to LKR 3.38 Bn up from LKR2.98 Bn of the previous year reflecting a growth of 13%.

It should be noted that based on current statutory requirements, the Company reflects more than seven times approximately of the levels of statutory required capital indicating financial strength and stability.

Life Insurance Liability has increased from LKR 4.695 Bn to LKR 5.633 Bn reflecting approximately 20% growth in Life Insurance Liability.

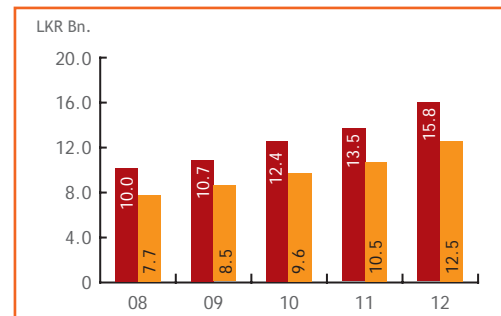
Insurance liability related to Non Life operations reflects LKR 4.623 Bn as against LKR 4.068 Bn of the prior year.

The reinsurance of liabilities reflected therein amounts to LKR 0.718 Bn and LKR 0.749 Bn respectively thus reflecting technical reserves of LKR 3.903 Bn at the end of 2012 as against 3.31 Bn of prior year.



Stability

■ Net Assets
 ■ Total Assets



Asset Liability Trend Analysis

■ Total Assets
 ■ Total Liabilities

Investment Portfolio

The Investment portfolio of financial instruments of the Company after re-classification can be depicted by the following table.

Financial Assets	2012		2011(Restated)	
	Value(LKR Mn)	%	Value(LKR Mn)	%
Held to Maturity	3988	38	855	10
Fair Value Through Profit or Loss	813	8	1237	15
Loans and Receivables	5454	53	4307	52
Available for Sale	106	1	1889	23

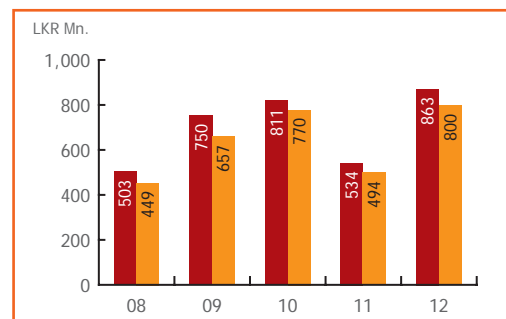
The primary benefit of the re-classification as at end of 2012, is that a significant proportion of financial assets are in the HTM category and will not be impacted by market fluctuations of interest yields.

Profitability

The Company was able to record a Profit before Tax of LKR 863 Mn, the highest value recorded in the Company's 19 year long history. This reflects an increase of LKR 331 Mn, a percentage of 62% over the SLFRS restated Profit Before Tax value of the prior year.

It should be noted that the Profit before Tax includes a value of LKR 303 Mn, as the surplus profit transfer from the Life Insurance, as against the zero value transferred at the end of the prior year.

This coupled with a much lower claims experience, a relatively highly controlled operating expenses platform and an enhanced level of income from investments, contributed towards the success enjoyed in 2012.



Profit Before Tax vs Profit After Tax

■ Profit Before Tax
■ Profit After Tax

Share Price of the Company

The share price of the Company continues to be a long-term investment and the current market price at which the share is being traded does not reflect the intrinsic value of the share.

The Share price as at the end of the Financial Years are as follows;

2008	2009	2010	2011	2012
LKR 5.75	LKR 9.50	LKR 16.00	LKR 15.00	LKR 10.50

Dividend Payments

The Company has maintained a steady and stable Dividend payment of LKR 1.00 per share in each of the last three financial years.

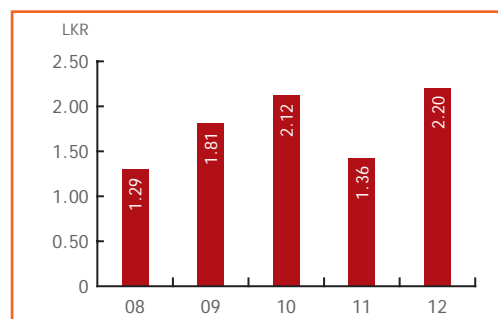
The Dividend Payment summary is as follows;

LKR Mn				
2008	2009	2010	2011	2012
182	726	363	363	363

Earnings Per Share

The Earnings per share value reflects the profit allocation to an individual share value. This is the single most important indicator of success of the Company from the perspective of an individual shareholder.

The Company was able to record its highest Earnings per share value in recent years, by notching up LKR. 2.20 per share, which is the highest value since 2006.

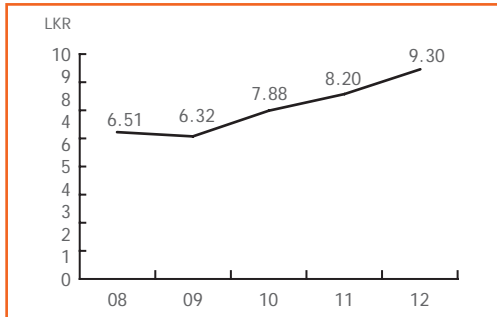


Earnings per Share

Net Assets Value per Share

The Net Assets Value reflects a steadily incremental value being attributed to each share of the Company, as the business follows a successful trend over the last few years of operations.

The Net Assets Value of LKR. 9.30 per share is the highest recorded by the Company in recent years.

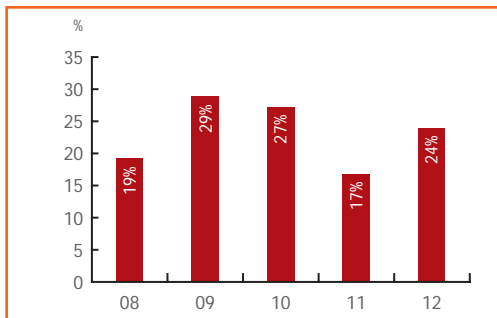


Net Assets per Share

Return on Equity

The Return on Equity indicates the benefit accruing to the shareholder equity invested in the business. The return needs to be seen as competitive and rewarding in terms of comparative alternate opportunities that are available for the deployment of the said capital and reserves.

Return on Equity in 2012 reflects an upward movement to 24%, an improvement on the performance of the prior year that reflected 17% on the basis of re-stated Profit after Tax.



Return on Equity

Review of Performance- Actual vs. Budgetary Targets

The Company has in place a Strategic Planning Process and an annual Business Performance Planning Process, that links into the Company's Strategic Plan.

The Annual Business Performance Plan is built up on a bottom-up and reconciled to a top-down process, which brings together management objectives and the buy-in of extended management up to Branch and support Department level.

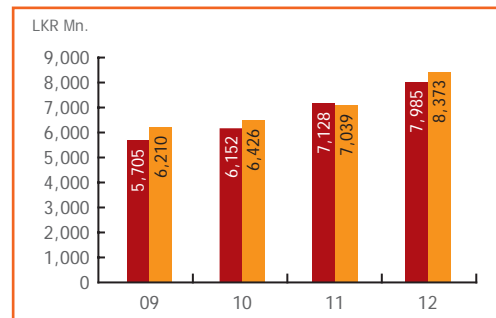
We set out here under a high level review of the Company's annual performance against annual Business Plan targets.

Review of Consolidated Gross Written Premia Performance

The Company fell short of the Annual Budgetary Target by a marginal value. Actual performance recorded at year end of LKR 7.99 Bn vs budget of LKR 8.37 Bn, which is a 96% level of achievement of budget.

The Company fell short on -both Non-Life and Life sales targets, despite having a relatively satisfactory performance in relation to Non-Life sales.

The main performance gap has been in relation to Life sales. Management has instituted a series of measures to address this matter and improve upon the Company's Life sales performance in the ensuing year, 2013. This is more fully explained in the preceding section of the Financial Review.



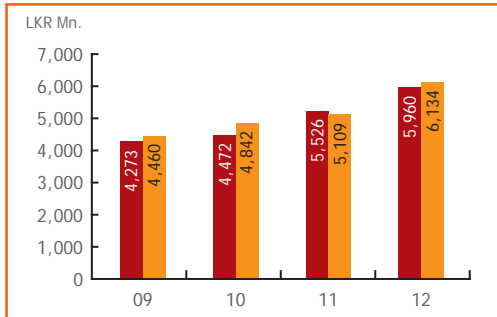
GWP Actual Vs Budget - Consolidated

■ Actual
■ Budget

Review of Non-Life Gross Written Premia Performance

The Company recorded a value of LKR 5.96 Bn against a Budget Target of LKR 6.13 Bn. This is a 97% level of budgeted achievement.

The Company, though falling short of budget by a small margin, did record a very satisfactory year, in terms of growth of new business and growth over prior year.



GWP Actual Vs Budget - Non Life

■ Actual
■ Budget

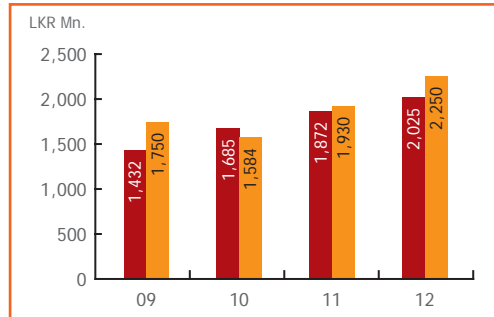
Review of Life Gross Written Premia Performance

The Company was not able to meet Budget Targets, where actual results amounted to LKR 2.03 Bn against a Budget of LKR 2.25 Bn. This reflected a 90% level of achievement of the Annual Budget Target.

In part, this is due to external economic conditions, where disposable income levels of prospective policyholders were impacted by a rising level of the cost of living.

It has been traditionally noted, that in such situations, that the first expense to be dropped by most households is the insurance policy. In order to counter this, marketing and sales efforts and the product plans on offer have to be tailored in such a manner as to add value to the basic selling propositions being offered to prospective customers.

Considerable fine-tuning has taken place leading up to the year-end to address this challenge in a more effective manner in 2013.



GWP Actual Vs Budget - Life

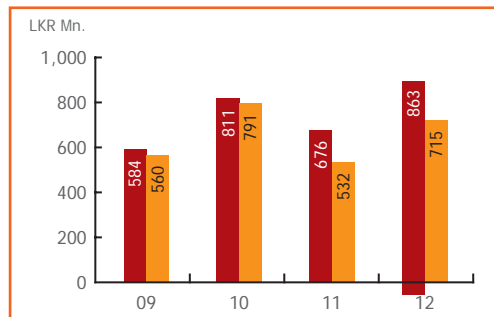
■ Actual
■ Budget

Consolidated Profit Before Tax

The Company has consistently been able to exceed the Annual Budget Targets over the last four years, reflected in the graph set out hereunder.

The Profit before Tax value of LKR 865 Mn compares very favorably against the Budget targets of LKR 715 Mn. This is equivalent to a 121% level of achievement of Budget Target.

The primary reasons have been explained in the preceding section and include a lower claim value experience, controlled cost management and an improved investment income.



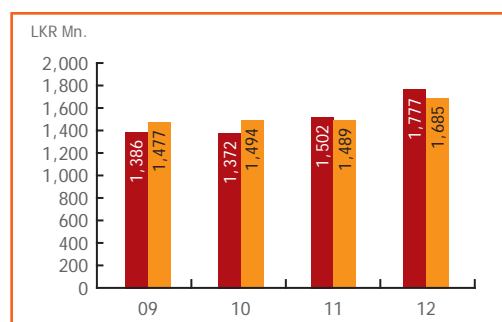
Consolidated Profit Before Tax

■ Actual
■ Budget

Consolidated Operating Expenses

The Company had previously been able to control operating expenses and close each of the preceding financial years within Budget Targets.

However in 2012, the Company was not able to sustain this record in particular to staff related expenditure and premises maintenance expenses increasing beyond Budget, The underlying reasons have been explained in the preceding section.

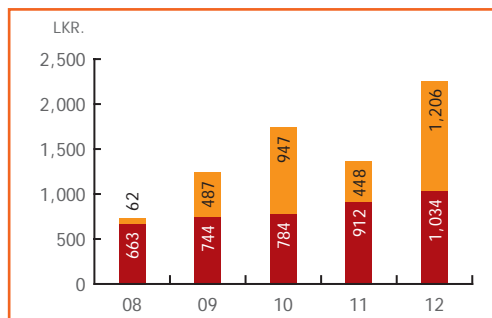


Consolidated Operating Expenses

■ Actual
■ Budget

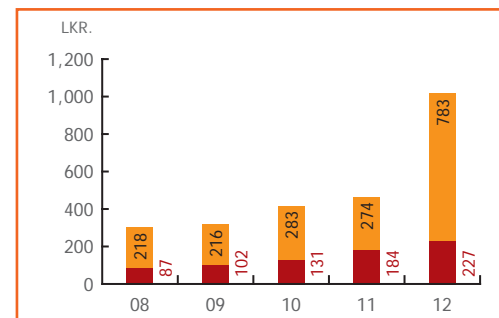
Statutory Solvency Requirement

Solvency margin measures the liquidity of the company and the resultant ability to pay out claim liabilities when they arise. A statement of Solvency for Non Life insurance and Life Insurance have been prepared in accordance with the solvency margin computation rules stipulated by the Insurance Board of Sri Lanka (IBSL). During the period under review, Janashakthi Insurance was able to maintain the required solvency margins with an additional buffer of an excess, over the required solvency margin.



Non Life Insurance Solvency Margin

■ Required Solvency Margin
■ Excess over Required Solvency Margin

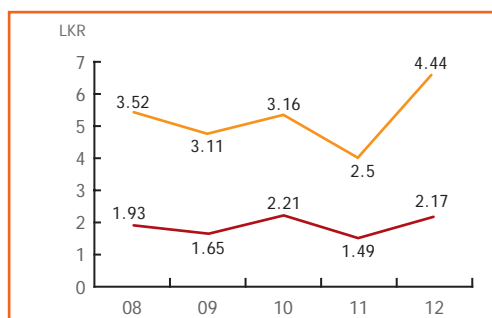


Life Insurance Solvency Margin

■ Required Solvency Margin
■ Excess over Required Solvency Margin

The Solvency Ratio reflects the amount of available Solvency Margin to the amount of Required Solvency Margin.

Both Life and Non Life Insurance business lines depict a healthy solvency ratio during the period under review also reflects a significant improvement over that of the prior year level in respect of both business lines.



Profit per Employee

— Solvency Ratio - Non Life
— Solvency Ratio - Life

Summary

Janashakthi Insurance has successfully migrated to the Sri Lanka Financial Reporting Standards based on IFRS requirements. The comparatives have all been restated to fall in line with the changeover. As such in some instances a review of trends are affected by the differing bases of accounting. Nevertheless, the graphs and commentary depicted above will provide sufficient information to understand the dynamics of the Company's business and the underlying issues that have arisen and the actions taken to mitigate or resolve such issues.

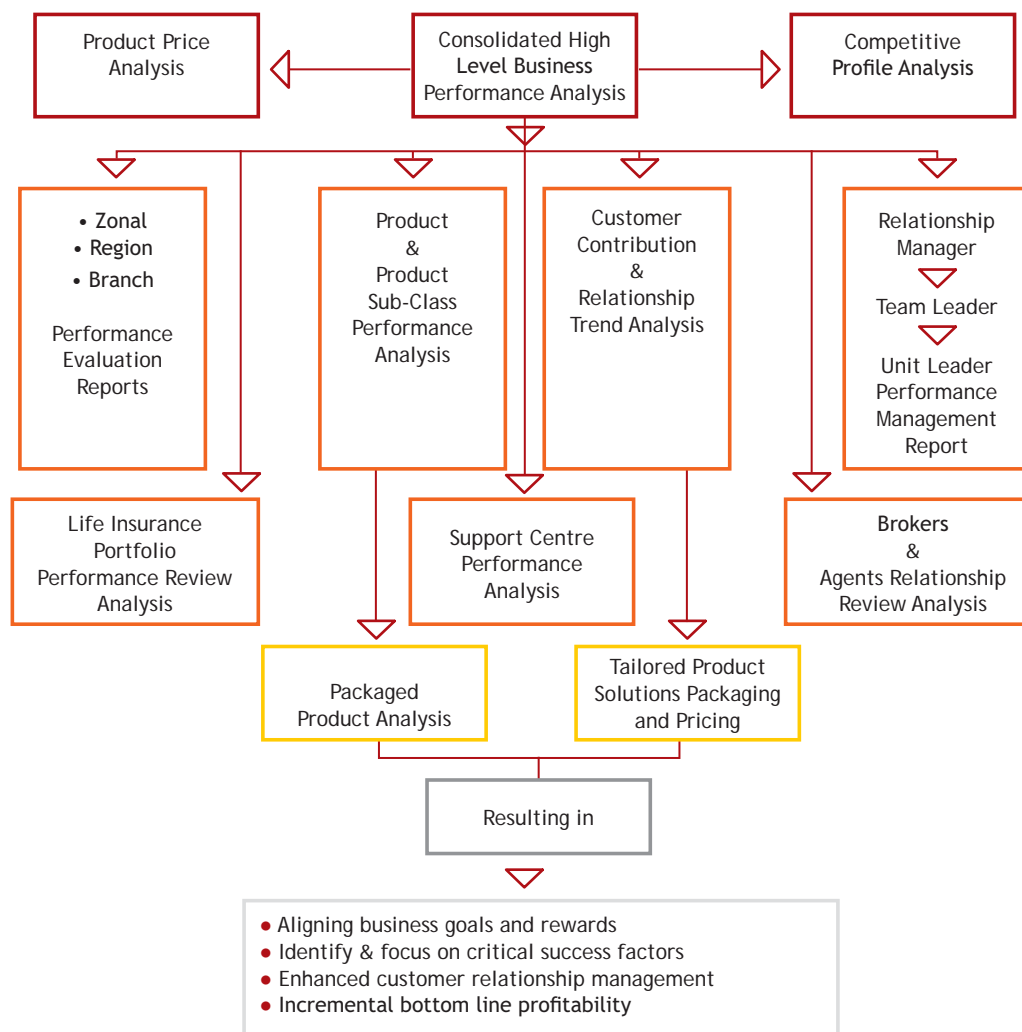
Financial Management Information Systems Contribution to Company Success

The Company has been able to further strengthen and enhance the ability to produce value adding Financial Management Information through the system that has been established and developed, which includes an Enterprise Data Warehouse platform from

which all MIS reports have been extracted. Continuous process improvements and creative designing of end user reports in this area have resulted in the Company being able to provide key decision makers, not only at Head Office, but also at the Zone, District and Branch Level key financial MIS information reports. These include interalia;

- Zonal, Regional and Branch profitability
- Customers, Agents and Broker profitability
- Regional Manager, Team and Unit Leader profitability
- Product profitability & support center performance management reports

Financial Management Information System Contribution to enhance Business Success:





Corporate Governance

“It’s principles and values based on ‘fairness’ are inculcated amongst its employees across the board”

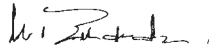
Chairman's Message

At Janashakthi, Corporate Governance is understood as being the commitment to engendering trust and hence, about effective, transparent and accountable governance of the enterprise by the management including the Board- the highest governing body, as the Company creates long term value for its stakeholders. The Company philosophy sets out that highest standards in governance is indispensable to growth of the Company in a sustainable manner and must be pursued in an uncompromising manner.

This report details the Governance structure of Janashakthi and of the best practices, and mechanisms that have been in place during the year under review. This framework and the measures in place are reviewed regularly as needed to ensure that they remain on par with evolving international best practices and requirements.

The Company takes many measures to ensure that its principles and values based on "fairness" are inculcated amongst its employees across the board. The company Code of Conduct which spells out the need for highest standards of integrity, across the board, is one of the key formal means towards this end. The value of Fairness also prompts your company to place emphasis on the processes of decision-making and implementation and not merely the decisions and policies per se. Hence, emphasis is placed on processes such as information gathering and stakeholder engagement in order to facilitate greater transparency, precise decisions and clear policies to strive for fairness to all stakeholders.

As the Chairman of Janashakthi Insurance, I would like to affirm that your Board of Directors would stay focused on formulating strategy, building leadership, driving sustainable performance and raising the bar for ethical behavior; whilst growing the business platform of your Company and building on the trust it has earned during its 19 years in business.



W.T. Ellawala
Chairman
26 February 2013

Governance Structure of Janashakthi

The principles, procedures and rules, have clearly defined authority and responsibilities for all employees including the governing body who are expected to abide by these rules and values when carrying out their responsibilities and conducting business. These have been documented in particular in the Articles of Association, the Organisational Rules and the Mandate of Operations of the Board Committees.

As diagrammatically presented below the Company is governed by a Board of Directors and Board appointed Committees that met throughout the year. Directors discharged their responsibilities at Board and specific functional committee meetings and also oversee other aspects, which they believed to be important.

The Board has delegated responsibility for monitoring of governance to the Audit Committee which meets regularly and reviews the company's governance against the compliance requirements and best practices.

Depicted below is the Janashakthi governing structure which has proved effective in fostering cooperation between the Board of Directors, Management and Internal Control functions of the Company.

The Structural Division of Responsibilities



The “Code of Best Practice on Corporate Governance” issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission in 2008 covers the following key aspects and are summarized below and a more detailed description of how Janashakthi adopted these best practices in 2012 are given on pages 77 to 92

- Directors
- Directors Remuneration
- Relations with Shareholders
- Accountability and Audit
- Institutional Shareholders
- Other Shareholders

Board of Directors

The Board of Directors assumes the primary duty of promoting the success of the Company by directing and supervising its affairs responsibly and effectively. The Board collectively and each director individually, act in good faith and in the best interest of the company in all its decisions as the directors are aware of their responsibilities to all stake holders regarding the manner in which affairs of the company are conducted.

The Board actively reviews the Company’s policies and business strategies and advises and counsels the Managing Director and the other executive officers who manage the Company’s businesses. The role of

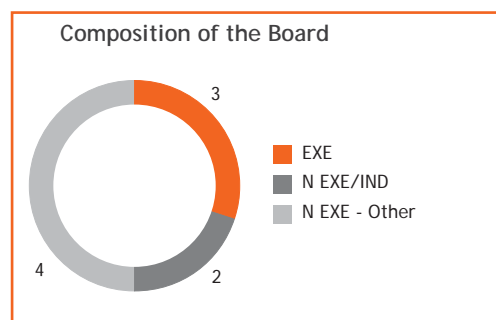
Janashakthi Board involves commitment to areas including strategy formulation and implementation, performance review, internal controls, adherence to rules, regulations, policies and procedures.

Role of Chairman & Managing Director

The roles of Chairman and the Managing Director, have been separated and clearly distinguished to ensure an independent role by the non-executive Chairman in managing the Board and providing leadership to it, whilst the Managing Director (who holds the most senior executive position) focuses on the management of day to day affairs of the company.

Board Composition

Janashakthi Board consists of two Executive Directors, and seven Non-Executive Directors of whom four are Independent.



The Board comprises of professionals with diverse experience and vast knowledge acquired from having served on, or serving, on Boards of National, Multinational, and Publicly held Companies as well as in some of Sri Lanka’s well-respected regulatory and governing bodies. The cumulative effort of a well-balanced and diverse Board in decision making is a key strength of Janashakthi Insurance. The complete Board profiles are provided on pages 23 to 25

In addition to the above, we have also evaluated the Directors’ qualifications and experience in assessing the Board’s capabilities.

Corporate Governance contd.

The table below summarises several key areas we consider important and why we consider them important, in order to facilitate sound decision making.

Summary of Director Qualifications & Experience	W. T. Ellawala	C.T.A. Schaffter	P.A. Schaffter	L.C.R. de C. Wijetunge	M. Mathews	N. Jinasena	R. Schaffter	E. Perera	A. Coomaraswamy
Insurance / Financial Services Industry experience is important in understanding and reviewing our strategy	•	•	•	•	•	•	•	•	•
Professional Financial Expertise is important because it assists our directors in understanding and overseeing our financial reporting and internal controls			•		•		•		•
Investment decision making experience is important in evaluating our financial statements and investment strategy	•	•	•	•	•	•	•	•	•
Business Head / Administration experience is important since directors with Administration experience typically possess strong leadership qualities and the ability to develop these qualities in others	•	•	•	•	•	•	•	•	•
Business Operations experience gives directors a practical understanding of developing, implementing and assessing our operating plan and business strategy	•	•	•	•	•	•	•	•	•
Corporate Governance experience supports our goals of strong Board and management of accountability, transparency and protection of shareholder interests	•	•	•	•	•	•	•	•	•
Risk Management experience is critical to the role of the Board in overseeing the risks facing the Company	•	•	•	•	•	•	•	•	•
Marketing / Sales experience is relevant to the Company as it seeks to identify and develop new markets for its financial products and services	•	•	•	•	•	•	•	•	
Talent management experience is valuable in helping us attract, motivate and retain top candidates for positions at the Company	•	•	•	•	•	•	•	•	•
International Experience, experience in Economics and Government/ Public policy will equip the board with an overall expertise to operate in a highly regulated industry	•	•	•	•	•	•	•	•	•

Board Committees

The Board performs its supervisory functions through Board Sub Committees which include the Audit Committee, Remuneration Committee and Investment Committee.

The Board Sub Committees, except the Investment Committee, consist of Independent Non-Executive Directors. The formation of the committees as well as Directors' attendance at the Board Meetings and its Sub Committee meetings are presented in the table below.

Name of Director	EXE / NEXE	IND / NIND	Board Meetings		Remuneration Committee Meetings		Audit Committee Meetings		Nominations Committee Meetings		Investment Committee Meetings	
			Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. W. T. Ellawala *	NEXE	NIND	8	8			4	4		x		
Mr. C.T.A. Schaffter**	NEXE	NIND	8	8						x		
Mr. Prakash Schaffter	EXE	NIND	8	8							5	4
Mr. Eardley Perera	NEXE	IND	8	8	1	1				x		
Deshamanya Dr. Nihal Jinasena	NEXE	IND	8	2*	1	1	4	2				
Mr. L.C.R. de C. Wijetunge	NEXE	IND	8	8								
Mr. Ramesh Schaffter	EXE	NIND	8	7							5	5
Ms. Anushya Coomaraswamy	NEXE	IND	8	8	1	1	4	3		x	5	5
Ms. Manjula Mathews	NEXE	NIND	8	8								

EXE - Executive Director * The Chairman to the Board
NEXE - Non Executive Director ** The Deputy Chairman
IND - Independent
NIND - Non Independent
x- No meetings held during the period

Table 2: Directors Attendance at the Board Meetings and its Committee Meetings during 2012

* Deshamanya Dr. Nihal Jinasena was unable to attend most meetings due to ill health

• Senior Management staff attendance at Board Sub Committee Meetings

Specific Senior Management personnel are invited to attend the Board Audit Committee and Board Investment and Risk Management Committee meetings and are encouraged to add value towards the proceedings of the said meetings

Director's Remuneration

The Company has adopted a formal and transparent policy for Directors' remuneration. All Non-Executive Directors are paid a standard fee for their attendance at the Board /Sub Committee meetings.

The remuneration of the two Executive Directors are established at the Remuneration Committee meeting held during the year. The Committee is appointed by the Board and consists of Independent, Non-Executive Directors to ensure fairness and transparency.

The remuneration for the Non-Executive Directors and Senior Corporate Management teams are in line with the industry standards and are dependent on the performance against

pre agreed of individual objectives and achievement of Company objectives and results.

The remuneration committee decides the remuneration payable to Senior Management and board appointments; to the Board of the Company which will make the final determination upon consideration of such recommendations.

Due care is taken to ensure that the remuneration for Directors and Senior Management commensurate with their skills, knowledge, competencies and involvement in Board / Corporate activities.

The details of director's remuneration are provided in page 175 of this Annual report.

Relations with Shareholders

The Annual General Meeting (AGM) of the company provides Shareholders an opportunity, to put forward questions to the Board on any governance related issues, the Managing Director on operations of the Company and the Chairmen of the various Board Committees on the specific functions that were carried out through these Committees. This would enable the Shareholders to have better familiarity with the Company's business and operational workings.

Corporate Governance contd.

Further, the contents of this Annual Report enables existing and prospective stakeholders to make better informed decisions in their dealings with the company. In general, all steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents 15 working days prior to the meeting, voting for the election of new Directors or any other issue of materiality that requires a shareholder's approval.

Accountability & Audit

The Annual Report is the company's primary communication with shareholders and presents a balanced and understandable assessment of the Company's financial position, performance and prospects.

Internal Control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. It includes all controls including financial, operational and compliance controls and risk management. This system is intended to safeguard assets against unauthorised use or disposal and ensure proper records are maintained and reliable information is produced

The Audit Committee

The Board has appointed the Board Audit Committee to overlook in to the affairs of audit and internal controls and the committee consists of three independent directors. The detailed description of committee representation, Terms of Reference, functions and how the Audit Committee has discharged its duties during the year are provided on pages 90 to 91 of this Corporate Governance report.

Shareholders (Institutional & Other)

The Company Annual General Meeting (AGM) provides an opportunity for all shareholders

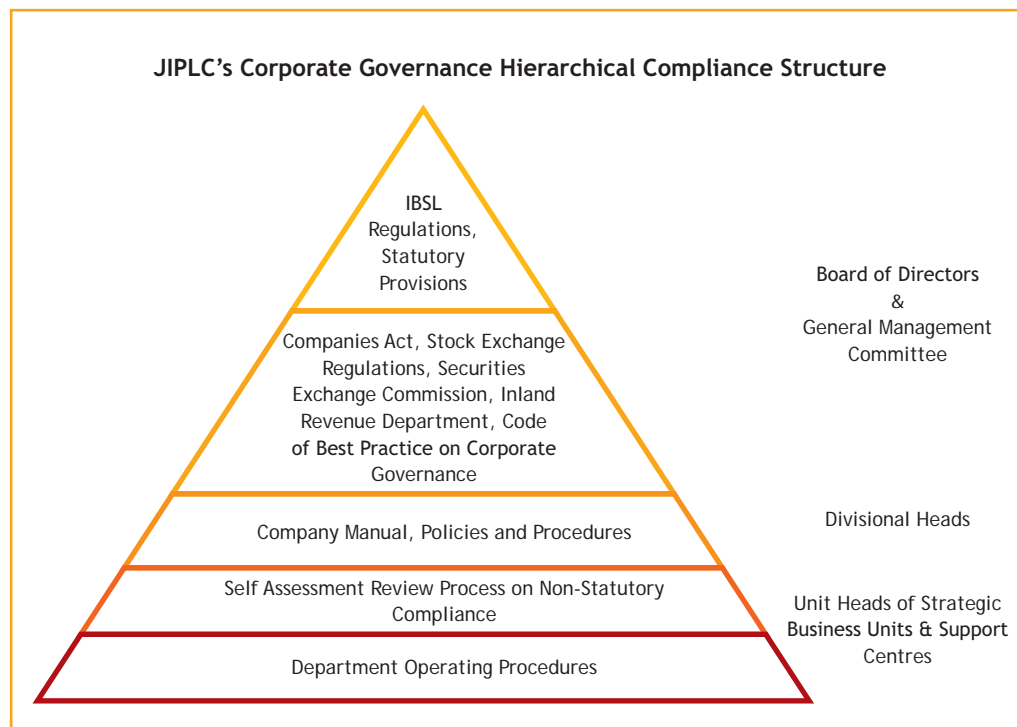
to have an open and constructive dialogue with the Directors. All investors are encouraged to participate and vote at the Company AGM and the Company welcomes constructive criticisms, suggestions and feed back from its stakeholders. The feedback details are provided in the Sustainability Report page 129.

Corporate Governance Framework

The framework in place consists of the external regulatory framework and an internal governance framework whilst the external includes mandatory as well as voluntary compliance. Whilst being fully compliant with demands of laws and regulations of external regulations relating to corporate governance, Janashakthi recognises that best practices provide a robust framework for sustainable growth.

The external regulatory framework focuses on adhering to relevant laws, regulations and best practices, an essential element in directing and promoting a sound corporate governance framework. The main regulations and codes, we adhere to are depicted in the graph below.

The internal governance framework focuses on the governance systems and procedures, which are integral to the company's interactions with all its stakeholders, evaluation of business opportunities and to the overall decision-making process, which in turn facilitates the Company's business plan.



The Disclosure Base

The disclosures made in the section, Corporate Governance Compliance Status- Listing Rules of the Colombo Stock Exchange-Section 7.10 are primarily in consistence with the mandatory disclosure requirement on corporate governance for the Listed Companies in Sri Lanka issued by the Colombo Stock Exchange (CSE).

The section adherence with the Code of Best Practice on Corporate Governance is prepared based on the guidelines set out in the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission of Sri Lanka.

How Janashakthi has adhered to the Code of Best Practice on Corporate Governance issued jointly by the ICASL and SEC

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
Sec 1	The Company		
A	Directors		
A1	The Board		
	Every public company should be headed by an effective Board, which should direct, lead and control the company.	Complied	<p>The Board currently comprises a Chairman and eight Directors, of whom seven including the Chairman function in a Non-Executive capacity. The Directors are well qualified and experienced with a thorough understanding of the business complexities and are prominent corporate personalities, from different industries including insurance, finance, marketing and engineering. Detailed individual profiles of Board members are provided on pages 23 - 25.</p> <p>The Board actively monitors the performance of the Company based on key areas of both financial and non-financial objectives and targets.</p>
A1.1	The Board should meet regularly. Board meetings should be held at least once every quarter of a financial year.	Complied	<p>The Board meets regularly to discharge its duties effectively. During the year 2012 Board meetings were held every quarter and as and when need arose.</p> <p>The number of Board meetings held during the year and the attendance of each of the Director is disclosed in Table No: 2 (Directors Attendance for the Board Meetings) in the section Corporate Governance on page 75.</p> <p>In addition, the meetings convened by the Board Sub-Committees are also provided on page 95.</p>

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A1.2	Responsibilities of the Directors of the Board	Complied	<p>The Board in principle is responsible to the shareholders of the Company for formulating and implementing the Company strategy, ensuring that the management team possess the expertise to implement business strategy and ensuring that succession plan for the senior management is in place. Further, the Board also holds responsibility for the Company's risk management strategy and internal controls and the review of fundamental compliance and for compliance with laws and, regulations and adherence to the code of ethics and ensuring that stakeholder interests are protected in implementing company policies. Details on compliance with applicable laws and regulations during 2012 are provided on page 97.</p> <p>Along with that the Board ensures that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. The Board is kept up to date on the affairs of the company through out the year via meetings with the General Manager Finance & Planning and other senior managers.</p>
	Formulation and implementation of sound business strategy	Complied	Business strategies and any other opportunities are presented to the Board 10 days ahead via Board Papers ensuring ample time for study. The matters are discussed and debated by the Board taking all aspects into consideration with emphasis on how it will impact stake holder interest, in order to decide and approve an appropriate strategy. Regular feedback on the adopted strategy is provided by the management team and the Board advises and guides the management team on initial development to successful execution of the strategy.
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy	Complied	Multi disciplinary professionals (Profiles of Senior Management Team provided on pages 27 - 29) leading all core management divisions of the company, lead by a CEO with diversified qualifications and experience. Each divisional programme is assessed by the Company performance analysed at each meeting.
	Ensuring that an effective CEO & Senior Management Team succession strategy is adopted	Complied	Janashakthi has a succession plan in place, with two other directors identified to take up the position of Managing Director and a tier of DGM's & AGM's have been identified at the functional level to ensure the smooth functioning of the departmental operations. Candidates to replace all key management positions are identified, trained and groomed to take up positions when the need arises.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
	Ensuring that effective systems to secure integrity of information, internal controls and risk management are available	Complied	<p>Effective systems and procedures are in place to ensure integrity of information, Operation of internal controls and information security. These systems are continuously monitored by the management, internal and external auditors and at times by independent experts in relevant areas. The findings and related recommendations are reported to the Board, where they will identify and make decisions to enhance and improve systems where necessary.</p> <p>Effective mechanisms are also in place to identify, assess and manage/ mitigate risks faced by the Company.</p> <p>Please refer the Risk Management Report on pages 102 - 114 for further information.</p> <p>The Board monitors the Risk Management aspects closely through the Audit Committee and the Board Risk & Investment Committee.</p>
	Ensuring that compliance with laws, regulations and ethical standards are met	Complied	All policies pertaining to compliance with laws and regulations are signed off by the Board thus ensuring the commitment of the highest governing body. Further, the monthly list of Statutory Compliance is submitted to the Board by the Chief Compliance Officer and Managing Director for their approval and comments for improvement. This process also brings the Board up to date with the Compliance aspects of the Company.
	Ensuring that all stakeholder interests are considered in corporate decisions	Complied on best endeavour basis	<p>Janashakthi has established a strong set of values within the Company and is mindful of adhering to these values and principles at all times. The Board evaluates the impact on all the key stakeholders of the Company before arriving at any key business decision. Also the General Management Committee of the Company has been empowered to make any decisions in considering stakeholder decisions.</p> <p>A Detailed analysis of the Company's stakeholders and the stakeholder engagement process is provided in the Sustainability Report page 129.</p>
	Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	Complied	The Board comprises of professionals from various professional backgrounds with many years of experience and exposure to financial regulations. Three out of the nine members of the Janashakthi Board possess financial qualifications and exposure; namely, Ms. A. Coomaraswamy, Ms. M. Mathews & Mr. R. Schaffter. The above directors contributed immensely by guiding the Financial Management Team and critically evaluating the first set of accounts prepared in accordance with SLFRS requirements.
	Fulfilling other Board functions as relevant to the organisation	Complied	During the year, the Board made every endeavour to fulfill their stewardship obligations on behalf of all stakeholders.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A1.3	Procedure to obtain independent professional advice where necessary	Complied	The Board and its committees have the authority, at the Company's expense, to obtain independent professional advice, legal counsel, consultants or other external expert advisors. In the year 2012, the Board obtained the services of Dr. Anura Ekanayake as an independent consultant to review and recommend improvements to the Life Business Process and the services of Malaysian based NMG Consultants for input on product pricing in the Non-Life insurance area. In addition, NMG Consultants has also been retained to provide technical advisory services in relation to the new Risk Based Capital Adequacy framework where "road test" commenced in September, 2012 to build up the Company's competence, capacity and compliance with the Risk Based capital framework that will be mandatory from January 2015.
A1.4	All Directors have access to the advice and services of the Company Secretary	Complied	KHL corporate Services Ltd. serves as the Company Secretary for JIPLC. The Company Secretary ensures compliance with Board procedures, Companies Act & CSE regulations. Mr. Ramesh Schaffter, the Board Secretary who attends Board meetings, minutes all Board decision and liaises with the Directors on all matters in relation to the Board and ensures smooth coordination with the Company Secretary. Appointments and or removals of the Company Secretary are at the discretion of the Board of Directors as per section 114 of the Articles of Association.
A1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.	Complied	All Directors bring independent judgment and are conscious of avoiding matters of potential or actual conflicts of interests. Each year various executive officers meet with the Board to review the previous year's results and to focus on goals and challenges of the coming year. Management also periodically updates the Board on progression of the business unit's focus goals. The Board from time to time invites members of management to speak on particular subjects of interest to help remain informed of current issues, trends and concerns.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A1.6	Every Director should dedicate adequate time and efforts to matters of the Board and the Company.	Complied	Since Board Papers for discussion at a given meeting are circulated in advance of a meeting, this leaves Board members with sufficient time to study the material and request any additional information deemed necessary for the discussions. Board Papers are discussed in detail and debated at the Board meeting before a final decision. Members of the Senior Executive Committees are also asked to make presentations when necessary to obtain more details to analyse a given situation. Directors met 8 times during the year 2012 for Board meetings and met during 10 occasions for other committee meetings. Most of Director's time were spent on strategy formulation, performance review and directing corrective measures for fine tuning areas where it was deemed required. Significant time was allocated to finance related areas during 2012 with added emphasis on convergence to IFRS and adoption of Risk Based Capital structure.
A1.7	Every Director should receive appropriate training when first appointed to the Board and subsequently as necessary.	Complied	The Board and management have an established orientation process for new Directors, however, no new Directors were appointed to the Board during 2012.
A2	Chairman & CEO	Complied	There is a clear division of responsibilities between the position of Chairman and CEO and also between the running of the Board (Chairman) and the executive responsibility for the running of the company's business (Managing Director). No individual has unfettered power of making decision. As explained earlier, to ensure the delegation of authority, the Board has set up a number of committees to ensure practices of self-governance. Please also refer the Diagram (The Structural of Division of Responsibilities) in the Corporate Governance Report page 72.
	There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power & authority such that no individual has unfettered power.		
A2.1	A decision to combine the posts of Chairman and the CEO as one person should be disclosed.	Complied	In order to maintain a clear division of responsibilities, the roles of Chairman and CEO have not been combined and continue to be separate in 2012.
A3	Chairman's Role	Complied	The Chairman is responsible for leadership for the Board, ensuring its effectiveness on all aspects of the company's business and to the best interests of its stakeholders. The Chairman also ensures that the Directors receive accurate, timely and clear information and facilitates constructive relations between Executive and Non- Executive Directors.
	As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.		

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A3.1	The Chairman conducts Board proceedings in a proper manner.	Complied	The Chairman ensures effective participation of both Executive and Non-Executive Directors, encourages frequency of conduct of meetings Please refer Table No: 2 (Directors Attendance for the Board Meetings) in the section Corporate Governance on page 75 and maintains balance between Executive and Non-Executive Directors. The Chairman also ensures that the views of each Director on any issue under consideration are ascertained and also that the Board is in complete control of the affairs of the Company.
A4	Financial Acumen	Complied	The Board comprises three senior Chartered / Management Accountants. The Board collectively possess strong financial acumen and capability to assess the integrity of the Company's financial reporting systems & controls, continually review and critique these systems and make changes to them as necessary.
	The Board should ensure that the availability within it of those with sufficient financial acumen & knowledge to offer guidance on matters of finance.		
A5	Board Balance	Complied	The Board comprises seven Non- Executive Directors, out of the total of nine. (This is pursuant to the CSE listing rules also).
	The Board should have a balance of Executive and Non-Executive Directors.		
A5.1	The Board should include two Non-Executive Directors or one third of total number of Directors which ever is higher.		
A5.2	Two or one third of the Non-Executive Directors, which ever is higher, should be independent.	Complied	The Board comprises four Independent Non-Executive Directors out of seven total Non-Executive Directors (this is pursuant to the CSE listing rules also).
A5.3	Criteria for a Director to be deemed independent.	Complied	All the Directors who are declared as independent are free from business and other relationships that could materially interfere with the exercise of their decisions.
A5.4	Non-Executive Directors should submit a signed declaration of their independence or non-independence.	Complied	Non-Executive Directors have submitted the declaration.
A5.5	The Board should make a determination annually as to the independence or non-independence of Directors and set out in the Annual Report the names of Directors.	Complied	The Board is satisfied that four of its members are considered as independent as per the Code of Best Practice on Corporate Governance. Names are set out in the Table No: 1 page 74.
A5.6 A5.7	In the event the Chairman and the CEO is the same.	Not relevant	The roles of Chairman and CEO are separated.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A5.8	Chairman conducts Board meetings only with Non -Executive Directors at least once a year.	As and when deemed necessary	It was agreed as a formal Board decision that in the interest of further fostering and enhancing the high standard of Corporate Governance, that the Independent Board Members would meet annually and when deemed necessary to specifically review the annual performance of the Company.
A5.9	Recording of Directors concerns on Board meetings in matters, which cannot be unanimously resolved.	Not Applicable	All opinions, whether in favour of any matter or not, are recorded There have been no-instances during 2012, of any issue not being unanimously resolved.
A6	Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties.	Complied	The board receives a standard set of timely, accurate and reliable information regularly. These include both financial and non-financial data and the Board at any given time could request for additional information in order to clarify or make a reliable judgment and discharge its duties effectively.
A6.1	Management has an obligation to provide the Board with appropriate and timely information.	Complied	The Board of Directors has full access to members of management. Key members of management report at Board and committee meetings on request and provide the directors with additional information upon request. The Chairman ensures that all directors who have not attended a particular meeting are adequately briefed through circulation of formally documented minutes and through a brief re-cap of previous meetings' agenda items.
A6.2	The minutes, agenda and papers required for a Board meeting ordinarily be provided to Directors at least seven days before the meeting.	Complied	The Board is provided with materials in advance of each meeting for review and study. Members of management, depending upon items to be considered at the meeting, compile most material and generally submit ten days prior to a meeting.
A7	Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Complied	A Board Nominations Committee was formally set in place by a decision of the Board of Directors at the end of 2012, with the mandate of bringing to the Boards attention any suitable outstanding nominations for consideration if and when the situation arose. There has however been no found vacancy that required the Board to mandatorily make any nominations.
A7.1	A Nomination Committee should be established to make recommendations to the Board on all new appointments. The Chairman and Members of the Nomination Committee should be disclosed in the Annual Report.		
A7.2	In the absence of a Nomination Committee, the Board as a whole should annually assess The Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands of the Company.	Complied	The Board reviews its own composition on a regular basis to ascertain whether its combined knowledge and experience match the strategic demands the Company faces. In accordance with such review, and in keeping with regulatory changes, the composition of the Board was last changed in 2005.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A7.3	Upon appointment of new Directors the company disclose information to the shareholders	Not applicable in this year	The Company complies with the CSE Rules and has a procedure in place where shareholders are informed of all new appointments via CSE. However no appointments were made during year 2012.
A8	Re- Election	Complied	Directors are subject to election by shareholders at the first AGM after their appointment and to re-election thereafter at intervals.
	All Directors should be required to submit themselves for re-election at regular intervals and at least in every three years		
A8.1	Non-Executive Directors should be appointed for specified terms subject to re-election.	Complied	One third of the total number of Directors commencing with the longest in office since their last election shall retire each year by rotation.
A8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	Complied	This procedure is in place.
A9	Appraisal of Board performance	Complied	The Board reviews the performance of the Company and of the issues if any faced during the Year. In this process, there is an automatic indirect review of the Boards own success, in managing these affairs of the Company.
	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A9.1	The Board should annually appraise itself on its performance in its key responsibilities.		
A9.2	An annual self-evaluation of its own performance and that of its committees.	Not in place	All Sub-Committees report to the Main Board. There is no formal review of each Sub-Committees performance.
A9.3	Disclosure regarding the performance evaluation in the Annual Report.	Not in place	No formal evaluation takes place.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
A10	<p>Disclosure of information in respect of Directors</p> <p>Shareholders should be kept advised of relevant details in respect of Directors.</p>	Complied	<p>All relevant information is disclosed in the Annual Report. Please refer the Directors Profiles on pages 23 - 25.</p> <p>Please refer the Related Party Disclosures in Notes to the Financial Statements on page 233 -235.</p> <p>Please refer Table No: 2 (Directors Attendance for the Board Meetings) in Corporate Governance Report page 75.</p>
A10.1	<p>Annual Report should set out below information in relation to Directors.</p> <ul style="list-style-type: none"> • Name, brief profile • Nature of expertise • Material business relationships • Names of other listed companies they have Directorship • Number of Board meetings attended • Names of Board committees in which the director serves • Number of committee meetings attended 		
A.11	<p>Appraisal of CEO</p> <p>The Board should be required, at least annually, to assess the performance of the CEO.</p>	Complied	<p>The Board ensures that a business performance plan is completed and approved by the Board for each business year of operation.</p> <p>This plan is developed to tie up with the corporate plan of the company and Key Performance Indicators (KPIs) are drawn up to monitor success of operation in both the Non-Life & Life Insurance business areas on an annual basis. The overall KPIs are used to evaluate the performance of the Managing Director against results achieved by the Company.</p>
A11.1	The Board in consultation with the CEO, should set, financial and non financial targets that should be met by the CEO		
A11.2	The Board at the end of each fiscal year should evaluate the performance of the CEO.		
B	Directors Remuneration		
B.1	<p>Remuneration Procedure</p> <p>Companies should establish a formal and transparent procedure for developing policy on executive remuneration</p>	Complied	<p>The Board has implemented a formal & transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. The committee is responsible for the development of executive remuneration and no director is involved in deciding his/her own remuneration. The purpose of the committee is to assist the Board in matters of compensation of the Company's Directors, executive officers and such other employees as determined by the committee.</p>

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
B1.1	Board should set up a Remuneration Committee.	Complied	<p>A Remuneration Committee has been established in this regard and functions within agreed terms of reference which is provided on page 101 of the Corporate Governance Report.</p> <p>The main responsibility of the Remuneration Committee is to assist the Board with regard to the remuneration policy of the Executive Directors and Senior Management Team.</p> <p>All Non-Executive Directors are only paid a service fee for the attendance at the meetings.</p> <p>According to the Company policy, no Director or employee will get involved in deciding his/her own remuneration.</p>
B1.2	The committee should exclusively consist of Non-Executive Directors and should have a Chairman.	Complied	Each of the Committees headed by a Chairman and all members of these committees are Independent, Non-Executive Directors.
B1.3	The names of the Chairman and the members of the committee.	Disclosed	Please refer Remuneration Committee Report in the section Corporate Governance on page 101.
B1.4	Determination of remuneration of Non Executive Directors.	Complied	The Non Executive Directors are paid a fee for their services and is approved by the Board.
B1.5	Consultation of Chairman/CEO in deciding the remuneration and access to professional advice.	Complied	The committee consults the MD/CEO where necessary and has access to professional advice within and outside the Company.
B2	<p>The level & makeup of remuneration</p> <p>Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain Directors.</p>	Complied	<p>Remuneration levels have been designed to attract, retain and motivate Directors & senior management of high calibre, required to run the Company successfully, while remaining within the industry's remuneration standards.</p> <p>Remuneration of the Executive Directors including the Managing Director is fixed by the Remuneration Committee.</p>
B2.1	The Remuneration Committee should provide the packages needed to attract & retain Executive Directors.	Complied	<p>The Remuneration Committee reviews the market practices and industry remuneration levels and most importantly the Company performance in determining the remuneration of the Executive Directors and Senior Management Team.</p> <p>Therefore the remuneration levels are in line with the industry standards and packages are designed to attract and retain the best in the market.</p> <p>Consideration of remuneration levels in the industry allows the committee to also strike a balance; make a prudent decision when setting the salary scales.</p>

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
B2.2	Remuneration Committee should set remuneration in line with industry standards and the Company performance.	Complied	The Remuneration Committee compares the remuneration levels of the senior staff cadres of the Company with such packages of comparable companies in the industry. Its decisions are based on the periodical review reports of salary surveys. This helps the Committee make an independent assessment of comparable industry standards as well as assess the remuneration with the company performance.
B2.3	The Remuneration Committee should be sensitive to employment conditions remuneration elsewhere within the Company when determining salary increases.	Complied	The increase in annual budget for salary increase is maintained at a stipulated level and the Company strictly adheres to this policy.
B2.4	Performance related elements of remuneration of Executive Directors should be aligned with interest of the Company and the main stakeholders.	Complied	As stated above, this area is a specific task of the Board Remuneration Committee
B2.5	Executive share options.	Not Applicable	The Company has not implemented a Share Option scheme for its Directors or employees at present
B2.6	In designing schemes of performance-related remuneration, Remuneration Committee should follow the provisions set out in the standard.	Complied	<p>The Managing Director and employees at all levels are eligible for annual performance linked bonuses based on the achievement of pre-agreed targets. Apart from this, the Company does not have any long-term incentive schemes, including Share Option Schemes.</p> <p>There are no pensions schemes/ benefits within the organisation, therefore pensions consequences and associated costs of salary increases to Directors closing retirement would not have an effect.</p> <p>All employees including the Executive Directors are eligible for a Gratuity payment as per statutory requirements when leaving the organisation and the impact of future Gratuity payout is considered when determining salary increases.</p> <p>Performance-related remuneration schemes are not applied retrospectively.</p> <p>Non-Executive Directors are not eligible for performance based remuneration schemes.</p>
B2.7 B2.8	Compensation commitments in case of early terminations.	Complied	There have been no terminal compensation commitments other than gratuity in the Company's contracts of service.
B2.9	Levels of remuneration for Non-Executive Directors.	Not applicable	Only Director Fees are paid for attendance and is approved by the Board.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
B3	Disclosure of Remuneration	Disclosed	A statement regarding the Company's Remuneration policy is provided in The Remuneration Committee Report page 101 and details of remuneration to the Board as a whole provided on Director's report page 175.
	Annual Report should contain a statement of remuneration policy and details of remuneration of the Board as a whole.		
B3.1	Names of Directors of the Remuneration Committee.	Disclosed	Details of the Remuneration Committee are provided on the table in Corporate Governance report page 75.
C	Relations with shareholders		
	Boards should use the AGM to communicate with shareholders and should encourage their participation		
C.1	Constructive use of the AGM and conduct of General Meetings	Complied	All steps have been taken to protect shareholders rights at all AGMs, including the receipt of notice of the AGM within the specified period, raising questions to the Board and various other committees, voting for the election of new Directors or any other issue of materiality that requires a shareholders resolution.
C.1.1	Counting of all proxy votes	Complied	Proxy votes together with the votes of shareholders present at the AGM are considered for each resolution
C.1.2	Separate resolution at each AGM on each substantially separate issue	Complied	Each substantially separate issue is proposed as a separate resolution. The adoption of the report and accounts is also proposed as a separate resolution.
C.1.3	Presence of the Chairman of all the Sub-Committees at the AGM.	Complied	The Chairman ensures the presence of all Board members and the Chairmen of sub committees are present at the AGM to provide any clarification. All Chairmen were present at the AGM held on 31/03/2011. However no queries were directed to the Chairmen of Committees by the Shareholders
C.1.4	Circulation of notice & related documents to shareholders.	Complied	The Board of Directors is responsible for developing the agenda and sending it to the shareholders. The notice of meetings and related documents are circulated to the shareholders fifteen working days prior to the AGM.
C1.5	Circulation of a summary of the procedures governing voting at AGM.	Complied	A summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders fifteen working days prior to AGM.
C2	Major Transactions		
	Directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the company's net assets base.	Complied	During year, the Company has not engaged in or committed to a major transaction, involving acquisition, sale or disposition of greater than half of the net value of the Company's assets or transaction which has or likely to have effect of the Company acquiring obligations and liabilities.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
D	Accountability and Audit		
D1	Financial Reporting		
	The Board's responsibility to present a balanced & understandable assessment of the Company's financial position	Complied	The Directors have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting true & balanced assessment of the Company's position. Company's position and future direction is discussed in detail in MD's Review on pages 17 - 21 and Management Discussion & Analysis on pages 41 - 69.
D.1.1	The Board's responsibility to present interim and other price sensitive public reports to regulatory & statutory bodies	Complied	All material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed and released to the press and shareholders. Interim Accounts and the Financial Statements were filed on due dates and Company's compliance function ensures that these were duly carried out. The financial statements as at 31/12/2011 were filed at CSE on 28/02/2012 and interim financial statements as at 30/06/2012 were filed on 30/08/2012.
D.1.2	The Directors Report	Complied	A comprehensive Directors report in line with the Corporate Governance requirements is provided in the article Annual Report of The Board of Directors' on the Affairs of the Company in the section Financial Information on pages 171 - 177.
D.1.3	The statement setting out the responsibilities of the Board for preparing & presenting financial statements together with an audit report.	Complied	The statement of Director's responsibility is provided in the section Financial Information on page 176.
D.1.4	The Annual Report should contain a "Management Discussion & Analysis" report	Complied	A detailed report is provided in the section Operational Information on pages 35 - 69.
D.1.5	Declaration of going concern of the business	Complied	The Directors are satisfied that, having reviewed the performance of the Company and forecasts for the forthcoming year, the Company has adequate resources to enable it to continue in business for the foreseeable future. For this reason, Directors have adopted the going concern basis for the preparation of the financial statements.
D.1.6	Summoning an EGM if the net assets fall below half of the shareholder funds.	Complied	The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the net assets of the Company fall below a half of shareholders funds, shareholders would be notified at an EGM on the proposed way forward.
D2	Internal Control		
	The Board should maintain a sound system of internal control to safeguard shareholders' investments and Company assets.	Complied	The Board has the overall responsibility for maintaining the system of internal control and for monitoring their effectiveness, while the implementation of the internal control system is the responsibility of the Board Audit Committee.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
D.2.1& D.2.2	The Directors should, at least annually conduct a review of the effectiveness of the system of internal controls	Complied	<p>The internal control system focuses on key financial, operational and compliance controls. The system encompasses the policies, procedures and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and the compliance with laws and regulations.</p> <p>During the year, the Board and the General Management Committee receive regular reports summarising financial conditions, financial and operating performance, as compared to plan and key risk exposures.</p> <p>Management reviews include the effective implementation of claims, underwriting, actuarial, accounting and reporting policies and procedures, as well as control activities for significant locations and Company information technology systems. The Board through the Audit committee, receives regular and if needed special reports from Chief Financial Officer / Chief Compliance Officer and senior management on the adequacy of the control structures in place.</p> <p>The Company has appointed MSL Management Audit Services (Pvt) Ltd. to carry out the functions of the Internal Audit of the company. The Board Audit Committee has at least quarterly review meetings to review and discuss audit observations and recommendations relating to the preceding quarter.</p>
D3	Audit Committee The Board should establish formal and transparent arrangements for selecting and applying accounting policies	Complied	The Board has delegated their responsibility with regard to financial reporting, internal controls and maintaining appropriate relationships with Company auditors to the Board Audit Committee. Accounting policies are agreed between the Auditors and the Board audit Committee.
D.3.1	Composition should be exclusively of Non-Executive Directors, majority of whom should be independent, whichever is higher, and Chairman should be a Non-Executive Director.	Complied	The Audit Committee comprises three Directors all of whom are Independent Non-Executive Directors. The composition of the Audit Committee is provided on page 75.
D.3.2 & D.3.3	The duties of the Audit Committee should include reviewing scope & results of the audit effectiveness, & the independence of the auditors. The Audit Committee should have a written Terms of Reference.	Complied	<p>The Board Audit Committee is responsible for reviewing the Financial Statements of the Company, methods of preparation thereof, Management Letter comments of the External Auditors and also quarterly detailed Internal Audit Reports submitted by the external agency appointed for this purpose.</p> <p>A comprehensive report including the duties of the Audit Committee is provided in the Audit Committee Report in the section Corporate Governance on page 99 - 100.</p>

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
D.3.4	Disclosures in the Annual Report <ul style="list-style-type: none"> Names of the Directors Determination on the independence of the auditors A report by the Audit Committee 	Disclosed Disclosed Disclosed	Please refer Audit Committee Report in the section Corporate Governance on pages 99 - 100.
D.4	Code of business conduct & ethics	Informally in place	The Non-Executive Directors of Janashakthi are individuals who are highly respected and professionally recognised. A formal system is not deemed as being necessary.
	Companies must adopt a code of business conduct & ethics for Directors		
D.4.1	Companies must disclose whether they have a code of business conduct & ethics for Directors and members of the senior management team and if they have such a code, make an affirmative declaration that all Directors and management team have complied with such code or unable to do so.	Complied in respect of Management	A clear guideline is available for all levels of Management. The areas including conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal or unethical behaviour are covered in the corporate guidelines.
D.4.2	The Chairman must affirm that he is not aware of any violation of any provision of the code of business conduct & ethics.	Procedure to obtain specific comment from the Chairman does not exist	However it needs to be noted that Chairman also functions as the Chairman of the Board Audit Committee and in that capacity is fully aware of any issues that would have arisen during the year. All issues arising during any year is usually received and confirmation thereof to Chairman provided.
D5	Corporate Governance Disclosures	Complied	It is the Board's view that the Company has been fully compliant with the provisions set down in Corporate Governance Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission throughout the accounting period under review.
	Directors should disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	Complied	The Annual Report contains this report from page 71 to 97 setting out the manner and extent to which the Company is compliant to accepted good Corporate Governance principles.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
Sec 2	Shareholders		
E	Institutional Investors		
E.1	Shareholder Voting		
	Institutional shareholders should be encouraged to ensure their voting intensions are translated into practice.	Complied	All issues are clearly communicated and requests for Proxy Attendance is re-in forced.
E.1.1	A listed company should conduct a regular & structured dialogue with shareholders.	Complied	The Company Secretary has indeed been in receipt of correspondence including suggestions for improvement of the Business.
E.2	Evaluation of governance disclosures		
	Institutional investors should be encouraged to give due weight to all relevant factors.	Complied	Institutional investors are adequately encouraged to give due weight to all relevant factors.
F	Other Investors		
F.1	Investing / Divesting Decision		
	Encourage individual shareholders to carry out adequate analysis in investing or divesting decisions	Complied	Annual Report contains detailed information to enable and encourage individual shareholders to make an informed decision. The Chairman's Review (page 12), Managing Directors Report (page 16), Management Discussion and Analysis (page 34) and Annual Financial Statements (pages 184 - 195) are aimed at providing a balanced view of Company's performance and prospects. The Company also cooperates with stockbrokers and other research agencies in carrying out research and circulates the resulting information among shareholders to facilitate decision making.
F.2	Shareholder Voting		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise voting rights	Complied on best endeavour basis	All shareholders are encouraged to participate and vote at General meetings and the Company has had sizeable representation at Company AGM's

**Corporate Governance Compliance Status-
Listing Rules of the Colombo Stock Exchange-Section 7.10**

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
7.10.1	Non Executive Directors		
(a)	Two or one third of total number of Directors, whichever is higher shall be Non -Executive Directors.	Complied	Out of the total nine Directors seven are Non-Executive Directors. Please refer Table No: 2 (Directors Attendance for the Board Meetings) in the Corporate Governance Report page 75.
(b)	Total number of Directors to be calculated based on the immediately preceding AGM.	Complied	Nine Directors are calculated based on the AGM held on the 30th March 2012.
(c)	Change occurring to the ratio shall be rectified within 90 days	Not applicable	No change occurred during the year
7.10.2	Independent Directors		
(a)	Two or one third of total number of Non -Executive Directors, whichever is higher shall be Independent.	Complied	Out of the seven Non-Executive Directors four are independent. Criteria for independence are decided according to the guidance provided under the CSE listing rules.
(b)	Each Non-Executive Director should submit a signed declaration to the Board stating their independence.	Complied	Non -Executive Directors have submitted the declaration.
7.10.3	Disclosures Relating to Directors		
(a)	Names of the independent Directors	Complied	Disclosed in the Annual Report Please refer Table No: 2 (Directors Attendance for the Board Meetings) in the Corporate Governance Report on page 75.
(b)	Disclosure regarding a Director who does not qualify as independent but the Board is of the opinion that such director is independent.	Not applicable	During the year, no such determination has been made by the Board
(c)	Annual Report should include a brief resume of each of the Directors.	Complied	Please refer the article The Board of Directors: in the section Management Information on pages 23 - 25.
(d)	Upon appointment of a new Director to the Board, a brief resume should be provided to the CSE for public dissemination.	Not applicable during the year	No new appointments were made to the Board during the year.
7.10.5	Remuneration Committee		
	A listed entity shall have a Remuneration Committee	Complied	In conformance with the rule, the Board has appointed a Remuneration Committee.
(a)	Composition should be Non-Executive Directors, a majority of who shall be independent.	Complied	The committee comprises of three Non- Executive Independent Directors.

Corporate Governance contd.

Ref	Principle	Compliance Status	Comments - How we have complied in 2012
(b)	The committee shall recommend the remuneration of the Executive Directors and Managing Director.	Complied	Report is provided underpinning the functions that it is engaged in the Board Remuneration Committee Report in the Corporate Governance Report page 101.
(c)	Disclosures in the Annual Report		
	• Names of the Directors in Remuneration Committee.	Disclosed	Please refer Table No: 2 (Directors Attendance for the Board Meetings) in the Corporate Governance Report on page 75.
	• Statement of the remuneration policy.	Disclosed	Please refer The Board Remuneration Committee Report in the Corporate Governance on page 101.
	• Aggregate remuneration paid to Directors.	Disclosed	Please refer the article Transactions with Key Management Personnel (KMP) in the Notes to the Financial Statements on page 231.
7.10.6	Audit Committee		
(a)	A listed entity shall have an Audit Committee.	Complied	In conformance with the rule, an Audit Committee is in place. Please refer Audit Committee Report on pages 99 - 100.
	Composition should be of Non-Executive Directors, majority of whom shall be independent.	Complied	The committee comprises of three Non-Executive Independent Directors.
	• The Board shall appoint one Non -Executive Director as Chairman of the Committee.	Complied	Mr. W.T. Ellawala (Non-Executive Director) serves as the Chairman of the Audit Committee.
	• The Managing Director and the Chief Financial Officer attend the committee meetings.	Complied	The Managing Director and the Chief Financial Officer attended meetings by invitation.
	• The Chairman or one member of the committee should be a member of a recognised professional body.	Complied	Ms. Anushya Coomaraswamy, a member of the Audit Committee is a Fellow of the Chartered Institute of Management Accountants UK and the Institute of Chartered Accountants of Sri Lanka.
(b)	The functions of the Audit Committee.	Complied	Functions of the Board Audit Committee are provided in the Audit Committee Report on pages 99 - 100.
(c)	Disclosures in the Annual Report		
	• The names of the Directors in the Audit Committee.	Disclosed	Disclosed in the Corporate Governance Report Table No: 2 (Directors Attendance for the Board Meetings) on page 75.
	• Disclosure regarding determination of the independence of the auditors.	Disclosed	Disclosed in the “Annual Report of Board of Directors’ on the Affairs of the Company” pages 171 - 177.
	• A report by Audit Committee setting out the manner of compliance.	Disclosed	Disclosed in the Board Audit Committee Report on pages 99 - 100.

Implementation of self-governance initiatives to enhance overall corporate governance through sub committees

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

	The General Management Committee	Technical Committee	Business Development Committee	Strategic Plan Review & Implementation Committee	Quality Management Review Committee	Business Continuity Planning Committee	Cost Management Committee
Function	To carry out delegated administrative, financial and operational control activities of the Company	To provide advice on all technical aspects of operations & to ensure compliance with tariffs and industry norms	To review operational performance against key performance indicators, product management reviews and new product developments	To ensure the implementation of the strategic plan.	To monitor the Company's quality management procedures and to recommend on possible improvements	To monitor Company's premises, practices to ensure that adequate safety standards are being maintained for greater protection of the Company's staff & customers	To review and analyse key processes with a view of identifying process improvements and resultant cost savings and reduction of wastage.
Key Members	MD/CEO GM-Insurance GM-Finance & Planning GM-HR & Administration GM-Sales & Marketing DGM- General Insurance	Non-Life Technical GM- Insurance DGM-Life & Branch Servicing DGM-General Insurance(HO) Life Technical Committee GM- Insurance DGM-Life & Branch Servicing	MD/CEO GM-Insurance GM-Finance & Planning GM-HR & Administration GM-Sales & Marketing DGM-General Insurance	MD/CEO GM-Insurance GM-Finance & Planning GM-HR & Administration GM-Sales & Marketing DGM- General Insurance	MD/CEO GM-Insurance GM-Sales & Marketing GM-HR & Administration DGM- General Insurance AGM - HR Development AGM - Legal AGM - IT AGM - Full Option	Manager - Administration Manager - Head Office Processing Manager - System Administration	AGM - Full Options AGM - HR Developments Manager - Finance Manager - Research
No. of Meetings held during the year	24	Non Life - 09 Life -09	24	02	02	12	01

Board Investment & Risk Committee

This committee has the responsibility of setting guidelines for investment of the Company's assets and finances, ensuring that all investments earn the optimum return to the Company and comply with all statutory requirements.

The Company has implemented a detailed investment manual to strengthen the Company's investment management process.

The names of the Directors who are members of this committee are disclosed in Table No: 2 (Directors Attendance for the Board Meetings) in the section Corporate Governance on page 75.

Corporate Governance contd.

Additionally this committee includes three more members; GM - Finance & Planning, AGM - Finance & Planning & the Senior Manager - Investments.

Branch Audit and Investigations

Our branch network is monitored by the Audit and Investigation team, which strives to minimise risks of fraud and omissions. Inquiries and investigations are carried out as per need, which is based on referrals for specific customer complaints and in addition, a routine programme is in place for continued audit of the branch network.

The company uses a tool identified as the Risk Based Score to measure the strength of internal controls which are in place at branch level. The mechanism which was introduced by the Audit and Investigations Department in 2009 has proven to be a very effective one. The average Risk Based Score of branches has improved from 68 in 2011 to 71 in 2012 reflecting a reduction in frauds, malpractices and errors at branches. Risk areas have been categorised as High, Medium and Low, and High risk areas are reported to the General Management Committee for remedial actions, while Medium and Low risks are reported to the Zonal Manager, District Sales Manager & the Branch Manager respectively.

The year 2010 onwards, 11 branches in the North & East were also brought under the purview of Risk Based Score, thus bringing them on par with all our other branches across the island.

The Company extended the Risk Based Score technique to be applied to the Claim Audit Unit and continuously assessed the strength of the internal controls in claim processing and settlement. The Risk Based Score proved to be very satisfactory as scores are almost above the expected level. Claims processing staff of Motor and Non Motor is focused on

this control measure in order to maintain a healthy score.

The Risk Based Score being an independent computation has also been a measurement of performance and hence the basis for rewarding and recognising the high performing branches. Employees are thus increasingly more motivated to achieve a consistently high or a higher Risk Based score making it a win-win proportion as increasing employee enthusiasm for a process that results in reducing risk and enhancing control within the company.

An audit plan which encompasses the entire branch network ensures that regular audits for a period are being properly carried out. The Branch Audit Unit Leader is responsible for branch Audits and supervises this plan whilst an audit officer (working for this unit) visits and audits each branch and then submits a detailed report to the unit leader.

Report based on the fieldwork reports. The management approves the Audit Plan beforehand and any alteration done to meet necessary adjustments are subjected to management approval.

The Investigations Department has made a remarkable achievement with almost 50% reduction in investigations in 2011 in comparison to 2010. At the same time the average number of days that the completion of an investigation takes has been reduced. Issue to be solved has also come down.

Non-Statutory Compliance Checklist

A system has been set up where all key decisions that need to be made are listed out as a Corporate Control Checklist. In addition to all Regulatory and Statutory Compliance Requirements, this list also includes an internal listing which has been drawn up to cover every operating division and department of the company. On a monthly basis, each Divisional Head is required to sign off confirming compliance of this Non-Statutory listing as well. This is coordinated and controlled by the Finance Division, where non-achievement if any, of a delivery deadline is highlighted and followed up to ensure compliance.

Internal Self-Assessment Certification

A procedure has been established, where a monthly Self-Assessment Questionnaire has been complied for each main Operating Division of the company.

This certification includes a Corporate Compliance Checklist and a Certification by the Head of Division that all Statutory and Regulatory Compliance Requirements have been met in full, together with the due date and actual date of submission of such returns or report to the appropriate authority. This procedure has been introduced to ensure that all compliance requirements Statutory and non statutory are complied and any failure to comply is immediately brought to the notice of the senior management group which can take immediate action as needed.

This certification is forwarded to the Managing Director/CEO who also has to sign-off thereon.

In a rare event of non-compliance, the reasons for such non compliance as well as steps being taken to ensure compliance must be stated.

All such reports are then compiled together, summarised and submitted for the next meeting of the Board of Directors, where it is a fixed agenda item.

It is believed that this process significantly enhances the Corporate Governance mindset, procedures and ensures company wide compliance with all Regulatory, Statutory and Non-Statutory internal deliverable.

This collectively contributes to a high standard of Corporate Governance in the Company.

Compliance Status of Requirements - Janashakthi Insurance PLC

Statement / Report	Regulatory Body	Relevant Act	Current Status
Motor Levy	Department of Motor Traffic	Finance Act No 16 of 1995	Complied
SRCC/TC/FUND	Ministry of Finance	Cabinet Memorandum	Complied
VAT	Department of Inland Revenue	VAT Act No 14 of 2002	Complied
Road Safety Fund	National Council of Road Safety	Gazette No: 1368 / 18 - 2004.11.24	Complied
Returns to IBSL (Quarterly / Annual / Further Returns / Actuarial Returns / Circular / Management Letter)	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Annual Fee to IBSL	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Remittance of CESS	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Reinsurance Arrangements to the Controller	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Copy of Register of Insurance Agents Registered with JI PLC	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Nations Building Tax	Department of Inland Revenue	Nations Building Tax Act No 9 of 2009	Complied
Economic Service Charge	Department of Inland Revenue	Economic Service Charge Act No 13 of 2006	Complied
Stamp Duty	Department of Inland Revenue	Stamp Duty (Special Provisions) Act No 12 of 2006	Complied
Withholding Tax	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
Dividend Tax	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
PAYE TAX	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
CSE Half Yearly Returns	Colombo Stock Exchange	CSE Listing Rules	Complied
Anti-Money Laundering Statements	Financial Intelligence Unit - Central Bank of Sri Lanka	Financial Transactions Reporting Act No 6 of 2006	Complied
EPF & ETF	Central Bank of Sri Lanka / ETF Board	EPF Act No 15 of 1958 & ETF Act No 46 of 1980	Complied
Renewal of Insurance License with Commissioner for Workmen's Compensation	Commissioner General for Workmen's Compensation	Workmen's Compensation Ordinance of 1934	Complied
Legal Interest	Monetary Board	Civil Procedure Code	Complied
Annual Return to the Registrar of Companies	Registrar General of Companies	Company's Act No 7 of 2007	Complied
Maintenance of Registers (Registers of Charges, Directors, Shareholder Minutes, Directors Interest & Minutes of meetings held)	Registrar General of Companies	Company's Act No 7 of 2007	Complied
Annual Reports	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
Audited Accounts	Insurance Board of Sri Lanka	Regulation of Insurance Industry Act No 43 of 2000	Complied
	Registrar General of Companies	Company's Act No 7 of 2007	Complied
Income Tax Return	Department of Inland Revenue	Inland Revenue Act No 10 of 2006	Complied
Reporting on Accident, Dangerous Occurrences and Industrial Diseases	Labour Department	Factories Ordinance No 45 of 1942 & Factories Amendment Act No 33 of 2000	Complied

Statement of Solvency

Non-Life Insurance Business	Line Ref	2012 LKR. '000	2011 LKR. '000
Value of Admissible Assets	a	7,403,360	5,833,102
Amount of Total Liabilities	b	4,921,906	4,256,457
Available Solvency Margin (Line a minus Line b)	c	2,481,453	1,576,645
Less : Assets set aside for NIC - PH	d	(240,468)	(215,297)
Balance Available Solvency Margin (Line c minus Line d)	e	2,240,985	1,361,348
Required Solvency Margin	f	1,034,888	912,385
Excess over required Solvency Margin (Line e minus Line f)	g	1,206,097	448,962
Solvency Ratio (Line e divided by line f)		2.17	1.49
Required Ratio		1.00	1.00

Life Insurance Business	Line Ref	2012 LKR. '000	2011 LKR. '000
01. Janashakthi Insurance PLC			
Value of Admissible Assets		5,909,829	4,453,500
Amount of Total Liabilities		4,898,917	3,994,998
Value of Admissible Assets minus Amount of Liabilities	h	1,010,912	458,501
Factor		5%	5%
Required Solvency Margin	i	227,674	183,588
Excess over required Solvency Margin		783,238	274,913
Solvency Ratio (Line h divided by line i)		4.44	2.50
Required Ratio		1.00	1.00
02. Former National Insurance Corporation Ltd			
Value of Admissible Assets		622,658	569,283
Amount of Total Liabilities		836,446	754,605
Value of Admissible Assets minus Amount of Liabilities	j	(213,788)	(185,322)
Add : Assets set aside from JIC - SH	k	240,468	215,297
Total Value of Admissible Assets minus Amount of Liabilities	l	26,680	29,975
Factor		5%	5%
Required Solvency Margin	m	26,680	29,975
Excess over required Solvency Margin		-	-
**Solvency Ratio (Line l divided by line m)		1.00	1.00
Required Ratio		1.00	1.00

*The Statement of Solvency for Non-Life Insurance and Life Insurance has been prepared in accordance with the Solvency Margin (Non Life Insurance) Rules - 2004 and Solvency Margin (Life Insurance) Rules - 2002 respectively & amendments thereto and in line with the format.

**A value of LKR 240 Mn was set aside in 2012 from the Non-Life Insurance Excess Solvency in respect of a deficit in the Solvency Margin Reserve of the Former National Insurance Corporation Ltd. Life Insurance Fund. The extent of reserve to be guaranteed and set aside is determined annually, based on the Actuarial Valuation Assessments carried out by an independent professional Actuary, who has recommended the treatment adopted by the Company to set aside funds to cover the Solvency Deficit in the former National Insurance Corporation Ltd Life Insurance Fund.

Accordingly, the value of admissible assets of the former National Insurance Corporation Ltd, reflects the effective set aside of the required value from the Non-Life Insurance Fund.

Board Audit Committee Report

Statement of Purpose

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

- i. To review and oversee the integrity of the Company's Financial Statements,
- ii. To monitor the Company's compliance with legal and regulatory requirements,
- iii. To review in depth, periodic reports issued by the Internal Auditors & the Management Letter issued by the External Auditors and to ensure that all necessary follow up actions have been initiated.
- iv. To monitor the performance of the Company's Internal Audit function and its Independent Auditor; and
- v. Review if, Compliance with Internal Controls is in place within the Organization in the context of regulatory and statutory requirements as well as corporate governance principles.

Organisation

a. Mandate of Operation

The full Board of Directors has approved this Mandate. This Mandate shall be reviewed and reassessed by this Committee periodically and any proposed changes shall be submitted to the Board of Directors for approval.

b. Members

The Audit Committee consists of three Independent Non-Executive Directors of the Board, headed by the Chairman of the Company. The Committee draws on the expertise of members with leadership exposure to Finance, Audit, Legal, Human Resource Management and Regulatory operations. The Board Audit Committee comprises the following Non-Executive Directors;

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

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

c. Meetings

The Committee met 4 times during the year under review. These meetings were scheduled to review the Quarterly Internal Audit Reports submitted by Management Systems Ltd, the appointed Internal Auditors of the Company. In addition, the Committee reviewed Annual and half-yearly Financial Statements and other relevant reports submitted by the Company's own Audit & Investigations Unit. The Managing Director, General Manager (Finance & Planning) and Assistant General Manager (Finance) were present by invitation at all formal meetings. In addition, the Senior Management personnel were invited as and when required, to attend meetings.

Meetings with External Auditors

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

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

Authority and Responsibilities

The Committee has the authority and responsibility to make recommendations to the Board pertaining to appointment, retention and, when deemed appropriate by the Committee, recommended replacement of the Company's Independent Auditor (subject, to Shareholder ratification). The Committee shall be directly responsible for the compensation, evaluation and oversight of the work of the Independent Auditor (including resolution of disagreements between management and the Independent Auditor regarding Financial Reporting) for the purpose of preparing or issuing an Audit Report or related work.

The Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors and also to recommend to the Board of Directors necessary fees that may be payable. The Company shall provide for appropriate funding, as recommended by the Committee to the Board of Directors for payment of compensation to the independent professional Consultants, Accountants and Auditors for the purpose of rendering or issuing an Audit Report or performing other audit, review or attest services for the Company and to any advisors employed by the Committee, as well as funding for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Financial Statements and related Disclosure

The Committee, to the extent it deems necessary or appropriate, shall in relation to the above;

- a. Review and discuss with senior management and the Independent Auditor the annual audited Financial Statements and quarterly Financial Statements.
- b. Discuss with management and the Independent Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's Financial

Statements, including any significant changes in the Company's selection or application of accounting principles.

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

Oversight of the Company's Relationship with the Independent Auditor

- a. Obtain and review periodically, a written report by the Independent Auditor describing (a) the Independent Auditor's internal quality-control procedures, (b) any material issues raised by the

most recent internal quality control review, or peer review, of the Independent Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, in respect of one or more independent audits carried out by the Independent Auditor and any steps taken to deal with any such issues and (c) all relationships and professional services if any that the Independent Auditor has with the Company.

- b. Meet with the Independent Auditors and senior finance management of the Company to review the scope of the proposed audit and quarterly reviews and generally review the procedures to be utilised in conducting such audit and quarterly reviews, as is relevant.

Oversight of the Company's Internal Audit Function

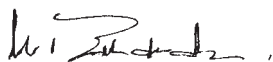
- a. Review the internal audit function of the Company and the proposed audit plans for each year.
- b. Review significant internal audit reports to management and management's responses.

Compliance Oversight Responsibilities

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

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

This report was reviewed and approved by the Board on 26 February 2013.



W T Ellawala
Chairman,
Audit Committee
26 February 2013

The Board Remuneration Committee Report

The Committee is dedicated to the principles of accountability and transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance.

Governance

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Directors. The Committee is headed by the Non-Executive Director, Deshamanya Dr. Nihal Jinasena and the members include Mr Eardley Perera and Ms. Anushya Coomaraswamy. Brief profiles of each member is set out on pages 23 to 25.

The Committee is operating under delegated authority from the Board and its activities are governed by the Board. At the invitation of the Committee, the Managing Director attended meetings except where matters associated with his own remuneration was considered. The Committee met once during the year 2012.

Mandate of the Committee

The Committee is responsible for setting the remuneration policy of Janashakthi Insurance PLC and determining the remuneration package of the Managing Director and the Executive Directors.

The Committee also discusses and advises the MD on structuring of remuneration packages for Corporate Management and other managerial staff. This enables Janashakthi Insurance PLC to attract, retain and motivate high calibre individuals who possess the skills and abilities required to lead the Organisation.

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

The Committee also reviews and advises the Managing Director on annual increments that are due to all Senior Managerial Grade staff.

The General Manager (Human Resources and Administration) assists the Committee by providing information that is required to facilitate the decision making process. In addition, the Committee has access to advice and views from the Company Secretary, other Company Directors and from a range of external sources, including legal and remuneration Consultants.

The Senior Management of the Company whose performance evaluations were subject to review by the Board Remuneration Committee was the Corporate General Management and staff above the grades of Senior Manager. The names, designations and photographs and in the case of Corporate Management, brief Personal Profiles, are set out elsewhere in this Report on pages 23 to 25.

Remuneration Policy and Structure

The key principles of our remuneration policy are to:

- Provide competitive rewards to attract and retain executives of the highest calibre who are willing to work with positive attitudes and spend significant amounts of time in helping to achieve the Company's goals.
- Apply demanding key performance indicators (outputs), including financial and non-financial measures of performance.
- Link a significant component of pay to individual and Company performance to encourage and reward superior performance. Ensure remuneration arrangements are just, equitable and fair to all employees.
- Limit severance payments on termination to pre-established contractual arrangements that do not commit the Company to making unjustified payments.

The Committee is confident that these principles, which were applied in the year under review and will continue to be applied in the 2013 Financial Year and beyond, will contribute in meeting the Company's objectives.

On behalf of the Remuneration Committee



Deshamanya Dr. Nihal Jinasena
Chairman - Remuneration Committee
26 February 2013



Risk Management

“The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as into the Company’s broad business strategy”

The concept of risk is inevitable and inherent to businesses. At Janashakthi Insurance, the responsibility for risk and the mitigation of risk is not confined to one department but cuts across all divisions and activities of the company. The systematic transformation of risk into value is achieved through the active diversification and effective management of risk, along with which we give our fullest attention to providing insurance services and solutions which are flexible and innovative to meet ever changing market needs. We have continued to practice Integrated Risk Management through Value Based Management and profit oriented underwriting which have enabled us to sustain our performance and profit growth. We have made our underwriting profitable by managing our processes with expertise with a view to optimisation, that enables effective decision making.

Objectives of Janashakthi's Risk Management Policy

The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as into the Company's broad business strategy. Janashakthi uses a mixture of decentralised and centralised risk management tools and processes for our diverse business functions. The Insurance Risk Management function ensures that,

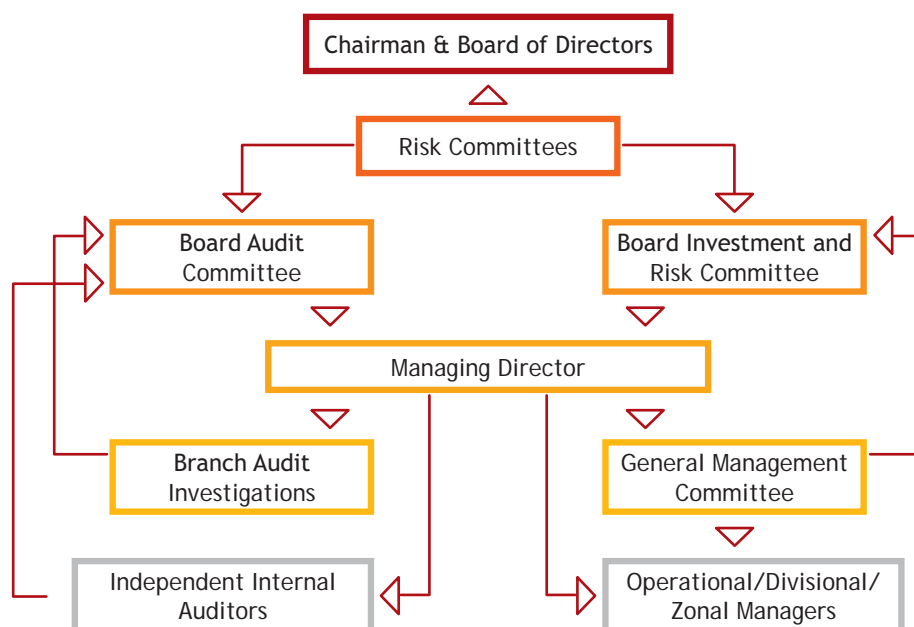
- products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines.
- the Janashakthi Insurance risk profile is transparent and well understood by management and it stays within delegated authorities, with a 'no surprises' approach to reporting and monitoring risks.

- both risk and reward are adequately considered in the development of business strategy, during the strategic planning process.
- these steps are understood by Janashakthi's stakeholders, including shareholders, rating agencies, regulators and policy holders.
- the protection and enhancement of the reputation of Janashakthi Insurance.
- Achievement of the highest degree of confidence in meeting our customer claims

Janashakthi does not view Risk Management as a restrictive factor but in fact is of the view that the effective application of Risk Management methods can itself open up further opportunities for growth, as it has a direct bearing on efficient and effective use of Company resources thus maximizing value to the Company. The setting up of strategies and objectives through a carefully formulated Risk Management process ensures that targets are achieved within a framework of acceptable risk.

We at Janashakthi have compiled a sound system of Risk Management, which is improved upon and strengthened year by year since the inception of the Company. We will continue to draw upon the real life experiences of the Company in setting its objectives and goals every year after evaluating and analysing the risks associated with the business. Strategies developed for the Corporate plan are scrutinized in detail to identify associated risk and sustainable action plans are developed accordingly. We also encourage the incorporation of best practices in the field of Risk in our own operations.

Janashakthi's Risk Management Structure and the Flow of Information



Risk Management Contd.

Our management team's expertise in identification of risk factors and the formulation of strategies to address those risks has been a key strength at Janashakthi. Simultaneously the Company also believes in the need for middle level management to make sound judgments in the course of business.

At Janashakthi we are proud to have a pool of experienced individuals at all levels of management who are more than capable of protecting the interests of the Company while searching for market opportunities to capitalise on.

In addition to the above, the structure for operationalisation of the risk strategy includes multiple levels as depicted below.



The Company stresses the need for teamwork and cooperation at all levels of the organisation which in turn ensures that managers who might be faced with difficult choices and risk factors have access to a wide range of information opinions and advice

from other managers, field staff, members of the Corporate Management and the Board of Directors.

To support each member of our Corporate and other tiers of Management, Janashakthi ensures that they have continuous exposure to the latest trends and processes in the global insurance industry. Some of the ways in which we facilitate this is described in the section on Human Resources in the Sustainability Report section of this report.

The Division of Responsibilities and the Risk Management Decision Making Hierarchy

Functional Line	Janashakthi Structure	Responsibilities
Strategic Level	Board of Directors	<ul style="list-style-type: none"> Monitor solvency, investment and risk profile and identify new and potential Risks Define risk standards and business and operating entities limits Recommend / approve actions to mitigate risks
	Risk Committee	<ul style="list-style-type: none"> Approves company Risk Policy Defines risk strategy of Janashakthi Defines the risk appetite of the Company
Tactical Level	General Management Committee	<ul style="list-style-type: none"> Enhances risk dialogue between Strategic level and operating entities Implements internal risk management model Reports and communicates Company risk
Operational Level	Operating / Divisional Managers	<ul style="list-style-type: none"> Manage risks proactively within Company policies and limits Report risk exposure to tactical level

Risk Management Policies and Tools

The application of Risk Management principles across the Company enables the Company to operate with a carefully defined Risk Policy and Risk Control Framework. For instance, all operational aspects require accountability which in turn is established through clearly defined authority. Individuals are accountable for the risks they take on and the incentives they receive are aligned with overall business objectives.

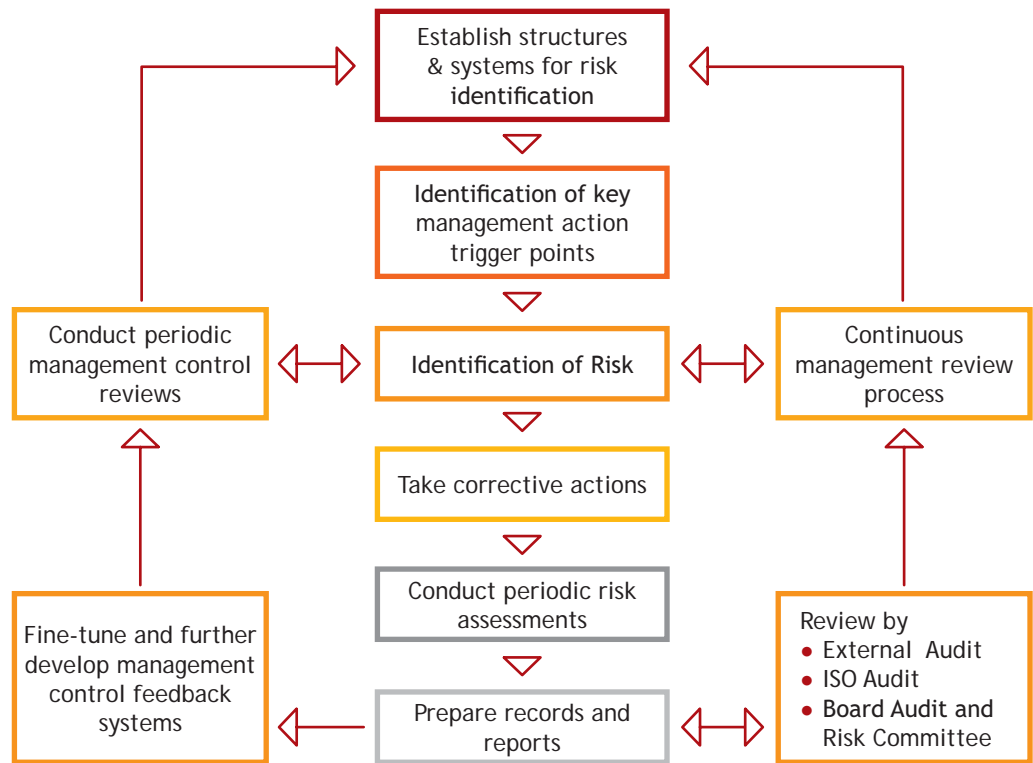
An Open Risk Culture is always encouraged. Risk transparency and responsiveness to changes are integral to Janashakthi's Risk Control Procedures, in keeping with this the functions and responsibilities of all participants are clearly defined and informed. This has enabled us to establish standards and develop methods and tools to ensure consistency in Company wide risk management. In day-to-day business, the executives are also responsible for the systematic handling of individual risks in insurance and reinsurance in their business unit. Risk management procedures and tools are built into business steering concepts through a value based management system which is practised in the Company. The value based management framework followed by Janashakthi is structured to ensure that business meets the technically risk adequate price standard for the aggregate of the business unit's portfolio.

We anticipate a more diversified portfolio throughout the broadest possible mix and spread which would significantly reduce the volatility of the total claims payment.

Whilst it is a fact that doing business and growing one's business in any country involves a certain level of risk, the somewhat volatile nature of the environment in Sri Lanka poses a higher level of risk than a more advanced economy. However, we at Janashakthi consider this added risk as a challenge that also presents greater opportunities for growth. Taking up this challenge is hence done with a greater degree of considered caution. Risk Management is therefore a key discipline in our Company that spans all spheres of business activities.

The Company understands that its short term as well as long term sustainability is dependent on the capabilities with which

Risk Management Process of JIPLC



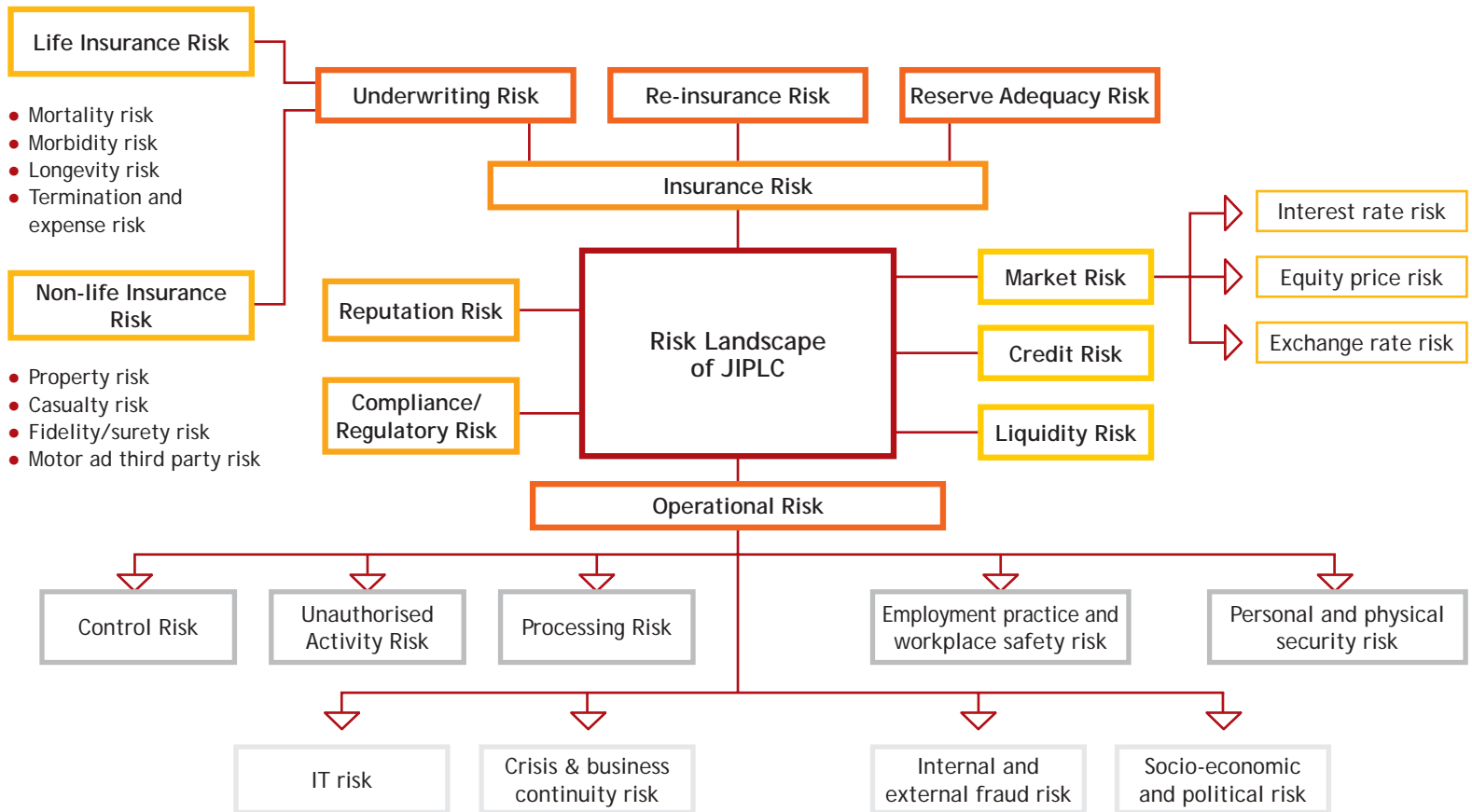
handles its exposure to diverse risk factors. The management of risk cannot therefore be left to the discretion of individual managers. Hence is the need for standardised procedures and stringent guidelines for management of risk to ensure a healthy balance in achieving growth without overexposure to risk factors.

Core Risks

Janashakthi is engaged in selling a broad range of life and non-life insurance products. Risks with respect to these products could arise from factors such as the adequacy /inadequacy of insurance premium rate levels; provisions for insurance liabilities and capital position; and/or uncertainty regards the future returns on investments of the insurance premiums. Janashakthi has thus categorised its total risks into seven main risks as follows:

- Insurance risk (Underwriting & Reinsurance Risk & Reserve Adequacy Risk)
- Market risk
- Credit risk
- Liquidity risk
- Reputation risk
- Compliance risk
- Operational risk

Risk Landscape of JIPLC



Janashakthi Insurance PLC Risk Placement Grid

Impact	High	Market Risk	Underwriting Risk Reputation Risk	Liquidity Risk Compliance Risk Reserve Adequacy Risk
	Medium		Credit Risk	Reinsurance Risk Operational Risk
	Low			
		High	Medium	Low

Likelihood of Occurrence

1. Insurance Risk

Insurance risk is the risk of incurring financial losses as a result of an occurrence of a property, casualty, life or health insurance event. This involves the risk of financial loss to the company in the event of an actual claim crystallising and requiring payout from Janashakthi or in the event that the actual claims and benefit payments or timing or both differ from initial expectation. A claim would be undertaken in relation to any life or general insurance coverage arising from the Company's principal business activities, mainly from motor, fire, marine, health and a range of other policies underwritten. The objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk can be categorised as follows,

1.1 Underwriting Risk

	2012	2011
Likelihood of Occurrence	High	High
Impact	Medium	Medium

1.1.1 Life Insurance Risk

In Life Insurance, the primary risk is associated with underwriting, which represents the exposure to losses resulting from the actual policy experience emerging adversely in comparison to the assumptions made in the product pricing associated with mortality (the risk of loss due to policyholder's death experience being different from the expected), morbidity (the risk of loss arising due to policyholder health experience being different from the expected), longevity (the risk of loss arising due to the annuitant living longer than expected), termination and expense risk (the risk of loss arising from expense experience being different than expected).

Mitigating Actions

- The Company uses standard application approval processes, exposure limitations, exclusions, coverage limits and re-insurance with ongoing monitoring, and thereby ensures that its life insurance portfolio carries a balanced risk.
- The Company has clearly defined limits on delegated underwriting authority which avoids the potential risk of accepting policies at inadequate premium levels, or improper proposals.
- Underwriting staff is provided with adequate training and guidance via training programmes and courses carried out by the Human Resource Development Department to improve the quality of the underwriting function.
- Carrying out actuarial analysis as part of the determination of overall adequacy of provisions for insurance contract liabilities.
- Actuarial analysis is used in deriving assumptions on the mortality, morbidity, longevity and termination rates.
- Building customer confidence through enhanced customer service.
- New Product Development Committee regularly reviews and conducts pre-launch approvals of product design, development and distribution to make sure that new products are well accepted in the target market.
- Innovative steps are taken to promote the concept of Life Insurance among the younger generation of Sri Lanka.

1.1.2 Non Life Insurance Risk

Under Non-Life Insurance, risks covered include property, casualty, fidelity/surety, motor and third party risks liability.

Mitigating Actions

- Concentrations at multiple levels namely strategic, business and operational levels are limited and aggregated. And these aggregations and limit concentrations are modeled and reported.
- Janashakthi is disciplined in its risk selection, and proper premium rating with adequate terms and conditions being imposed to cover the risk accepted.
- Monitor and review loss experience, Renewal retention experience, Non-Life insurance technical provisions and claims experience.
- Pricing Committee of the company reviews and approves pricing strategy with the assistance of the MIS Unit.

Risk Management Contd.

- Underwriting function in Non-Life Insurance is decentralised to branch level to facilitate better customer service. The risks associated with decentralising is mitigated through the centralised control of the function through the Head Office,
- Clearly defined underwriting guidelines, system generated underwriting processes and proper training and guidance for the underwriting staff of the Company.
- Regular audits carried out by the company/internal auditors to ensure proper functioning of the underwriting task.
- The Reinsurance department conducts detailed periodic assessments of the financial status and condition of current and potential reinsurers. The Reinsurance Department monitors the nature of the risk ceded to the reinsurers. Such assessments may include, but are not limited to, identifying if a re insurer is appropriately rated and has sufficient financial capacity. Janashakthi diversifies its underwriting risk by having reinsurance arrangements with companies which have high ratings.
- Being of the firm belief that exposure to a single reinsurer represents an inappropriate concentration of risks, Janashakthi makes certain that it's not substantially depended on any single reinsurance contract.

Our reinsurers and their respective ratings are as follows,

Life Insurance Business

Name of Re-Insurer	Credit Rating	Agency	Date Affirmed
Hannover- Life Reinsurance Co. Ltd	aa-	A.M. Best	05/09/2012
Scor Global Life Se	a+	A.M. Best	02/05/2012
Partner Reinsurance Europe PLC	aa-	A.M. Best	13/04/2012
General Insurance Corporation of India (GIC)	a-	A.M. Best	13/03/2012

1.2 Reinsurance risk

	2012	2011
Likelihood of Occurrence	High	High
Impact	Medium	Medium

The inability of re-insurers to comply with their contractual commitments on time.

Mitigating Actions

- Janashakthi uses diverse and appropriate reinsurance programs for its insurance risks as follows,
 - Facultative reinsurance to cover large individual exposures
 - Quota share treaties to cover specific books of business
 - Excess of loss treaties to cover catastrophic losses
 - Surplus automatic treaties to cover life and property risks in excess of pre-agreed retention limits
- The Company's panel of Reinsurers is approved by the board annually to ensure that the company partners with the best reinsurers.

Non-Life Insurance Business

Name of Re-Insurer	Credit Rating	Agency	Date Affirmed
SCOR Reinsurance Asia-Pacific Pte. Ltd, Singapore.	A	AM Best	26/04/2011
Hannover Reinsurance Company, Kuala Lumpur, Malaysia.	A	AM Best	04/11/2011
Sirius International, United Kingdom.	A	AM Best	07/10/2011
African Reinsurance Corporation, Africa.	A-	AM Best	22/08/2011
Asia Capital Reinsurance Pte. Ltd., Singapore.	A-	AM Best	04/01/2011
B.E.S.T. Reinsurance - Far East Regional Office, Malaysia.	A-	AM Best	12/12/2011
General Insurance Corporation of India, India.	A-	AM Best	28/01/2011
Malaysian Reinsurance Berhad, Malaysia.	A-	AM Best	05/01/2011
Taiping Reinsurance Co. Ltd., Hong Kong.	A-	AM Best	31/12/2010
Trust International & Reinsurance Co. B.S.C., Bahrain.	A-	AM Best	06/09/2011
Al Fajer Retakaful Insurance Company, Kuwait.	B++	AM Best	22/07/2011
Societe Centrale De Reassurance, Morocco.	B++	AM Best	11/08/2011
United India Assurance Co.Ltd,India	B++	AM Best	21/12/2011
Fed. Of Afro-Asian Insurers & Reinsures (FAIR), Turkey.	Region Reinsurance Pool		
National Insurance Trust Fund (NITF)	Sovereign Guarantee		

1.3 Reserve Adequacy

	2012	2011
Likelihood of Occurrence	Low	Low
Impact	High	High

This refers to insufficient provisioning of reserves for intimated claims and Incurred but Not Reported claims.

Mitigating Actions

- The Company takes all the necessary action to make sure that the total insurance liabilities of the Company (both reserves and capital) are tested for adequacy, taking into account the insurance premium rate levels and the uncertainty of future returns on investments.

This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions.

- In Life Insurance, the Life Fund is subject to a bi-annual review by an independent Consultant Actuary. The Actuary decides the provision of reserves to meet policyholders' liabilities, claims outstanding and certifies the solvency margin as per the rules of the IBSL under section 105 and section 26 of the Regulation of Insurance Industry, No 43 of 2000.

The Company has since the year ending 31/12/2012, made arrangements for an Independent Professional Actuary to evaluate, estimate and advise the Company on the adequacy of liability provisions in the Non-Life Insurance Business. This supersedes the internal arrangement that existed previously.

2. Market Risk

	2012	2011
Likelihood of Occurrence	High	High
Impact	High	High

It is the risk posed to the Company by adverse movements in the market prices of the assets which makes up the portfolio of the company, regardless of the nature of its liabilities. Changes in financial market prices impact the market value of Janashakthi's current asset portfolio and the calculated market value of Janashakthi's insurance liabilities.

Market risk mainly encompasses interest rate risk, equity price risk and foreign exchange rate risk.

Mitigating Actions

- The Company has laid down Company Investment Guidelines, which have been approved by the Board of Directors. These guidelines specify the effective management of the Company's investments, assets and liabilities. These guidelines are intended to maintain a diverse range of investments without confining company's investments to one industry or area, there by optimising returns while mitigating risks. This includes a system of constant monitoring, in order to respond rapidly to changes in macro and micro economic conditions .
- The Company maintains the highest proportion of their investment in gilt-edged government securities thus minimising credit default risk on investments.
- In addition, an Assets & Liability Management Report is made available to the Company's Board Investment and Risk Management Committee. The Committee considers the guidelines laid down, as well as all other available MIS to maintain an Investment Product portfolio that balances the Risk Profile of the portfolio vis a vis the level of acceptability of the return sought there from.

3. Credit Risk

	2012	2011
Likelihood of Occurrence	Medium	Medium
Impact	Medium	Medium

Credit risk is the risk of incurring unexpected financial losses when a settlement in a transfer system does not take place as expected. This is inherent in the credit portfolios related to (unexpected) changes in the underlying credit worthiness of debtors, or the recovery value of underlying collateral (if any).

The credit worthiness of external parties including business partners, clients, banks etc, determines the level of credit risk that any company is exposed to. The financial viability

Risk Management Contd.

of such organisations that the Company has dealings with, on a frequent basis, is essential as it directly affects the financial strength of the Company.

Mitigating Actions

- Janashakthi continuously monitors the creditworthiness and financial stability of all institutions and individuals with whom it has dealings in order to ensure the safety of the Company's financial assets. The Company places corporate debt investment exposures with counterparties whose rating grade is "BBB-" (lka) or above as rated by accepted Rating Agencies.
- Strict credit limits are imposed on all such parties, following a strict evaluation of their stability and business activities.
- The Company maintains a stringent policy on payment of premiums on all policies, and takes firm action to cancel policies where dues are not paid within the credit period granted.
- The Company has also implemented a provisioning policy for long outstanding premium receivables and outstanding debts are checked and confirmed before settling claims.
- All investment decisions of the Company are made in adherence to the guidelines and restrictions stipulated in the Regulation of Insurance Industry Act No.43 of 2000

4. Liquidity Risk

	2012	2011
Likelihood of Occurrence	Low	Low
Impact	High	High

Liquidity risk is the risk of an inability to meet liquidity commitments at increased cost, or ultimately, the inability of the Company to meet obligations because of an inability to liquidate assets or obtain adequate funding. It includes both the risk of being unable to fund portfolio assets at appropriate maturities and rates as well as the risk of being unable to liquidate a position in a timely manner at reasonable prices.

It can be defined in terms of maturity mismatch between assets and liabilities or, in terms of asynchronous timing of cash inflows and cash outflows from the business. This risk basically arises from short-term inability to meet financial requirements, which may be caused, by a variety of factors during day-to-day business activities.

Mitigating Actions

- Janashakthi continues to maintain a policy of investing a sufficient portion of the Company's funds in government securities and other investment options that are readily marketable and liquid.
- Conducting and reviewing of maturity analysis of securities to avoid a maturity mismatch between assets and liabilities that could cause liquidity issues.
- Set up Contingency Funding plans specifying minimum proportions of funds to meet emergency calls and events that would trigger such plans.

5. Reputation Risk

	2012	2011
Likelihood of Occurrence	Medium	Medium
Impact	High	High

Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion.

Mitigating Actions

- Company ensures compliance with relevant laws, regulations and ethical and internal standards when making as well as implementing decisions in order to strengthen existing and potential customer confidence and company image. The Company there by also makes effort to establish new relationships while preserving existing ones.

This risk may also expose an institution to litigation, financial losses, or a decline in its customer base. Managing reputation risk by taking into account all stakeholders, whose perception determines Janashakthi's reputation is therefore an essential part of our business strategy.

- Risks or uncertainties, both positive and negative, are carefully managed, as reputation risk does not exist in isolation - rather, all risks may impact reputation.

- Engendering Trust -whether it be amongst our people or all external stakeholders is a priority at Janashakthi. Company's Board of Directors and Senior Management share a clear vision of reputation management that extends beyond compliance, and operational risk functions helps drive the processes to deliver on that vision.
- Janashakthi therefore expects the highest levels of personal conduct and integrity from all its employees and managers in order to safeguard its reputation.
- The Company ensures compliance with financial reporting and capital and solvency targets
- Janashakthi understands that good compliance involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships which are based on honesty, integrity and fairness.
- Infrastructure is in place to enable management to track current and emerging compliance issues and to communicate these to internal and external stakeholders.
- An internal audit and a comprehensive system of internal controls has created an environment for continuous improvement in managing compliance risk.
- The Company ensures that its conduct of business activities meets the high ethical standards and its business principles in order to ensure long-term sustainability.

6. Compliance /Regulatory Risk

	2012	2011
Likelihood of Occurrence	Low	Low
Impact	High	High

Compliance risk is defined as the risk of business discontinuity, interruption to business operations and damage to company's reputation as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards, which would adversely impact customers, staff and shareholders of the Company.

Failure to effectively manage compliance risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses.

Mitigating Actions

- The Company has established a clear and an accessible set of policies and procedures which are embedded in all business processes. These policies are based on the Company's core values of integrity, entrepreneurship, professionalism, responsiveness and teamwork .
- To ensure robust compliance, in close cooperation with Business Line Compliance and the business operations, the Company has also developed policies, processes and tools to assist the management . The set of compliance risk management processes and tools consist of the following components:
 - Compliance chart (outlining the local scope of compliance in terms of laws, regulations and standards);
 - Compliance risk identification and assessment;
 - Compliance risk mitigation, (including implementation of standards, procedures and guidelines);
 - Compliance risk monitoring (adhering to the Compliance Policy, its minimum standards and applicable legal and regulatory standards; quarterly reporting);
 - Incident management;
 - Training and education;
 - Action tracking;
 - Provision of compliance advice;
 - Compliance governance;
- A detailed checklist pertaining to statutory/non statutory compliance is signed off by the Section/Department Heads confirming that all required / stipulated / existing controls, processes, procedures and compliance actions for that month, have in fact been effected. The checklist is sent to Chief Compliance Officer who submits it to the Board through the Managing Director for their respective sign off. This keeps the Board abreast of the compliance procedures of the Company. Further, policy statements developed by the Company as per regulatory requirements, are signed off by the Board before publishing.
- Staff and senior management are educated and updated on risk of not adhering to regulatory requirements in order to avoid the risk of non-compliance.
- The Company has a well-established Compliance Function that focuses on managing risks that arise from laws, regulations and standards issued by the regulatory bodies which are specific to the financial services industry and relevant to insurance business.

Risk Management Contd.

- The Compliance function actively educates and supports the business in managing areas such as anti-money laundering, conflicts of interest, sales and trading conduct and customer interest and protection.
- Janashakthi has a Whistle-blowing Policy and procedure, which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or business principles. The Whistle-blower Policy ensures that staff who raise any issues are protected.

The policy at present is that any whistle blower is encouraged to make contact with the Deputy Chairman (Mr. C.T.A Schaffter), Executive Director (Mr. Ramesh Schaffter) or the Managing Director.

It is internally well understood that matters communicated to the above are maintained in strict confidence to protect confidentiality of the individual, while necessary remedial action is taken immediately.

The Organization of Compliance

- The Chief Compliance Officer reports directly to the Managing Director and is responsible for developing and establishing the company-wide Compliance Policy. The Chief Compliance Officer also establishes minimum standards for Compliance and assists and supports the Board of Directors in managing Janashakthi's Compliance framework.

- Janashakthi uses a layered functional approach within Business Line Compliance to ensure systematic and consistent implementation of the company-wide Compliance Policy, minimum standards and the Compliance Framework. The departmental Compliance Officer has the responsibility to assist the department in managing compliance risk within that business unit.

The following Compliance risk areas related to integrity have been defined and highlighted for particular attention:

- Client risk: this includes Financial Economic Crime in the nature of money laundering, other external crime and fraud. Following Customer and Business Partner Due Diligence processes and monitoring business transactions are key contributors to manage this risk.
- Personal conduct risk: this includes market abuse and personal insider trading. Business principles and (local) codes of conduct and specific policies on outside positions by Janashakthi officers, inducements including gifts and entertainment assist with management of these risks.
- Financial services conduct risk: the primary focus of this area of compliance risk is on marketing, sales and trading, conduct of advisory business, transparency of product offerings, customer interest and protection. In order to assist the management to deal with these risks Janashakthi has complaint handling processes, internal standards for new product approvals and product reviews and policies for data protection and privacy.
- Organisational conduct risk: covers conflicts of interest, anti-trust and relationships with third parties and intermediaries. Policies and measures in place to manage this risk include conflicts of interest policies and procedures, regulatory registration requirements and outsourcing, merger and acquisition policies and due diligence.

7.Operational Risk

	2012	2011
Likelihood of Occurrence	Low	Low
Impact	Medium	Medium

Operational risks are inherent to any business operation. It concerns the risk of generating losses derived from failures or lack of adequacy of internal processes, people, systems or external events such as business interruptions, improper management, failure to document transactions properly. Nine risk categories are recognised under operational risk as follows:

Control risk : the risk of loss due to non-compliance with business policies or guidelines.

Unauthorised activity risk : loss caused by unauthorised employee trading, approvals or overstepping of authority.

Processing risk : loss due to unintentional human error during transaction processing

Employment practice and workplace safety risk : loss due to acts inconsistent with employment, health and safety laws, or agreements, from payment of personal injury claims, or from diversity /discrimination events.

Personal and Physical Security risk : risk of criminal and environmental threats that might endanger the safety of company personnel within company locations and company assets or might have an impact on the organisation.

IT risk : risk of loss due to inadequate data or information security of systems

Crisis & Business continuity Risk : loss due to external events (e.g. natural disasters, pandemic outbreaks, criminal activity and terrorist attacks) leading to a situation that threatens the safety of people within Janashakthi or the continuity of business operations.

Internal and external fraud risk : losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations or the law.

Socio-economic and political risk : loss due to possible negative impact from changes in social and political conditions that might adversely affect company's operations.

Mitigating Actions

- Clear allocation of risks ownerships and assigning of responsibilities.

For instance Group and Local Operational Information and Security Risk Management is made responsible for supporting the General Management in managing operational information and security risk.

And Company has a nominated asset owner who is accountable for the adequate protection of all (major) company assets (e.g. premises, information, equipment and valuable) that are entrusted. He or she is responsible for determining minimum functional requirements in areas of physical access security, theft protection, fire protection, cash and valuables protection, utilities and infrastructure protection and supporting security devices.

- Constantly reviewing and updating the internal audit function and compliance structure of the company to facilitate vigilance of the business environment of the Company; thus enabling the identification of factors which will prevent/restrict achievement of corporate objectives eg:. fraud, mismanagement of funds, compliance with statutory and non statutory requirements.
- Awareness about operational risk (causes of risk, its impact, remedies available) is raised among employees of the company.
- Increasing transparency in operations through structured and clearly defined policies and procedures
- Improving early warning information
- Specific policies are in place to ensure Personal and Physical Security and Company ensures that all policy requirements are properly maintained.
- Company utilises Corporate Physical Security plans per location which are based on a risk assessment plan.
- Strengthening Crisis Management and thereby improving the process of detecting, assessing, solving and evaluating a crisis. The Crisis Management policy has prescribed requirements around planning and testing of crisis, crisis communication, building evacuation, emergency actions and business continuity and disaster recovery.

Risk Management Contd.

- Under Crisis Management, the Company has established an IT Contingency and Business Recovery Plan as well as a Corporate Disaster Recovery Plan with regard to locations, staff, resources, and speedy recommencement of operations in the event of an inability to access any of the key offices of the Company, located around Colombo.
- Under the operational information and security risk management function, a comprehensive suite of policies, standards and guidelines have been defined and compliance is measured and monitored on a regular basis to ensure confidentiality, integrity and availability of information and associated information processing assets through the disciplined use of risk management practices.

It actively measures and monitors information risk in the key risk areas of the Company and the results of this process is used by the Company's Business Units to prepare budgets, plans and implement appropriate risk mitigation actions.

The operational information and security risk management function is comprised of information security specialists within all Business Units and Business Lines and is coordinated at the Corporate level of the Company.

Future Outlook

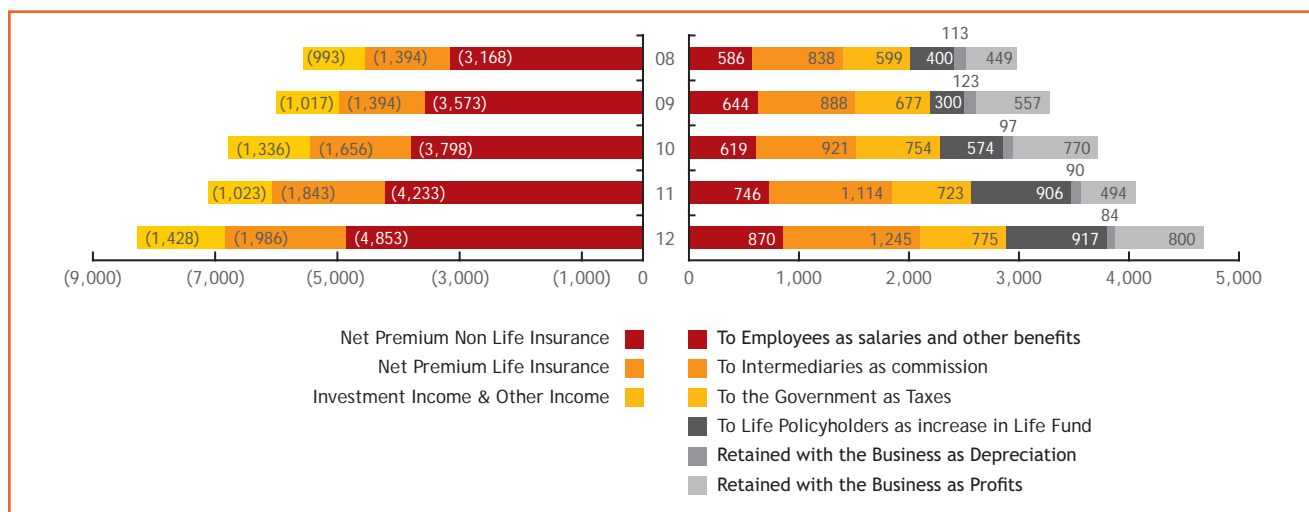
The Company will make every effort to successfully carry out the company risk grid on a divisional basis and to continue to manage and mitigate identified risks and others that may arise.

We are also gearing ourselves to facing the change to a risk based capital model and to successfully manage the risks that would stem from the segregation of Life and Non-Life businesses in the future.

Insurance, is about helping people mitigate their risks, the multitude of risks we face whilst offering financial solutions to people for life's contingencies will continue to be central to our business perhaps more than for any other financial industry. We will continue to review, update, expand our risk management approach, framework, systems and processes constantly.

Value Addition to the National Economy

Consolidated Statement of Value Added	2012	2011		2010		2009		2008		
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Net Earned Premium	6,838,810		6,075,909		5,453,865		4,966,773		4,562,077	
Investment and Other Income	1,427,846		1,023,176		1,336,398		1,017,075		992,980	
Indirect Taxes from Customers	868,093		763,767		784,777		584,121		544,481	
	9,134,749		7,862,851		7,575,040		6,567,969		6,099,538	
Net Claims and Benefits	(3,463,307)		(3,043,968)		(3,078,461)		(2,637,450)		(2,369,819)	
Cost of External Services	(980,879)		(746,175)		(761,974)		(642,597)		(744,488)	
Total Value Added	4,690,562		4,072,708		3,734,605		3,287,922		2,985,231	
To Employees as salaries and other benefits	869,633	19%	745,944	18%	618,713	17%	643,508	20%	586,235	20%
To Intermediaries as commission	1,245,001	27%	1,113,596	27%	920,560	25%	888,055	27%	837,740	28%
To the Government as Taxes	774,579	17%	722,688	18%	754,132	20%	676,599	21%	598,874	20%
To Life Policyholders as increase in Life Fund	917,073	20%	905,978	22%	574,174	15%	299,955	9%	400,137	13%
To Expansion and Growth										
-Depreciation	83,879	2%	90,161	2%	96,679	3%	122,532	4%	113,088	4%
-Retained Profits	800,396	17%	494,341	12%	770,348	21%	657,273	20%	449,157	15%
Total Value Added	4,690,562		4,072,708	100%	3,734,605	100%	3,287,922	100%	2,985,231	100%



Implementation of Sri Lanka Financial Reporting Standards (SLFRSs)

Sri Lanka Financial Reporting Standards (SLFRSs) which are mandatorily required have been adopted since 01st January 2012 and this standard replaces all previous Sri Lanka Accounting Standards (SLASs). SLFRS refers to and includes, Sri Lanka Accounting Standards which correspond and mirror the IFRS's. LKAS refers to Sri Lanka Accounting Standards which correspond to International Accounting Standards (IASs).

The Financial Statements of this report, for the year ending 31st December 2012, are the Company's first set of Financial Statements which conform to SLFRS/LKASs.

The following information is provided to allow the users of these Financial Statements to obtain a better understanding of the changeover to SLFRS/LKAS and its implication. Implementation of SLFRS/LKAS does not change the economics of doing business. Rather, it resets the Company's Financial Statement presentations, to reflect current global thinking in relation to presentation of accounting principles that underlie business operations. Consequent to the change over to SLFRS/LKAS in 2012, the following specific standards had a significant impact (while other Standards brought medium or low conversion risk) on the preparation and presentation of Company information and is reflected in the Financial Statements.

SLFRS - 1: First Time Adoption

SLFRS - 4: Insurance Contracts

LKAS - 32: Presentation of Financial Instruments

LKAS - 39: Recognition and measurement of Financial Instruments

SLFRS - 7: Disclosures in Financial Instruments

Also, this changeover has resulted in the following presentation/classification changes.

- LKAS -1: Presentation of financial statements require Statement of Total Comprehensive Income to consist of Income and Other Comprehensive Income. Income Statement includes revenue from normal operational activities, realised gains/losses and fair value gains/losses of financial instruments measured at fair value through profit or loss, while the Statement of Other Comprehensive Income includes gains/losses not realised.
- Financial Assets had been classified into four categories namely; Fair Value Through Profit or Loss (FVTPL), Held-To-Maturity investments (HTM), Loans and Receivables (L&R) and Available-For-Sale financial assets (AFS) as required by LKAS32 & 39 - Financial Instruments. This concept is new as, under the previous standards, the Company's Financial Statements recognised its financial assets as part of its investments.
- Non-Life Insurance Liability, which was earlier, recognised on a net basis was grossed up and the related re-insurance receivable and deferred acquisition cost are recognised as assets while the related deferred reinsurance commission is recognised as a separate liability.

Brief Introduction of Significant SLFRS

SLFRS - 1: First Time Adoption

This standard sets out the procedures that a Company must follow when it adopts SLFRS for the first time. As a starting point, the Company revisited the accounting policies based on SLFRS/ LKAS and prepared an opening Statement of Financial Position as at 01/01/2011 and Financial Statements for 2011 and 2012. This is due to the first SLFRS/LKAS reporting period ending on 31/12/2012 and given the need to have at least one year's comparatives, the actual date of transition to SLFRS/LKAS effectively falls on 01/01/2011.

In preparation of Financial Statements, this standard provides certain mandatory exemptions as well as optional exemptions to retrospective application. All such exemptions the company has adopted when moving from previous GAAP to SLFRS/LKASs are explained in the Summary of Significant Accounting Policies.

All adjustments required at the date of transition, due to this change in Accounting Standards, are recognised directly in Retained Earnings at the time of first-time adoption.

SLFRS - 4: Insurance Contracts

The objective of this standard is to specify the financial reporting for insurance contracts. This standard applies to virtually all insurance contracts (including reinsurance contracts) that the Company issues and to reinsurance contracts that it holds. This standard requires testing for the adequacy of recognised insurance liabilities at the end of each reporting period and an impairment test for reinsurance assets. It also requires to "unbundle" (account for separately) deposit components of insurance contracts and addresses limited aspects of discretionary participation features contained in insurance and investment contracts.

LKAS - 32,39 & SLFRS 7: Presentation, Recognition & Measurement and Disclosure of Financial Instruments.

These standards provide principles for recognising and measuring financial assets, financial liabilities and their respective disclosure requirements. As per guidelines provided in these standards, the total assets of the Company are classified as financial assets & non-financial assets as per measurement criteria provided in the standard. The financial assets (governed by this standard) are categorised further into four categories, namely;

- Fair Value Through Profit or Loss (FVTPL)
- Held-To-Maturity investments (HTM)
- Loans and Receivables (L&R)
- Available-For-Sale financial assets (AFS)

The liabilities of the Company would be segregated among fair value through profit or loss and other liabilities.

When classifying the assets and liabilities of the Company, the Management's intention and ability to hold the assets and liabilities in their respective categories are principal considerations.

Company had also made extensive disclosures relating to financial instruments and their combined respective risk elements as required by SLFRS 7.

Our Approach

The Company's change over from previous GAAP to SLFRS/LKAS was done in phases with a separate team from the Finance Division assigned responsibility the Board Audit Committee and Investment Committee kept regularly updated on the progress . A professional Accounting firm M/S Ernst & Young was invited by the Company to make an accurate gap analysis as well as to provide guidance on the processes and work required for the transition.. The requirements of SLFRS/LKAS were studied by the team to understand the accounting gaps. It was identified that reported values of Investments, Other Loans, Reinsurance Receivable, Premium Receivable etc, needed re-stating based on SLFRS/LKAS. Fair values used were based on market information that is available. The existing Investments were reclassified among above-mentioned categories of Fair Value through Profit or Loss, Held-To-Maturity Investments, Loans and Receivables and Available-For-Sale financial assets.

Summary of Significant Implications

Areas of Concern	SLFRS Requirement	Implication
1.SLFRS 4 - Insurance Contracts		
1.1 Classification of Insurance Contracts	Contracts carrying significant insurance risk are classified as insurance contracts. Insurance contracts cannot be re-classified as investment contracts in later periods.	Company classified all its contracts as Insurance Contracts as they carry significance of insurance risk.
1.2 Impairment of Reinsurance Assets	An annual impairment test needsto be performed for Re-insurance assets to recognise any impairment loss in the Profit and loss statement if there is objective evidence of an impairment.	There was no indication of such impairment as at year end or thereafter prior to signing these Financial Statements.
1.3 Separation of Embedded derivatives	Embedded derivatives (that are not closely related to the host contract) need to be separated from their host contract and measured at fair value (In the case the contract is measured at amortised cost) and include changes in fair value in the Profit or Loss.	Company's contracts do not carry any embedded derivatives.
1.4 Unbundling of deposit component	Some insurance contracts contain both an insurance component and a deposit component. In some cases, an insurer is required or permitted to unbundle those components based on specified criteria.	Company does not unbundle its deposit components as it recognises all obligations and rights arising from the deposit component under its accounting policies.

Implementation of Sri Lanka Financial Reporting Standards (SLFRSs) Contd.

Areas of Concern	SLFRS Requirement	Implication
1.5 Insurance/ Investment contracts containing Discretionary participation features (DPF)	Contracts that contain Discretionary participation features (DPF) need to be accounted as per the requirements of SLFRS 4.	The Company does not recognise the guaranteed element separately from the discretionary participation feature. Instead, it has classified the whole contract as liability.
1.6 Investment contracts without Discretionary participation features (DPF)	These contracts need to be recognised as financial instruments in accordance with LKAS 32 Financial instruments: presentation, LKAS 39 Financial instruments: Recognition and measurement and SLFRS 7: Disclosures).	Company does not have 6 Investment contracts without Discretionary participation features (DPF) in its portfolio.
1.7 Liability adequacy test	An insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If they are inadequate, the entire deficiency shall be recognised, the entire deficiency shall be recognised in profit or loss.	Company has assessed the adequacy of its recognised insurance liabilities as at the end of the period and it carries sufficient reserves to meet its liabilities as per its Consultant Actuaries. As such, no separate provision is made for liability adequacy.
1.8 Recognition of Life Insurance Premium on accrual basis	The industry recognises life insurance premium on accrual basis as per the instructions by the Institute of Chartered Accountants of Sri Lanka.	Company accrued its premium due to the extent that
2. LKAS 32, LKAS 39 & SLFRS 7 - Financial Instruments		
2.1 Initial measurement of Financial assets and liabilities	Initial recognition - fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs.	Company changed from its accounting policy of recognition at the lower of cost or market value to recognition at fair value.
2.2 Subsequent Measurement of Financial Assets	Subsequent measurement of investments should be based on the classification as per the requirements of the standard.	Company changed its accounting policy of subsequent measurement to comply with new requirements.
2.3 Subsequent measurement of Financial Liabilities	Subsequent measurement of financial liabilities is at amortised cost using effective interest method except for financial liabilities at fair value through profit or loss.	Company measures its financial liabilities in accordance with the new requirements.
2.4 Classification of financial assets	Standard classifies financial assets into the four categories based on the intention and ability of the company to hold the assets.	Company classified its financial assets portfolio according to the requirements of LKAS 39
2.5 Impairment of Financial Assets - (Provisioning for Bad and Doubtful Debt)	Entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall determine the amount of any impairment loss.	

Areas of Concern	SLFRS Requirement	Implication
3. Leases		
3.1 Recognising lease payments of an operating lease on a straight-line basis	Lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.	Company considers the entire rentals over the total period and recognises rent on straight-line basis.
3.2 Lease of Land & Building	Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.	<p>Company has following arrangements on lease of Land & Building</p> <ul style="list-style-type: none"> ● 99 year land and building lease in Muttiah Road ● 35 year land and building lease on Staples Street <p>Company evaluated the said two arrangements in the light of the requirements of LKAS-17 to determine whether the arrangement is a finance or operating lease.</p>

Summary

The Company is confident that it complied in full with the numerous requirements relating to adoption of SLFRS/LKAS with effect from January 2012. The First full set of completed year-end financials are produced as at the end of 2012 together with re-stated comparatives for the year ending 31st December, 2011 in this Annual Report for the year 2012.



A Transformative

Spirit

Dexterous Hands... Unfettered Change

Putting theory into practice, we are the change makers, creating the weave in which we integrate our staff, customers and various stakeholders. Fair, Accessible, Authentic, Protective, Local, Proactive, Inspiring, illuminating. The end product creates peace of mind. The light in the darkness. The colours that make a difference to the customers day. A master craftsman that aligns the loom. Inspiring confidence.





Sustainability Report

“Janashakthi Insurance PLC wins the award of Best Insurer Technology because the use of game changing technology to improve risk management and to enhance customer service” - Asian Insurance Technology”

Managing Director's Statement on Sustainability

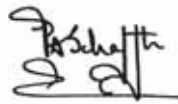
Sustainability underscores the importance of taking a longer-term perspective about our business, and about the consequences of today's activities and of global cooperation amongst countries to reach viable solutions. Janashakthi's performance, its business practices and processes have since inception reflected the longer term perspective that it takes on business. Our human and financial assets are crucial in our current position of having the highest paid up capital. But we believe it is our culture, personal commitment and integrity at an individual and corporate level that provides the drive and focus in the manner we manage our business.

Considering that we are a financial institution, risk management and governance take precedence on the Company's agenda and is a priority from Board level to the managerial team across the organisation. Moreover, our commitment has not been confined to the mere compliance with all statutory and regulatory codes and governance standards as we continuously strive to set benchmarks and raise the bar on ethics, governance and best practices for ourselves and the industry. In the backdrop of global financial meltdowns witnessed in 2008-2009 which saw the collapse of many global financial giants, the value of a long term perspective, and social and environmental implications of business have become more important than ever, with Jananshakthi being even more committed to adherence of these values, priorities and expectations.

Janashakthi is also always and acutely aware of the fact that it is an enterprise engaged in a financial service associated with the most vulnerable of times and events that humans face. Hence it is our humble commitment to light up and provide relief and a sense of light at moments of worst uncertainties faced by our customers. Thus, a win-win approach of partnership with customers and a service oriented culture permeates the organisation - driven by a core company value - integrity. The company strives to ensure that its team of employees live the values and practice the highest ethical standards expected of them via many mechanisms that are in place across the organisation.

Janashakthi is also proud of being a Sri Lankan enterprise. Our CSR and sustainability initiatives during the year were thus driven by values we hold dear such as supporting local entrepreneurship; and promoting inclusivity with JIPLC's flagship project of sponsorships to rural athletes from North and South amongst others.

The Global Reporting framework enables the evaluation in the case of contribution that an enterprise makes towards its communities and the environment. For Janashakthi Insurance PLC., it has provided a structured framework to report on its social and environmental initiatives during the year under review and to share how these initiatives integrate into our long term strategy. This Triple Bottom Line reporting is based in a sense, on the fundamental principle that "what you measure is what you are likely to pay attention to"; and for us, it has been a reason to measure what we've always paid attention to.



Prakash Schaffter
Managing Director
26 February 2013

"The mutual dependence and reciprocal interest which man has upon man, and all the parts of a civilized community upon each other, create that great chain of connection which holds it together" -Thomas Paine

Accolades in 2012

Asia Leadership Awards by World Brand Congress, held in India in, November 2012:

- Winner, Business Innovation Award
- Winner, Industry Leadership Award
- Winner, Brand Leadership Award
- Winner, Brand Excellence Award

CMO Asia Awards held in Singapore in May 2012 :

- Winner, Best CSR Practices Award
- Winner, Brand Excellence in the Banking, Finance Services and Insurance

Annual Report Awards, by Institute of Chartered Accountants of Sri Lanka - Winner of Bronze Award in the Insurance Sector in December 2012.



Chartered Accountants Annual Report Bronze Award collected by Harini Alwis Mallikarachchi

“Best CSR Projects” Award, by Ceylon Chamber of Commerce, Certificate for the Company’s “Rural Athlete Sponsorship” project in November 2012.

Asia Insurance Review Life time Achievement Award for Mr. Chandra Schaffter, Deputy Chairman, awarded in Malaysia in October 2012

Asia Insurance Review CIO Summit held in Singapore in November 2012 - Winner, Best Insurance Technology Award

Game Changing in house innovation to mitigate risks of increasing environmental threats wins international award Your Company is one which recognised the potential of IT in the success and sustainability of an enterprise since its inception in 1994. We have either been the first or amongst the first, to adopt the latest in technology such as a document management system to a core insurance ERP system. Technology continues to be a key to raising the bar for ourselves in every aspect of our business – whether it be in providing a superior customer service with evolving standards, the management’s decision making processes or product innovation, risk mitigation and assessments or having more empowered employees and being a preferred employer. This year’s award winning innovation of a Geographical Information System’s (GIS) software developed in house is a perfect example of what is possible when technological strength is combined with a long term approach of sustaining profitability, backed up by outstanding levels of commitment by staff, to go the extra mile in delivering innovation.

Risk is inevitable in any business. However, the assessment and mitigation of risk is a fundamental in Insurance and a key to the sustainability of the industry’s profitability. As noted elsewhere in this report, environmental threats are increasing in frequency and intensity due to factors such as global warming thus posing a challenge of increased claims and possible difficulties in obtaining re insurance. This is one of the factors that encouraged your company’s innovation of a Geographic Information System which won the prestigious ‘Best Insurer Technology Award’ at the Asian Insurance Technology awards during the year under review.

“Janashakthi Insurance PLC wins the award of Best Insurer Technology because the use of game changing technology to improve risk management and to enhance customer service,” - Asian Insurance Technology.

This novel geographical information system maps local weather patterns and assesses its insurance risk. The award was presented by Asian Insurance Technology which recognises regional insurance companies developing novel solutions to mitigate insurance risk. Janashakthi was among the three companies to win the category of ‘Best Insurer - Technology’ during a glittering ceremony held in Singapore.

In operation since July 2010 and built in house, Janashakthi’s solution blends core insurance application data with publicly available GIS services through Google maps. For instance, the system provides flood prone area mapping with actual claim data from the core insurance system for different level of the risk areas such as medium or high, to enable a better risk analysis.

It also provides comprehensive set of features to monitor motor claim processing staff and enable collaboration between Janashakthi’s call centre staff and assessors.

The GIS application has given us insights to assess our risks and deploy our resources more meaningfully.

Usually, insurance companies pay-out substantial claims after any catastrophic event, which significantly hurts bottom line profitability results. This is partly due to lack of data assessment on the risks associated with such catastrophes. Hence, information about the geographical location is a fundamental consideration of any type of insurance in-terms of risk analysis.

In addition, the application gives Janashakthi team a wide range of solutions including the ability to map exact location of assessors with the integration of GPS tracking device installed on assessor's motor cycle. Accident sites can be identified according to the city or district.

The process also offers online assessors, list of Janashakthi branches, enlisted garages, emission testing centres, facility to send SMS to any available assessor via Janashakthi SMS system and provision to plot a new location with given coordinate and so forth.

For core insurance and re-insurance staff the system provides flood prone area mapping with actual claim data from the core insurance system for different level of the risk areas such as medium or high. It also gives comprehensive search facilities and helps users to find out details like claim location, date and amount; risk analysis by amount; and dates and risk bands.

Moreover, the system allows core insurance and re-insurance teams to visually analyse the risk areas from a single interface which strengthens the decision making process, resulting in accurate, finer, speedy, cost effective underwriting.

Report Profile, Scope & Boundary

Presented within this report is a comprehensive account of the Janashakthi Insurance Company's (JIPLC's) business using the prescribed Triple Bottom Line format based on GRI 3.1. This is the latest version and a step forward in our Sustainability reporting from the previous year's which used version 3.0. Accordingly, the information and data provided encompass the Economic, Environmental and Social Perspectives. The reporting adopts the principles and methodology of GRI (Global Reporting Initiative) G3.1 Guidelines and is compiled using data and performance indicators for the period 1st January 2012 to 31st December 2012.

The financial data in this report was prepared on a consolidated basis according to the new SLFRS's (Sri Lanka Financial Reporting Standards), while the technical protocols have been followed when reporting various indicators. This is the company's third year of reporting as per the parameters and the data available may not be comprehensive for some of the indicators. We will strive to more fully encompass the provisos specified in the ensuing years and initiate measures to address any gaps in information. Whilst the data covers Head office as well as our 105 branch outlets, certain indices are limited to Head Office operations. The data measurement techniques presented in this report is in accordance with standard industry practices rules indicator protocol. Justifications have been made where necessary if certain protocols are not applied.

The Company welcomes any suggestions / comments and queries on this Report to :

B. Pinto-Jayawardena
General Manager - Finance & Planning
Janashakthi Insurance PLC
No 55/72, Vauxhall Lane,
Colombo 02.
Sri Lanka
E-mail: bertal@janashakthi.com

This year's report is a self assessed GRI Application level "B".

Sustainability structure and process at JIPLC

The overall management and the responsibility for guiding the business in a sustainable manner lies with "The General Management Committee" led by the Managing Director of the Company and comprises Key Functional Heads including the General Management (GM) -Finance & Planning, GM - Insurance, GM-Sales & Marketing, GM-Human Resources & Administration and DGM - General Insurance.

The Committee meets regularly to evaluate and decide on strategic initiatives and to formulate strategies to run the business in a sustainable manner. The responsibilities of the Committee includes:

- Setting of standards and policies to meet sustainability principles.
- Ensuring conformance with sustainability practices.
- Managing areas of non-compliance with sustainability guidelines.
- Overseeing the progress made regards key initiatives during a stipulated time period

Sustainability Report Contd.

The Committee would identify the key stakeholders, the potential impact on these key stakeholders before formulating strategies and also takes steps to engage stakeholders at various levels and in addressing any key issues, which emerge from time to time; "The General Management Committee" encourages special projects through the formation of "Working Groups" that takes a bottom-up approach in addressing each of those specific issues. Further, action steps are decided with input from each of the Committee Members. Moreover, the Company has begun to ensure that a Corporate Sustainability Culture is ingrained in the Company by incorporating Corporate Sustainability initiatives into performance measurement of appropriate branch employees.

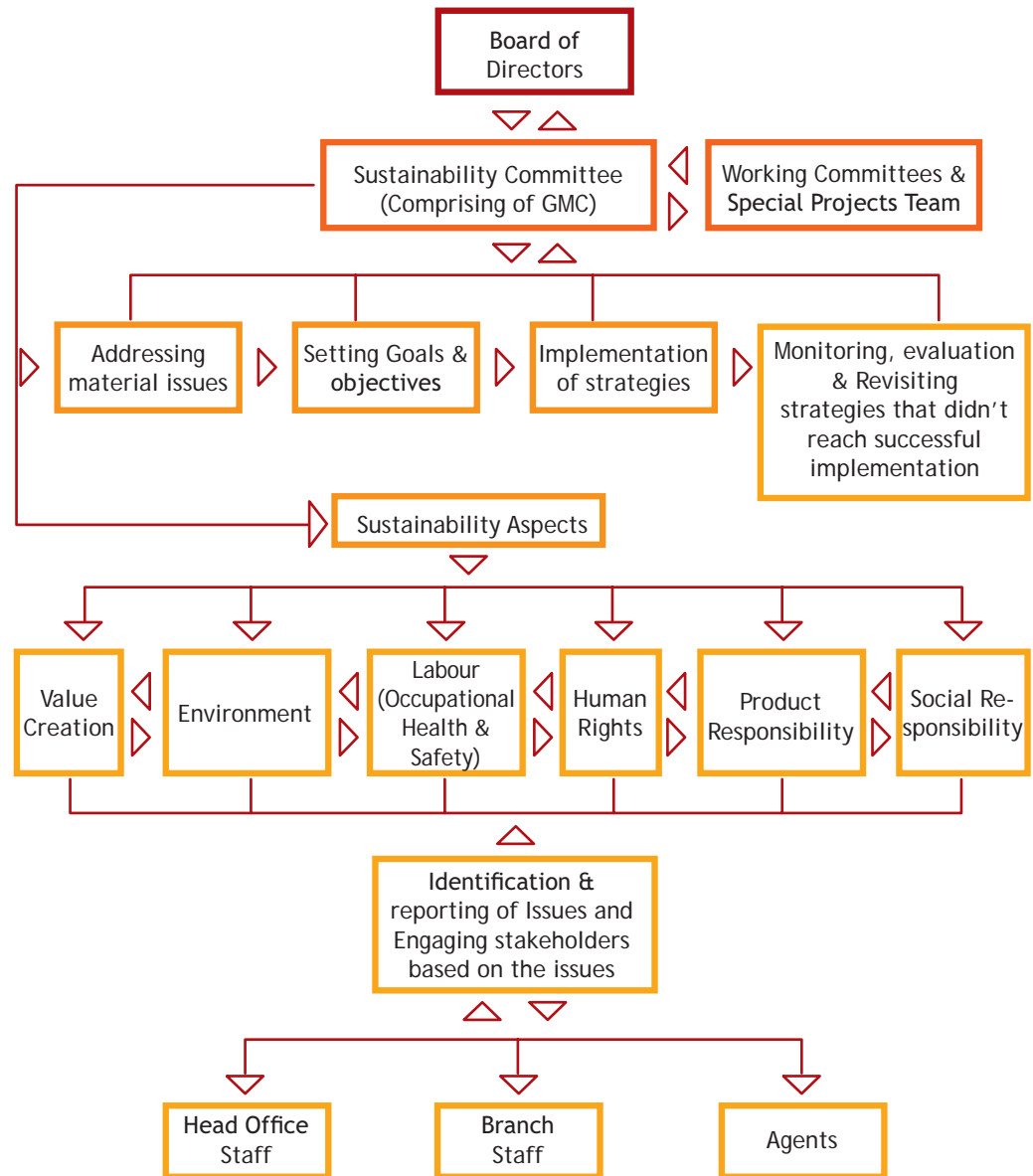
Janashakthi Life Insurance Company (JIPLC) was incorporated in Sri Lanka as a Public Company in the year 1992 and Janashakthi Non-Life Insurance Company was established in the year 1995 and was listed in the Colombo Stock Exchange in the year 2008.

JIPLC today, is the 3rd largest Non-Life Insurance Company as well as the 5th largest Life Insurer in Sri Lanka. The Company offers a wide spectrum of unmatched business continuation and risk management solutions. Whether it is a multi national conglomerate or a single life insurance policy for an individual, our risk management solutions can be structured and tailor made to cover all key operational areas.

The Company reached almost LKR 8 Bn in the year 2012 recording a turnover of LKR 7,985 Mn and Market Capitalisation of LKR 3,811 Mn

Company's Total Assets amount to LKR 15,843 Mn and provides employment to 2,847 persons.

Sustainability Structure and Process



Janashakthi Limited remains the main shareholder of Janashakthi Insurance PLC with 63.66% controlling stake in the Company.

Creating long-term value for our varied stakeholder groups depends on the sustainability performance of our businesses, our environment and the communities in which we operate and in this endeavor we are committed to achieving the highest standards of corporate citizenship.

Janashakthi has embarked on formalising its sustainability practices moving towards the Global Reporting Initiative (GRI) framework. During 2012 we began progress in CSR as part of our newly invigorated journey towards sustainability. Even in a challenging year for us all, we continue to believe and act that it is good for our business to build social equity and deliver on trust in financial services and to do so in a way that is responsible and sustainable.

We are reviewing policies, practices and targets pertaining to sustainability based on feedback received via periodic and on-going stakeholder engagements.

Overview - Our Credo

Sustainability is about ensuring a better quality of life for people and our planet today for our tomorrow's by balancing short term gains with long term impacts, socially, environmentally with unequivocal ethical commitment and accountability.

It is about delighting consumers with innovative products and services. It is about growing responsibly, reducing waste and redundancies and opting for simplicity and frugality over pomp and pretense.

At Janashakthi we define sustainability broadly to include both environmental sustainability, social responsibility and consistent long term business performance capacity creation.

Our Programmes

- Environmental Sustainability - Key Pillar Management of Water
- Social Responsibility - Key Pillars - Promotion of Sports. Gender equality enhancement. Community protection of diversity

Our Enablers

- Employees and Stakeholders
In order to deliver our environmental and social programmes, we continuously engage our employees and other stakeholders.
- Customer centricity
 - Sales growth - We aim for growth at or above the average rate in the overall insurance market.
 - Product Innovation - We aim to lead the market with the best protection at the most affordable prices offering product and service features unmatched by any other category player locally or globally.
 - Customer satisfaction - We wish to be in the top quartile for customer satisfaction as measured by recurrent internal and external researchers. We will drive service parameters with internal KPI's.
- Shareholder Value
Dividends - Dividends are the annual payments made to shareholders. We have led the industry in Dividend payouts and will endeavour to sustain this as a matter of policy.
- Employer of choice
Staff retention rates - The industry is plagued with high attrition and is a key game changer in sustainable people management. We seek to retain good staff with the company for a long period and will focus on attrition as a key initiative in the on going years. People manager posts and talent scout programmes are being introduced, as will be the introduction of measures of our engagement scores - Employee satisfaction surveys that track this will be rigorously linked to KPI's of Key Staff.
- Environmental Sustainability
As per of our strategy to grow responsibly, our environmental efforts are guided and inspired by our long-term environmental sustainability vision.
- Social Responsibility
This commitment extends to our social investments. We believe that our people are our greatest assets, that they are a force that can make an impact that matters in furthering our initiatives and engagements in adding value to our communities and to our society at large.

The Janashakthi Sustainability Policy Framework

Sustainability Policy

Sustainable development is a best practice approach to sustaining economic growth by minimising impact on our planet or by avoiding the wastage of its resources while improving the quality of life for its current and future inhabitants. Our footprint is local so we have a national commitment to the ecology of Sri Lanka and have chosen water as our key impact area. As part of our social impact agenda we focus on disparity and in gender, urban rural access / inclusivity, sport and culture.

Long term value creation for our varied stakeholder groups depends on the sustainability of the performance of our businesses, our environment and the communities in which we operate. In this endeavour, we are committed to achieving the highest standards of corporate citizenship.

As part of this “protection” and “safety” are two thematic drivers of our environment sponsorship agenda.

Our Policy

- 1.) Strive to operate with the highest standards of Corporate Governance and to protect stakeholder interests.
- 2.) The Company will strive to conduct its activities in accordance with the highest standards of corporate best practice and processes and in compliance with all applicable local and international regulatory requirements and conventions.
 - Our Action - The Group pioneered ISO compliance within the insurance industry being the first insurer to

do this. The Company is now putting in place a comprehensive disaster recovery and critical process mapping programme that is facilitated by best in class external consultants.

- 3.) The Company will always be conscious of the responsibility we hold for the products and services we offer in the market and hence ensure that the customers are protected and Company decisions and actions do not cause any losses to a customer.
 - Our Action - The Company identified the risks associated with introducing investment products that were directly linked to market performance. Given the nature of volatility in Sri Lankan markets as well as low level of knowledge among the majority of population, on risks associated market fluctuations, JIPLC abstained from introducing such products to the market.
 - This is associated with the “Precautionary Principle” where the requirement laid out by GRI is that an organization will not pursue any action that they believe would have a negative impact on the environment or community even though it is not scientifically proven that it will have negative impact.
- 4.) The Company is committed to transparency and open communication about its environmental and social practices in addition to its economic performance. While promoting the same commitment to transparency and open communication from its partners and customers. In short we pledge as a Company, to “do what we say and say what we do”
 - Our Action - A process of translating and simplifying what is by convention a fairly complex and legalistic industry full of clauses and riders, so that customers are aware of the totality of what they can get and what they cannot.
 - The Company strives to be an employer of choice by providing a safe, secure and non-discriminatory working environment for its employees whose rights are fully safeguarded and who can have equal opportunity to realise their full potential. The Company will abide by national laws and wherever possible will raise the bar to emulate global best practice seeking continuous improvement of health and safety in the workplace, as well as ensuring the dignity and welfare of the individual and the community, is at the heart of all we are committed to doing.
 - Our Action - We spend over LKR 30 Mn in HRD training and have put in place continuous career path and manpower development taskforces. We have strengthened our cadre with a senior HRD recruit and with the creation of additional cadre as Peoples Manger. Best practice and benefit analysis of competitors are tracked and matched and discussed where possible regularly at a GMC level.

- The Group will promote good relationships with all communities of which we are a part and enhance their quality of life and opportunities while respecting people's culture, ways of life and heritage. We will ensure that Gender disparities will be overcome and diversity and inclusivity to be key values that will permeate what we do and what we support.

- Out Action - We have two ladies on our Board of Directors and 50% of our GMC are female, which is one of the highest gender representations in the industry. Sponsorship of Gender Initiatives in Women in Management TV programme series and our Rural athletes programmes in particular support the concept of inclusivity. As we now embark on a new era of self owned Branch buildings we are ensuring that they are disability friendly.

5.) Focus on engaging communities, ensuring good relations and on communal needs. Accordingly, adopt strategies to meet the needs of communities around us and enhance the quality of life of those around us.

6.) Monitor and assess the quality and environmental impact of Janashakthi operations and services. Strive to include our customers and business partners where relevant, and to the extent possible

Stakeholder Engagement Process

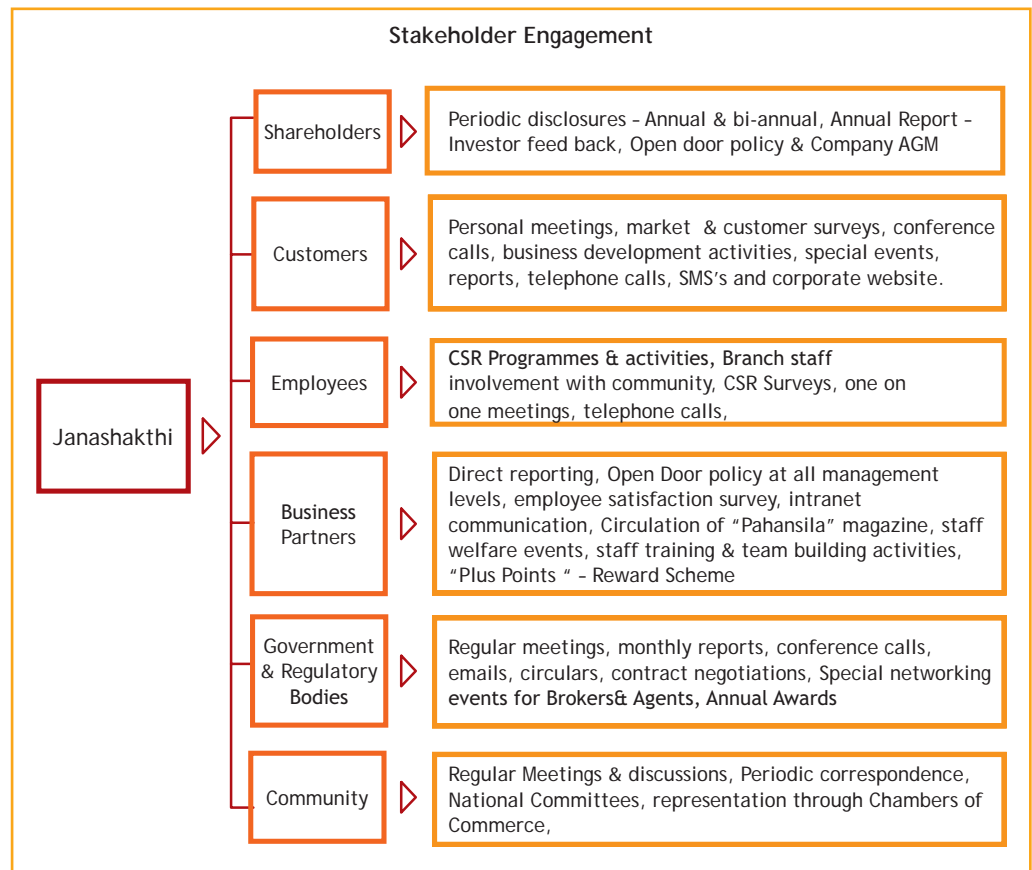
We strive to build and enhance trust with all our stakeholders through open communication based on transparency, honesty and timeliness. Some of these modes of communication with stakeholders, who include customers, employees, shareholders/investors, communities around us, business partners,

government & regulatory bodies include formal and informal meetings, surveys and other mechanisms discussed in detail below.

Key issues raised by stakeholders are discussed at meetings with the executives in charge of CSR and strategic marketing while high priority issues are then taken up at General Management Committee meetings which are headed by the Managing Director. Further any issues which require Board intervention are passed on to the next tier for effective decision-making and good governance.

This year's sustainability report contains information on sustainable management policies and achievements with greater focus on areas of customers and CSR Issues. These were raised during the process of stakeholder communication

The method of engagement / activities conducted for each stakeholder is as follows.



Determining Materiality - Mapping stakeholder concerns on sustainability areas

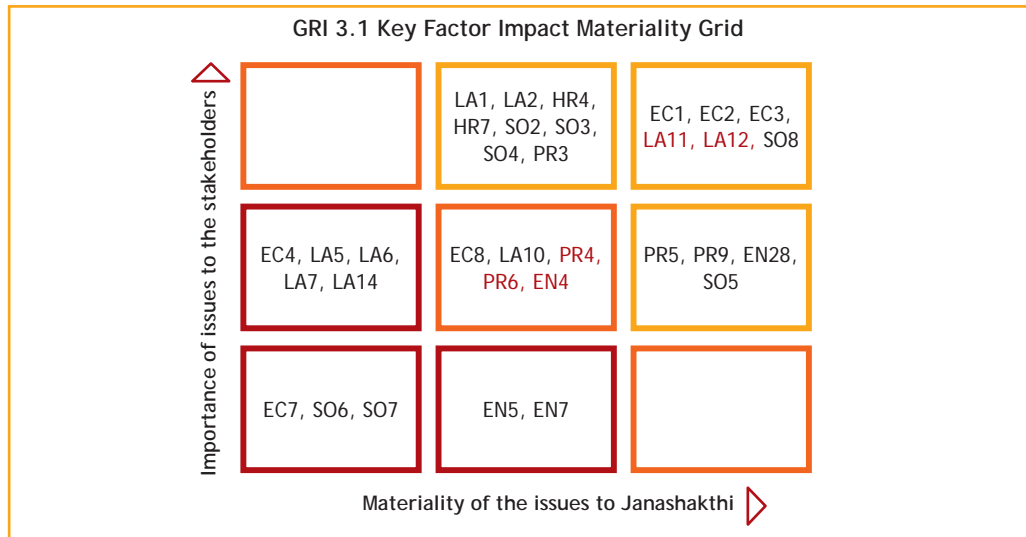
During the year 2012, Janashakthi selected a number of sustainability performance indicators based on materiality through stakeholder engagement and other internal and external analysis. The Company reported on GRI (G3.1) performance indicators during the year under review.

The indicators, listed in the materiality matrix below were selected after careful consideration of the given sustainability issues to Janashakthi and its stakeholders.

As an insurance company, the areas that the Company focuses on are significantly different from those that a manufacturing Company does; for example the impacts of direct energy and water consumption, waste disposal and impact on bio-diversity are distant. However the Company has endeavored to measure, monitor and report in the best possible way areas like indirect energy and paper consumption, to mitigate its environmental impacts.

- Additional indicators highlighted in red
- Following indicators are considered to be inapplicable or less important as per the concept of materiality

EC 5, EC6, EC 9, EN1, EN2, EN3, EN6, EN8, EN8 - EN10, HR 6, EN 16-27, EN29-30, LA4, LA9, HR1, HR3, HR5, HR8, HR9, SO1, PR1, PR2



Key Impacts, Risks & Opportunities

The key impacts, risks and opportunities are assessed through the continuous monitoring at the Senior Management level. The Management staff assesses these through various committees and working groups and the Company's Risk management process facilitates this requirement to a greater extent where the Company's sustainability strategy is closely linked with the Risk Management process and its discussed in detail in the "Risk Management Report" (pages 107 to 114)

The key impacts, risks & opportunities that the Company faced were further discussed and analysed in detail under the "Management Discussion & Analysis" (pages 41 to 49)

During the year 2012, the Company identified a number of areas including business continuity in the event of a disaster and claims management as key areas of concern and these were addressed through the introduction of Business Continuity Planning and development of IT systems on "Flood Mapping" and "Land slide Mapping" - which could impact the business.

Based on the stakeholder engagement process specified in this report, we have identified the key sustainability topics based on materiality to the Company and our stakeholders. We have identified and selected 33 GRI indicators for reporting this year, within the areas of economic performance, environment and societal impact.

Membership Commitments

The Insurance Association of Sri Lanka
 The National Chamber of Commerce of Sri Lanka
 The Ceylon Chamber of Commerce
 The Ceylon National Chamber of Industries
 Government Publication Bureau
 The Sri Lanka Insurance Institute
 Leasing Association of Sri Lanka

Economic Performance

EC 1

Our performance during the year under review is satisfactory and this is despite an environment which was inimical to our core business. We will continue to deliver value to shareholders whilst sustaining our profitability without compromising on growth

will be a priority. JIPLC's Dividend Yield ratio (Dividend's per share / MPS per share) for the financial year 2011 was the highest among industry players recording 6.67% and provided the shareholders with returns above industry when compared with the Market Price of the Share.

As a home grown Company contributing to our economy is a value we hold high. Economic Value Added (EVA) is deeply embedded in to our management ethos and over the years we have focused on increasing profits rather than the approach of most of our peers- of increasing income. As the EVA ultimately measures the financial value generated or destroyed by a business, our focus on increasing profits have increased the value generated by the business and has not had any instances of value being destroyed.

Economic Value Added Statement

For the year ended 31st December	LKR '000			
	2012	%	2011	%
Direct Economic Value Generated				
Revenue	6,838,810	82.7	6,075,909	85.6
Interest income	1,202,395	14.5	829,687	11.7
Dividend Income	16,837	0.2	15,766	0.2
Profit on Sale of assets and other income	208,614	2.5	177,722	2.5
	8,266,656	100	7,099,084	100
Economic Value Distributed				
Operating Costs	5,720,143	69.2	5,036,258	70.9
Employee Wages & Benefits	869,633	10.5	745,944	10.5
Payments to providers of Funds	363,000	4.5	363,000	5.1
Payments to Government	774,579	9.4	722,688	10.2
Community Investment	18,025	0.2	9,693	0.1
	7,745,380	93.7	6,877,583	96.9
Economic Value Retained				
Depreciation & Ammortisation	83,879	1.0	90,161	1.3
Profit After Dividends	437,396	5.3	131,341	1.9
	521,276	6.3	221,502	3.1

Economic Value Statement (EC 1)

The economic value statement above depicts the value generated and distributed by Janashakthi among its stakeholders and this not only depicts how the organisation has performed for it self, but also how we have contributed to the entire value chain.

The economic value generated in 2012 increased by 16%, reaching LKR 8,266 Mn compared with LKR 7,099 Mn. the previous year and 6% of current years value generated was retained for future expansions and asset replacements.

The Company expended 69% of the value on operating costs, hence distributed among our business partners while 10.5% of the value was distributed among the employees and recorded an increase of 17%

Sustainability Report Contd.

In addition, 4.4% was paid back to the providers of finance and 9.4% transferred to the government by way of taxes and hence towards the development of the country. LKR 18 Mn was used for community development activities (LKR 9.6 In 2011) and the value distributed among different beneficiaries of our CSR activities.

Highlights

Indicators, LKR Mn,	2012	2011
Gross Written premium	7,985	7,128
Net Written premium	7,160	6,405
Net profit (After Tax)	800	494
Return on net assets	24%	21%

Shareholders	2012	2011
Earning per share (LKR)	2.21	1.36
Share price (year end) (LKR)	10.50	15.00
Dividend per share (LKR)	1.00	1.00
Market capitalisation (LKR)	3,811 Mn	5,445 Mn
Price earning ratio (times)	4.75	11.01

Earning per share in 2012 was LKR 2.21 compared to LKR 1.36 in 2011. Share price as at end 2012 was LKR 10.5 compared with LKR 15 at previous year end. Market capitalization as at the balance sheet date of December 31st 2011 as LKR 3,811 Mn

EC 3 - Defined Contribution Plan Obligations

All employees at Janashakthi are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Funds Act No. 15 of 1958 and its subsequent amendments, and for Employees' Trust Fund (ETF) contributions according to the terms of the Employees' Trust Fund Act No. 46 of 1980 and its subsequent amendments.

The Company contributes the relevant percentage of the emolument each employee is eligible for, to the respective Employees' Provident Fund and to the Employees' Trust Fund. The Company contributes 12% as the employer's contribution to the Employees' Provident Fund while the employee contributes 8% of his/her salary. The contributions are directly transferred on the 15th day of every month to the Employees' Provident Fund, managed by the Central Bank of Sri Lanka. The Company also contributes 3% to the Employees' Trust Fund managed by the Department of Labour.

LKR. '000	2012	2011	2010
Employer contribution to the Provident Fund	99,996	86,316	78,852
Employer contribution to the Trust Fund	21,860	18,582	16,776

Defined Benefit Plan Obligations

All Janashakthi employees are entitled to gratuity payment payable under the Gratuity Act No. 12 of 1983. An employee who served the Company for more than 5 consecutive years will receive half months salary for every year of service on retirement or end of service with the organisation.

Janashakthi being a specified business enterprise under the gratuity provisions act and a listed company employing more than 100 employees are required to carry out a gratuity valuation once every three years. However, the Company exceeds the standard by carrying out the valuation every year. A provision for the obligations under the Act is determined based on an actuarial valuation, using the Projected Unit Credit Method, carried out by a professional actuary at the end of each Balance Sheet date. The liability is not externally funded and the actuarial gains & losses are recognised in the Statement of Income in the period in which they arise.

Refer Note No. 18 to the Financial Statements on page No. 225 for a detailed break-up of the retirement benefit obligations.

LKR. '000	2012	2011	2010
Employee Benefit Liability As at 31st Dec.	210,163	178,917	137,263
Gratuity Payments during the financial year	12,940	12,868	9,057

EC 7 : Local Hiring

Janashakthi has always been perceived as a Company that is local and home grown, in all aspects of its business operations and this aspect extends to its hiring policies. All Janashakthi employees including those in the Senior Management Team are a part of the local community. The Company has benefitted from this approach as a significant proportion of its employees have joined at a junior level and have climbed the career ladder, progressing as the Company progressed. Our local expertise has been a vital factor in our ability gain insights and feel the pulse of the Sri Lankan market enabling us to offer customised solutions to suit the Sri Lankan market. In addition, local communities and the country have reaped the benefits of local hiring.

Being prepared - Business Continuity in the event of a disaster

A long-term outlook that we adopt has also prompted us to look at the Company's preparedness to deal with, and ensure "business continuity" in the event of an unforeseen disaster. Towards this end, JIPLC during the year under review, began the (BCP) Business Continuity Plan with an external party who is the only professional certified by the Disaster Recovery Institute of the United States of America. The BCP being implemented at JIPLC meets the most stringent standards as per the Disaster Recovery Institute International's professional practices and road map and will also be IBSL (Insurance Board of Sri Lanka) compliant. The completion of the implementation of the BCP will ensure Recovery Plans, Emergency Response Plans, Support Plans as well as Management Plans. Whilst Recovery Plans, Emergency Plans and Support Plans are designed to directly meet the needs as per the event unfolding, the Management Plans are designed to perpetuate the disaster preparedness of the organisation.

The process which JIPLC was engaged in during the year involved the following steps: Risk Assessment against low frequency - high impact events, Business Impact Assessment against worst case scenarios, development and formulation of Business Continuity Strategies, identification of critical processes and critical resources while developing alternative arrangements to support such processes right through a disaster, development of Business Continuity Plan, training of Business Continuity teams who will be involved in recovery/continuity of operations, and training on drills and testing.

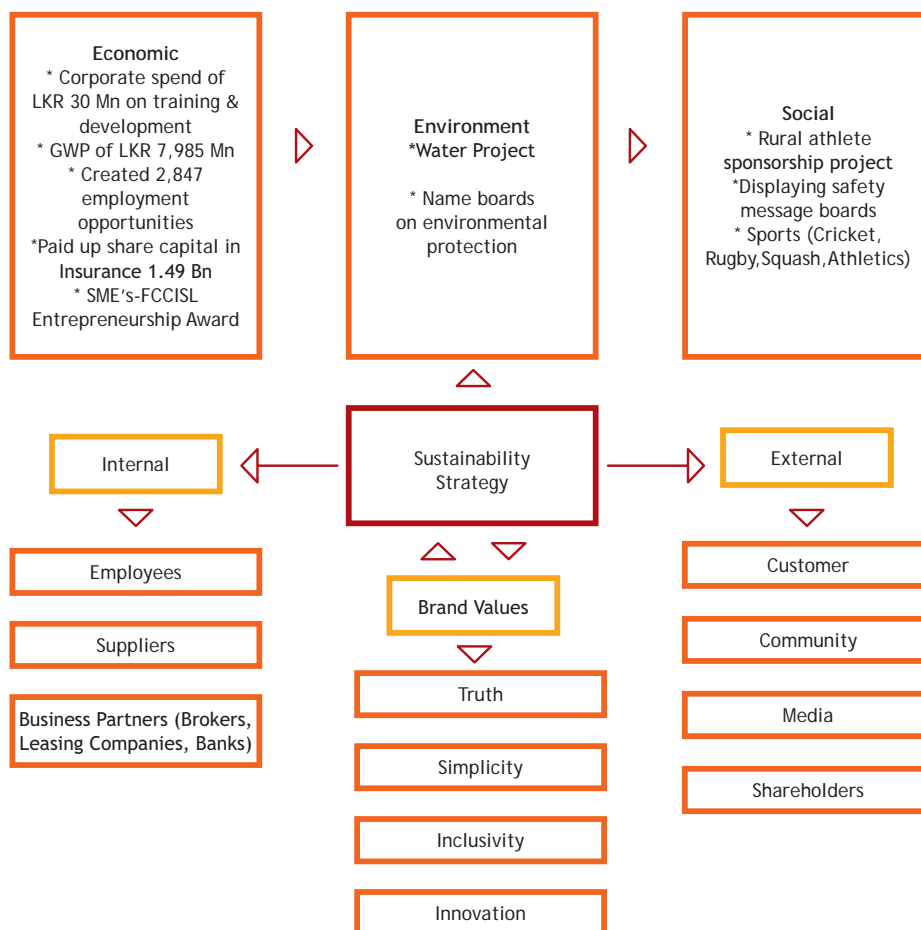
Social Performance

"It is literally true that you can succeed best and quickest by helping others to succeed" - Napoleon Hill

Community

Business cannot function in isolation. For Janashakthi, communities are an integral element of our success and some of the ways in which we extended a hand to communities during the year under review are discussed below.

Graphically presented below is the Company approach to CSR at Janashakthi. It depicts how the Company's values of "Truth, Simplicity, Inclusivity and Innovation", influence the process of strategising the CSR initiatives of the Company. The initiatives come under the three main categories of Economic, Social and Environment to impact all its stakeholders which are broadly categorized under External and Internal.



Nurturing national sports heroes - The JIPLC Athlete sponsorship programmes in its 5th year inspires the nation

JIPLC's flagship CSR project - the sponsorship of outstanding rural athletes is an initiative driven by the objective of encouraging youth who can be examples to all of us because of their commitment and hard work to realise their potential; and is ignited by a passion of championing young champions to bring glory to themselves and Sri Lanka, at international tournaments. The project has helped discover talent and help these rural youth blossom and unleash their potential, rewarding themselves and the nation. Since venturing into the project in 2007, JIPLC's involvement has extended beyond financial support, typifying the company approach of "hands on rather than hand outs". We have become a mentor, a friend, a guidance counselor and an advisor to these athletes, with a senior GMC member of the company taking on this role on behalf of the Senior Management, out of the sheer passion and commitment of seeing these young talented athletes succeed at the highest level. Our involvement over the past 4 years has rewarded us with the joy of seeing many young stars blossom to win at national and international level. And the year 2012 saw several significant milestones as three of the athletes were able to win a Gold, a Silver and a Bronze medal at the Asian Junior Athletics Championships which had 28 nations competing for honour.



Sponsorship of Sri Lanka's Junior Athletic Captain Shivanthi Ratnayake, one of Janashakthi's family of sponsored athletes



A vibrant combo picture of Shivanthi, Nimesha & Chamika-rural power for Sri Lanka's glory!

Most of the athletes in the JIPLC pool are teenagers who continue to attend their rural schools, whilst a few who are over 19 years and have completed their Advanced level examination in 2011 /2012 have been recruited on to the Janashakthi team. Six athletes are currently employed by the Company. Although on the company payroll, they are supported and encouraged to pursue their athletic training and higher studies and to represent the company at Mercantile tournaments, without a strict adherence to work hours.

The company's contribution includes a scholarship to enable the athletes to afford proper nutrition and other training needs and technical guidance by a highly experienced senior athletic coach. Additionally, JIPLC has also set in place an incentive scheme, that encourages each athlete to develop and improve upon past performance levels. The scheme recognises achievements at National and International meets and provides an incentive payment to encourage continual improvements. JIPLC also takes on other contributions when a need arises such as overseas travel to participate at an international tournament.

The year 2013 is the sixth year in succession for which JIPLC has pledged its commitment to the programme. The company signed agreements at a ceremony held at the company auditorium with 12 young athletes from socio economically disadvantaged backgrounds, from across the country. These students made the trip to JIPLC's head office complex accompanied by family members, and participated in a full day's programme which included a few inspirational videos and listening to some very valuable advice imparted by several officials of the Athletic Association as well as the Chairman and two General Management Committee members of JIPLC; and the Guest of Honour Ms. Damayanthi Darsha who shared her story -of how she achieved her dreams and brought glory to Sri Lanka.

The Janashakthi Pool of Athletes for 2013 are listed below; 06 of the athletes have already been in the company's pool whilst 06 are newcomers .

School level athletes	School	Residence	Age	Event
Medhani Wickramanayake	Sri Sangamiththa Girls National School	Matale	16	100 M , 200 M
H. M. Nimesha Madushani Siriwardena	A/Galenbidunuwewa Central College	Galenbidunuwewa	19	100 M/High Jump
S. R. J. Pabasara Senanayake	K/ St. Joseph Girls School, Kegalle	Nittambuwa	20	100 M, 200 M
Shiwanthi Kumari Ratnayake	K/ St. Joseph Girls School, Kegalle	Kegalle	19	400 M , 200 M
Malin Udaya Kumara	Prince College, Ratnapura	Hangamuwa	19	High Jump
R. Krithiha	Girls High's School -Kandy	Matale	14	High Jump
A. A. Samitha Lakmal	R/Seewali Central College	Embilipitiya	17	Long Jump
A. V. G. Akila Ravishanka	R/Seewali Central College	Uda Walava	16	Hurdler
Balasubramanyam Nithusan	J/ Arunodaya College Alaveddy	Jaffna	17	Pole Vault
R.M.Rumeshika Rathnayake	K/ St. Joseph Girls School	Mawathagama	17	Sprinter
Prasad Madhuranga	R/Kumara Vidyalaya	Embilipitiya	17	Long Distance
Harshani Wathsala Kumari	Ra / Sumana Balika Vidyalaya	Kahawatta	17	Hurdler

Company Employed Athletes	Residence	Age	Event
Amali Wijesinghe	Warakapola	23	100 M / 200 M, Tripple Jump
R A Chamika Jayamini	Kahawatta	20	800 M, 1500 M, 3000 M
R A K P Madumanthi	Nikaweratiya	28	High Jump
Nayomika Jayathilake	Rathnapura	20	100 M - Hurdles, 400 M - Hurdles, 400 M
Ishara Dayananda	Eheliyagoda	21	100 M & 200 M Hurdles, 100 M & 200M
Shanmukarasa Thanusha	Alaveddy	21	Pole Vault



Rural athletes Group-JIPLC sponsored outstanding rural school athletes for 2013 with distinguished guests including former Athletics Captains, Col (Rtd) Wimaladasa & Damayanthi Dharsha.

Three of the star achievers at Junior Asian Athletic Championships 2012 share their stories hereunder:

Shivanthi Ratnayake -brings home a Gold and Silver Student of St Joseph's Balika Vidyalaya, in Kegalle.

- Winner of the Gold Medal in the 400 meters event and Silver medal in the 4x400 meters relay as the Captain and Anchor lap at the at the 15th Asian Junior Championship, held in Sri Lanka in June 2012;
- Winner of the Silver Medal in the 400 meter sprint at the 4th Commonwealth Games held in England, in September 2011.
- Shivanthi 's athletic abilities first came to light in 2006, in Grade 7, when she began to win at her school sports meet. She recalls that the school's athletic coach Ms. A.D. Nandawathie was quick to recognise her talents and enter her for area, zonal and provincial meets. Her first win at provincial level, in the under 13 category, propelled her to take up athletics more seriously, and saw her winning at many national tournaments that same year. She has since then between 2008- 2012 continued to win at national tournaments. Shivanthi expresses her gratitude to Janashakthi Insurance for the financial support which has been a "tremendous help in enabling her to afford the nutrition and other expenses to pursue her athletic training" and to Mr. Bertal Pinto Jayawardena for his mentoring and encouragement. "He calls us on the eve of a meet to motivate us and give us useful advice. He is the first person we call after a meet to announce the result" she ads. She also mentions with much gratitude Ms. A.D. Nandawathie her coach since school and continues to be today, for the valuable role she plays. "I look forward to bringing more international medals to the country" says Shivanthi.
- She is a school level record holder in her events and consistent winner in her events of 400 M and 200 M.



Chamika Jayamini

Sumana Balika Vidyalaya, Ratnapura, and Godakumbura Meeyanawita Maha Vidyalaya Kahawatte.
Employed at Janashalthi since -2012.

- Winner of Bronze medal in the 3000 M Steeple Chase event at the 15th Asian Junior Championship, held in Sri Lanka in June 2012.
Her events include 800 M, 1,500 M and 3,000 M long distance running.
- Participated at World Junior Athletics Championships, Barcelona, July 2012



Chamika who is a holder of several Sri Lanka records entered Sumana Balika Vidyalaya on a sports scholarship. She is School record holder for all her events. Participated at the World Junior Games in Barcelona in 2012. Chamika is grateful to Janshaklthi for all the support and for providing her an opportunity to be employed whilst encouraging her to focus on her athletic career and supporting her to win medals in the future.

Herath Mudiyanseelage Nimesha Madushani Siriwardena,
Galenbindunuwewa Central College.

- Winner of the Silver Medal in High Jump at the 15th Asian Junior Championship, held in Sri Lanka in June 2012; The younger of two siblings Nimesha's father is employed in the Sri Lanka Army and the mother runs a boutique in her hometown of Galenbindunuwewa. Nimesha will sit for her A'Levels in the Arts stream in August 2013.

Some Highlights of her track record:

- 1st place in the National school Games in 2012,
- Participated in the World Junior athletic Championship held in Barcelona in July 2012,
- Participated in 4th Commonwealth Games held in England, in September 2011 and placed 4th.
- Represented Sri Lanka in under 16 Football held in Maldives in 2012
- 4th Place in High Jump in Asian Youth games held in Singapore, in 2009



“Had I not received any financial assistance, the economic hardships and obstacles I face would have made it impossible for me to afford the shoes and sports attire, the nutrition recommended or travel expenses to participate at national and international tournaments. My heartfelt gratitude hence to Janashakthi Insurance Company PLC, who has made it possible for me and for encouraging me to continue to work towards my dream of bringing home an Olympic medal “ says Nimesha. What is also noteworthy is that “ JIPLC not only supports us by financial means but is a mentor and a friend, the moral support given via phone calls before a tournament and by being present at tournaments when possible etc by the senior manager who champions this project is much appreciated” ads Nimesha.

“The mentoring role that JIPLC plays with “Bertal Sir” calling us on the eve of a tournament to give us the necessary mental courage means so much” she said.”

I would also like to express my sincere gratitude to my coach Mr. Nishan Herath who has trained and guided me since joining Galenbindunuwewa Central College in 2004; the Principal who is the Chief Prelate and all the teachers at my school and my family and friends in my village says Nimesha.

Championing Lankan Entrepreneurship in 2012

The “Sri Lankan Entrepreneur of the Year” award is the pinnacle of accolades that a Sri Lankan entrepreneur can achieve. The award which has been organised by the Federation of Chambers of Commerce and Industry (FCCISL) of Sri Lanka is designed to recognise and reward entrepreneurs who reach the zenith of business whilst contributing to the national economy.

Our initiative to become the Gold sponsor for the Sri Lankan Entrepreneur of the Year Awards in 2012, was inspired by the fact that the project and concept resonated with our own story, - of local entrepreneurship, as well

as with values we hold dear -inclusivity and accessibility. Janashakthi, born in 1994, is a result of visionary local entrepreneurship. As depicted in our company logo which embodies the fire and spirit of entrepreneurship, Janashakthi stands tall today as one of the more sustainable local businesses. Having started off as a SME, the company has grown today to be a Rupees 7 Bn enterprise.

The award also plays a valuable role in encouraging aspiring entrepreneurs as well as in discovering the little known. Local businesses are evaluated on a set of multifaceted criteria such as financial strength, management style employment generation capacity, use of technology and future viability.

The Janashakthi “Motor Clinics” - combining brand awareness with helping people

The Janashakthi “Motor Clinics” launched during the year under review on 25th October was another pioneering initiative in Sri Lanka’s Insurance Industry. This concept and initiative is a perfect case in point of how creating brand awareness can be integrated with objectives of benefitting the larger communities of which we are part. The clinics, conducted with the help of expertise from the Automobile Institute of Research and Training, offers car owners,

Sustainability Report Contd.

who do not need to be customers of JIPLC, an opportunity a vehicle “health check”, and be educated on comprehensive car care free of charge. The first of these clinics was conducted in Anuradhapura during the month of September and saw 244 vehicles scanned during a two-day period. The components examined in order to guarantee the safety value of each vehicle included Supplemental Restraint System and Body Electronics, Electronic Stability Programme, Electric Power Steering, Anti Lock brake systems, Tyres and suspension systems. The first clinic received many an accolade from appreciative car owners who discovered how the knowledge and skills they gathered, on basic maintenance could prevent costly repairs. Such a health check by professionals if sought elsewhere they said would’ve cost them a significant amount. The early diagnosis of some faults in several cars, as the owners mentioned had prevented breakdowns and large scale repairs, which if diagnosed at a later stage would have cost them much more. The company hopes to conduct a series of such clinics in Kandy, Jaffna, Matara & Kurunegala in the year 2013.

Support to foster a spirit of solidarity across borders and social divides

“One day on Earth” was a creative and history making project - of a film made up of movie clips done by ordinary people from almost every country in the world, who were asked to capture on video, a slice of “life in a day”. The simultaneous screening of the movie in almost every city in the world made it an unique event. The screening in Sri Lanka took place at the Liberty Cinema, Colombo on 22nd April at 6.30 pm.

Janashakthi Insurance volunteered to sponsor this unique initiative by co-partnering the United Nations Office in Sri Lanka. For JIPLC it was a project which embodied some of our core corporate values of unity and inclusivity

whilst championing diversity. It is also an extension of our efforts to foster and highlight commonalities across race, caste, creed or social strata.

Vehicle Emergency service for pilgrims in Anuradhapura & Sri Pada

During the Poson season of 2012, during which 500,000 to 2 Mn commuters are found to gather in Anuradhapura, JIPLC pioneered a 24 hour vehicle repair service free of charge to all motorists in the Anuradhapura town. Named “Janashakthi Full Option Apada Sevaya” the mobile vehicle repair facility was a public service provided to any motorist regardless of who their insurance provider was. The service was also provided for pilgrims during the Sri Pada season. The Full option technical team attended to engine, brake and clutch malfunctions, battery failures and tyre punctures and even towed vehicles that broke down in heavily congested locations. The service it rendered was greatly appreciated not only motorists and commuters but also by the traffic police.

Helping improve road safety

Amidst rapidly rising fatal accidents and traffic congestions Janashakthi continued to contribute to improving road safety and accident prevention through several innovative programmes. With one of our core businesses being Motor Insurance, this project also is a win-win effort for us. During the year under review, the Company erected boards with messages on safety in Nuwara Eliya which benefited both motorists as well as pedestrians.



Janashakthi supports all major religious and community events with free vehicle breakdown service for vehicles

Contributing to signage and directional boards in Jaffna

Janashakthi took on an initiative to install street name boards and directional boards in the Jaffna peninsula and also distributed leaflets containing useful information such as directions to important locations on the peninsula, to help visitors who now come to see, enjoy or do business in a post war Jaffna.

A large percentage of the Sri Lanka population patronise the government hospitals and the absence of proper signage at a lot of these locations is often found to inconvenience many who come for treatment. Thus, Janashakthi also took on the task of installing signage at the Jaffna hospital to help direct visitors to counters and wards and thereby also create a more organised environment. Similarly, over 100 sign boards were installed at the Anuradhapura General Hospital, Colombo Eye Hospital and the Killinochchi Thillpalei hospital.



Hospital name boards project continues - Jaffna Teaching Hospital

Supporting youth initiatives

JIPLC provided comprehensive insurance coverage with hospitalisation cover, to 7,100 scouts from 22 nations, who participated in the 29th Asia Pacific Scout Jamboree and the Sri Lanka centenary Jamboree held in Dambulla. The event organised jointly by the Sri Lanka Scouts Association and the Asia Pacific region of the World Organisation of the scout movement based in the Phillipines, coincided with the celebration of 100 years of scouting in Sri Lanka and was the largest international jamboree held in Sri Lanka.

Contributing in Hatton

During the year under review, the Company renovated and provided new play equipment for the Municipality's Public Childrens' Park in Hatton. The Company also extended its efforts to conduct a tree planting campaign in the park and to install signage and road names in the Hatton town.

Promoting Unity, Reconciliation, and Integration

The Company has continued to support the work of the "Ekamuthu Oray Makkal Unity Mission Trust", a legal Non-Profit Trust, which is committed to fostering unity, reconciliation, healing and integration amongst teenagers and young adults across the nation.

The Company has released staff to work as volunteers on projects conducted by the Trust and also sponsored the sound systems to facilitate the operation of two, four- day Residential Unity Camps, run by the Trust, at Tharanikkulam and Kandy and two and one day programmes in the Western Province, during 2012.

Supporting sports

Our passion to bolster Sri Lankan sports, finds us reaching out beyond our flagship project (of Supporting Rural Athletes) to help many other sports and organisations.

In 2009, Janashakthi was the first business to reach Jaffna in the aftermath of the war where the Company organised a cricket match to celebrate the dawn of peace to provide opportunities to watch and participate in the nations passion to hitherto deprived youth. In 2012, the company continued to be the sponsor of the Jaffna's " Big Match"- played between St. John's College and Jaffna Central College for the 4th consecutive year.

In 2012, Janashakthi reaffirmed its commitment to be principal sponsor of two leading rugby teams in the country for the second consecutive year, namely St. Josephs College and Sri Lanka Air Force rugby teams.

We also continued to be the sponsor of the Ananda College Regatta, jointly organised by the Ananda College and the Colombo Rowing Club at the Diyawanna Oya.

The Company also sponsored the Squash Nationals conducted by the Sri Lanka Squash Federation for the 10th consecutive year which was held at the Sugathadasa Indoor Stadium.



Janashakthi supports many schools sports teams - including St. Joseph's College

Product Responsibility

PR 2 : None Reported

PR 3: Driven by a core company value of “sincerity” and given the nature of our products-which is financial instruments associated with risk mitigation and vulnerabilities of individuals we ensure that our customers are approached as partners and afforded comprehensive product knowledge. Accordingly, our training gives high priority to ensure that all our customer service staff have a comprehensive knowledge of the products they market and product knowledge is tested and up-to-date. All sales and underwriting staff are required to pass the Technical competency test in order to continue their employment with the Company. In addition, an Annual Quiz competition for employees makes learning about insurance a fun experience whilst enhancing the knowledge of insurance among staff.

New Products

Sri Lanka is said to have the fastest aging population in South Asia and those over 60 years estimated to constitute 21.9% of the population by 2031 as per the World Bank’s Ageing Study, 2008. This demographic change, of a significant portion of the population constituting non wage earning people, is one of the most challenging socio economic issues that the country must begin to address. Hence, a rising demand for health care for the elderly, and a source of income in retirement such as pension schemes are factors that the Insurance Industry must encompass for growth that is sustainable in the medium to long term.

“Janashakthi LifeSaver” a pioneering initiative and a Friend in Deed.

The LifeSaver designed this year is one such product focused on offering an unique retirement package. It is a pioneering initiative which offers unmatched flexibility without an age limit thus living in deed, our company’s value of being “a friend in need”

by offering benefits when they are most needed in life. LifeSaver was designed during the year under review and is to be launched in January 2013.

Using Mobile technology to enable a Life Cover on a mere reply to a SMS who says obtaining an important Life Insurance policy needs hours of explanations, negotiations and laborious paper work and a trip to a bank to make the monthly premium ?

Recognising the increasing importance of factoring in mobile technology in the medium to long term growth strategies for any enterprise, and the convenience it offers to customers, JIPLC launched a Life insurance policy for post paid customers of one of Sri Lanka’s leading mobile service providers. The customer can activate a Personal accident cover of LKR 500,000 or a natural death cover of LKR 100,000, by merely responding to a SMS sent by the mobile service provider. Moreover, the customer is relieved of the hassle of making the monthly premium, as the mobile company settles it for him or her by deducting it from the monthly phone bill. This was another pioneering market initiative by JIPLC.

PR 5 :

Product & Service Responsibility

Maintaining high product quality and responsibility receives utmost priority at Janashakthi. In this regard, the Company ensures compliance with all statutory and regulatory Codes and Best Practices and Standards. Janashakthi is ISO 9001:2008 certified and the Company periodically reviews and evaluates the actual performance against standards through the quality audits so that the Company maintains a high standard of responsibility for products and services.

Productivity alone is insufficient. This productivity must conform to the highest standards of industrial practice and customer service. Accordingly, Quality Circles have been formed, for Life & Non-Life Insurance, and these circles make recommendations to the Management, for continuous improvement.

Our customer centric approach permeates our corporate culture, and we strongly believe that service excellence must begin at home. Accordingly, internal service delivery is monitored and ensured via annual employee surveys, departmental and employee surveys. The surveys carried out during the year and their results are given on pages.

The Company has worked towards increasing customer satisfaction ratios with added emphasis on providing better customer care at the call center through training and enhanced systems, enhancing the services of assessors by providing them with laptops, remote access, printers and scanners. Moreover, management of claims settlement times received attention at the level of management.

The Janashakthi training curricula focused on personalised coaching for branch staff in place of large scale programmes. The total number of staff members trained through personalised coaching increased by 41% in the year 2012. The Company’s focus on Life & Non-Life underwriting training reduced during 2012 as most underwriters had already undergone standard training.

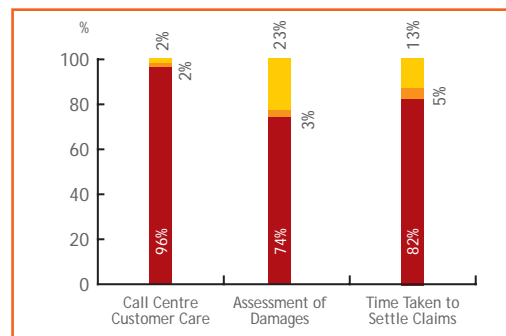
The said, systematic training programmes conducted over the last couple of years enhanced the service aspects amongst all staff as well demonstrated by a significant improvement in the customer satisfaction index.

Customer Satisfaction Survey Results

Motor

The Motor customer satisfaction levels saw a significant increase of 11% from 73% in 2011 to 84% in 2012, compared to the 4% increase in 2011.

	2010	2011	2012
Satisfaction	69%	73%	84%



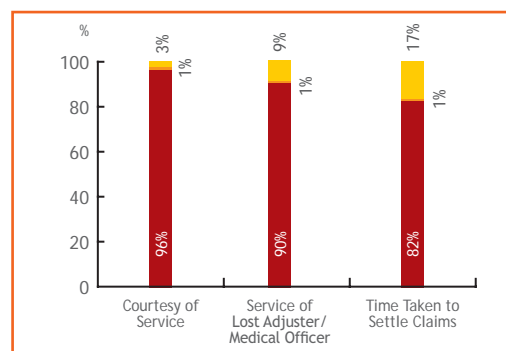
Customer Satisfaction with Service during Motor Claims

■ Satisfied ■ Neither ■ Dissatisfied

Non-Motor

Non-Motor satisfaction ratios also recorded an increasing trend with a rise in satisfaction from 70% in 2010 to 89% in 2012.

	2010	2011	2012
Satisfaction	70%	84%	89%



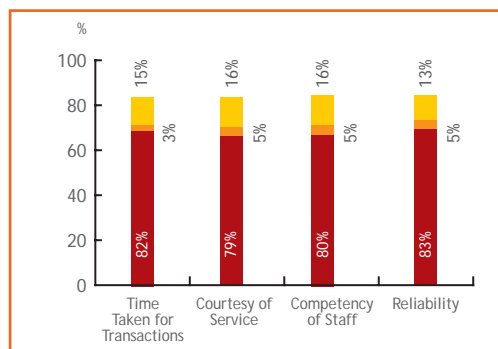
Customer Satisfaction with Service during Non-Motor Claims

■ Satisfied ■ Neither ■ Dissatisfied

Life

Life satisfaction ratio's also improved over the year with the satisfaction increasing to 81% in 2012 from 75% the previous year.

	2010	2011	2012
Satisfaction	74%	75%	81%



Customer Satisfaction with Service Aspects- Life Policyholders

■ Satisfied ■ Neither ■ Dissatisfied

JIPLC continued to train it's staff to enhance their skills in offering superior customer service. Table below depicts the number of people trained and number of training hours.

Customers - Training Staff in Delivering Superior Customer Service						
	2012		2011		2010	
	No. of persons	No. of training hours	No. of persons	No. of training hours	No. of persons	No. of training hours
Life & Non-Life, UW training by Departments	65	455	1356	9492	445	3115
Front Office (Post Induction)	1361	9527	1460	10220	1860	13020
Personalised Coaching (Branch Staff)	332	2324	235	1645	180	1260
Office Staff- Marketing & Familiarisation	286	2002	132	924	156	1248
Total	2044	14308	3183	22281	2641	18643

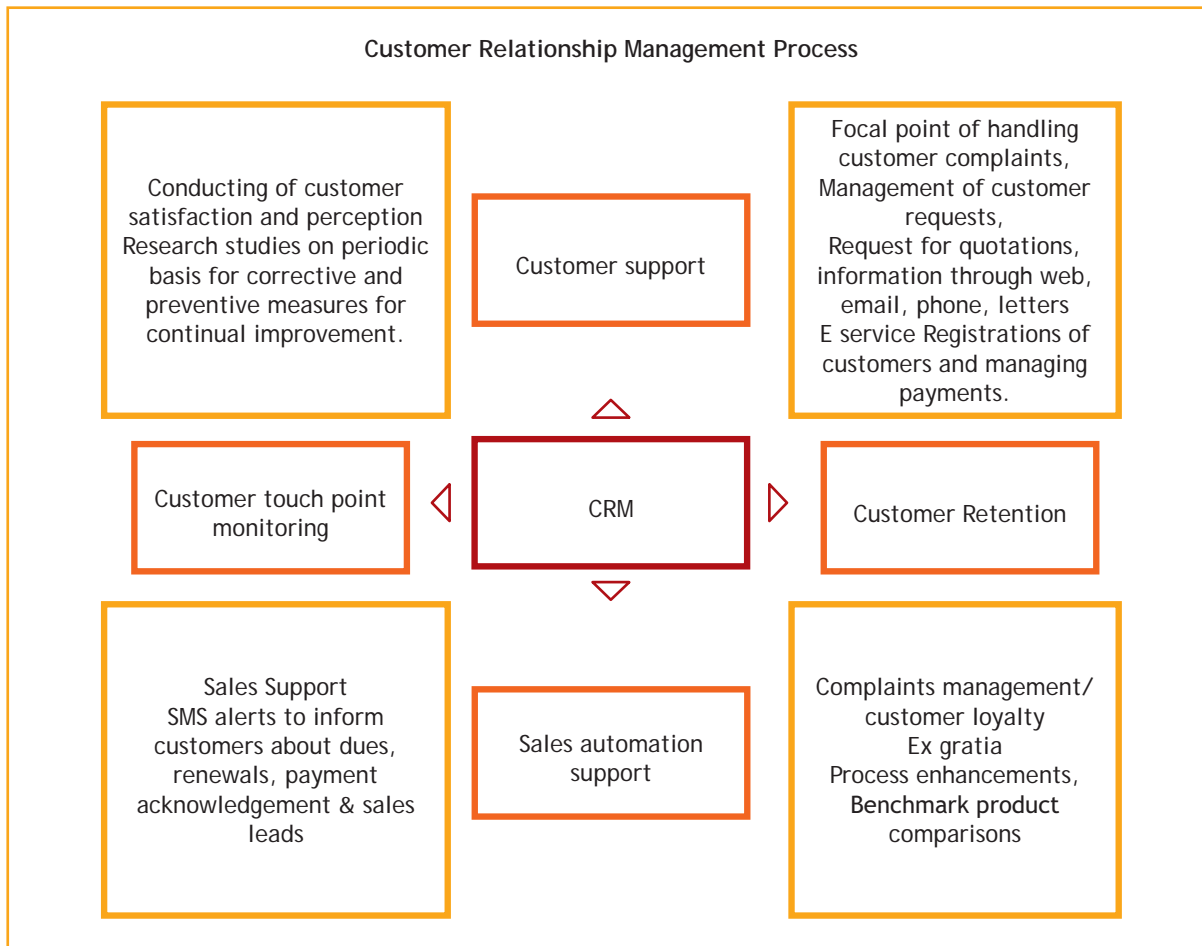
A key responsibility of Janashakthi's Market Research Unit includes Customer Relationship Management (CRM). CRM is a vital cog in the wheel of our enterprise in which service excellence provides the competitive advantage. The overall objective of the Company's CRM function is to attract and win new clients, nurture and retain the existing customer base

while improving quality and efficiency of service afforded to customers. In addition to the systems and process enhancements and training of staff in customer service, the Customer Relationship Management (CRM) function was further strengthened and customers were made aware of the services that the CRM unit can provide for them.

Market Research

JIPLC's in house market research unit plays an invaluable role in the company's capacity to continue as a pioneer in the industry. Research spearheaded by this unit consists of need based research, as well as continuous research conducted quarterly, bi-annually or annually. At Janashakthi, research is conducted by the in house unit as well as in conjunction with established market research organisations. Several focus group studies were conducted during the year in Galle, Matara, Kandy and Colombo which enabled the company to gain valuable insights into peoples' fears, wants and needs regards insurance products which the company will factor in product design for the year ahead. The results of these surveys have become useful input in the design of our new products.

The Customer Relationship Management (CRM) initiatives carried out in 2012 are listed in table below.



CRM Initiatives and Research Activities in 2012

Launched a SMS Alert system to remind and acknowledge customer payments and for motor assessors to remind about claims intimation.
Compiled a document on minimum service standards to be followed by the frontline staff, displayed it in print as a reminder at all branches.
Conducted an attitudes and perception study among the broker and leasing community, on services of insurance companies.
Conducted an in-depth study on claim settlement process of Competitors.
Carried out a product comparison and competitor benchmark.
A brochure developed to create awareness among the customers on the payment points available island wide for them to make premium payments. This will be sent along with renewal reminders and birthday greetings.
Completed a database of satisfied customers identified through research studies created as a happy customer database for cross selling and up selling by Telemarketing team.
Developed a new evaluation criteria for motor assessors incorporating customer point of view and the immediate supervisor's evaluation.

Following the refreshing of our brand identity in 2012 the Company will strengthen a market driven approach to business in place of an underwriting driven one. The role of the JIPLC Market Research Unit will have added significance.

One of the key mechanisms via which the company ensures excellence in customer service is the 24 hour monitoring of all

customer interaction with our staff. Any shortcoming and lapses are noted, looked into and remedied.

Equipping employees with excellent knowledge and skills for customer interaction in order to ensure that customers are made fully aware of the sometimes intricate, designs of financial products, and providing a 24-hour service to customers, are some of the ways we in which we translate our value of a win-win approach in business.

PR 6 : The Company complied with all laws including regulations laid out by the Government Publication Bureau to ensure a high standard in relation to all communication made by the Company.

PR 7 : None were reported during the year under review

PR 8 : None reported

PR 9 : None reported

Our People

Our Triple Bottom Line focus on the People of our planet as we believe, begins with the people that make up the family of Janashakthi , which today stands at 2847. In a highly competitive market in the service industry, the commitment, determination and talents of our people have been the key differentiator and the corner stone of our success.

Employee Engagement

A family culture that is actively promoted also sets us apart from others. Open, uninhibited and regular communication is a characteristic of a family. JIPLC facilitates an environment that supports and encourages two way communication via several mechanisms and processes. The quarterly magazine - "Pahansila"; facilitating access to a computer for all permanent employees at all branches and offices, internal e mail system, and an intranet that updates employees with company news, rules, changes to regulations and notices, on real time, are some of them. The Company has an "Open Door" policy and even the most senior of Management is always accessible to the most junior members of staff and employee suggestions and expression of ideas are always encouraged.

Employee interaction is encouraged via formal and informal channels. Some of the informal interactions during the year included annual departmental staff trips, the annual Sports Day, the talent show- "Prathiba"; quarterly team building activities and the annual Inter-Departmental Quiz Competition, one of the most popular staff events which also facilitates learning and knowledge sharing among the staff.

Annual Inter-departmental Staff Survey

To strengthen the support given, particularly to sales staff, the Company conducts an annual Inter-Department Survey in which senior sales and branch staff evaluate the performance of the underwriting and support departments. The results are shared with the respective department and this year, the HRM Department also engaged with these departments to identify the possible corrective and preventive actions for any lapses identified.

Plus Points Scheme

The Company's 'Plus Points Scheme' continues to encourage initiative and high performance. This scheme enables any employee who either introduces a new and better way of working, or improves on an existing process, bringing about a measurable cost reduction to the Company; to be recognised and rewarded at the Company's Annual Awards Ceremony. There have been several winners each year since the introduction of the scheme which has also helped to foster greater employee engagement within the Company.

LA 1 : Employment by Type

Of the total 2847 employees as at the end of 2012, 2683 employees are in the permanent cadre whilst the balance 164 employees are on fixed term contracts. As required by GRI (G3.1) to disclose the workforce type by gender, we have taken steps to enhance our disclosure base for 2012. The Company increased its work force by 11% in the reporting period with the main area recruited for being the Sales division due to the high labour turnover prevalent in the industry as a whole.

30% of the permanent cadre of 2683 employees comprise of females, while it is also noteworthy that females who undertook jobs on assignment basis in order to suite flexible working hours also held 49% of the fixed term contracts. This is a reflection of the Company's belief of doing whatever it can to ensure a gender equity and equal opportunity in the workplace.

Workforce By Type - 2012	Male	Female	Total
Permanent Employees	1874	809	2683
Fixed Term Contract	83	81	164
Total	1957	890	2847

Employment by Region

While the majority of the Company's workforce was assigned to the Head Office Sales division, the Company also increased its work force at all its branches, thus providing employment opportunities to many across the island. The total workforce increased as six new branches were opened during the year. Three of these were opened in the Western Zone and the other three were opened in the North East Zone. 30 new recruits were absorbed to the staff cadre in North East Zone increasing our contribution in the less developed areas of the country.

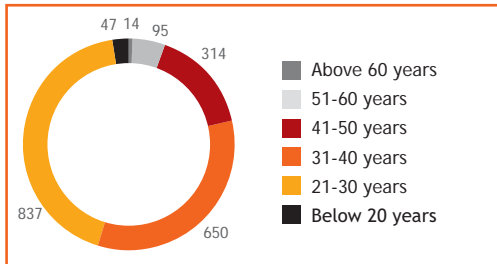
Provincial & Branch wise Breakdown of Human Capital As at 31 December of each year				
Zone	2012		2011	
	No of Branches	No of Employees	No of Branches	No of Employees
Central	18	325	18	306
North Central	18	254	18	248
North East	15	213	12	183
Southern	20	358	20	343
Western	28	434	25	362
Head Office sales	26	1263	24	1113
	125	2847	117	2555

Staff Age Analysis

Janashakthi has maintained the required balance in its Board as the two Executive Directors who lead the Janashakthi team are below the age of 50 years, experienced and abreast of current trends in business.

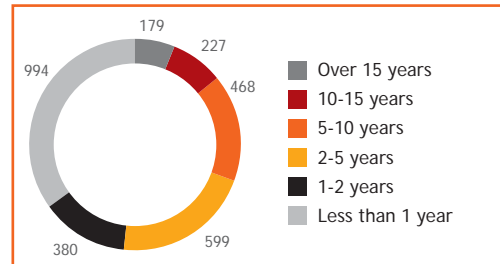
As at 31 December 2012	Above 51 years	41 - 50 years	31 - 40 years	21 - 30 years	Below 20 years
Executive Directors		2			
GM	4				
DGM	1	3			
AGM	5	9	1		
Senior Managers	10	14	7	1	
Managers	9	28	19		
Executives	52	217	399	144	
Clerical	97	242	447	1082	54
	178	515	873	1227	54

Age Analysis - Male	
As at 31 December 2012	Total
Above 60 years	14
51 - 60 years	95
41 - 50 years	314
31 - 40 years	650
21 - 30 years	837
Below 20 years	47
	1957



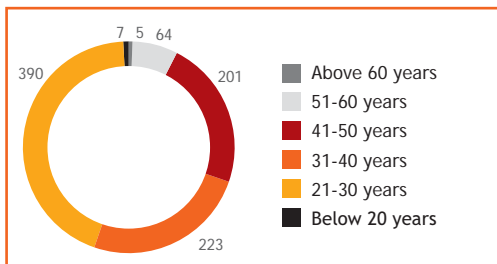
Age Analysis - Male

Service Analysis - Number of years of service	
As at 31 December 2012	Total
Over 15 years	179
10-15 years	227
5-10 years	468
2- 5 years	599
1 -2 years	380
Less than 1 year	994
	2847



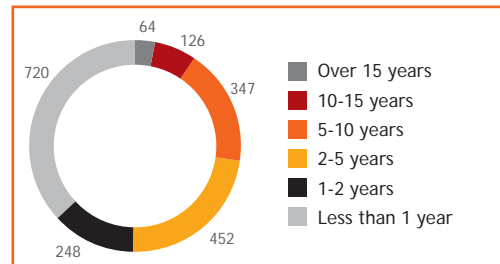
Service Analysis

Age Analysis -Female	
As at 31 December 2012	Total
Above 60 years	5
51 - 60 years	64
41 - 50 years	201
31 - 40 years	223
21 - 30 years	390
Below 20 years	7
	890



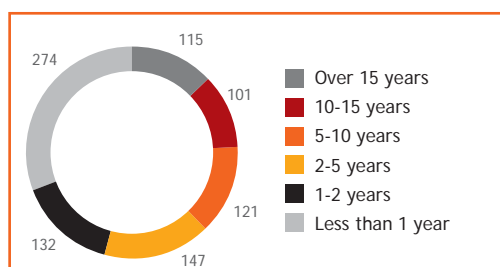
Age Analysis - Female

Service Analysis - Male		
As at 31 December 2012	Total	%
Over 15 years	64	3%
10-15 years	126	6%
5-10 years	347	18%
2- 5 years	452	23%
1 -2 years	248	13%
Less than 1 year	720	37%
	1957	100%



Service Analysis - Male

Service Analysis - Female		
As at 31 December 2012	Total	%
Over 15 years	115	13%
10-15 years	101	11%
5-10 years	121	14%
2- 5 years	147	17%
1 -2 years	132	15%
Less than 1 year	274	31%
	890	100%



Service Analysis - Female

LA2 : Employee Turnover

Given the nature of the insurance industry staff retention has been one of the key challenges among all industry players. Staff turnover ratios, especially among sales staff in the industry, remain very high. Janashakthi, having identified this challenge several years ago, has been working towards retaining staff through attractive remuneration, motivation and structured training thus bringing the Company's Staff Turnover ratio down significantly since 2010. The ratio declined by 0.9% to 7.25% in 2012, from 8.15% the previous year and this is a noteworthy achievement given the context of the industry employment trends.

Staff Turnover ratios	2012		2011		2010	
	Sales	Non sales	Sales	Non sales	Sales	Non sales
No.of Confirmed staff left	66	130	76	129	98	99
Confirmed staff turnover	5.14	9.15	6.47	9.63	8.31	9.42
Overall confirmed staff turnover ratio	7.25		8.15		8.84	

A Career succession planning programme is also a measure that aims to contribute to staff retention. Under this programme the next tier of capable employees have been identified and are being developed to fill any existing gaps in vacancies. In addition, the Company also conducted many group trainings and individual coaching programmes to motivate as well to equip them with increased capabilities to perform their jobs better. The detailed description on staff training and development are provided in the ensuing paragraphs.

LA 6, LA 8:

Health of our Wealth

The company also looks into the physical well-being and the quality of the work spaces of our employees. Our HR team takes every measure to ensure that physical environment conforms to minimum standards set forth by the company. Monthly visits by the HR team, to branches and all offices, ensure that any shortcomings are addressed. The team visited 26 branches during the year 2012.

Moreover, the Company's Business Continuity Plan sees to the long term safety of all employees and has set in place strategies to ensure safety in the event of unforeseen disasters that could impact the company. Links have been established with Emergency Services and relevant care givers whilst regular training on medical and emergency procedures is provided to all responsible officers with expert assistance of the Sri Lanka Air Force.

The Company has also obtained the services of a Medical Consultant who visits the head Office locations twice a week, where employees are able to obtain consultations and medical checkups free of charge.

LA 7 : Injuries, Number of lost days

Injuries to a staff member while on duty are reported to the Human Resources Department and the Company takes steps to provide compensation, hospitalisation benefits and paid leave in such instances. As a standard, if an employee is hospitalised for more than 2 days at any one time, such absence (during the actual period of hospitalisation) is not deducted from the employee's leave entitlement up to a maximum of 60 days.

The recording of injuries, accidents and any other fatalities helps Janashakthi to monitor any situations and also take measures and steps to mitigate the risk of re-occurrence by educating staff and creating awareness. Only one case of occupation related injury was reported during the year 2012, and was reported from Western Zone.

Grievance Handling

The Company established a Grievance Handling Committee (in year 2011), comprising a panel of Senior Officers from across functions and disciplines; and any member of staff can seek a hearing

from the Committee should he or she feel that they have in some way been treated unfairly by the Company. The Committee on average hears approximately five cases per year. Whenever a case of unfair treatment was proven, the Company provided immediate remedial action. The Committee can also be a recourse for an ex-employee who believes that her / his contract of employment has been terminated unjustly.

The opportunity to be heard is a characteristic of a family, and is hence a key facet of the family culture we espouse. JIPLC hopes to further strengthen this process, by appointing Grievance Handling Representatives from amongst the more senior members of staff, to assist any employee who may have need for moral support and /or practical assistance in presenting his or her case to the Committee.

In addition to an administrative function of the branch visits by our HR team, the visits also provide staff at the branch locations an opportunity to share any concerns or raise any matters of professional or personal concern with the visiting HR team. Issues so raised are inquired into. Following the submission of a report, appropriate action is taken by the Senior Management.

Employee Benefits

In addition to remuneration that is on par with industry rates, the employee benefits offered by the company include an Employees' Provident Fund as per the Employees provident Fund Act No. 15 of 1958 and its subsequent amendments and the Employees Trust Fund Act No 46 of 1980 and its subsequent amendments and Medical Insurance. Additionally all JIPLC employees are also covered by a Life Insurance Policy plus personal accident.

Knowing that one could obtain some relief at a time of a sudden and unexpected financial

need or an emergency is one of the benefits available to all our permanent employees. The Company operates a Distress Loan scheme where in an emergency an employee may borrow a multiple of her / his monthly salary and repay the organisation over a period of two years.

In addition, the Company also offers a Vehicle Loan Scheme for officers of Sales and Senior grades enabling them to afford a vehicle of their own, which otherwise may not have been possible. These loans are offered at a reduced rate of interest and are repayable over several years.

LA 13, LA 14 :Diversity and Equal Opportunity

JIPLC follows an Equal Opportunity Policy and recruitment is based on qualifications, experience and capability as the position requires, with no consideration given to race, gender, religion or physical abilities.

The Company's non-discriminatory policies apply across the Board. The fact that we refrain from asking new recruits to disclose their race or religion on the Personal Data form, is a perfect example of how this policy is being practiced. Janashakthi is home to all who wish to contribute to its continuing growth, irrespective of gender, race, different ability or religion, as is the community that it strives to serve.

LA 15 : The Company has always stood by equitable labour practices. All female staff are entitled to 84 working days. During the year 2012, 24 female staff members took maternal leave and 20 of them (83%) who took leave returned to their jobs.

Living the values we espouse- Gender equity at JIPLC

Janashakthi is proud to acknowledge that 50% of its General Management Committee, the policy-making forum of the Company, is female. Moreover, women constitute approximately 32% of the whole cadre in the company, and 52% of the Company's non-sales Executive cadre. The Middle Management level of the Company as at today comprises 25% women and this figure is expected to grow in the future as the Company affords the opportunity for more qualified and able women to join its ranks. We are also proud that we have probably the only female motor insurance assessor in the industry in Sri Lanka today.

Grade Name	Male		Female		Grand Total
	NO.OF EMP	%	NO.OF EMP	%	
DIRECTORS	2	100.00%	0	0.00%	2
GM	2	50.00%	2	50.00%	4
DGM	3	75.00%	1	25.00%	4
AGM	12	80.00%	3	20.00%	15
SENIOR MANAGERS	26	81.25%	6	18.75%	32
MANAGERS	52	92.86%	4	7.14%	56
EXECUTIVE	578	71.18%	234	28.82%	812
CLERICAL STAFF	1199	66.70%	559	33.30%	1758
FTC	83	68.74%	81	31.26%	164
Grand Total	1957	100.00%	890	0.00%	2847

Board of Directors		General Management Committee	
Male	7	Male	3
Female	2	Female	3
Total	9	Total	6

Janashakthi has a zero tolerance policy on fraud or violation of company ethics and values by an employee. The zero tolerance policy also applies to any kind of violence within the work place, sexual harassment and other behaviors that is detrimental to the peace of mind of the members of the Janashakthi family. Additionally the Company also expects its employees to work in a harmonious atmosphere fostering patience and respect for each other. During the year under review our training arm introduced three new training modules to build Inter-Departmental Harmony and Teamwork, for both Head office and Branch Office staff.

The Company's Code of Conduct and policies, ethics and values are clearly communicated in the Letter of Appointment issued to new recruits and reinforced throughout their careers there after; the Codes of Conduct of the Company and the Sexual Harassment Policy are also prominently displayed on the Company's Internal Website. The number of incidents of sexual harassment cases reported to the management during the past five years has been limited to one, and we see this as a reflection of the effectiveness of our policy on Sexual Harassment. In this instance, a formal disciplinary inquiry resulted in the dismissal of the employee from the services of the company. However, on an appeal by him, the Labour Tribunal ruled in his favour, on a technicality, and instructed that he be reinstated in service. The Management instead did not hesitate to pay the required compensation rather than have him on the company cadre.

Performance Management & Succession Planning

JIPLC's Performance Management system has been developed to incorporate an enlightened approach to goal based performance appraisal across executive and management grades in the Company. Employees are appraised on objectives set at the beginning of the year and rewards are linked to performance. Bi-annual Performance Appraisals are carried out on all non-sales staff of every grade. The appraisal requires no paperwork and is a confidential process between the employee and the Supervising Officer. The process also provides the employee the opportunity to comment on his or her own performance, on the successes and drawbacks during the year as well as on the quality of the appraisal process itself. Any shortcomings in the performance are identified and analysed with training needs identified to address those shortcomings. The system then, automatically, conveys these requirements to the HRD Department, which arranges appropriate training accordingly.

Set criteria are stipulated for promotion of staff to a higher grade, and this criteria also includes experience and relevant academic qualification. Thus every employee has a clear understanding of what is required to move to the next step in their career. The Company has a Succession Plan in place for the senior managerial positions in the Company and this plan will be cascaded down to the other levels of employee in 2013. In the meantime, every employee has a clear understanding of what they have to achieve to take the next step up. All efforts are made to ensure that managerial vacancies are filled internally as the Company believes in growing its own.

Whilst we are performance driven our appraisal systems also reflect the family ethos that we value. Hence those who have not performed up to expectation are encouraged and after an identification of gaps trained and given an opportunity to perform better. During the year under review, JIPLC's HRM Department began a process of engagement with Heads of Departments and the employees concerned to identify possible reasons for a drop in performance and to find suitable strategies for improvement. Particular emphasis was placed on those who had performed well in the past but whose results had since lately dropped.

LA 10, LA11, LA 12 : Training and Development

Our focus on Training and Development is a reflection of the value we place on the sustainability of our achievements, for we believe that employees must be provided an environment in which they can give their best to the organisation whilst reaching towards realising their own potential.

As mentioned elsewhere in this report, Sri Lanka's intensely competitive Insurance industry, which finds 22 players competing for customers, provides very little room for price flexibility. Thus, providing a unique and excellent service to customers is the key to gaining a competitive advantage and to ensuring the sustainability of our profitability. This context also induces the Company's strategic focus on training and development at the highest level and the attention to design and conduct of training programmes.

Training at JIPLC begins with an intensive curricular which all new recruits must follow. The management and operations of the HR Development Department follow strict international

guidelines of the ISO 9000:2008 standards, and accordingly, use total control documents to ensure continuous improvement in the quality of delivery and competency building.

Training and Development Initiatives conducted in 2012

Training programme	The fit into company strategy	No trained
A 3-day residential workshop for highly competent sales personnel, conducted by LIMRA (USA)	Exploring and expanding alternate channels such as Bancassurance	52
A two day programme by a professional trainer from India exclusively for the field staff of the North & East. A special training programme for support staff, on Customer Care, with the objective of providing an outstanding service to the customers of the region	Targeting identified growth markets of the North & East	110
Special workshops for the best 25 sales staff in order to groom them for the Million Dollar Round Table of the USA MDRT Mini Club	Marketing to high net worth segments. This training better equips them to meet challenges of marketing to high net worth customers	25
Special motivational workshops and conferences for sales staff in different zones	To motivate sales staff to achieve better results	
A special 4-day workshop organised for Head Office Underwriting Staff specialising in Marine, Liability and Fire Classes, two lecturers from the Insurance Institute of Bombay were invited to share of their international expertise, and to enlighten these trainees on best practices	Growth of the non motor categories in the Non-Life Insurance	100
Key officers from the Management Team were sent on overseas training for specialised insurance classes on Marine Cargo, Business Interruption, Property Insurance, Engineering Claims and Risk-based Capital	Developing the Management Team and succession planning	35
A six day training on Oracle ADF for the IT Department's Software Development team	Continuing the Company's commitment to being at the cutting edge of IT as a key strength in a highly competitive industry environment	35
New IT System-related Courses to staff by the Company's IT Knowledge Centre throughout the year. This facilitated the Company's transformation to Open Office Software	Ensuring employees are up to date with the latest of software used by the Company.	548
A one year's course in Marketing and Sales in Collaboration with SLIM, for Field Managers.	To strengthen our sales team	25

The Janashakthi training & development summary is as follows

	2012	2011	2010
No of programmes	528	497	490
Local			
Total number of employees trained	13698	16267	13117
Overseas			
Total number of attendees	35	50	26

The overall number of training programmes conducted during the year 2012 increased in comparison to 2011. Training was the main focus of the 2012 training calendar to ensure that IT department staff were well versed in the new in-house system development process that began in 2012.

The total number of employees trained via programmes in 2012 decreased as participation in divisional training programmes, special events and conferences was somewhat restricted in comparison to the previous year as the number of requests that were forwarded from the respective divisions decreased.

Building Productive Distribution Induction & familiarisation

All new recruits follow an intense induction programme which also involves exposure to a detailed product training in areas of Life, Motor & Non-Motor. All new recruits from sales and underwriting divisions are taken through a systematic training which lasts for a period of 14 days enabling them to be aware of the complex insurance business and equipping them with the knowledge and understanding to provide effective solutions to customers.

In-house company wide training

The Human Resource Development Division's trainers conduct programmes from time to time in order to motivate all employees to achieve improved performance through skill development. These programmes have proved to be effective in enabling them to perform well in their current positions as well as prepare employees to take up additional responsibilities and pave their career path. 27 such programmes trained a total of 1225 employees during the year.

Customer related coaching sessions

As a means to enhance customer service the Company's internal trainers conducted several personalised coaching programmes on delivering superior customer service. The level of service provided by employees at

each coaching session is recorded by the trainers and any aspects that are noted are addressed during the sessions. The staff member is assessed on how well they use the tools they have been provided with to improve their level of care in customer handling. The number of such coaching sessions conducted in 2012 were 2044.

Course in Sales and Marketing for Field Managers

In addition, 20 Field Managers were referred for a one (1) year Marketing and Sales Course in collaboration with SLIM. This provided the field managers with the opportunity of obtaining a professional qualification and learn the theoretical aspects of sales and marketing which is an integral part of their daily lives.

Bancassurance Training

With the necessary expansion of distribution channels, the Company signed Memoranda of Understanding with National Banks to make available the Company's products to banks' customers. Bancassurance being a relatively new to the Sri Lankan insurance industry as well as Janashakthi, 52 highly competent sales personnel were trained by LIMRA (USA) at a 3-day residential workshop. The training covered various aspects that are unique to this channel including sales process, regulatory and compliance requirements and relationship management.

Training for Life Sales staff in North & East

The insurance market in the North & East of the country is its most emergent segment and the sales force was trained to harness this market effectively, with specific customised programmes of training. A professional trainer from India conducted a two day training course exclusively for the field staff of the North & East. In addition, a special training programme was conducted for support staff on Customer Care, with the objective of providing an outstanding service to the customers of the region.

An examination in Knowledge Measurement was conducted for all Team Leaders and the best performers recognised. Special Motivational Workshops and Conferences were also held in key zones to enhance the potential of the sales force.

Grooming Sales staff for MDRT

Three special workshops were conducted for the best 25 sales staff in order to groom them for the Million Dollar Round Table of the USA MDRT Mini Club. This initiative was to encourage them towards obtaining membership of MDRT USA and to prepare the participants for international exposure and to address the challenges of a High Net worth Market.

The training courses available, training schedules and requirements for the entire Sales Force have now been integrated into the Training Module of the e-HRM System. It automatically identifies the 'Learner Path' that should be followed by an employee. This has vastly improved the HRM's ability to capture of the training needs of each member of the sales force.

Certificate Course in Management for Office Staff

Certificate Course in Management, of one year's duration, which covers all areas of Management, was introduced to office staff. This course will not only help them enhance their knowledge but to also obtain an academic qualification on successful completion of the Course. 100 office staff members followed this course in 2012. In addition, three new training modules were introduced to build Inter-Departmental Harmony and Teamwork for both Head office and Branch Office staff.

Workshop to enhance underwriting expertise

A special 4-day workshop was organised for Head Office Underwriting Staff who specialise in Marine, Liability and Fire Classes. Two lecturers from the Insurance Institute of Bombay were invited to share of their international expertise and best practices.

Overseas Training

Key officers from the Management Team were sent on overseas training for specialised insurance classes on Marine Cargo, Business Interruption, Property Insurance, Engineering Claims and Risk-based Capital. The knowledge gained will thus enhance the performance of the Company in the future.

IT Training on New System Development

35 members of the IT Software Development Team were provided with a six day Oracle ADF Training. This entailed an investment of LKR 3.0 Mn. by the Company, the return for which will be a highly skilled IT Team, and a more efficient IT System. The new IT Software is scheduled to be launched in year 2014 and its enhanced features will facilitate more enhanced business operations.

IT Training for Staff

New IT System-related Courses were also offered to staff members by the Company's IT Knowledge Centre throughout the year. All staff members were welcomed to reserve a time slot and enhance their knowledge on the use of computers; IT system and other Office functions, which in turn will help staff, work more efficiently and productively.

Training Centers

During the year under review, the Company upgraded its Training Centres in Jaffna, Kandy, Kurunegala and Matara with state of the art equipment and training aids to further enhance the learning opportunities for its employees, reflecting the Company's strong belief that growth of its people must accompany the growth of the Company.

Thus investing in the future of its employees goes hand in hand with the future of the Company.

The Training Programmes

Programmes	No of Programmes		No of Participants	
	2012	2011	2012	2011
In house Training				
Induction & familiarisation	12	12	1361	1460
In house Company wide Training	27	35	1225	1323
Divisional training Programmes	4	5	57	260
Special Events & Conferences	13	10	420	604
IT Trainings	58	40	548	248
Customer related coaching sessions	N/A	N/A	2044	3183
Total In house Training Programmes	114	102	5655	7078
Out bound Training Programmes	2	2	112	122

Divisional Participation at External Training Programmes

Programmes	No of Programmes		No of Participants	
	2012	2011	2012	2011
Insurance Department	11	9	110	41
Marketing Department	22	19	68	50
Finance Department	11	6	29	15
HR & Admin Departments	10	24	18	41
IT Department	4	3	5	7
Legal Department				
Management				
	58	62	230	156

Participation at Overseas Training Programmes

Programmes	2012		2011	
	No of Programmes	No of Participants	No of Programmes	No of Participants
Insurance	11	11	13	15
Finance	1	1	3	3
Marketing	6	14	11	14
HR & Admin	3	4	3	3
IT	1	1	2	7
Conferences	2	4	4	8
	24	35	36	50

Performance at Technical Competency Tests (Pass rate) %	2012		2011	
	In Sinhala	In Tamil	In Sinhala	In Tamil
Life	78%	43%	75%	51%
General	63%	28%	65%	44%

Environmental Impact

(EC 2)

Janashakthi's Environmental Priorities are to reduce the impact of its operations on climate change and to conserve the environment by monitoring and reporting on the environmental impact of its operations, services and in these efforts to strive to include our customers and business partners where relevant and to the extent possible

Globally, many discussions took place in 2012, on mitigating climate change and on the sustainability of the planet earth. The discussions at the UN Framework Convention for Climate Change (UNFCCC) - the working group of the parties to the Kyoto Protocol (KP) outlined that the warming of the earth due to greenhouse gases is increasingly becoming a concern for all humanity.

While some of the countries renewed their pledges to support the commitments of Kyoto Protocol in its 2nd phase beginning 2013, a few other countries that ratified the 1st phase withdrew their support in the 2nd phase stating that China and United States, the two largest emitters of global greenhouse gases are not under the commitments of the protocol.

Your Company has identified climate change as a major global issue, which could affect the existence of life on earth and the sustainability of business in the long run. We have therefore taken steps to contribute to the mitigation of climate change in its own capacity.

The Company has identified that climate change could adversely affect our business as a result of increased claims due to adverse weather conditions and has proactively launched and incorporated "Flood Mapping" and "Landslide Mapping" to its underwriting

process. This will facilitate prudent underwriting and managing large, unforeseen claims. The use of the flood mapping technology developed by in-house IT team enables the mapping of flood prone areas and the assessment of risk in each area, thus enabling the company to have a mixed basket of risk.

Adverse weather conditions could also impact the premiums charged by the reinsurance providers thereby reducing the Net Written Premium available for the Company, which will in turn adversely impact the bottom line.

Apart from the above, the Company has not identified any specific risks pertaining to climate change that could directly affect the business in the short term.

The Company anticipates the demand for Hybrid motor vehicle insurance as an opportunity subject to government policy conditions which could increase the demand for insurance for environmentally friendly products.

There were no pending cases, fines and penalties imposed on the Company due to Non-Compliance with environmental laws and regulations.

During the year under review, Janashakthi took on a few new environmental initiatives including the water conservation project which are discussed below. In addition, the Company's internal policy of reduce, reuse and recycle were also strengthened during 2012.

Partnering to Conserve Water

"Water is a sector in which the poor and the non-poor have a shared interest in investment to expand the network and improve efficiency to ensure regular supply" - UNDP

It is globally recognised that a water crisis exists, with more than 1 Bn lacking safe drinking water and over 2 Bn lacking adequate sanitation. However scarcity of water is yet to be considered a critical issue in Sri Lanka, and this is probably supported by the country's tropical climate as well as the rich heritage of water bodies man made by its leaders of ancient times. However, increasing demand with little addition to the bodies of water; lack of conservation, and the threat to ground water quality are amongst the factors that necessitate action to ensure the sustainability of safe water in Sri Lanka. Thus, during the last quarter of the year under review, Janashakthi joined hands with Sri Lanka Water Partnership (SLWP) (also known as Lanka Jalani) to embark on river bank protection and conservation activities in the Maha Oya and Deduru Oya - two important sources of drinking water. Both rivers have been adversely affected by illegal river sand mining, industrial pollution and poor waste management leading to degradation of the surrounding eco systems.

The project broadly encompasses two objectives, advocacy and awareness creation on the one hand and the support of efforts to ensure a sustainable supply via preservation, protection of river banks, conservation and elimination of pollution of existing water etc.

Janashakthi's launch into the project in the latter half of the year saw the sponsorship of a nursery for replanting of a bank, and advocacy at grass roots level such as via a 'Sisu Jala

Hamuwa" conducted in Aranayaka, on 2nd November. The company is in the process of drawing up an action plan and evaluating proposals as the project will be launched on a full scale in 2013. Considering how vulnerable the business of Insurance is to adversities associated with water, and the increase in the frequency and intensity of environmental catastrophes due to global warming, this project is a Win- Win to all stakeholders and one which reflects the long term perspective Janashakthi takes in its business.

Environmental Protection Boards

In 2012, Janashakthi continued to maintain environmental protection boards in two popular beach locations at Polhena and Pasikudah. The aim of this initiative was to create awareness among the visitors to these beach locations on preserving the environment by keeping the location clean.

Environmental certification for the Janashakthi Auto Center

Janashakthi has been in compliance with the National Environmental Act No. 47 of 1980, where the environmental protection license is obtained once in every three years for the Janashakthi Auto Center -the Company's vehicle repair center.

The Auto Centre has maintained high environmental standards in its operations regards the management of solid waste. Solid waste is disposed in strict adherence to requirements with none of it discharged to a body of water or burnt in open. All recyclable material are collected and sent for recycling and any material that is not recyclable nor reused are not used for land filling. The amount of waste disposed and any emissions through the Auto Center have not been calculated and reported so far.

Disposal of Electronics : The Company reuses electronic devices and parts as much as

possible and thereafter, are not discarded directly to the environment but parts sold as scrap to those who are involved in collection of electronic parts, thereby preventing any negative environmental impact whilst also helping create a livelihood to low income groups.

Energy initiatives carried out during the year 2012

1.) Energy Use By Janashakthi

	2012	2011	2010
Fuel Consumption of Company maintained vehicles (liters)	34,843	37,310	33,869
No of Vehicles including Motor Bikes & Pooled vehicles	24	23	24
Fuel consumption of the Power Generators (liters)	45,382	50,109	47,958
Indirect energy from the National grid (Electricity) kwh	2,107,166	2,076,873	2,060,556
Head Office	1,573,105	1,610,442	1,632,557
Branches	534,061	466,431	427,999

EN5, EN6 &* EN7

2.) Estimated Annual Savings through energy efficient lighting in 2012

	Kwh
Energy saved through replacement of regular bulbs with LED bulbs	29,068 kwh per year (Vauxhall 1&3 buildings)

3.) Paper Consumption / Saving through Recycling, Reuse

	2012	2011	2010
Amount of paper recycled during the year (kg)	5,654	7310	393
A4 Paper consumed by the organization in Kg.s	20,676	18,418	17,094
A4 Paper saved through reduced printing / photocopying (in kgs)	12,259	11,108	11,031

(Annual savings are measured in relation to the standard set in 2008 on usage Vs. GWP)

EN 8, EN 9 , EN 10 :

Water Consumption

Janashakthi's water consumption is only for the purpose of operating of its office premises whilst the water source is confined to the tap borne supply by the Sri Lanka National Water Supply and Drainage Board. The water consumption during the year 2012 increased as indicated in table below, particularly due to new branch openings and an increase in number of employees.

The water consumed during 2012 and 2011

	2012	2011
Water Consumption due to Office Operations (Head Office & Branches) In Units	31,708	29,866



Independent Assurance Report to readers of the Sustainability Report for 2012

Introduction

SJMS Associates (“We, us or our”) have been engaged by Janashakthi Insurance PLC (“the Company”) to review the Sustainability Report for 2012 (“The report”). The report, including the identification of material issues, is the responsibility of the Company’s management. Our responsibility is to issue an assurance report on the report.

Context and Scope

In the report the Company describes its efforts and the progress in relation to sustainability. Our engagement was designed to provide the readers of the report with:

- Reasonable assurance on whether the data relating to financial performance are properly derived from financial statements of the Company for the year ended 31st December 2012.
- Limited assurance on whether the data relating to Key Performance Indicators for 2012 are fairly stated and other information in the report is fairly stated.

‘Fairly stated’ represents that the reported information properly reflects information contained in the underlying sources such that it is consistent with the source information. Reasonable assurance is a higher level of assurance than limited assurance, which is reflected in the nature and depth of the work performed.

Standards and criteria

We conducted our engagement in accordance with Sri Lanka Standard on Review Engagements 2400: Engagements to Review Financial Statements and Sri Lanka Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the Institute of Chartered Accountants of Sri Lanka. Amongst others, these standards require that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information in the report;
- when providing limited assurance, which is a lower level than reasonable assurance, a negative form of conclusion is used.

There are no generally accepted standards for reporting on sustainability. The Company applies its own internal sustainability reporting criteria, derived from Sustainability Reporting Guidelines of the Global Reporting Initiative and its stakeholder engagement process as detailed in the report.

Considerations and Limitations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

To obtain a thorough understanding of the financial results and financial position of the Company, the reader should consult the Company's audited financial statements for the year ended 31st December 2012, included in the Annual Report.

Work undertaken and conclusions

Key Performance Indicators

We have reviewed the reliability of the data on Key Performance Indicators for 2012 based on a review of:

- the systems used to generate, aggregate and report these data.
- the data reported by the relevant business units to corporate level;
- the data validation processes at corporate and business level;
- the data trends in discussions with management

Based on above procedures, we conclude that nothing has come to our attention that causes us to believe that the data for Key Performance Indicators for 2012 presented in the report are not fairly presented, in all material respects.

Financial data

We have reconciled the data on financial performance (Key Economic Indicators) of the report with the audited financial statements of the Company for the year ended 31st December 2012.

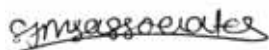
Based on above procedure, we conclude that the data on financial performance (Key Economic Indicators) are properly derived from audited financial statements of the Company for the year ended 31st December 2012 for which the independent auditors issued an unqualified audit opinion on 26th February 2013.

Other information

We have reviewed other information in the report using:

- an analysis of the systems and processes used to generate this information;
- examination of internal documentation and sources;
- interviews with staff for the information;
- our knowledge and understanding of the sector and the Company's business.

Based on above procedures performed, we conclude that nothing has come to our attention that causes us to believe that the other information presented in the report are not fairly presented, in all material respects.



SJMS ASSOCIATES
Chartered Accountants
Colombo
26 February 2013

P. E. A. Jayewickreme, M. B. Ismail, Ms. A. M. J. Patrick, T. Krishnakumar, Ms. S. L. Jayasuriya, D. S. W. Andradi,
G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola, R. H. M. Minfaz, Ms. S. Y. Kodagoda

G3.1 Content Index - GRI Application Level B

Standard Disclosures Part I: Profile Disclosures			
Profile Disclosure	Description	Reported	Cross-reference/Direct answer
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organisation.	Fully	MD's Review page 16 MD's Statement page 123
1.2	Description of key impacts, risks, and opportunities.	Fully	Sustainability Report page 130
2. Organisational Profile			
2.1	Name of the organization.	Fully	Janashakthi Insurance PLC
2.2	Primary brands, products, and/or services.	Fully	Management Discussion and Analysis pages 49-56
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Organisational Structure page 250
2.4	Location of organisation's headquarters.	Fully	Corporate information inner back cover. No. 55/72, Vauxhall Street, Colombo 02
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Sri Lanka
2.6	Nature of ownership and legal form.	Fully	Annual Report of the Board of Directors' on the Affairs of the Company page 171 & Shareholder Information pages 257-258
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Management Discussion and Analysis page 49-56
2.8	Scale of the reporting organisation.	Fully	Operational Highlights page 4 & Shareholder Information page 258
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	Annual Report of the Board of Directors' on the Affairs of the Company page 171
2.10	Awards received in the reporting period.	Fully	Sustainability Report page 124
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	January 2012 - December 2012
3.2	Date of most recent previous report (if any).	Fully	2011 Sustainability Report
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents.	Fully	Sustainability Report page 125
3.5	Process for defining report content.	Fully	Sustainability Report page 125

Standard Disclosures Part I: Profile Disclosures			
Profile Disclosure	Description	Reported	Cross-reference/Direct answer
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	Sustainability Report page 125
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	Sustainability Report page 125
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Fully	Sustainability Report page 125
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	Sustainability Report page 125
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	Fully	Sustainability Report page 125
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	Sustainability Report page 125
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	Sustainability Report pages 156-166
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Independent Assurance Report pages 154-155
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Fully	Corporate Governance Report pages 72 & 76
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Corporate Governance Report page 81
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Corporate Governance Report pages 73 & 75
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Corporate Governance Report page 88 & Sustainability Report page 125
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	Sustainability Report pages 147-151 & Corporate Governance Report pages 87 - 94

Standard Disclosures Part I: Profile Disclosures			
Profile Disclosure	Description	Reported	Cross-reference/Direct answer
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	Corporate Governance Report page 72 & Notes to the Financial Statements page 233-235
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Corporate Governance Report page 74
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	Annual Report page 3
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Corporate Governance Report pages 71-94
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Corporate Governance Report pages 84-85
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Fully	Sustainability Report page 128
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Fully	Sustainability Report page 125
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	Sustainability Report page 130
4.14	List of stakeholder groups engaged by the organization.	Fully	Sustainability Report page 129
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Sustainability Report page 129
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Sustainability Report page 129
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Sustainability Report page 129

Standard Disclosures Part II: Disclosures On Management Approach (DMAs)			
G3.1 DMAs	Description	Reported	Cross-reference/Direct answer
DMA EC	Disclosure on Management Approach EC	Fully	Sustainability Report page 131
Aspects	Economic performance		
	Market presence		
	Indirect economic impacts		
DMA EN	Disclosure on Management Approach EN	Fully	Sustainability Report pages 152-153
Aspects	Materials		
	Energy		
	Water		
	Biodiversity		
	Emissions, effluents and waste		
	Products and services		
	Compliance		
	Transport		
	Overall		
DMA LA	Disclosure on Management Approach LA	Fully	Sustainability Report pages 143-151
Aspects	Employment		
	Labor/management relations		
	Occupational health and safety		
	Training and education		
	Diversity and equal opportunity		
	Equal remuneration for women and men		
DMA HR	Disclosure on Management Approach HR	Fully	Sustainability Report pages 133-151
Aspects	Investment and procurement practices		
	Non-discrimination		
	Freedom of association and collective bargaining		
	Child labor		
	Prevention of forced and compulsory labor		
	Security practices		
	Indigenous rights		
	Assessment		
	Remediation		
DMA SO	Disclosure on Management Approach SO	Fully	Sustainability Report pages 133-140
Aspects	Local communities		
	Corruption		
	Public policy		

Sustainability Report Contd.

Standard Disclosures Part II: Disclosures On Management Approach (DMAs)			
G3.1 DMAs	Description	Reported	Cross-reference/Direct answer
	Anti-competitive behavior		
	Compliance		
DMA PR	Disclosure on Management Approach PR	Fully	Sustainability Report pages 141-145
Aspects	Customer health and safety		
	Product and service labelling		
	Marketing communications		
	Customer privacy		
	Compliance		

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Economic			
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Sustainability Report page 131
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Fully	Sustainability Report pages 152-153
EC3	Coverage of the organisation's defined benefit plan obligations.	Fully	Sustainability Report page 132
EC4	Significant financial assistance received from government.	Fully	No significant financial assistance received from the government during the reporting period
Market presence			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	Sustainability Report pages 131-132
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Sustainability Report pages 133-140

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Environmental			
Materials			
EN1	Materials used by weight or volume.	Not	Not Applicable
EN2	Percentage of materials used that are recycled input materials.	Not	Not Applicable
Energy			
EN3	Direct energy consumption by primary energy source.	Not	Not Applicable
EN4	Indirect energy consumption by primary source.	Fully	Sustainability Report pages 152-153
EN5	Energy saved due to conservation and efficiency improvements.	Partially	Sustainability Report pages 152-153
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Partially	Sustainability Report pages 152-153
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Partially	Sustainability Report pages 152-153
Water			
EN8	Total water withdrawal by source.	Fully	Sustainability Report pages 152-153
EN9	Water sources significantly affected by withdrawal of water.	Not	Not Applicable
EN10	Percentage and total volume of water recycled and reused.	Not	Not Applicable
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	No land held in protected areas and areas of high bio-diversity value outside protected areas
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	Not Applicable
EN13	Habitats protected or restored.	Not	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	
EN19	Emissions of ozone-depleting substances by weight.	Not	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	
EN21	Total water discharge by quality and destination.	Not	
EN22	Total weight of waste by type and disposal method.	Partially	Sustainability Report pages 152-153
EN23	Total number and volume of significant spills.	Not	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	Not	
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	No fines or non-monetary sanctions imposed on the Company due to non-compliance with environmental laws or regulations
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Not	Not Applicable
Overall			
EN30	Total environmental protection expenditures and investments by type.	Partially	Sustainability Report pages 152-153
Social: Labor Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Sustainability Report pages 133-140
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Sustainability Report pages 133-140

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not	
LA15	Return to work and retention rates after parental leave, by gender.	Fully	Sustainability Report pages 133-140
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Not	Not Applicable
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not	Not Applicable
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	Sustainability Report pages 133-140
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not	
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	Not Applicable
Training and education			
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	Sustainability Report pages 133-140
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Sustainability Report pages 133-140
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	Sustainability Report pages 133-140
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Sustainability Report pages 133-140
Equal remuneration for women and men			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	Sustainability Report pages 133-140

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Social: Human Rights			
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	No incidents reported during the year
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.	Fully	Sustainability Report pages 133-140
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not	
Child labor			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not	Not Applicable
Forced and compulsory labor			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not	
Security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not	
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not	
Social: Society			
Local communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Not	
SO9	Operations with significant potential or actual negative impacts on local communities.	Not	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption.	Fully	Risk Management Report pages 103-114
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Fully	All employees are trained at the time of joining the Company. The induction programme covers Company's policy on anti-corruption policies
SO4	Actions taken in response to incidents of corruption.	Fully	Sustainability Report pages 133-140
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	Participation through Insurance Association of Sri Lanka (IASL)
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	No contributions made
Anti-competitive behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	None Reported
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	No significant fines imposed due to non-compliance with laws and regulations

Sustainability Report Contd.

STANDARD DISCLOSURES PART III: Performance Indicators			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Social: Product Responsibility			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	None Reported during the year
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	Sustainability Report page 140
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	None Reported during the year
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	Sustainability Report pages 141-145
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	Sustainability Report page 143
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	None Reported during the year
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	None Reported. Confidentiality maintained. There were no breaches of customer privacy and losses of customer data.
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	None Reported during the year

Report Application Level

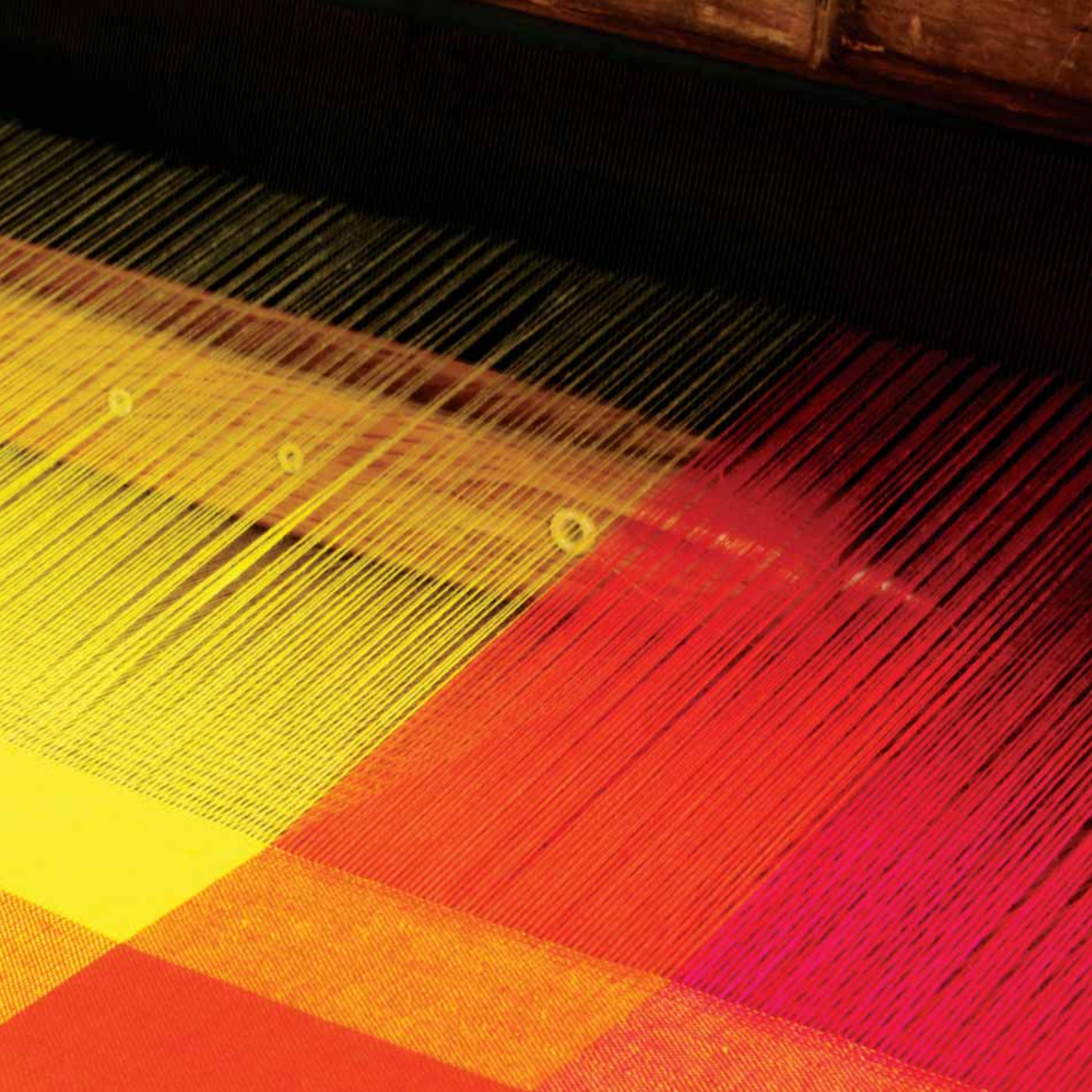
We have self assessed our report as...

		C	C+	B	B+	A	A+
Mandatory	Self Declared			✓			
Optional	Third Party Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured
	GRI Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured

A Transformative Spirit

The strength of Our Weave-Authentic Design

Many threads, many colours, Truth, Simplicity, collaboration, Innovation. One big picture for the future. Accountability. The strength to protect. To be there when most needed. To Our customers, and stakeholders we know the fabric of our existence must be an unbreakable one. We are the strength that provides assurance. An unshakable trust.





Financial Reports

Annual Report of the Board of Directors' on the Affairs of the Company 171

Net IBNR and Liability Adequacy Test Certification 178

Actuarial Reports 179

Statement of Directors' Responsibility 181

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement 182

Independent Auditor's Report 183

Statement of Financial Position 184

Income Statement 185

Statement of Changes in Equity 187

Statement of Cash Flows 188

Notes to the Statement of Cash Flows 189

Income Statement- Segmental Review 190

Cash Flow Statement - Segmental Review 191

Non - Life Insurance Statement of Financial Position - Segmental Review 192

Life Insurance Statement of Financial Position - Segmental Review 193

Life - Insurance Statement of Financial Position - Segmental Review (NIC) 194

Underwriting Results - Segmental Review 195

Explanatory Information and Summary of Significant Accounting Policies 196

Notes to the Financial Statements 212

Insurance and Financial Risk 243

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

General

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

The details given below provide information required by the Companies Act No.7 of 2007. It also adheres to The Colombo Stock Exchange Listing Rules and are guided by the recommended best accounting practices.

Principal Activities

The principal activities of the Company constitutes the provision of Life and Non-Life Insurance in Sri Lanka and the nature of the principal activities, structure, size and shareholding of the Company remained unchanged during the year.

Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on page 01.

These have been approved by the Board of Directors of the Company and the Directors ensure that the business activities of the Company are conducted with the highest level of ethical standards in achieving its vision and mission.

Review of Business

A review of the Company's performance during the year with an analysis of financial results and future developments is included in Chairman's Review (Page12) and Managing Director's Review (Page 16) and in the Management Discussion and Analysis (Page 35). These reports together with the Financial Statements reflect the state of the affairs of the Company and form an integral part of this report.

Financial Statements and Auditors Report

The Financial Statements of the company are prepared in conformity with the Sri Lanka Accounting Standards (SLAS) / SLFRS laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the Regulations of the Insurance Industry Act No. 43 of 2000 and other rules and regulations of the Insurance Board of Sri Lanka (IBSL). The formats and disclosures are also in accordance with the Statement of Recommended Practices (SoRP) for insurance contracts, adopted by the Institute of Chartered Accountants Sri Lanka.

The Financial Statements of the Company for the year ended 31st Dec 2012 duly signed by the Chairman, Managing Director and the Head of Finance of the company are given on page 184 to 249 which form a integral part of the Annual Report of the Board.

The Process of adoption and the implementation of SLFRS's will be discussed on pages 116 to 121.

Accounting Policies

Details of Accounting Policies are discussed in Notes 01 to 03 (Pages 196 to 211) to the Financial Statements. There were no material changes in the accounting policies adopted with those of the previous year.

Future Developments

An overview of the future developments of the Company is presented in the Chairman's Review (Page 12) and Managing Director's Review. (Page 16)

Life Assurance Fund

The Actuary determines the Life Assurance Fund. As at end of 31st December 2012 the Life Fund stood at LKR 5,345 Mn for Janashakthi Insurance PLC (JIPLC) and LKR 288 Mn for former National Insurance Corporation Ltd (NIC). (2011 restated LKR 4,214 Mn for JIPLC and LKR 482 Mn for NIC before transferring to Income Statement).

In accordance with the Actuary's valuation for JIPLC, a sum of LKR 304 Mn (No surplus transferred in the year 2011) has been transferred from the Life Assurance Fund to the Income Statement and LKR 228 Mn to the Solvency Margin Reserve. Subsequent to the transfer the Life Fund stands at LKR 5,345 Mn for Janashakthi Insurance PLC.

As per the Valuation Report received, NIC Life Fund reflects a deficit of LKR 294 Mn inclusive of required solvency margin reserve (2011 deficit of LKR 158 Mn inclusive of SMR). This deficit has been resolved by setting aside requisite value in the books of JIPLC's Non Life.

This value that is thus set aside will be utilised only for the specific purpose for bridging the Life Insurance Fund of NIC and this value will be disclosed as a note to the Financial Statements as at end of 2012 and in our returns to the Regulator.

Valuation of Non Life Liabilities

The Company hired NMG Financial Services Consulting Pte Ltd of Malaysia to provide a valuation report and carry out a Liability Adequacy Test of the sufficiency of all liability funds of the Non - Life business segment. Their Valuation Certificate is presented elsewhere in this Report. A provision of LKR 283 Mn was made in the Financials by charging to the Income Statement in respect of Incurred but Not Reported Claims (IBNR).

Results

The Company's Net Profit After Tax before Appropriation was at LKR 800 Mn for the year 2012 compared with LKR 494 Mn as restated for the year 2011.

A detailed breakdown of the Income Statement is given below.

	2012 (LKR'000)	2011 (LKR'000)
Profit earned before Interest	874,185	540,999
Interest Paid	(10,687)	(7,423)
Profit before Tax	863,498	533,576
Provision for Income Tax	(63,102)	(39,235)
Profit after Tax	800,396	494,341
Unappropriated Profit brought forward from the previous year - Restated	1,441,841	1,310,500
Amount available for Appropriation	2,242,237	1,804,841
Appropriations		
Dividends	(363,000)	(363,000)
Unappropriated profit carried forward	1,879,237	1,441,841

Actuary's Report

The Directors recognise the important role played by an Actuary in relation to Life Insurance operations. Therefore, this Annual Report has a report from the Actuary of both Janashakthi Insurance PLC and the former NIC. The Actuary has stated that he is satisfied with the progress achieved by the Company to-date and of the performance of the Company during the year under review.

Declaration of Bonus to the Life Policy Holders

The Directors are pleased to announce that the 2012 bonuses are now being declared.

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

JIPLC

- Under the Plan Dhanalakshmi LKR 35.00 per LKR 1,000.00 Sum Assured
- Under the Plan Geethanjali (Old) LKR 37.50 per LKR 1,000.00 Sum Assured
- Under the Plan Jeevan Vandana (Old regular Premium) LKR 32.50 per LKR 1,000.00 Sum Assured
- Under the Plan Jeevan Vandana (Old Single Premium) LKR 33.00 per LKR 1,000.00 Sum Assured
- Under the Plan Lakshmi (Old) LKR 33.30 per LKR 1,000.00 Sum Assured
- Under the Plan Lakshmi (New) LKR 35.00 per LKR 1,000.00 Sum Assured
- Under the Plan Shanthi (Old) LKR 35.00 per LKR 1,000.00 Sum Assured

NIC

- Under the Plan Whole Life LKR 17.50 per thousand sum assured
- Under the Plan Endowment LKR 17.50 per thousand sum assured
- Under the Plan Anticipated Endowment LKR 15.00 per thousand sum assured before the first stage payment, LKR 10.00 per thousand sum assured after the first stage payment, but before the second stage payment. LKR 7.50 per thousand sum assured after the second stage payment

- Under the Plan Multi Benefit Endowment LKR 9.50 per thousand sum assured
- Under the Plan Jathika Thilina Du Daru LKR 10.80 per thousand sum assured
- Under the Plan Jathika Sathuta Yuvathipathi LKR 9.30 per thousand sum assured
- Under the Plan Educational Endowment LKR 12.50 per thousand sum assured
- Under the Plan Endowment for FTZ and Seasonal Workers respectively LKR 12.50 per thousand sum assured
- Under the Plan Pension Policy LKR 1.00 per thousand monthly pension
- Under the Plan Lakshmi LKR 12.00 per thousand sum assured

Non-Participating Bonus

LKR 25.00 per LKR 1,000.00 Sum Assured under the plan Shanthy (revised). In the case of policies issued under this plan on or after 01.09.2003, this guaranteed bonus is payable only if the policy runs up to maturity.

LKR 25.00 per LKR 1,000.00 Sum Assured under the plan Githanjali (revised) in the case of policies issued on or after 01.09.2003, this guaranteed bonus is payable only if the policy runs up to maturity.

LKR 75.00 per LKR 1,000.00 Sum Assured under the plan Jeevitha Vardana, This guaranteed bonus is payable only if the policy runs up to maturity.

LKR 25.00 per LKR 1,000.00 Sum Assured under the plan Shilpashakthi.

LKR 10.00 per LKR 1,000.00 Sum Assured under the plan Janashakthi Cash Advance. This guaranteed bonus is payable only if the policy runs up to maturity.

LKR 30.00 per LKR 1,000.00 Sum Assured under the plan new Janashakthi Cash

Advance. This guaranteed bonus is payable only if the policy runs up to maturity.

LKR 10.00 per LKR 1,000.00 Sum Assured under the plan Jeevitha Vardana. This guaranteed bonus is payable only if the policy runs up to maturity.

LKR 25.00 per LKR 1,000.00 Sum Assured under the plan Prarthana.

Cash Bonus

LKR 100.00 per LKR 1,000.00 Sum Assured, payable on the 25th, 35th, 45th and 50th birthdays, on survival up to these dates, in respect of policies issued before August 1, 2003, under the Jeevan Vandana (participating) Plan.

Taxation

Taxation provision for the current year was LKR 63 Mn and this is an increase from its comparison value of LKR 39 Mn for the year 2011.

Further details are provided under Note 34 (Page 231) to the Financial Statements.

Property, Plant and Equipment

The book value of Property, Plant & Equipment of the Company stood at LKR 380 Mn as at the Statement of Financial Position. Further details and its movement during the year are given in Note 07 (Page 218) to the Financial Statements

Market Value of Freehold Properties

The Market Value of freehold property is considered not materially different to the book value as given in the notes to the Financial Statements. (Page 219).

Reserves

The movement in reserves during the year is set out in Note 15 (Page 222) to the Financial Statements.

Investments

Investments of the Company amounted to LKR 11,437 Mn. Detailed description of the Investments held as at the Statement of Financial Position are given in Note 04 and 05 to the Financial Statements (Pages 212 to 217).

Investment Income

The investment in fixed income securities and equities generated an income of LKR 1,219 Mn as against LKR 845 Mn last year. Of this amount LKR 605 Mn is credited to the shareholder's Statement of Income with the remainder of LKR 614 Mn is credited to the Life Assurance Fund.

Shareholders Funds

The total Capital and Reserves stood at LKR 3,376 Mn as at 31st December 2012. (LKR 2,977 Mn as restated as at 2011), details of which are provided in Notes 14 and 15 (Page 222 & 223) to the Financial Statements.

Corporate Governance

The Board of Directors is committed towards maintaining an effective Corporate Governance structure and process. The Company's operations are directed and controlled within the Corporate Governance framework outlined on pages 70 to 97.

Human Resources

The Company's Human Resource policy is driven to reach its corporate goals and objectives by inculcating a strong value system and ethics in our employees. The Company is focused on developing employee abilities in optimising results. More details on our Human Resources are reflected on pages 141 to 149.

Board Audit Committee

The composition of the Board Audit and Compliance Committee is given on page 97 to 98. The report of the Board Audit and Compliance Committee is given on pages 99 to 100.

Risk Management

A detailed report on the risk management process of the Company is given on pages 102 to 114 of the Annual Report.

System of Internal Controls

The Company has put in place a system of internal controls to carry on the business of insurance in an orderly and efficient manner, so as to safeguard its assets and ensure as far as possible the accuracy and reliability of financial records. Company has in place a sophisticated internally developed software for the finance operational functions including Budgeting and Planning and MIS. Controls over the financial reporting were also reviewed during the year to ensure that the financial reporting process in place is up to date and effective. The Company has also outsourced the internal audit function to MSL Management Audit Services (Private) Ltd., the specialised

internal audit arm of Messrs Ernst & Young, a leading firm of Chartered Accountants who review and report on the effectiveness of financial, operational and compliance controls.

Auditors Report

Auditor's reports on the Financial Statements are on page 183 of this Annual Report.

Dividends

The Directors approved the payment of an Interim Dividend prior to the end of the financial year. The total value paid out as dividend amounted to LKR 363 Mn. The directors have confirmed that the company satisfies the solvency test requirements under the section 56 of the companies Act No 7 of 2007 for the final/interim dividends declared. A solvency certificate was obtained from the auditors as required subject to dividend was paid out of dividends received and out of Company profits. The Portion of Dividend paid out of Company profit was taxed.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material.

Corporate Sustainability Report

The Company has made an endeavor to compile and publish a Sustainability Report (pages 122 to 170) as a means of enhancing transparency of disclosure of information. This report also represents a commitment by the Company to record and map out initiatives taken into account vital areas such as the Environmental and in relation to enhancing the relationships with each Stakeholders Group.

Share Information

Information relating to earnings, dividends, net assets and market value per share is available in the shareholder information on pages 255 to 259 Information on share trading is given on page 256 of this report.

Shareholdings

There were 6,376 registered shareholders holding ordinary voting shares as at 31st December 2012. The distribution of shareholding is given on page 257 of this report

Substantial Shareholdings

The list of top twenty shareholders is given on page 258 of this report

Directors' Interest Register

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

a) Directors' interest in contracts with the Company

Directors' interests in contracts of the Company, both direct and indirect interests have been included in page 235 in the Related Party disclosures to the Financial Statements.

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

Disclosures in respect of shares held as at 31st December 2012

Name of Director	Number of Shares	Class of Shares	Nature of the relevant Interest
Mr. C.T.A Schaffter	12	Ordinary Shares	Personal Ownership
Ms. A Coomaraswamy	75,000	Ordinary Shares	Personal Ownership
Mrs. Manjula Mathews	850,000	Ordinary Shares	Personal Ownership

c) Disclosures in respect of shares of the Company, which have been acquired during the year.
None of the Directors of the Company have acquired shares during the year under review

d) Disclosures in respect of shares, which have been disposed during the year.
None of the Directors of the Company have disposed shares during the year under review.

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

f) Details of the remuneration and fees paid to the directors are set out in page 175 of the notes to the Financial Statements. The Board of Directors of the Company has duly approved these.

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

	2012 LKR ('000)	2011 LKR ('000)
Directors' Fees	2,430	1,547
Directors' Emoluments	21,645	21,552

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

Terms of the Policy Cover

Limit of Liability	LKR 25,000,000.00
Gross Premium	LKR 210,000.00 (subject to tax)
Period of Insurance	From 15-03-2012 to 15-03-2013
Coverage	As per standard Janashakthi D&O policy.
Exclusions	USA exclusion
	Absolute professional service exclusion
	Closely Held Exclusion
	Future offering securities exclusion
	Insurance operate exclusion
Jurisdiction	Worldwide excluding USA & Canada

Annual Report of the Board of Directors' on the Affairs of the Company Contd.

Directorate

As at 31st December 2012, the Board of Directors of Janashakthi Insurance PLC, consisted of 9 Directors whose profiles are presented in pages 23 - 25 of the Annual Report, there were no changes in the Directorate of the Company during the year under review.

The status and the date of appointment of the Board of Directors are as setout hereunder;

Name of Director	Status	Date of Appointment
Mr. W.T Ellawala	Chairman - Non - Independent Non - Executive Director	10/11/1994
Mr. C.T.A Schaffter	Deputy Chairman - Non - Independent Non - Executive Director	17/05/1994
Mr.Prakash Schaffter	Managing Director - Non - Independent Executive Director	24/05/2000
Mr.Eardley Perera	Independent Non - Executive Director	23/09/2005
Deshamanya Dr.Nihal Jinasena	Independent Non - Executive Director	23/03/2006
Mr. L.C.R de C Wijetunga	Independent Non - Executive Director	20/02/2007
Mr. Ramesh Schaffter	Non - Independent Executive Director	10/09/2004
Ms. Anushya Coomaraswamy	Independent Non - Executive Director	23/03/2006
Mrs. Manjula Mathews	Non independent Non - Executive Director	01/06/2005

Directors and their Shareholdings as at 31.12.2012 were as follows;

	2012	2011
Mr. W T Ellawala	Nil	Nil
Mr. C T A Schaffter	12	12
Mr. P A Schaffter	Nil	Nil
Mr. L C R De C Wijetunga	Nil	Nil
Deshamanya Dr T N Jinasena	Nil	Nil
Ms. A. Coomaraswamy	75,000	75,000
Mr. A D E I Perera	Nil	Nil
Mr. R Schaffter	Nil	Nil
Mrs. Manjula Mathews	850,000	850,000

Directors' Meetings

Details of Directors' meetings are presented on page 75 on this report.

Directors' Responsibility for Financial Reporting

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

Donations

There were no donations granted during the year under review.

Provisions

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

The directors have arranged an external Actuary to value the Life Fund.

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

Statutory Payments

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

Compliance with Laws and Regulations

The Company has not engaged in any activity against the prevailing laws and regulations. Compliances with provisions in laws and regulations are confirmed to the Board of Directors at Board Meetings. A detailed report on this is available under the Corporate Governance article in page 75 of this report.

Environment

The Company has not engaged in any activity that is harmful to the environment and measures taken to conserve the environment are given under Sustainability Report on page 131 and Corporate Social Responsibility on pages 150 to 151.

Outstanding Litigation

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

Events After the date of Statement of Financial Position

There were no material events occurring after the date of Statement of Financial Position.

Going Concern

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

Auditors

The accounts for the year have been audited by Messrs. SJMS Associates who are recommended for reappointment. A sum of LKR 2,804 Mn was paid to them as audit fees during the year under review. Based on the declaration from Messrs. SJMS Associates and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company other than those disclosed in this paragraph

Appointment of Auditors

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

Notice of Meeting

Notice of the meeting relating to the 20th Annual General Meeting is provided on page 270.

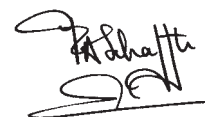
For and on behalf of the Board,



Ramesh Schaffter
Director / Board Secretary



W. T. Ellawala
Chairman



Prakash Schaffter
Managing Director

Colombo
26 February 2013

Net IBNR and Liability Adequacy Test Certification



23 February 2013

To the shareholders of Janashakthi Insurance PLC

Janashakthi Insurance PLC 31 December 2012 Net IBNR and LAT Certification

We hereby certify that the IBNR provision of LKR. 283,998,053 is adequate in relation to the Claim Liabilities of Janashakthi Insurance PLC as at 31 December 2012, net of reinsurance. This IBNR provision, together with the case reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's reported claims obligations as at 31 December 2012, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). We hereby certify that the UPR of LKR. 2,721,021,227 is adequate in relation to the unexpired risks of Janashakthi Insurance PLC as at 31 December 2012, net of reinsurance. Therefore, there is no premium deficiency to be recognised by the Company.

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

We have relied upon information and data provided by the management of the above company and we have not independently verified the data supplied, beyond applying checks to satisfy ourselves as to the reasonability of the data.

A handwritten signature in black ink, appearing to read 'M Maguire'.

Matthew Maguire

Fellow of the Institute of Actuaries of Australia (FIAA)

For and on behalf of NMG Consulting

23 February 2013

T: +65 6325 9855 F: +65 6325 4700 E: contact@NMG-Group.com
www.NMG-Group.com

NMG Financial Services Consulting Pte Ltd
Registration No: 199104459M
65 Chulia Street #37-07/08, OCBC Centre, Singapore 049513



Actuarial & Management Consultants (Pvt) Limited

1st Floor, 434, R.A. De Mel Mawatha, Colombo 03, Sri Lanka. Telephone (94)112575280/ (94)112301079 Fax: (94) 112301079

26 February 2013

To the Shareholders of Janashakthi Insurance PLC

ACTUARIAL VALUATION OF THE LONG TERM INSURANCE BUSINESS AS AT 31 DECEMBER, 2012

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December 2012. We hereby certify that, in our opinion,

- 1) Proper records have been kept by the Company which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long Term Insurance Fund.
- 2) Adequate and proper reserves have been provided as at 31 December 2012, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
- 3) The Long Term Insurance Fund as included in the audited accounts as at 31 December 2012 exceed the required actuarial reserves as at 31 December 2012 by LKR. 911.730 Mn before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.
- 4) The solvency margin required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR.227.674 Mn, including the solvency margin for the new reversionary bonus allotted as at 31 December 2012.

M Poopalanathan
Actuary



1st Floor, 434, R.A. De Mel Mawatha, Colombo 03, Sri Lanka. Telephone (94)112575280/ (94)112301079 Fax: (94) 112301079

26 February 2013

To the Shareholders of National Insurance Corporation Limited

ACTUARIAL VALUATION OF THE LONG TERM INSURANCE BUSINESS AS AT 31 DECEMBER 2012

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December 2012. We hereby certify that, in our opinion,

- 1) Proper records have been kept by the Company which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long Term Insurance Fund.
- 2) Adequate and proper reserves have been provided as at 31 December 2012, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
- 3) The actuarial reserves required as at 31 December 2012 exceed the Long Term Insurance Fund as included in the audited accounts as at 31 December 2012, by Rs 262.184 Mn. Hence there is a net deficit of LKR. 262.184 Mn, before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.
- 4) The Actuarial Reserve required for the reversionary bonus declared as at 31 December 2012 is LKR.4.850 Mn.
- 5) The solvency margin required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR. 26.680 Mn.

This solvency margin can either be maintained within the Long Term Insurance Fund or within the Shareholders' Fund. I recommend that an amount equivalent to the required solvency margin be maintained within the Shareholders' Fund and be invested and maintained in admissible assets as required under the Regulation of Insurance Industry Act No. 43 of 2000, provided sufficient net assets are available to cover the solvency margin together with the deficit in the Long Term Insurance Fund, a total of LKR.293.715 Mn. If sufficient net assets are not available, additional capital will be required.



M Poopalanathan
Actuary

Statement of Directors' Responsibility

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

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the Company as at end of the financial year and the profit and loss for the financial year.

The Directors are required to prepare these Financial Statements on the going concern basis, unless it is not appropriate.

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

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

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

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

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

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

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

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

BY ORDER OF THE BOARD



Ramesh Schaffter
Director / Board Secretary
Colombo

26 February 2013

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

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000. There are no departures from the prescribed Accounting Standards in their adoption. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied other than for changes arising from the implementation of Sri Lankan Financial reporting Standards with effect from 1st January, 2012 Financial Reporting. All such changes have been duly explained and highlighted. (material departures, if any, have been disclosed and explained).

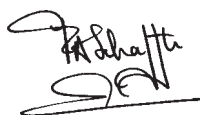
The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflects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

Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established Policies and Procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any System of Internal Controls and Accounting.

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

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

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



Prakash Schaffter
Managing Director / Chief Executive Officer



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

26 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JANASHAKTHI INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Janashakthi Insurance PLC, which comprise the statement of financial position as at 31st December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Sections 151(2) of the Companies Act No. 07 of 2007. Pursuant to Section 47(2) of the Regulation of Insurance Industry Act No.43 of 2000, we also report, so far as appears from our examination, proper accounting records have been maintained as required by the relevant rules made by the Insurance Board of Sri Lanka.



SJMS ASSOCIATES
Chartered Accountants
Colombo

26th February 2013

P. E. A. Jayewickreme, M. B. Ismail, Ms. A. M. J. Patrick, T. Krishnakumar, Ms. S. L. Jayasuriya, D. S. W. Andradi,
G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola, R. H. M. Minfaz, Ms. S. Y. Kodagoda

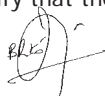
Statement of Financial Position

As At

	Note	31.12.2012 LKR'000	Restated 31.12.2011 LKR '000	Restated 01.01.2011 LKR'000
Assets				
Financial Assets	4	10,360,135	8,287,664	7,009,829
Investment Property	5	1,076,928	1,078,100	1,243,100
Intangible Assets	6	7,461	2,474	5,263
Property, Plant and Equipment	7	380,008	304,651	318,051
Policyholder & Other Loans	8	370,993	339,187	266,341
Reinsurance Receivable		386,406	400,121	548,122
Premium Receivables	9	1,420,253	1,094,360	999,412
Other Assets	10	704,213	837,534	548,113
Deferred Tax Asset	11	105,062	73,859	18,931
Deferred Expenses	12	611,369	568,310	460,713
Cash in Hand and Balance at Bank	13	421,109	513,129	1,023,166
Total Assets		15,843,938	13,499,389	12,441,041
Equity and Liabilities				
Equity				
Stated Capital	14	1,496,000	1,496,000	1,496,000
Revenue Reserves	15	1,880,379	1,481,228	1,364,180
Total Equity		3,376,379	2,977,228	2,860,180
Liabilities				
Insurance Liability - Life	16	5,633,225	4,695,488	3,796,038
Insurance Liability - Non Life	17	4,622,516	4,067,606	3,857,961
Retirement Benefit Obligation	18	210,162	178,916	137,263
Deferred Revenue	19	96,826	93,763	72,156
Interest Bearing Borrowings	20	392,952	99,002	464,788
Other Liabilities	21	1,511,877	1,387,386	1,252,655
Total Liabilities		12,467,558	10,522,161	9,580,860
Total Equity and Liabilities		15,843,938	13,499,389	12,441,041

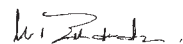
The accounting policies on pages 196 to 211 and notes on pages 212 to 249 are an integral part of these Financial Statements.

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



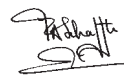
Bertal Pinto-Jayawardene
General Manager-Finance & Planning

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



W.T. Ellawala
Chairman

Colombo
26 February, 2013



Prakash Schaffter
Managing Director

Income Statement

For the year Ended

	Note	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000
Gross Written Premium	22	7,985,203	7,128,397
Less: Premium Ceded to Reinsurers		(824,561)	(723,831)
Net Written Premium		7,160,642	6,404,566
Net Change in Reserve for Unearned Premium	23	(321,832)	(328,658)
Net Earned Premium		6,838,810	6,075,909
Other Revenue			
Fee and Commission Income	24	209,313	178,666
Investment Income	25	1,219,232	845,454
Realised Gains / (Losses)	26	(52,218)	102,261
Fair Value Gains / (Losses)	27	(81,323)	(159,518)
Other Operating Revenue	28	132,842	56,313
Total Other Revenue		1,427,846	1,023,176
Total Net Income		8,266,656	7,099,084
Benefits and Claims			
Gross Claims and Benefits Paid	29.1	(3,565,719)	(3,352,644)
Claims Ceded to Reinsurers	29.2	201,269	182,654
Gross Change in Contract Liabilities	29.3	(197,029)	131,687
Change in Contract Liabilities Ceded to Reinsurers	29.4	98,172	(5,665)
Increase in Life Insurance Fund		(917,073)	(905,978)
Underwriting & Net Acquisition Cost	30	(1,245,001)	(1,113,596)
Total Benefits, Claims & Net Acquisition Cost		(5,625,382)	(5,063,543)
Finance Cost	31	(10,687)	(7,423)
Other Operating and Administrative Expenses	32	(1,767,089)	(1,494,543)
Other Expenses		(1,777,775)	(1,501,966)
Profit before Taxation	33	863,498	533,576
Income Tax Expense	34	(63,102)	(39,235)
Profit for the year		800,396	494,341
Profit attributable to:			
Equity holders		800,396	494,341
		800,396	494,341
Basic earnings per share (LKR)	35	2.20	1.36

Values in brackets indicate deductions

The accounting policies on pages 196 to 211 and notes on pages 212 to 249 are an integral part of these Financial Statements.

Colombo
26 February, 2013

Statement of Comprehensive Income Contd.
For the year Ended

	Note	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000
Profit for the year		800,396	494,341
Other Comprehensive Income			
<u>Available for Sale Financial Assets</u>			
Changes in fair value		1,142	(12,592)
Realised gain / (loss) transferred to profits on disposal		(37,869)	2,275
Gain on revaluation of properties		19,680	
Other Comprehensive Income		(17,047)	(10,317)
Total Comprehensive Income for the year		783,350	484,024
Total Comprehensive Income attributable to:			
Equity holders		783,350	484,024
		783,350	484,024

Values in brackets indicate deductions

The accounting policies on pages 196 to 211 and notes on pages 212 to 249 are an integral part of these Financial Statements.

Colombo
26 February, 2013

Statement of Changes in Equity

For the year Ended

	Stated Capital LKR '000	Revenue Reserves			Total LKR '000	Total LKR '000
		Retained Earnings LKR '000	Available-for- -sale Reserve LKR '000	Revaluation Reserve LKR '000		
Balance as at 31 December 2010	1,496,000	1,205,755	-	-	1,205,755	2,701,755
Prior period adjustments	-	104,745	53,680	-	158,425	158,425
Balance as at 1 January 2011 - Restated	1,496,000	1,310,500	53,680	-	1,364,180	2,860,180
Issue of Ordinary Shares	-	-	-	-	-	-
Profit for the year (prior to transfers from AFS reserves) - Restated	-	477,390	-	-	-	-
Amounts Transferred from AFS Reserve on Disposal of Assets	-	16,951	-	-	-	-
Profit for the year (after to transfers from AFS reserves) - Restated	-	494,341	-	-	494,341	-
Changes in fair value of AFS assets	-	-	(12,592)	-	-	-
Total Amounts Transferred from AFS Reserve on Disposal of Assets	-	-	2,275	-	-	-
Other Comprehensive Income for the year	-	-	-	-	(10,317)	-
Total Comprehensive Income for the Year	-	-	-	-	484,024	484,024
Transfers to Life Insurance Fund	-	-	(3,977)	-	(3,977)	(3,977)
Dividends paid	-	(363,000)	-	-	(363,000)	(363,000)
Balance as at 31 December 2011 - Restated	1,496,000	1,441,841	39,387	-	1,481,228	2,977,228
Issue of Ordinary Shares	-	-	-	-	-	-
Profit for the year (prior to Other Comprehensive Income)	-	761,010	-	-	-	-
Amounts Transferred from AFS Reserve on Disposal of Assets	-	39,387	-	-	-	-
Profit for the year (after Other Comprehensive Income)	-	800,396	-	-	800,396	-
Changes in fair value of AFS assets	-	-	1,142	-	-	-
Revaluation Changes	-	-	-	19,680	-	-
Total Amounts Transferred from AFS Reserve on Disposal of Assets	-	-	(37,869)	-	-	-
Other Comprehensive Income for the year	-	-	-	-	(17,047)	-
Total Comprehensive Income for the Year	-	-	-	-	783,350	783,350
Transfers to Life Insurance Fund	-	-	(1,518)	(19,680)	(21,198)	(21,198)
Dividends paid	-	(363,000)	-	-	(363,000)	(363,000)
Balance as at 31 December 2012	1,496,000	1,879,237	1,142	-	1,880,379	3,376,380

Values in brackets indicate deductions

The Company paid a total dividend of LKR 1.00 per share in 2012 (2011-LKR 1.00 per share)

Colombo

26 February, 2013

Statement of Cash Flows

For the year Ended

	Note	31.12.2012 LKR '000	31.12.2011 LKR '000
Cash Flows From / (Used in) Operating Activities			
Premium Received from Customers		7,607,914	7,048,623
Reinsurance Premium Paid		(845,470)	(693,037)
Claims Paid		(3,565,716)	(3,352,644)
Reinsurance Receipt in Respect of Claims		279,963	316,960
Interest Received		1,147,319	704,128
Dividends Received		16,837	15,766
Other Operating Cash Payments		(2,317,365)	(2,437,790)
Cash Flows From Operating Activities	A	2,323,482	1,602,005
Gratuity Paid		(12,940)	(12,868)
Income Tax Paid		(33,898)	(62,356)
Net Cash Generated by Operating Activities		2,276,645	1,526,782
Cash Flows From / (Used in) Investing Activities			
Net draw down/(Purchase) of Investments		(2,175,048)	(1,231,213)
Purchase of Property, Plant and Equipment		(207,724)	(75,750)
Disposal of Property, Plant and Equipment		101,025	6,603
Purchase of Intangible Assets		(7,181)	(250)
Disposal of Intangible Assets		-	-
Net Cash From Investing Activities		(2,288,928)	(1,300,610)
Net Cash Flows Before Financing Activities		(12,283)	226,172
Cash Flows From / (Used in) Financing Activities			
Interest Paid on Borrowings		(10,687)	(7,423)
Ordinary Dividends Paid		(363,000)	(363,000)
Net Cash From Financing Activities		(373,687)	(370,423)
Net Increase / (Decrease) in Cash and Cash Equivalents	B	(385,970)	(144,251)

Values in brackets indicate deductions

The accounting policies on pages 196 to 211 and notes on pages 212 to 249 are an integral part of these Financial Statements.

Notes to the Statement of Cash Flows

For the year Ended

	31.12.2012 LKR '000	31.12.2011 LKR '000
A Cash Flow from Operating Activities		
Profit before Tax	863,498	533,576
Finance Cost	10,687	
(Profit)/Loss on sale of: Property, Plant & Equipment	(34,745)	(1,987)
Provision for Diminution in Value of Investments	207,395	206,054
Fair value (gains)/Loss on investment properties	1,172	
Provision for Retirement Benefit	44,186	54,521
Depreciation and Amortisation Expenses	83,879	90,161
Provision for Bad Debts	37,205	16,903
Net Foreign Exchange Loss	(5,485)	1,666
Changes in Working Capital		
(Increase)/Decrease in Premium and Other Receivables	(325,893)	(419,203)
Increase/(Decrease) in Reinsurance Receivable	13,714	
Increase/(Decrease) in Other Assets	(117,467)	
Increase/(Decrease) in Policy holders & other loans	(31,807)	
Increase/(Decrease) in Insurance provision - Life	937,737	898,137
Increase/(Decrease) in Insurance Provision - Non Life	514,914	123,776
Increase/(Decrease) in Creditors	124,491	98,401
Net Cash Flow from Operating Activities	2,323,482	1,602,005
B Increase / (Decrease) in Cash and Cash Equivalents		
Cash in Hand and Balance at Bank	421,109	513,129
Bank Overdrafts	(392,952)	(99,002)
Net Cash and Cash Equivalents for the Current Year	28,157	414,127
Net Cash and Cash Equivalents for the Previous Year	414,127	558,378
Increase / (Decrease) in Cash and Cash Equivalents During the Year	(385,970)	(144,250)

Values in brackets indicate deductions

The accounting policies on pages 196 to 211 and notes on pages 212 to 249 are an integral part of these Financial Statements.

Income Statement- Segmental Review

For the year Ended

	31.12.2012			Restated 31.12.2011		
	Non - Life Insurance LKR'000	Life Insurance LKR'000	Total LKR'000	Non - Life Insurance LKR'000	Life Insurance LKR'000	Total LKR'000
	Gross Written Premium	5,960,127	2,025,075	7,985,203	5,256,411	1,871,986
Less: Premium Ceded to Reinsurers	(785,688)	(38,872)	(824,561)	(694,483)	(29,347)	(723,831)
Net Written Premium	5,174,439	1,986,203	7,160,642	4,561,927	1,842,639	6,404,566
Net Change in Reserve for Unearned Premium	(321,832)	-	(321,832)	(328,658)	-	(328,658)
Net Earned Premium	4,852,607	1,986,203	6,838,810	4,233,270	1,842,639	6,075,909
Other Revenue						
Fee and Commission Income	159,555	49,757	209,313	155,544	23,123	178,666
Investment Income	605,559	613,673	1,219,232	478,550	366,903	845,454
Net Realised Gains/ (Losses)	(2,412)	(49,806)	(52,218)	104,927	(2,666)	102,261
Fair Value Gains/ (Losses)	(79,359)	(1,964)	(81,323)	(126,149)	(33,369)	(159,518)
Other Operating Revenue	131,312	1,530	132,842	54,350	1,963	56,313
Total Other Revenue	814,655	613,190	1,427,846	667,222	355,953	1,023,176
Total Net Income	5,667,262	2,599,393	8,266,656	4,900,492	2,198,592	7,099,084
Benefits and Claims						
Gross Claims and Benefits Paid	(3,108,516)	(457,203)	(3,565,719)	(2,926,793)	(425,851)	(3,352,644)
Claims Ceded to Reinsurers	168,777	32,491	201,269	168,912	13,742	182,654
Gross Change in Contract Liabilities	(188,834)	(8,195)	(197,029)	139,019	(7,332)	131,687
Change in Contract Liabilities Ceded to Reinsurers	97,819	354	98,172	170	(5,835)	(5,665)
Increase in Life Insurance Fund	-	(917,073)	(917,073)	-	(905,978)	(905,978)
Underwriting & Net Acquisition Costs	(795,131)	(449,870)	(1,245,001)	(669,312)	(444,285)	(1,113,596)
Total Benefits, Claims & Net Acquisition Cost	(3,825,884)	(1,799,497)	(5,625,382)	(3,288,004)	(1,775,539)	(5,063,543)
Finance Cost	(10,606)	(81)	(10,687)	(7,312)	(111)	(7,423)
Other Operating and Administrative Expenses	(1,270,994)	(496,095)	(1,767,089)	(1,071,600)	(422,943)	(1,494,543)
Other Expenses	(1,281,600)	(496,176)	(1,777,775)	(1,078,912)	(423,054)	(1,501,966)
Profit before Taxation	559,778	303,720	863,498	533,576	-	533,576
Income Tax Expense	-	-	(63,102)	-	-	(39,235)
Profit for the year	-	-	800,396	-	-	494,341
Other Comprehensive Income						
Available for Sale Financial Assets						
Changes in fair value	1,142	-	1,142	3,192	(15,784)	(12,592)
Realised gain / (loss) transferred to profits on disposal	(39,387)	1,518	(37,869)	(16,951)	19,226	2,275
Gain on revaluation of properties	-	19,680	19,680	-	-	-
Other Comprehensive Income	(38,245)	21,198	(17,047)	(13,760)	3,443	(10,317)
Total Comprehensive Income for the year	-	-	783,350	-	-	484,024

Cash Flow Statement - Segmental Review

For the year Ended

	31.12.2012			31.12.2011		
	Non - Life Insurance LKR'000	Life Insurance LKR'000	Total LKR'000	Non - Life Insurance LKR'000	Life Insurance LKR'000	Total LKR'000
Cash Flows From / (Used in) Operating Activities						
Premium Received from Customers	5,618,565	1,986,349	7,607,913	5,176,636	1,871,986	7,048,623
Reinsurance Premium Paid	(788,623)	(56,848)	(845,470)	(658,808)	(34,228)	(693,037)
Claims Paid	(3,108,513)	(457,203)	(3,565,716)	(2,926,793)	(425,851)	(3,352,644)
Reinsurance Receipt in Respect of Claims	280,317	(354)	279,963	311,125	5,835	316,960
Interest Received	564,603	582,716	1,147,319	382,974	321,154	704,128
Dividends Received	12,648	4,189	16,837	12,282	3,484	15,766
Other Operating Cash Payments	(951,967)	(1,365,398)	(2,317,365)	(1,655,051)	(782,739)	(2,437,790)
Cash Flows From Operating Activities	1,627,031	696,451	2,323,482	642,364	959,641	1,602,005
Cash Flows From / (Used in) Investing Activities						
Gratuity Paid	(12,940)	-	(12,940)	(12,868)	-	(12,868)
Income Tax Paid	(33,898)	-	(33,898)	(62,356)	-	(62,356)
Net Cash Generated by Operating Activities	1,580,193	696,451	2,276,645	567,141	959,641	1,526,782
Cash Flows From / (Used in) Investing Activities						
Net drawdown/(Purchase) of Investments	(724,656)	(1,450,392)	(2,175,048)	(837,978)	(393,236)	(1,231,213)
(Purchase) / Disposal of Investment Property	(249,948)	249,948	-	-	-	-
Purchase of Property, Plant and Equipment	(207,724)	-	(207,724)	(75,750)	-	(75,750)
Disposal of Property, Plant and Equipment	101,025	-	101,025	6,603	-	6,603
Purchase of Intangible Assets	(7,181)	-	(7,181)	(250)	-	(250)
Disposal of Intangible Assets	-	-	-	-	-	-
Net Cash From Investing Activities	(1,088,484)	(1,200,443)	(2,288,928)	(907,374)	(393,236)	(1,300,610)
Net Cash Flows before Financing Activities	491,709	(503,992)	(12,283)	(340,233)	566,405	226,172
Cash Flows from / (Used in) Financing Activities						
Interest Paid on Borrowings	(10,606)	(81)	(10,687)	(7,312)	(111)	(7,423)
Ordinary Dividends Paid	(363,000)	-	(363,000)	(363,000)	-	(363,000)
Net Cash From Financing Activities	(373,606)	(81)	(373,687)	(370,312)	(111)	(370,423)
Net Increase/ (Decrease) in Cash and Cash Equivalents	118,103	(504,073)	(385,970)	(710,545)	566,294	(144,252)

Non - Life Insurance

Statement of Financial Position - Segmental Review

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Assets			
Financial Instruments	4,787,844	4,277,660	3,392,438
Investment Property	1,038,828	790,052	887,152
Intangible Assets	7,461	2,474	5,263
Property, Plant and Equipment	216,475	159,160	170,777
Other Loans	282,641	252,406	178,601
Reinsurance Receivable	381,326	395,394	532,414
Premium Receivables	1,386,285	1,094,360	1,004,557
Other Assets	478,756	654,429	393,915
Deferred Tax Asset	105,062	73,859	18,931
Deferred Expenses	611,369	568,310	460,713
Cash in Hand and Balance at Bank	284,487	132,981	899,271
Total Assets	9,580,533	8,401,085	7,944,033
Equity and Liabilities			
Equity			
Stated Capital	1,496,000	1,496,000	1,496,000
Revenue Reserves	1,880,379	1,481,226	1,364,180
Total Equity	3,376,380	2,977,227	2,860,181
Liabilities			
Insurance Provision - Non Life	4,622,516	4,067,606	3,857,961
Retirement Benefit Obligation	210,162	178,916	137,263
Deferred Revenue	96,826	93,763	72,156
Interest Bearing Borrowings	120,948	87,544	100,616
Other Liabilities	1,153,701	996,029	915,856
Total Liabilities	6,204,153	5,423,859	5,083,852
Total Equity and Liabilities	9,580,533	8,401,085	7,944,033

The above Non - Life Insurance Statement of Financial Position should be read in conjunction with the Company's Statement of Financial Position on page 184 Accounting Policies and Notes to the Financial Statements from page 196 to 249.

Life Insurance

Statement of Financial Position - Segmental Review

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Assets			
Financial Instruments	5,572,291	4,010,004	3,617,391
Investment Property	38,100	288,048	355,948
Property, Plant and Equipment	163,534	145,489	147,274
Policyholder Loans	88,353	86,781	87,740
Reinsurance Receivable	5,081	4,727	10,562
Premium Receivables	33,968	-	-
Other Assets	225,456	183,106	154,195
Cash in Hand and Balance at Bank	136,622	380,148	127,353
Total Assets	6,263,405	5,098,302	4,500,461
Liabilities			
Insurance Provision - Life	5,633,225	4,695,488	3,796,038
Interest Bearing Borrowings	272,005	11,457	367,624
Other Liabilities	358,175	391,357	336,799
Total Liabilities	6,263,405	5,098,302	4,500,461

The above Life Insurance Statement of Financial Position should be read in conjunction with the Company's Statement of Financial Position on page 184, Accounting Policies and Notes to the Financial Statements from page 196 to 249.

Life - Insurance

(Life Insurance Fund of the former National Insurance Corporation Ltd)

Statement of Financial Position - Segmental Review

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Assets			
Financial Instruments	401,472	398,805	716,491
Investment Property	38,100	38,100	106,000
Policyholder Loans	57,817	65,193	70,002
Other Assets	85,399	84,850	81,914
Cash in Hand and Balance at Bank	8,109	4,230	9,035
Total Assets	590,897	591,178	983,442
Liabilities			
Insurance Provision - Life	288,115	481,574	648,159
Interest Bearing Borrowings	200,167	11,457	239,520
Other Liabilities	102,615	98,146	95,762
Total Liabilities	590,897	591,178	983,442

The above Life Insurance Statement of Financial Position should be read in conjunction with the Company's Statement of Financial Position on page 184, Accounting Policies and Notes to the Financial Statements from page 196 to 249.

Underwriting Results - Segmental Review

For the year Ended

	31.12.2012			Restated 31.12.2011		
	Non - Life Insurance	Life Insurance	Total	Non - Life Insurance	Life Insurance	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Gross Written Premium	5,960,127	2,025,075	7,985,203	5,256,411	1,871,986	7,128,397
Less: Premium Ceded to Reinsurers	(785,688)	(38,872)	(824,561)	(694,483)	(29,347)	(723,831)
Net Written Premium	5,174,439	1,986,203	7,160,642	4,561,927	1,842,639	6,404,566
Net Change in Reserve for Unearned Premium	(321,832)	-	(321,832)	(328,658)		(328,658)
Net Earned Premium	4,852,607	1,986,203	6,838,810	4,233,270	1,842,639	6,075,909
Benefits and Claims						
Gross Claims and Benefits Paid	(3,063,497)	(457,203)	(3,520,701)	(2,926,793)	(425,851)	(3,352,644)
Claims Ceded to Reinsurers	168,777	32,491	201,269	168,912	13,742	182,654
Gross Change in Contract Liabilities	(233,852)	(8,195)	(242,048)	139,019	(7,332)	131,687
Change in Contract Liabilities Ceded to Reinsurers	97,819	354	98,172	170	(5,835)	(5,665)
Underwriting & Net Acquisition Costs	(795,131)	(449,870)	(1,245,001)	(669,312)	(444,285)	(1,113,596)
Total Benefits, Claims & Net Acquisition Cost	(3,825,884)	(882,424)	(4,708,309)	(3,288,004)	(869,560)	(4,157,564)
Underwriting Results	1,026,723	1,103,778	2,130,501	945,266	973,079	1,918,345

The above underwriting report should be read in conjunction with the Company's Income Statement on page 185, Accounting Policies and Notes to the Financial Statements from page 196 to 249.

Explanatory Information and Summary of Significant Accounting Policies

1. GENERAL INFORMATION

1.1 Domicile & Legal Form

Janashakthi Insurance PLC (“JIPLC”) is a limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. Janashakthi Limited is the parent undertaking of Janashakthi Insurance PLC. The registered office of the company is at No. 55/72, Vauxhall Lane, Colombo 02, while principal places of business are located at No. 55/60, Vauxhall Lane, Colombo 02, No. 24 Staples Street, Colombo 02 and No. 46, Muttiah Road, Colombo 02.

1.2 Principal Activities and Nature of Operations

JIPLC is primarily engaged in carrying out all classes of Life Insurance and Non Life Insurance business.

JIPLC’s Life Insurance business offers a broad range of protection products including life insurance, health products and retirement products. Revenue from this segment is derived primarily from insurance premia, fees and commission income, investment income and fair value gains and losses on investments.

The Non Life Insurance business mainly provides insurance products on motor, fire, marine and health. The majority of the Non - Life Insurance business comprises the motor insurance business with the flagship brand of “Janashakthi Full Option”. Revenue from this segment is derived primarily from insurance premia, fees and commission income, investment income and fair value gains and losses on investments.

1.3 Date of Authorisation for Issue

The Financial Statements of the company for the year ended 31 December 2012 were approved for distribution by the Directors on 26 February 2013.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of Compliance

The Statement of Financial Position, Total Comprehensive Income, Changes in Equity, Cash Flow and Notes together with the Summary of Significant Accounting Policies (being the “Financial Statements”) of the company have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka (CA), which based on International Financial Reporting Standards and International Accounting Standards (“IFRSs” & “IASs”), as issued by the International Accounting Standards Board.

2.2 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for the measurement of land and building at the revalued amount, investment properties at fair value, financial assets and financial liabilities at fair value through profit/ (loss) at fair value and available for sale financial assets at fair value as explained in Notes 3.1, 3.2, 3.4 to the Financial Statements.

2.3 Going Concern

When preparing the Financial Statements the Directors have assessed the ability of the company to continue as a going concern. The Directors have a reasonable expectation that the company have adequate resources together with sufficient renewing income from customers, to continue in operational existence for the foreseeable future. The company does not foresee a need for liquidation or cessation of trading, taking into account all available information about future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

2.4 First-time adoption of SLFRS

These Financial Statements are prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) as defined by LKAS 1.

For all periods up to and including the year ended 31 December 2011, the company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLASs) prevailing at the time. In preparing the current Financial Statements for the year ended 31 December 2012, the company has for the first time adopted the SLFRSs and LKASs.

Accordingly, the Financial Statements have been prepared in accordance with the SLFRSs effective for periods ending on or after 31 December 2012, with relevant adjustments being made to the Financial Statements for the comparative period ended 31 December 2011, as described in the accounting policies. In preparing these Financial Statements, the company’s opening statement of financial position was prepared as at 1 January 2011, the company’s

date of transition to SLFRS. Notes on pages 238 to 242 explains the principal adjustments made by the company in restating its statement of financial position as at 1 January 2011 and its previously published Financial Statements as at and for the year ended 31 December 2011.

The presentation and classification of the Financial Statements of the previous period have been amended as required by SLFRS 1- First-time Adoption of Sri Lanka Financial Reporting Standards.
Reconciliations of Previous GAAP to SLFRS

SLFRS 1 requires the company to provide reconciliation of Equity reported in accordance with previous SLAS and Equity reported in accordance with SLFRSs for the date of transition and last period presented in the entity's most recent annual Financial Statements, which were 1 January 2011 and 31 December 2011 respectively. Comprehensive income has been reconciled for the year 2011. Moreover, SLFRS 1 requires the provision of an additional reconciliation in respect of the cash flow statement if there are material adjustments. The adoption of SLFRSs and LKAs has not changed the company's actual cash flows. However it has resulted in certain changes to the company's reported financial position and results of operations. SLFRSs and LKAs have also resulted in a number of presentation changes on the face of the company's Financial Statements. Explanations for the transitional adjustments and presentation of reclassifications are set out in pages 238 to 241 to the Financial Statements.

First-time adoption exemptions

SLFRS 1 provides for exemptions from full retrospective application of certain standards. In preparing these Financial

Statements. Accordingly, the company has applied the following applicable mandatory exceptions. It has not applied any of the optional exemptions

Applicable Mandatory Exemptions

Accounting Estimates

Significant accounting judgment, estimates and assumptions as of 1 January 2012 and at 31 December 2011 are consistent with those made for the same dates in accordance with previous Sri Lanka Accounting Standards effective up to 31 December 2011 (after making adjustments to reflect any differences in accounting policies) apart from the Available-for-sale financial assets - being unquoted Equity shares where application of previous accounting standards did not require estimation:

The estimates used by the company to present these amounts in accordance with SLFRS / LKAs effective from 1 January 2012 reflect conditions as at 1 January 2011, the date of transition to SLFRS / LKAs and as at 31 December 2011.

2.5 New Accounting Standards issued but not yet effective as at the date of Statement of Financial Position

The following new standards, amendments and interpretations to existing standards have been published by the Institute of Chartered Accountants of Sri Lanka, but are not yet effective up to the date of authorisation of these Financial Statements. Any possible impact on the Financial Statements consequent to the application of the above new standards have not yet been assessed. The company intends to adopt these standards, interpretations and amendments to existing standards that are expected to be relevant to the company's Financial Statements as and when they become effective.

SLFRS 9 Financial Instruments

SLFRS 12 Disclosure of interests in other entities

SLFRS 13 Fair value measurements

2.6 Significant accounting judgments, estimates and assumptions

The preparation of the company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. (These factors could include judgment, estimate and assumptions.)

Judgments

In the process of applying the company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the Financial Statements.

Explanatory Information and Summary of Significant Accounting Policies Contd.

Leases

Leases in which substantially all the risks and rewards of ownership have been transferred to the Company are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

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

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

Discount rates are based on the guidelines provided by IBSL, which is 55% of the last 3 years Life Fund Yield.

The carrying value at the date of Statement of Financial Position of Life Insurance contract liabilities is LKR. 5,633 Mn (2011:LKR. 4,695 Mn)

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the date of Statement of Financial Position and for the expected ultimate cost of claims incurred but not yet reported at the date of Statement of Financial Position (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the Statement of Financial Position liability.

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

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

The carrying value at the date of Statement of Financial Position of non-life insurance contract liabilities is LKR. 4,623 Mn (2011:LKR. 4,068 Mn).

(b) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The carrying value at the date of Statement of Financial Position of financial assets is LKR. 10,360 Mn (2011:LKR. 8,288 Mn).

(c) Valuation of pension benefit obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due

to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are specified in Note 18 to the Financial Statements.

The carrying value at the date of Statement of Financial Position of pension benefit obligation is LKR 210 Mn (2011: LKR. 179 Mn).

(d) Fair Value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When a financial instrument is initially recognised, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the fair value of a financial asset quoted in an active market is generally the bid price and, for a financial liability quoted in an active market, the fair value is generally the ask price. For financial instruments such as cash equivalents and short-term investments that have a short duration, the carrying value of these instruments approximates fair value.

Fair value measurements used in these Financial Statements have been classified by using a fair value hierarchy based upon the transparency of the inputs used in making the measurements specified in Note 4(c) to the Financial Statements.

(e) Income tax

The company is subject to income taxes and significant judgment is required in determining the overall provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

(f) Impairment of available-for-sale equity financial assets

The company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the company evaluates among other factors, the normal volatility in share price. In making this judgment, the company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. Had all the declines in fair values below cost been considered significant or prolonged, the company would suffer an additional loss in its 2012 Financial Statements, being the transfer of the total Equity reserve for unrealised losses to the income statement.

(g) Deferred policy acquisition costs (DAC)

The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition

2.7 Functional and Presentation Currency

The functional currency of the company is determined to be Sri Lankan Rupees and the Financial Statements are also presented in Sri Lankan Rupees. All values presented in the Financial Statements are rounded to the nearest thousand (LKR '000) unless otherwise indicated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial assets

The company classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification is determined by management at initial recognition and is based on the purpose for which the investments were acquired.

3.1.1 Classification

(a) Financial assets at fair value through profit or loss This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedge instruments.

Explanatory Information and Summary of Significant Accounting Policies Contd.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance and those that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the company's key management personnel. The company's investment strategy is to invest in Equity and debt securities and to evaluate them with reference to their fair values.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity, other than those that :

- the company upon initial recognition designates as at fair value through profit or loss; or
- the company designates as available for sale; and
- that meet the definition of loans and receivables.

Interests on held-to-maturity investments are included in the income statement and are reported as 'Investment income'. In the case of an impairment, it is being reported as a deduction from the carrying value of the investment and recognised in the income statement as 'Net gains/(losses) on investment securities'.

(d) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to a need for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

3.1.2 Recognition and measurement

Regular-way purchases and sales of financial assets are recognised on trade-date - the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the company has also transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of investment income when the company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as net realised gains/losses on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the company's right to receive payments is established. Both are included in the investment income line.

3.1.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. The quoted market price used for financial assets held by the company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated Statement of Financial Position.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairments. The fair value for loans

and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

3.1.4 Reclassification

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

3.1.5 Impairment

(a) Financial assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. Objective evidence that a financial asset or Group of assets is impaired includes observable data that comes to the attention of the company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a Group of financial assets since the initial recognition of those assets,

Explanatory Information and Summary of Significant Accounting Policies Contd.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. [As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.]

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risks.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating),

the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Assets classified as available for sale

The company assesses at each date of the financial position whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss - measured as the difference between the acquisition cost and/ or the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the Income Statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3.1.6 De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- 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.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

3.2 Investment Properties

Property held for long-term rental yields that is not occupied by the company is classified as investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the Income Statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the Income Statement.

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

3.3 Intangible Assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, if there are significant differences from the previous estimates the effect of such changes in estimate are accounted on a prospective basis.

The estimated useful lives of Intangible Assets are as follows:

Computer Software	04 years
-------------------	----------

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

3.4 Property And Equipment

3.4.1 Cost / Revaluation

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of property and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use. Where items of property and equipment are subsequently re-valued, the entire class of such assets is re-valued. The company has adopted a policy of revaluing freehold land and building every 03 years. However, when the fair value of assets subject to revaluation defers materially from the carrying amount a further revaluation is done.

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

Explanatory Information and Summary of Significant Accounting Policies Contd.

3.4.2 Depreciation

Depreciation is charged to income statement so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any change in estimate accounted for on a prospective basis. The estimated useful lives of property, plant and equipment are as follows;

<u>The class of tangible assets</u>	<u>Useful life</u>
Buildings	40 years
Improvements on buildings under lease	5-10 years
Equipment	04 years
Furniture & fixtures	05 years
Motor vehicles	04 years

The assets' residual values, and useful lives and method are reviewed and adjusted if appropriate at each financial year end.

Improvements on leasehold assets that meet the recognition criteria as an item of property and equipment are depreciated over their expected useful lives or the lease period whichever is lower.

3.4.3 De-recognition

Items of property and equipment are de-recognised upon disposal or when no future economic benefits are expected from its use. Gain or loss arising on de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognised in the income statement.

3.4.4 Impairment of Tangible and Intangible Assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease.

3.5 Reinsurance contracts held

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the company under which the contract holder is another insurer are included with insurance contracts.

The benefits to which the company is entitled under its reinsurance contracts are recognised as reinsurance assets. 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 or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the company for the related

claim, the difference is amortised over the estimated remaining settlement period.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

3.6 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The impairment loss is calculated under the same method used for these financial assets.

3.7 Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the

insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

3.7 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

3.8 Other Assets

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

Advances, Deposits and Prepaid Expenditure

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

Other Debtors and Amounts Receivable From Related Companies

Other debtors and dues from related parties are recognised at cost less impairment loss.

Taxation Receivable

Taxation receivable is recognised at cost less impairment loss.

Inventories

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

3.9 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents. In the consolidated Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Explanatory Information and Summary of Significant Accounting Policies Contd.

3.10 Insurance Contract Liabilities

3.10.1 Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company. Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Income Statement over the life of the contract, whereas losses are fully recognised in the Income Statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

3.10.1.1 Liability Adequacy Test

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate using

current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Income Statement by creating an additional provision in the Statement of Financial Position.

3.10.2 Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled as at the date of Statement of Financial Position, 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, and therefore the ultimate cost of these items cannot be known with certainty as at the date of Statement of Financial Position.

3.10.2.1 Liability Adequacy Test

At each reporting date, the company reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets relating to the relevant general business provisions. If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Income Statement by creating a provision in the Statement of Financial Position.

3.10.3 Product Classification

Insurance contracts are those contracts where the company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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. All of the insurance policies issued by the company transfer significant insurance risk and have been classified as insurance contracts in accordance with SLFRS 4 Insurance Contracts.

Certain insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

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

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

3.11 Provisions (excluding Insurance contracts)

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a

reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Employee Benefits

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund (EPF) Contributions and Employees' Trust Fund (ETF) Contributions in line with the respective statutes and regulations. The company pays a fixed percentage of gross emoluments of employees as contributions to the Employees' Provident Fund and Employees' Trust Fund respectively and will have no legal or constructive obligation to pay any further amounts.

Defined benefit plans

Defined benefit plans are post-employment plans other than defined contribution plans. The company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. A provision for the obligations under the Act is determined based on an actuarial valuation, using the Projected Unit Credit Method, carried out by a professional actuary at the end of each reporting period. The liability is not externally funded.

The company's defined benefit obligations as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains & losses resulting from changes in actuarial assumptions are recognised immediately in the Other Comprehensive Income.

3.13 Financial liabilities

3.13.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The company's financial liabilities include trade and other payables and bank overdrafts

3.13.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Explanatory Information and Summary of Significant Accounting Policies Contd.

3.13.2.1 Financial liabilities at fair value through profit or loss

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

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

3.13.2.2 Other Financial Liabilities

Loans and borrowings are carried at amortised cost after initial recognition.

3.14 Leases

3.14.1 Finance Lease

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

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

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

3.14.2 Operating Leases

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

3.15 Interest Bearing Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as a transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.16 Other Liabilities

Other liabilities include payables to life insurance policyholders (Claims payable), Agents/Brokers (commissions payable), reinsurers and other creditors (including Accrued Expenditure). These are stated at their historical value, which is deemed to be their fair value.

3.17 Income Recognition

3.17.1 Gross Premium

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

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business revenue is recognised on the date on which the policy is effective.

3.17.2 Reinsurance Premium

Reinsurance Premium are recognised as an expense when payable or on the date on which the policy is effective.

3.17.3 Unearned Premium

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the date of Statement of Financial Position. Unearned premium is calculated on a 1/24th basis except for Marine Insurance Business and Title Insurance Business. Unearned premiums for Marine Policies are calculated on the basis of 60% of Gross Written Premium in the year the policies are written and at 40% in the subsequent year. Unearned Premium for Title is calculated on a 1/365th basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

3.17.4 Fees and commission income

The policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

3.17.5 Investment income

3.17.5.1 Interest Income

Interest income for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within 'investment income' in the Income Statement using the effective interest rate method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3.17.5.2 Dividend Income

Dividend income is recognised when the company's right to receive the payment is established.

3.17.5.3 Realised gains and losses

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

3.17.6 Other Income

Other income is recognised on an accrual basis.

3.18 Benefits, claims & expenses recognition

Non life insurance claims expenses are recognised in respect of direct and inwards reinsurance business. The claims liability covers claims reported but not yet paid, Incurred but not reported claims ("IBNR") and the anticipated direct and indirect cost of settling those claims. Claims outstanding are assessed by the review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends.

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

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

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

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

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.19 Deferred Acquisition Cost (DAC)

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

Explanatory Information and Summary of Significant Accounting Policies Contd.

Subsequent to initial recognition, DAC for life insurance and investment contracts with DPF are amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for Non life insurance are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the Income Statement. 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.

3.20 Borrowing Costs

Borrowing costs are interest & other costs incurred by the company in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

3.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised under Other Comprehensive Income or directly in equity.

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that have been enacted as at the date of Statement of Financial Position or enacted subsequently but are applicable to the current period. Accordingly, provision for

taxation is made based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, at 28% (2011: 28%).

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to Other Comprehensive Income and subsequently recognised in the Income Statement together with the deferred gain or loss

3.22 Earnings per Share

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

3.23 Foreign Currency Translation/ Transactions

All transactions in currencies other than the functional currency are recorded in Sri Lankan Rupees, using the exchange rates prevailing at the time the transactions were effected. At each date of Statement of Financial Position, monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the date of Statement of Financial Position. Non-monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees using the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognised in the Income Statement in the year in which they arise.

3.24 Events after date of Statement of Financial Position

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

3.25 Contingent Liabilities

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 as at the date of Statement of Financial Position.

3.26 Cash Flow Statement

The cash flow statement has been prepared by using both the "Direct Method" and "Indirect Method" in accordance with the Sri Lanka Accounting Standard No. 9 on Cash flow statements.

The Direct Method discloses the major classes of gross cash receipts and gross cash payments on operating activities.

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

3.27 Segment Reporting

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

The primary segments of the company are identified on the basis of the core businesses of the company namely Non Life Insurance and Life Insurance.

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

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

Notes to the Financial Statements

As at

4 Financial Instruments

The Company's financial assets are summarised by measurement category in the table below.

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Held to Maturity Financial assets	3,987,758	855,372	833,497
Financial assets at fair value through profit or loss	812,510	1,236,531	710,469
Loans and receivables	5,454,267	4,307,244	2,494,065
Available for sale Financial assets	105,600	1,888,517	2,971,798
Total financial instruments	10,360,135	8,287,664	7,009,829

The following table compares the fair values of the Financial Instruments with their carrying values:

	31.12.2012		31.12.2011		01.01.2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Held to Maturity Financial assets	3,987,758	4,526,452	855,372	1,006,044	833,497	1,024,369
Financial assets at fair value through profit or loss	812,510	812,510	1,236,531	1,236,531	710,469	710,469
Loans and receivables	5,454,267	5,454,267	4,307,244	4,307,244	2,494,065	2,494,065
Available for sale Financial Assets	105,600	105,600	1,888,517	1,888,517	2,971,798	2,971,798
	10,360,135	10,898,829	8,287,664	8,438,336	7,009,829	7,200,701

The amortised cost of the corporate debts securities included in loans and receivables is considered to be equal to the fair value.

	Notes	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
(a) Held to Maturity Financial Assets				
Amortised cost				
Investment in Government Securities		3,987,758	855,372	833,497
Total		3,987,758	855,372	833,497
Fair value				
Investment in Government Securities		4,526,452	1,006,044	1,024,369
Total		4,526,452	1,006,044	1,024,369
(b) Financial Assets at fair value through profit or loss				
Fair value				
Equity securities	4.1	422,814	709,476	710,469
Investment in Unit Trust		389,696	527,055	
Total		812,510	1,236,531	710,469
Held-for-trading purposes		812,510	1,236,531	710,469
Total		812,510	1,236,531	710,469
(c) Loans and Receivables				
Amortised cost				
Reverse Repurchase Agreements		656,393	1,090,279	1,063,261
Corporate Debts		1,597,444	1,398,634	782,301
Placements with Banks & Financial Institutions		2,858,315	1,476,331	648,503
Mortgage Loans		342,115	342,000	-
Total		5,454,267	4,307,244	2,494,065
Fair value				
Reverse Repurchase Agreements		656,393	1,090,279	1,063,261
Corporate Debts		1,597,444	1,398,634	782,301
Placements with Banks & Financial Institutions		2,858,315	1,476,331	648,503
Mortgage Loans		342,115	342,000	-
Total		5,454,267	4,307,244	2,494,065
(d) Available for Sale Financial Assets				
Fair value				
Equity securities		625	625	625
Investment in Government Securities		104,975	1,887,892	2,971,173
Total		105,600	1,888,517	2,971,798

Notes to the Financial Statements Contd.

(e) Changing Value of Financial Assets

	Held to Maturity Financial Assets LKR'000	Financial assets at fair value through profit or loss LKR'000	Loans and Receivables LKR'000	Available-for- -sale Financial Assets LKR'000	Total LKR'000
At 1 January 2011	833,497	710,469	2,494,065	2,971,798	7,009,829
Purchases	-	1,083,353	129,554,551	-	130,637,904
Maturities	-	-	(127,426,843)	-	(127,426,843)
Disposals	-	(424,828)	(467,500)	(1,043,530)	(1,935,858)
Re-investment of Interest Income	-	27,055	21,627	-	48,682
Fair Value Adjustment of Financial Assets	-	(159,518)	-	-	(159,518)
Amortisation adjustment	21,875	-	131,344	(39,752)	113,467
As at 31 December 2011	855,372	1,236,531	4,307,244	1,888,517	8,287,664
Purchases	3,107,347	262,307	17,054,938	104,975	20,529,567
Maturities	-	-	(15,818,666)	-	(15,818,666)
Disposals	-	(570,532)	(274,686)	(1,887,892)	(2,733,110)
Re-investment of Interest Income	-	12,641	37,291	-	49,932
Fair Value Adjustment of Financial Assets	-	(128,438)	-	-	(128,438)
Amortisation adjustment	25,040	-	148,146	-	173,186
As at 31 December 2012	3,987,758	812,510	5,454,268	105,600	10,360,135

Assets for which fair value approximates carrying value

For financial assets that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

(f) Determination of fair value and fair value hierarchy

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

As at 31 December 2012	Level 1	Level 2	Level 3	Total fair value
Financial Assets at fair value through profit or loss				
Equity securities	422,814	-	-	422,814
Investment in Unit Trust	-	389,696	-	389,696
	422,814	389,696	-	812,510
Available for Sale Financial Assets:				
Equity securities	-	-	625	625
Investment in Government Securities	104,975	-	-	104,975
	104,975	-	625	105,600
Total Financial Assets	527,789	389,696	625	918,110
As at 31 December 2011	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
Equity securities	709,476	-	-	709,476
Investment in Unit Trust	-	527,055	-	527,055
	709,476	527,055	-	1,236,531
Available for Sale Financial Assets:				
Equity securities	-	-	625	625
Investment in Government Securities	1,887,892	-	-	1,887,892
	1,887,892	-	625	1,888,517
Total Financial Assets	2,597,368	527,055	625	3,125,048

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the Level 2 category are financial assets that are measured at fair value on a recurring basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities.

Included in the Level 3 category are financial assets of which the fair value cannot be determined based on observable market information.

There were no transfers between Level 1 and Level 2 for the years ended 31 December, 2011 & 2012.

Notes to the Financial Statements Contd.

4.1 Investment In Quoted Equity Securities

	31.12.2012 Market Value LKR'000	31.12.2011 Market Value LKR'000	01.01.2011 Market Value LKR'000
Banks, Finance and Insurance	203,322	293,590	352,731
Investment Trust	21,125	27,500	-
Chemicals & Pharmaceuticals	10,462	18,141	46,825
Hotels & Travels	-	-	11,440
Health Care	-	6,601	-
Trading	-	8,864	-
Diversified Holdings	93,051	156,851	239,445
Beverage, Food & Tobacco	17,803	21,410	11,555
Power & Energy	-	-	9,692
Manufacturing	-	42,987	38,780
Motors	46,871	82,718	-
Oil Palms	30,180	42,745	-
Total Investment in Quoted Equity Securities	422,814	701,408	710,468

5 Investment Property

	Freehold LKR'000	Leasehold LKR'000	Total LKR'000
Balance as at 1 January 2011	252,100	991,000	1,243,100
Disposals	-	(165,000)	(165,000)
Balance as at 31 December 2011	252,100	826,000	1,078,100
Fair Value Gains	-	43,830	43,830
Disposals / Write off	(1,172)	(43,830)	(45,002)
Balance as at 31 December 2012	250,928	826,000	1,076,928

Location	Details	Type	Value
No.47, Muttiah Road, Colombo 02 (5.2)	01 acre 0 roods 21.9 perches of land	Leasehold	826,000
No.05, Sumner Place, Borella	33.75 perches of land	Freehold	104,828
Galewela, Matale	46 acres 3 roods 30 perches of land	Freehold	22,600
Homagama, Colombo	1 rood 28.19 perches of land and a building	Freehold	15,500
No. 371, D.S. Senanayake Weediya, Kandy	57.5 perches of land	Freehold	108,000
			1,076,928

5.1 Investment properties are stated at fair value, which has been determined based on valuations done by the Board of Directors as at 31, December 2012. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with standards issued by the ICASL. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the income statement.

5.2 Janashakthi Insurance PLC has had title to a lease hold land property of 181 perches with the address of No. 47, Muttiah Road, Colombo 02, that was brought into the books at the point of acquisition of National Insurance Corporation Ltd.

This property was subsequently transferred under Investment Properties, as the Company was not utilising the premises and intended to dispose of the property. As the Company had not received a suitable offer, the Asset remained under the Investment Asset classification.

During the year 2012, Urban Development Authority entered in to a Memorandum of Understanding with the Company to acquire the said property in exchange for an identical extent of land adjoining the Staple Street property of the Company, thus making it a contiguous larger Asset. The Company immediately made improvements to the new Asset that had been handedover and has started utilising the said property.

The Urban Development Authority has taken over vacant position of the property situated at Muttiah Road. However formal legal transactions have not been completed as at Statement of Financial Position date and thus, formal title remains only for the first property with the Company, with the title to second property not yet being devolved to the Company. As soon as these formalities are completed, this replacement property will be reflected as a Fixed Asset of the Company and will not be accounted under the Investment Asset classification as was the case with the property that was exchanged due to reasons described above.

6 Intangible Assets

	31.12.2012 LKR '000	Restated 31.12.2011 LKR '000	Restated 01.01.2011 LKR '000
Cost	53,693	46,512	46,262
Accumulated depreciation	(46,232)	(44,038)	(40,999)
	7,461	2,474	5,263

	Software LKR'000
Cost	
Balance as at 1 January 2011	46,262
Additions	250
Balance as at 31 December 2011	46,512
Additions	7,181
Balance as at 31 December 2012	53,693
Accumulated Amortisation	
Balance as at 1 January 2011	40,999
Charge for the year	3,040
Balance as at 31 December 2011	44,038
Charge for the year	2,194
Balance as at 31 December 2012	46,232

Notes to the Financial Statements Contd.

7 Property, Plant and Equipment

	Notes	31.12.2012 LKR '000	Restated 31.12.2011 LKR '000	Restated 01.01.2011 LKR '000
Cost or valuation	7.1	778,992	708,801	955,340
Accumulated depreciation	7.2	(398,984)	(404,150)	(637,287)
Net Book Value		380,008	304,651	318,053
Land & Building		247,820	145,490	147,274
Improvements on Building under Lease		16,843	25,529	36,864
Equipment		65,649	89,524	83,762
Furniture & Fittings		32,095	28,878	32,900
Motor Vehicles		17,599	15,230	17,253
		380,008	304,651	318,053

7.1 Cost or Valuation

	Land & Building LKR '000	Improvements on Building under Lease LKR '000	Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Total LKR '000
Balance as at at 1 January 2011	150,113	56,391	538,598	156,980	53,258	955,340
Additions	-	336	54,862	15,395	5,156	75,750
Adjustments/Disposals	-	-	(284,304)	(24,830)	(13,155)	(322,289)
Balance as at at 31 December 2011	150,113	56,727	309,156	147,546	45,259	708,801
Additions	84,287	2,979	85,941	16,282	14,083	203,571
Revaluation	13,420	-	-	-	-	13,420
Adjustments/Disposals	-	-	(141,659)	(596)	(4,545)	(146,801)
Balance as at at 31 December 2012	247,820	59,706	253,438	163,231	54,796	778,992

7.2 Accumulated Depreciation

	Land & Building LKR '000	Improvements on Building under Lease LKR '000	Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Total LKR '000
Balance as at at 1 January 2011	2,839	19,527	454,836	124,080	36,005	637,287
Depreciation charge for the year	1,784	11,671	45,778	18,138	7,165	84,536
Adjustments/Disposals	-	-	(280,981)	(23,551)	(13,141)	(317,673)
Balance as at at 31 December 2011	4,623	31,198	219,633	118,667	30,029	404,150
Depreciation charge for the year	1,635	11,665	43,746	12,930	7,983	77,960
Adjustments/Disposals	(6,259)	-	(75,591)	(462)	(814)	(83,125)
Balance as at at 31 December 2012	-	42,863	187,789	131,136	37,197	398,984

If Land and Buildings were stated on historical cost basis, the carrying amount would be LKR 63.08 Mn (2011: LKR 64.7 Mn)

Freehold land and buildings carried at fair value

An independent valuation of the Company's Land and Buildings situated at Kandy & Kurunegala was performed by Mr. T.B. Marasinghe, an independent registered valuer not related to the Company, to determine the fair value of the Land and Buildings. The valuation, which conforms to Sri Lanka Valuation Practice for Financial Reporting purposes, was determined by reference to the market evidence of transaction prices of similar properties. The Land and Building purchased during the year 2012 were not subject to an independent valuation since they already reflect their fair values

The details are as follows.

Company Property

Property	Method of Valuation	Date of Valuation/ Purchase	Valuer	Amount LKR. '000
Revalued During 2012				
Land and Building situated at No. 302, D.S. Senanayake Mw, Kandy	Market Value	28 Dec 2012	Mr T.B Marasinghe (AIV) Independent Registered Valuer	107,124
Land and Building situated at Walawwatte, Kurunegala	Market Value	28 Dec 2012	Mr T.B Marasinghe (AIV) Independent Registered Valuer	56,410
Purchased During 2012				
Land situated at No. 21 & 21/2, Kudagama Road, Avissawella	Market Value	05 Nov 2012	Not Applicable	13,519
Land situated at No. 19, Railway Avenue, Nugegoda	Market Value	06 Nov 2012	Not Applicable	41,599
Land situated at No. 233/1, Ehambaram Road, Tricomalee	Market Value	26 July 2012	Not Applicable	29,168
				247,820

8 Policyholder & Other Loans

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Loans Recoverable from Policyholders	88,353	86,781	87,740
Other Loans	286,550	252,406	178,601
Allowance for impairment losses	(3,910)	-	-
Total Policy holder & Other Loans	370,993	339,187	266,341

Notes to the Financial Statements Contd.

9 Premium Receivables

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Premium Receivable	1,498,494	1,157,308	1,056,973
Allowance for Impairment loss	(78,242)	(62,948)	(57,561)
Total Premium Receivables	1,420,253	1,094,360	999,412

Premium Receivables disclosed above include amounts that are past due at the end of the reporting period against which the Company has recognised an allowance for impairment loss based on Company's Credit Management Policies where the receivables are beyond approved credit periods.

10 Other Assets

	Notes	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Other Debtors and Receivables		110,261	105,502	89,406
Advances, Deposits and Prepayments		164,776	120,160	120,552
Taxation Receivable	10.1	376,794	343,861	295,348
Inventory		40,121	4,970	23,893
Prepaid Staff Expenditure		12,261	13,040	18,914
Amounts Due from Related Companies	28	-	250,000	-
Total Other Assets		704,213	837,534	548,113

10.1 Tax Recoverable

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Economic Service Charges Recoverable	110,532	-	-
Notional Tax Recoverable	158,184	76,634	-
Withholding Tax Recoverable	102,756	197,417	100,339
Others	5,321	64,490	146,978
	376,794	338,541	247,316
Current Tax			
Income Tax Payable	109,225	94,013	57,153
	109,225	94,013	57,153
Total Tax Recoverable	267,569	244,528	109,163

11 Deferred Tax Asset

	31.12.2012 LKR '000	Restated 31.12.2011 LKR '000	Restated 31.01.2011 LKR '000
Deductible Temporary Differences			
Retirement Benefit Obligation	147,114	125,241	96,084
Property, Plant & Equipment	18,060	-	-
Brought Forward Tax Losses	210,047	180,795	-
Total Deductible Temporary Differences	375,221	306,036	96,084
Taxable Temporary Differences			
Property, Plant & Equipment	-	42,253	28,475
Deferred Tax Liability			
Total Taxable Temporary Differences	-	42,253	28,475
Net Temporary Differences	375,221	263,783	67,609
Deferred Tax Asset	105,062	73,859	18,931
Deferred Tax Asset Recognised in previous year	73,859	18,931	-
Credited to Profit During the year Recognised in Financial Statements	31,203	54,929	18,931

Deferred Tax Asset has been Recognised for all deductible temporary differences to the extent that it is probable, against which, the deductible temporary differences can be utilised in future.

12 Deferred Expenses

Deferred Acquisition Cost

	2012 LKR'000	Restated 2011 LKR'000
Balance as at 1 January	568,310	460,713
Acquisition costs incurred during the year	1,226,319	1,083,600
Expensed during the year	(1,183,261)	(976,003)
Balance as at 31 December	611,369	568,310

The deferred acquisition costs comprise of agent's commissions, these costs are deferred and amortised over the terms of related policies

Notes to the Financial Statements Contd.

13 Cash and Cash Equivalents

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Cash in Hand and Balance at Bank	421,109	513,129	1,023,166
	421,109	513,129	1,023,166

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash in Hand and Balance at Bank and Investments in Money Market Instruments, net of outstanding Bank Overdrafts. Cash Equivalents at the end of the Financial Year as shown in the Cash Flow Statement can be reconciled to the related items in the Statement of Financial Position as follows:

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Cash in Hand and Balance at Bank	421,109	513,129	1,023,166
Bank Overdraft	(392,952)	(99,002)	(464,788)
Net Value of Cash in Hand and Balances at Bank	28,157	414,127	558,378

14 Stated Capital

	31.12.2012 LKR'000	31.12.2011 LKR'000	01.01.2011 LKR'000
The Stated Capital of the Company	1,496,000	1,496,000	1,496,000
No. of Ordinary shares of the Company as at 31 December	363,000	363,000	363,000

15 Revenue Reserves

15.1 Retained Earnings

	2012 LKR'000	Restated 2011 LKR'000
Balance at 1 January	1,441,841	1,310,500
Profit for the year attributable to equity shareholders	762,748	477,390
Amounts Transferred from AFS Reserve on Disposal of Assets	39,387	16,951
Dividends Paid	(363,000)	(363,000)
Balance at 31 December	1,879,273	1,441,841

15.2 Available for Sale Reserve

	2012 LKR'000	Restated 2011 LKR'000
Balance at 1 January	39,387	53,680
Other Comprehensive Income attributable to equity shareholders	1,142	(12,592)
Transfer to Policyholders	(1,518)	(3,977)
Transfer of Realised gain / (loss) on APS Financial Assets on Disposal	(37,869)	2,275
Balance at 31 December	1,142	39,387
Total Revenue Reserves	1,880,379	1,481,228

16 Insurance Provision - Life

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

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

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

Janashakthi Insurance PLC - Insurance Provision - Life

The valuation of the Insurance Provision-Life Insurance Business, as at 31 December 2012, was done by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd. for and on behalf of Janashakthi Insurance PLC. In accordance with the consultant Actuary's report, the sum of provision, LKR 5,345 Mn includes the liability in respect of the policyholders' bonus as well. In the opinion of the consultant actuary, the provision is adequate to cover the liabilities pertaining to Life Insurance.

In establishing the valuation, a reserve of LKR 228 Mn has been created a Solvency Margin Reserve on the recommendation of the Actuary.

Janashakthi Insurance PLC - Insurance Provision - Life

[former National Insurance Corporation Ltd]

The valuation of the Insurance Provision-Life Insurance Business, as at 31 December 2012, was done by Mr. M. Poopalanathan for and on behalf of Janashakthi Insurance PLC. In accordance with the consultant actuary's report, the deficit of, LKR 294 Mn, includes the liability in respect of the policyholders' bonus as well.

In carrying out the valuation, a reserve of LKR 27 Mn has been created as a solvency margin reserve by the actuary.

The solvency deficit of LKR 240 Mn has been addressed by the Company, by setting aside an equivalent value from shareholder funds to cover this deficit.

Notes to the Financial Statements Contd.

16.1 Insurance Provision - Life

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Janashakthi Insurance PLC	5,345,110	4,213,914	3,147,879
Janashakthi Insurance PLC (Former National Insurance Corporation Ltd)	288,115	481,574	648,159
Total Insurance Provision - Life	5,633,225	4,695,488	3,796,038

16.2 Insurance Provision - Life

The Company has carried out an internal assessment of the Adequacy of the provision of life insurance liabilities in keeping with SLFRS 4 requirement and has determined that existing provision levels are adequate as at 31 December 2012. Accordingly, no further provision or adjustment was deemed as being necessary to be effected.

17 Insurance Provision - Non Life

The Non Life Insurance Provisions as shown in the Statement of Financial Position represents the following:

	31.12.2012			Restated 31.12.2011			Restated 01.01.2011		
	Gross Liabilities LKR'000	Reinsurance of liabilities LKR'000	Net Liability LKR'000	Gross Liabilities LKR'000	Reinsurance of liabilities LKR'000	Net Liability LKR'000	Gross Liabilities LKR'000	Reinsurance of liabilities LKR'000	Net Liability LKR'000
Claims Outstanding	1,278,300	(379,483)	898,818	1,266,315	(434,320)	831,995	1,452,499	(304,560)	1,147,939
Claims Incurred But Not Reported (IBNR)	300,504	(16,506)	283,998	91,469	(5,024)	86,445	93,672	(5,145)	88,527
Total Claims Outstanding	1,578,804	(395,988)	1,182,816	1,357,784	(439,344)	918,440	1,546,171	(309,705)	1,236,466
Provision for Unearned Premiums	3,043,712	(322,691)	2,721,021	2,709,821	(310,632)	2,399,189	2,311,790	(241,259)	2,070,530
	4,622,516	(718,680)	3,903,836	4,067,606	(749,977)	3,317,629	3,857,961	(550,964)	3,306,996

The Claim Liability including Incurred But Not Reported (IBNR) Claims and Premium Liability have been actuarially valued for the year 2012 by the appointed Actuary, M/S N M G Financial Services Consulting Pte Ltd. The valuation is based on internationally accepted actuarial methods. No Insurance Provision for Non Life valuations have been carried out for prior years.

The Company has performed the Liability Adequacy Test (LAT) in respect of Insurance Provisions of Non Life as required by SLFRS 4 - Insurance Contracts with the assistance of the above appointed external actuaries of the Company. Accordingly it was confirmed by the Actuaries that the Insurance Provisions recorded by the Company are adequate to meet the Insurance Liabilities as of the reporting date.

18 Retirement Benefit Obligations

	2012 LKR'000	Restated 2011 LKR'000
Retirement Benefit Obligations - Gratuity		
Balance as at 1 January	178,917	137,263
Additional Provision required	44,186	54,521
Payments during the Year	(12,940)	(12,868)
Balance as as at 31 December	210,163	178,917
	2012 LKR'000	Restated 2011 LKR'000
Liability Recognised in the Statement of Financial Position		
Present Value of obligation	210,163	178,917
Net Liability in Statement of Financial Position	210,163	178,917
	2012 LKR'000	Restated 2011 LKR'000
Expense Recognised in the Income Statement		
Interest Cost	19,681	15,099
Current Service Cost	22,767	20,249
Net Acturial (Gain) / Loss recognized immediately	1,738	19,173
Amount Recognised in the Income Statement	44,186	54,521

The actuarial valuation of the present value of the defined benefit obligation as at 31 December 2012 was carried out by Mr. M. Poopalanathan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

Principal actuarial assumptions used:

	2012	2011
(a) Discount rate	11%	11%
(b) Salary Increase	10%	10%
(c) Incidence of withdrawal	8%	8%

Notes to the Financial Statements Contd.

19 Deferred Revenue

	2012 LKR'000	Restated 2011 LKR '000
Balance as at 1 January	93,763	72,156
Amounts deferred	192,141	175,890
Amounts released to Income Statement	(189,078)	(154,283)
Balance as at 31 December	96,826	93,763

The deferred revenue arises as a result of the amortisation of reinsurance commission received

20 Interest Bearing Borrowings

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Bank Overdraft	392,952	99,002	464,788
	392,952	99,002	464,788

21 Other Liabilities

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Policyholder Advance Payments	114,204	132,647	114,761
Agency Commission Payable	461,603	438,976	351,783
Government Levies Payable	210,977	174,301	146,843
Reinsurance Creditors	130,987	151,897	121,103
Other Creditors Including Accrued Expenses	403,090	304,511	340,534
Outstanding Claims - Life Insurance	191,016	185,055	177,631
Total Other Liabilities	1,511,877	1,387,386	1,252,655

Out of the total Government Levies shown above, an amount of LKR 109 Mn represents income tax payable. (2011: LKR 94.01 Mn) (See Note 10.1)

22 Gross Written Premium

	2012 LKR'000	Restated 2011 LKR'000
Life Insurance		
First Year Premium	720,650	777,455
Renewal Premium	1,304,425	1,094,532
Total Life Premium	2,025,075	1,871,986
Non Life Insurance		
Fire	573,363	530,453
Motor	4,388,376	3,838,492
Marine	177,267	133,541
Miscellaneous	821,121	753,924
Total Non - Life Premium	5,960,127	5,256,411
Total Gross Written Premium	7,985,203	7,128,397

The Gross Written Premium includes LKR 29 Mn which has been collected on behalf of Co-Insurance partners.

Under SLFRS 4, the Company has to recognise its premium income generated from Life Insurance on an accrual basis. Accordingly, the Company has complied with this requirement with effect from 31 December 2012.

23 Net Change in Reserve for Unearned Premium

	2012 LKR'000	Restated 2011 LKR'000
Change in Unearned Premium Provision arising on:		
Gross Written Premium	337,272	398,032
Premium Ceded to Reinsurers	(15,440)	(69,373)
Net Change in Reserve for Unearned Premium	(321,832)	(328,659)

24 Fee and Commission Income

	2012 LKR'000	Restated 2011 LKR'000
Policy Fees	230,319	184,200
Profit Commission adjustments	(21,000)	(5,534)
Net Fees and Commission Income	209,319	178,666

Notes to the Financial Statements Contd.

25 Investment Income

	2012 LKR'000	Restated 2011 LKR'000
Income from investment properties	-	540
Financial assets at fair value through profit / (loss)		
Interest income	56,204	136,883
Dividend income	16,837	15,766
Held-to-maturity financial assets interest income	328,303	115,952
Available-for-sale financial assets		
Interest income	147,168	173,938
Dividend income		
Loans and receivables interest income	670,720	402,375
Total investment income	1,219,232	845,454

26 Net Realised Gains / (Losses)

	2012 LKR'000	Restated 2011 LKR'000
Property and equipment	34,745	1,987
Investment Property	(45,002)	85,000
Available-for-sale financial assets		
Government securities	(42,014)	15,274
Investments in Listed Warrants	53	-
Total net realised gains / (losses)	(52,218)	102,261

27 Fair Value Gains / (Losses)

	2012 LKR'000	Restated 2011 LKR'000
Fair value gains/(losses) on investment properties	43,650	-
Fair value losses on financial assets at fair value through profit or loss	(124,972)	(159,518)
Total fair value gains and (losses)	(81,323)	(159,518)

28 Other Operating Revenue

	2012 LKR'000	Restated 2011 LKR'000
Gain / (Loss) on Foreign Exchange Transactions	5,485	(1,666)
Income from Full Option Auto Centre & Others	126,717	58,736
Late Fee Recovery	640	(756)
Total for the Year	132,842	56,313

29 Insurance Claims & Benefits (Net)

	2012 LKR'000	Restated 2011 LKR'000
29.1 Gross benefits and claims paid		
Life insurance contracts	457,203	425,851
Non-life insurance contracts	3,108,516	2,926,793
Total gross benefits and claims paid	3,565,719	3,352,644
29.2 Claims ceded to reinsurers		
Life insurance contracts	(32,491)	(13,742)
Non-life insurance contracts	(168,777)	(168,912)
Total claims ceded to reinsurers	(201,269)	(182,654)
29.3 Gross change in contract liabilities		
Change in life insurance contract liabilities	8,195	7,332
Change in non-life insurance contract liabilities	188,834	(139,019)
Total gross change in contract liabilities	197,029	(131,687)
29.4 Change in contract liabilities ceded to reinsurers		
Change in life insurance contract liabilities	(354)	5,835
Change in non-life insurance contract liabilities	(97,819)	(170)
Total change in contract liabilities ceded to reinsurers	(98,172)	5,665
Net benefits and claims	3,463,307	3,043,968
Net benefits and claims related to:		
Life Insurance	432,554	425,275
Non Life Insurance	3,030,753	2,618,692
Total Net Benefits and Claims	3,463,307	3,043,968

Notes to the Financial Statements Contd.

30 Underwriting & Net Acquisition Cost

	2012 LKR'000	Restated 2011 LKR'000
Commission Expenses for Insurance Contracts	783,078	750,725
Staff Cost - Marketing	489,860	379,489
Change in Deferred Acquisition Cost for Insurance Contracts	(27,937)	(16,617)
Underwriting and Net Acquisition Cost	1,245,001	1,113,596

31 Finance Cost

	2012 LKR'000	Restated 2011 LKR'000
Interest Expense on Bank Overdrafts	10,675	7,401
Interest Expense on Loans and Borrowings	12	23
Net Finance Cost	10,687	7,423

32 Other Operating and Administrative Expenses

	Note	2012 LKR'000	Restated 2011 LKR'000
Staff Expenses	32.1	869,633	745,944
Administration & Establishment Expenses		510,633	427,094
Selling Expenses		270,456	218,192
Government Levies		3,451	3,301
Depreciation		83,879	90,161
Others		29,037	9,851
Total Other Operating and Administration Expenses		1,767,089	1,494,543

32.1 Staff Expenses

	2012 LKR'000	Restated 2011 LKR'000
Wages and Salaries	543,904	478,524
Compulsory Social Security Contributions	57,686	51,468
Contribution to Defined Contribution Plans	35,006	40,506
Allowances	31,478	26,576
Bonuses	84,634	60,473
Other Expenses	116,926	88,396
Total Staff Expenses	869,633	745,944

33 Profit Before Taxation

The Profit Before Taxation for the year is stated after charging the following expenses.

	2012 LKR'000	Restated 2011 LKR'000
Auditors' Remuneration (Fees and Expenses)		
Audit	2,804	2,596
Non- Audit	3,995	761
Legal Fees	3,744	2,271
Depreciation	83,879	90,161
Directors' Emoluments	24,075	23,099

34 Income Tax Expense

	Note	2012 LKR'000	Restated 2011 LKR'000
Current Tax charge		109,225	94,013
Tax recorded in other comprehensive income	34.1		
Adjustments recognised in the current year in relation to the current tax of prior years			
Social Responsibility Levy		(14,920)	150
Deferred Income Tax			
Deferred Taxation Charged / (Reversal)	34.2	(31,203)	(54,929)
Total Tax Expense		63,102	39,235

Notes to the Financial Statements Contd.

34.1 Tax recorded in other comprehensive income

Aggregate tax effect of items recognised in other Comprehensive (Income) / Loss has not been accounted for as the Tax Charge is immaterial.

34.2 Numerical reconciliation between Tax charge and the product of Accounting Profit multiplied by the applicable Tax Rate

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000
Accounting Profit before Tax	863,498	533,576
Differences arising from movement in unrealised gains / (losses)	8,849	
Aggregate allowable expenditure	(472,578)	(310,928)
Aggregate disallowable expenditure	200,367	151,963
Tax losses brought forward and utilised	(210,047)	(180,795)
	390,089	193,816
Statutory Rate	28.00%	28.00%
Tax at applicable rate	109,225	94,014
(Over)/Under provisions of previous years	(14,920)	150
Deferred Taxation Charged / (Reversal)	(31,203)	(54,929)
Income Tax expense reported	63,102	39,235

(a) Janashakthi Insurance PLC is liable to income tax at 28 % (2011-28%) of its taxable profits as per the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

(b) As per the amendments made to Section 32 of Inland Revenue Act, any loss incurred in the business of life insurance on or after 1st April 2007 has been deducted only to the extent of statutory income generated in the business of life insurance.

35 Basic Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the date of Statement of Financial Position.

	2012 LKR'000	Restated 2011 LKR'000
Amount Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders	800,396	494,341
Number of Ordinary Shares Used as Denominator		
Weighted Average Number of Ordinary Shares in Issue	363,000	363,000
	363,000	363,000
Basic earnings per share (LKR)	2.20	1.36

36 Related Party Transactions

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard, LKAS 24 "Related Party Disclosures"

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

This note provides details of JIPLC's related parties and the transactions which have taken place between the company and its related parties.

(a) Transactions with the Ultimate Controlling Party of the Company.

Janashakthi Limited is the parent/ ultimate controlling party of JIPLC. The Company has transactions with its parent as follows.

Nature of Transaction	2012 LKR'000	2011 LKR'000
Insurance Premium (Received/Receivable)	469	469
Interest income (Corporate Debts - Commercial Papers)	-	2,767
Dividend paid	231,104	228,959
Disposal of Asset	-	250,000

(b) Transactions with Key Management Personnel (KMP) of the Company.

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

Accordingly JIPLC, considers its Board of Directors(Including Executive & Non-Executive Directors) as the KMP of the company and their close family members.

The Directors emoluments for the year ended 31 December 2012 amount to LKR. 24.1 Mn (LKR. 23.1 Mn in 2011)

The Managing Director of the company was provided with company maintained five vehicles.

There are no post-employment benefits or termination benefits linked to the remuneration of the Directors.

(c) Other Related Party Disclosures

Other related entities are those which are controlled or significantly influenced, directly or indirectly by KMP of the Company. Significant influence is presumed to be established if a KMP of the Company has more than 20% shareholding in an entity, unless otherwise reported by the KMP. Further significant influence is also established if in the view of the respective KMP, he has the ability to influence the operating and financial policies of an entity even in the absence of a 20% shareholding.

Notes to the Financial Statements Contd.

I Insurance contracts transactions with Other Related Parties

For the year ended 31 December

Name of KMP	Name of the Company	Position	2012 LKR'000		2011 LKR'000	
			Premium Received	Claims Incurred	Premium Received	Claims Incurred
W. T. Ellawala	Ceylon Trading Co. Ltd	Managing Director	-	-	1,040	427
	Ceyman Rubber Co. Ltd	Chairman/CEO	1008	296	691	535
	Ceytra (Pvt) Ltd.	Chairman/CEO	-	-	473	-
	C.W. Mackie PLC	Chairman/CEO	3,454	404	3,476	1,275
L. C. R. De C. Wijetunge	Joseph Frazer Memorial Hospital	Trustee	1,582	720	1,306	762
	Centre for Policy Alternatives (GTC)	Director	-	-	4,034	2,030
Anushya Coomaraswamy	Printcare PLC	Director	4,305	2,694	467	594
	Habitat for Humanity Sri Lanka	Director	1,615	864	1,742	1,206
Deshamanya Dr. Nihal Jinasena	Jinasena Group of Companies	Director	33	-	38	15
	Loadstar (Pvt) Ltd	Chairman	220	-	246	1,011
	Deer Park Hotel (Pvt) Ltd	Chairman	-	-	288	129
	Royal Lotus Hotel (Pvt) Ltd	Chairman	-	-	3	81
	Almecco (Pvt) Ltd	Chairman	-	-	-	30
	Casa Colombo (Pvt) Ltd	Chairman	-	-	-	302
	Gonuts with Donuts (Pvt) Ltd	Chairman	-	-	31	-
	First Capital Holdings	Director	-	-	1,246	11,526
Manjula Mathews	First Capital Limited	Director	2892	(4,905)	-	-
	Dunamis Capital PLC	Managing Director	964	356	709	506
	Mahaweli Feed Mills (Pvt) Ltd	Director	717	49	495	84
	Kelsey Group of Company	Director	635	373	592	377
	Eden Gardens Limited	Director	11	-	-	-

II Other Transactions with Other Related Parties.

For the year ended 31 December

Name of the Company	Name of KMP	Position	Nature of Transactions	2012 LKR'000	2011 LKR'000
East India Retailing (Pvt) Ltd	L.C.R.de C. Wijetunge	Director	Reimbursement of Expenses	190	30
KHL Corporate Services Limited	Prakash Schaffter	Director	Reimbursement of Expenses	-	83
ODEL PLC	Eardley Perera	Director	Reimbursement of Expenses	57	-
Union Residencies (Pvt) Ltd	L. C. R. de C. Wijetunga	Chairman	Reimbursement of Expenses	361	-
Real Entertainment (Pvt) Limited	Prakash Schaffter	Director	Reimbursement of Expenses	1,959	73
M & E (Pvt) Ltd	Eardley Perera	Non Executive Chairman	Reimbursement of Expenses	168	181

III Investment Related Transactions with Other Related Parties.

As at 31 December

Name of the Company	Name of KMP	Position	Nature of Transactions	2012 LKR'000	2011 LKR'000
First Capital Group	Manjula Mathews	Managing Director	Interest income from Reverse Repo	67,535	51,067
First Capital Group	Manjula Mathews	Managing Director	Interest income from Corporate Debts	6,689	-
Nextventures Ltd	Manjula Mathews	Director	Interest income from Mortgage loan	42,115	41,885
Orient Wealth Limited	Prakash Schaffter	Director	Interest income from Unit Trust	3,299	-
First Capital Group	Manjula Mathews	Managing Director	Investment in Quoted Shares	12,000	21,214
First Capital Group *	Manjula Mathews	Managing Director	Investment in Reverse Repo	450,403	1,053,977
Nextventures Ltd*	Manjula Mathews	Director	Investment in Corporate Debts	-	300,000

* As per the CSE Listing Rules 7.6 (xvi), Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets of the entity as per Audited Financial Statements, whichever is lower should be set out separately.

Name of the Related Party	Relationship	Date of the Transaction	Amount of the Transaction LKR'000	Description
Nextventures Ltd	Manjula Mathews (Common Director)	26/01/2010	300,000	JIPLC has provided a Mortgage Loan of LKR. 300Mn for a 10 year period at the rate of 14% p.a.
First Capital Treasuries Ltd	Manjula Mathews (Common Director)	24/12/2012	30,120	The Company had invested in Repo LKR. 450 Mn in different tenures as at 31 December 2012 at an average rate at 10%. These investment had been made on the terms equivalent to those prevail in arms length transaction.
		28/12/2012	50,000	
		21/12/2012	200,000	
		24/12/2012	70,281	
		28/12/2012	100,000	
		Total	450,402	

Notes to the Financial Statements Contd.

37 Assets Pledged

The following assets have been pledged as securities for liabilities.

Nature of Asset	Nature of Liability	Amount 2012 LKR Mn	Amount 2011 LKR Mn	Included Under
Fixed Deposits	Collateral for Divipiyasa Housing Loan	6	35	Investment of Life Insurance
Fixed Deposits	Collateral Overdraft Facilities	25	25	Investment of Non Life Insurance

38 Commitments and Contingencies

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

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

39 Events Occurring after the Date of Statement of Financial Position

As at 26 February, 2013 date of approval of the Financial Statements by the Board of Directors, the Company had no subsequent adjusting events that warrant a modification of the value of the assets.

Non-Life Insurance-Notes to the Supplemental Statement of Financial Position

40 FINANCIAL INSTRUMENTS

The Company's financial assets are summarised below by measurement category in the table below.

	31.12.2012 LKR'000	31.12.2011 LKR'000	01.01.2011 LKR'000
Held to maturity Financial assets	1,219,867	381,157	370,945
Financial assets at fair value through profit or loss	812,510	1,073,312	633,842
Loans and receivables	2,649,867	2,153,382	1,298,081
Available for sale Financial assets	105,600	669,809	1,089,570
Total financial instruments	4,787,844	4,277,660	3,392,438

The following table compares the fair values of the financial instruments with their carrying values:

	31.12.2012		Restated 31.12.2011		Restated 01.01.2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Held to maturity Financial assets	1,219,867	1,379,374	381,157	452,720	370,945	460,966
Financial assets at fair value through profit or loss	812,510	812,510	1,073,312	1,073,312	633,842	633,842
Loans and receivables	2,649,867	2,649,867	2,153,382	2,153,382	1,298,081	1,298,081
Available for sale Financial assets	105,600	105,600	669,809	669,809	1,089,570	1,089,570
	4,787,844	4,947,350	4,277,660	4,349,223	3,392,438	3,482,459

Since there is no active market for Corporate Bonds, the fair value and the amortised cost of Corporate Bonds has not been changed

Life Insurance-Notes to the Supplemental Statement of Financial Position

41 FINANCIAL INSTRUMENTS

The Company's financial assets are summarised below by measurement category in the table below.

	31.12.2012 LKR'000	Restated 31.12.2011 LKR'000	Restated 01.01.2011 LKR'000
Held to maturity Financial assets	2,767,891	474,215	462,552
Financial assets at fair value through profit or loss	-	163,219	76,627
Loans and receivables	2,804,401	2,153,862	1,195,984
Available for sale Financial assets	-	1,218,707	1,882,229
Total financial instruments other than derivative financial instruments	5,572,291	4,010,004	3,617,391

Notes to the Financial Statements Contd.

The following table compares the fair values of the financial instruments with their carrying values:

	31.12.2012		Restated 31.12.2011		Restated 01.01.2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Held to maturity Financial assets	2,767,891	3,147,078	474,215	553,324	462,552	563,403
Financial assets at fair value through profit or loss	-	-	163,219	163,219	76,627	76,627
Loans and receivables	2,804,401	2,804,401	2,153,862	2,153,862	1,195,984	1,195,984
Available for sale Financial assets	-	-	1,218,707	1,218,707	1,882,229	1,882,229
	5,572,291	5,951,479	4,010,004	4,089,113	3,617,391	3,718,242

Since there is no active market for corporate bonds, the fair value and the amortised cost of corporate bonds has not been changed

First-time adoption of SLFRS

Reconciliation of Equity as at 1 January 2011 (date of transition to SLFRS)

	Note	Previous SLAS LKR '000	Adjustment LKR '000	SLFRS as at 01.01.2011 LKR '000
Assets				
Financial Instruments	A	6,720,610	289,219	7,009,829
Investment Property		1,243,100	-	1,243,100
Intangible Assets		5,263	-	5,263
Deferred Expenses	B	-	460,713	460,713
Property, Plant and Equipment		318,051	-	318,051
Policyholder & Other Loans	C	244,118	22,223	266,341
Reinsurance Receivable		542,975	5,145	548,120
Premium Receivables		999,412	-	999,412
Other Assets	A	750,717	(202,604)	548,113
Deferred Tax Asset		18,931	-	18,931
Cash in Hand and Balance at Bank		1,023,166	-	1,023,166
Total Assets		11,866,344	574,696	12,441,040
Equity and Liabilities				
Equity				
Stated Capital		1,496,000	-	1,496,000
Revenue Reserves	D	1,205,755	158,425	1,364,180
Total Equity		2,701,755	158,425	2,860,180
Liabilities				
Insurance Liability - Life	D	3,845,625	(49,587)	3,796,038
Insurance Liability - Non Life	E	3,464,258	393,703	3,857,961
Retirement Benefit Obligation		137,263	-	137,263
Deferred Revenue	B	-	72,156	72,156
Interest Bearing Borrowings		464,788	-	464,788
Other Liabilities		1,252,655	-	1,252,655
Total Liabilities		9,164,589	416,271	9,580,860
Total Equity and Liabilities		11,866,344	574,696	12,441,040

First-time adoption of SLFRS contd.

Reconciliation of Equity as at 31 December 2011

	Note	Previous GAAP LKR '000	Adjustments LKR '000	SLFRS as at 31.12.2011 LKR '000
Assets				
Financial Instruments	A	8,054,213	233,451	8,287,664
Investment Property		1,078,100	-	1,078,100
Intangible Assets		2,474	-	2,474
Deferred Expenses	B	-	568,310	568,310
Property, Plant and Equipment		304,651	-	304,651
Policyholder & Other Loans	C	313,001	26,186	339,187
Reinsurance Receivable		395,097	5,024	400,121
Premium Receivables		1,094,360	-	1,094,360
Other Assets	A	1,143,789	(306,255)	837,534
Deferred Tax Asset		73,859	-	73,859
Cash in Hand and Balance at Bank		513,129	-	513,129
Total Assets		12,972,672	526,716	13,499,389
Equity and Liabilities				
Equity				
Stated Capital		1,496,000	-	1,496,000
Revenue Reserves	D	1,479,041	2,186	1,481,228
Total Equity		2,975,041	2,186	2,977,228
Liabilities				
Insurance Liability - Life	D	4,743,762	(48,273)	4,695,488
Insurance Liability - Non Life	E	3,588,034	479,572	4,067,606
Retirement Benefit Obligation		178,916	-	178,916
Deferred Revenue	B	-	93,763	93,763
Interest Bearing Borrowings		99,002	-	99,002
Other Liabilities		1,387,917	(531)	1,387,386
Total Liabilities		9,997,631	524,530	10,522,161
Total Equity and Liabilities		12,972,672	526,716	13,499,389

Notes to the Financial Statements Contd.

First-time adoption of SLFRS contd.

Reconciliation of Total Comprehensive Income for the year ended 31 December 2011

INCOME STATEMENT	Note	Previous GAAP LKR '000	Adjustments LKR '000	SLFRS as at 31.12.2011 LKR '000
Gross Written Premium		7,128,397	-	7,128,397
Less: Premium Ceded to Reinsurers		(723,831)	-	(723,831)
Net Written Premium		6,404,566	-	6,404,566
Net Change in Reserve for Unearned Premium		(328,658)	-	(328,658)
Net Earned Premium		6,075,908	-	6,075,909
Other Revenue				
Fee and Commission Income		178,666	-	178,666
Investment Income		932,899	(87,445)	845,454
Realised Gains / (Losses)		(6,234)	108,495	102,261
Fair Value Gains / (Losses)		(32,393)	(127,125)	(159,518)
Other Operating Revenue		121,441	(65,128)	56,313
Total Other Revenue	F	1,194,379	(171,204)	1,023,176
Total Net Income		7,270,287	(171,204)	7,099,084
Benefits and Claims	G			
Gross Claims and Benefits Paid		(3,352,644)	-	(3,352,644)
Claims Ceded to Reinsurers		182,654	-	182,654
Gross Change in Contract Liabilities		131,687	-	131,687
Change in Contract Liabilities Ceded to Reinsurers		(5,665)	-	(5,665)
Change in Life Insurance Fund	A	(898,137)	(7,841)	(905,978)
Acquisition Cost		(1,113,587)	-	(1,113,596)
Net Benefits and Claims		(5,055,692)	(7,841)	(5,063,543)
Finance Cost		(7,423)	-	(7,423)
Other Operating and Administrative Expenses		(1,494,543)	-	(1,494,543)
Other Expenses		(1,501,966)	-	(1,501,966)
Profit before Taxation		712,620	(179,054)	533,576
Income Tax Expense		(39,235)	-	(39,235)
Profit for the year		673,385	(179,054)	494,341
Profit attributable to:				
Equity holders		673,385	(179,054)	494,341
		673,385	(179,054)	494,341

Basic earnings per share (LKR.)

Dividend per share (LKR.)

First-time adoption of SLFRS contd.

Other Comprehensive Income

	Note	Previous SLAS LKR '000	Adjustments LKR '000	SLFRS as at 31.12.2011 LKR '000
Profit for the year		673,385		494,341
Other Comprehensive Income	H			
<u>Investments classified as Available for Sale</u>				
Fair Value Gains		-	(12,592)	(12,592)
Fair Value Gains transferred to Profit on Disposals		-	2,275	2,275
Other Comprehensive Income		673,385	(10,317)	484,024
Total Comprehensive Income for the year		1,346,770	(10,317)	978,365
Total Comprehensive Income attributable to:				
Equity holders		1,346,770	(10,317)	978,365
		1,346,770	(10,317)	978,365

Notes to the Financial Statements Contd.

Notes to the Reconciliation of Equity as at 1 January 2011 and 31 December 2011 and Total Comprehensive Income for the year ended 31 December 2011

A. Financial Instruments

The items included in “Investments” as per previous GAAP have been reclassified under “Financial Instruments” as per SLFRS. Investment in certain government securities has been reclassified under “assets held to maturity” that is measured at amortised cost while other government securities have been reclassified under “assets available for sale” that is measured at fair value. A separate reserve has been created for the difference between the fair value and the amortised cost of available for sale assets and this has been recognised under equity for Non-Life Insurance Business and under Insurance Liability - Life for Life Insurance business. The interest receivable from financial instruments has been reclassified from “Other assets” to “Financial instruments”.

B. Deferred Expenses / Deferred Revenue

Under previous GAAP (Sri Lanka Accounting Standards existed prior to 01 January, 2012), the Company recognised Deferred expenses (acquisition cost) and Deferred Revenue (Reinsurance Commission) under Non Life insurance Liability. Under SLFRS, the Company disclosed deferred expenses and deferred liability separately, as the assets and liabilities recognised from insurance contracts need to be disclosed separately.

C. Policyholder & Other Loans

Under previous GAAP, the Company recognised policyholder & other loans at their capital dues after being provided for any impairment losses. Under SLFRS, these loans were now recorded at their amortised cost. The interest receivable from these loans have been reclassified from “Other assets” to “Policyholder and Other Loans”.

D. Revenue Reserve/ Insurance Liability - Life

All adjustments due to transition from previous GAAP to SLFRS were reflected in the Revenue Reserve for Non-Life Insurance business and under Insurance Liability - Life for Life Insurance Business.

E. Insurance Liability - Non-Life

Under previous GAAP, the Company recognised Deferred expenses and Deferred revenue as part of the Non Life Insurance Liability. Under SLFRS, the Deferred expenses and Deferred revenue have been removed from Insurance Liability - Non-Life and are disclosed separately as explained in B above.

F. Total Other Revenue

Under previous GAAP, the Company recognised Income from Investments as a total. Under SLFRS, the Company has classified its income from investments into three categories: Investment Income, Realised Gains / (Losses) and Fair Value Gains / (Losses). Interest on policyholder loans previously recognised under other Income is reclassified under Investment Income. Other items previously classified under Other Income are classified to Other Operating Revenue under SLFRS. Also, it has adopted the measurement criteria specified in SLFRS in recognising its Total Other Revenue.

G. Benefits and Claims

Benefits and Claims recognised on net basis under previous GAAP have been classified into four categories: Gross Claims and Benefits Paid, Claims Ceded to Reinsurers, Gross Change in Contract Liabilities and Change in Contract Liabilities Ceded to Reinsurers and are recognised on a gross basis under SLFRS.

H. Other Comprehensive Income

Fair value gains/ (losses) on “available for sale financial assets”, revaluation gains on property, plant and equipment that were not recognised into income under previous GAAP are recognised in “Other Comprehensive Income” under SLFRS.

Insurance and Financial Risk

(a) Insurance risk

The primary risk to the company under its insurance contracts is that the amount and timing of actual claims and benefit payments being different from expectations. This is influenced by the frequency and severity of claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

The company mitigates the above risk exposure by diversification across a large portfolio of insurance contracts, by careful selection and implementation of underwriting strategies and by use of reinsurance arrangements. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance, which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract.

(1) Life insurance contracts

Life insurance contracts offered by the company include endowments, term assurance and pensions.

Endowments assurance are conventional products where lump sum benefits are payable on death/permanent disability or maturity whichever happens earlier. Few contracts have a surrender value and/or advance payments as well. The guaranteed maturity value of contracts with DPF may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability.

Term assurance are conventional products where lump sum benefits are payable on death or permanent disability.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a lump sum payment or life-time annuity payment.

The main risks that the company is exposed to under Life Insurance Contracts are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it has the right to reject the payment of fraudulent

Notes to the Financial Statements Contd.

claims and it charge extra premium for policyholders engaged in high-risk occupations. The company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Key assumptions

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- **Mortality rates**

Assumptions are based on standard table A67/70 published by the Institute of Actuaries of United Kingdom. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- **Discount rate**

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits directly related to the contract, less the discounted value of the expected theoretical net premiums that would be required to meet these future cash outflows. Discount rates are calculated according to the requirements of the Insurance Board of Sri Lanka. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits to the shareholders.

The assumptions that have the greatest effect on the Statement of Financial Position and income statement of the company are listed below.

Assumptions	Mortality		Fund Yield		Discount Rates	
	2012	2011	2012	2011	2012	2011
Janashakthi Insurance PLC	A 67/70	A 67/70	11.84%	7.82%	5.40%	5.32%
Janashakthi Insurance PLC - Former National Insurance Corporation Ltd	A 49/52	A 49/52	13.84%	9.69%	6.00%	5.50%

(2) Non-Life Insurance contracts

The company principally issues the following types of general insurance contracts: motor, fire, engineering, marine, household, travel and Miscellaneous other plans providing protection against other eventualities. Risks under non-life insurance policies usually cover twelve-month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims, those take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the company. The company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit risk exposure.

The purpose of these underwriting and reinsurance strategies is to limit risk exposure based on the company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the company's exposure to credit risk:

- A company credit risk policy setting out the assessment and determination of what constitutes credit risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counter-party or group of counter-parties, geographical and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- Reinsurance is placed with counter-parties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counter-parties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of re-insurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The company sets the maximum amounts and limits that may be advanced to corporate counter-parties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

Notes to the Financial Statements Contd.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the company by classifying assets according to the company's credit ratings of counter-parties / instruments by Ram Ratings (pvt) Ltd or Fitch Ratings (Pvt) Ltd.

AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

Credit exposure by credit ratings

31 December 2012

	AAA	AA	A	BBB	Un rated	Total
<i>Financial Instruments</i>						
Held-to-maturity financial assets						
Debt Securities	3,987,758	-	-	-	-	3,987,758
Loans & Receivables	1,500,417	1,363,816	924,955	1,310,915	354,165	5,454,267
Available-for -sale financial assets						
Equity Securities	-	-	-	-	625	625
Debt Securities	104,975	-	-	-	-	104,975
Financial Assets at fair value						
through profit or loss						
Equity Securities	-	-	-	-	422,814	422,814
Debt Securities	-	-	-	-	-	-
Investment in Unit Trust	-	-	-	-	389,696	389,696
Total	5,593,150	1,363,816	924,955	1,310,915	1,167,300	10,360,135

The un-rated Investments includes assets backed and guaranteed Financial Instruments.

31 December 2011

	AAA	AA	A	BBB	Not rated	Total
<i>Financial Instruments</i>						
Held-to-maturity financial assets						
Debt Securities	855,372	-	-	-	-	855,372
Loans & Receivables	1,132,329	707,546	913,357	1,229,733	324,279	4,307,244
Available-for-sale financial assets						
Equity Securities	-	-	-	-	625	625
Debt Securities	1,887,892	-	-	-	-	1,887,892
Financial Assets at fair value						
through profit or loss	-	-	-	-	-	-
Equity Securities	-	-	-	-	709,476	709,476
Debt Securities	-	-	-	-	-	-
Investment in Unit Trust	-	-	-	-	527,055	527,055
Total	3,875,592	707,546	913,357	1,229,733	1,561,435	8,287,664

During the year, no credit exposure limits were exceeded.

The company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counter-party.

Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

Collateral is mainly obtained for securities lending and for cash purposes. Credit risk is also mitigated by entering into collateral agreements.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the company's exposure to liquidity risk:

- A company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance contracts obligations.

Notes to the Financial Statements Contd.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

Maturity profiles

The table below summarises the maturity profile of the non-derivative financial assets of the company based on remaining undiscounted contractual obligations.

The company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

Maturity analysis

31 December 2012

	Carrying Amount LKR'000	Up to a year LKR'000	1-3 years LKR'000	3-5 years LKR'000	5-15 years LKR'000	Over 15 years LKR'000	No maturity* date LKR'000	Total LKR'000
Financial Assets								
Held-to-Maturity Financial Assets	3,987,758	-	-	632,351	880,412	2,474,996	-	3,987,758
Loans and Receivables	5,454,267	3,113,125	1,324,241	662,065	342,115	-	12,721	5,454,267
Available-for-Sale Financial Assets	105,700	104,975	-	-	-	-	625	105,600
Financial Assets at fair value through profit or loss	812,410	-	-	-	-	-	812,510	812,510
Total Assets	10,360,135	3,218,100	1,324,241	1,294,417	1,222,527	2,474,996	825,856	10,360,135

31 December 2011

	Carrying Amount LKR'000	Up to a year LKR'000	1-3 years LKR'000	3-5 years LKR'000	5-15 years LKR'000	Over 15 years LKR'000	No maturity date LKR'000	Total LKR'000
Financial Assets								
Held-to-Maturity Financial Assets	855,372	-	-	-	855,372	-	-	855,372
Loans and Receivables	4,307,244	2,403,382	846,172	555,271	462,028	-	40,391	4,307,244
Available-for-Sale Financial Assets	1,888,517	493,227	1,394,665	-	-	-	625	1,888,517
Financial Assets at fair value through profit or loss	1,236,531	-	-	-	-	-	1,236,531	1,236,531
Total Assets	8,287,664	2,896,609	2,240,837	555,271	1,317,400	-	1,277,546	8,287,664

*Assets in this category mainly include equity investments that do not have specific date of maturity.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- A company market risk policy setting out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Set asset allocation and portfolio limit structure, to ensure that assets back specific policyholders liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's principal transactions are carried out in Sri Lankan rupees and its exposure to foreign exchange risk is very minimal. The company's financial assets are primarily denominated in the same currencies as its insurance. The company has no significant concentration of currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The company has no significant concentration of interest rate risk.

(c) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

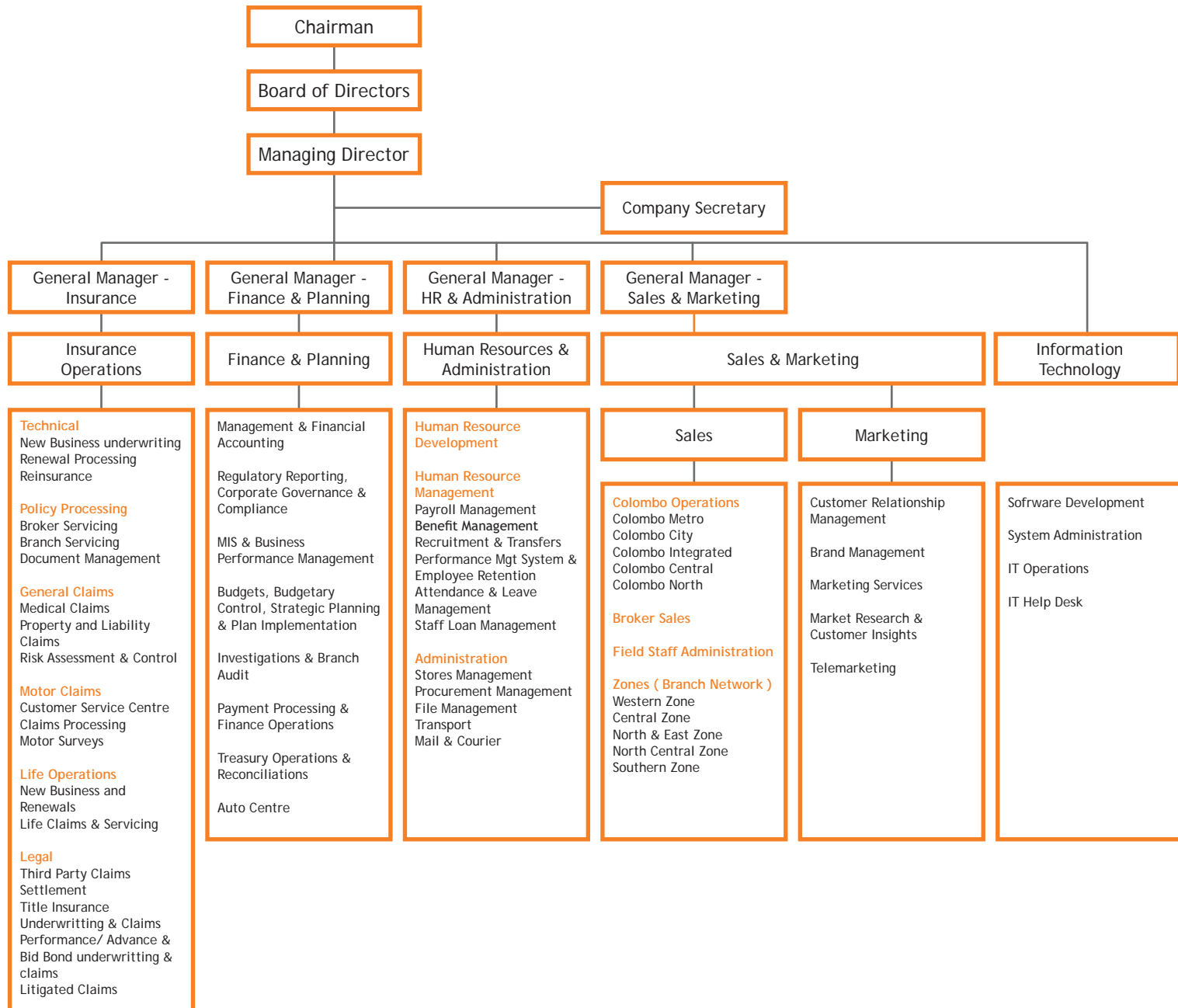
The company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market.

The company has no significant concentration of price risk.

Sensitivity analysis on financial assets

As part of the company's investment strategy, in order to reduce both insurance and financial risk, the company matches its investments to the liabilities arising from insurance contracts, by reference to the type of benefits payable to contract holders.

Organisational Structure



Glossary of Insurance Terms

Actuary

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

Actuarial Valuation

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

Annuity

A contract that provides an income for a specific period.

Beneficiary

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

Bonus

Bonus is a method of distribution of surplus amongst the participating policyholders of a life insurance company. A bonus is an enhancement to the basic sum assured under a contract, and is declared as percentage of the sum assured.

Broker

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

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the insuring of hospital or medical bills, death or disability of the insured and gratuity claims.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.

Claims Incurred But Not Reported (IBNR)

A reserve to cover the expected cost of losses that have occurred by the date of Statement of Financial Position but have not yet been reported to the insurer.

Claims Outstanding - Long Term Insurance

The amounts provided to cover the estimated ultimate cost of settling claims arising out of an event which have been notified by the date of Statement of Financial Position, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.

Deferred Acquisition Expenses/Deferred Acquisition

Expense Reserve

Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the date of Statement of Financial Position.

Glossary of Insurance Terms Contd.

Deposit Premium

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

Earned Premium

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

Endowment

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

Gross Claims Reserve - Non-Life

The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated ultimate cost, arising out of an event occurred by the end of the accounting period, less amounts already paid in respect of those claims.

Gross Written Premium - Life

Premium to which the insurer is contractually entitled and received in the accounting period.

Gross Written Premium - Non-Life

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

Insurance

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision - Non-Life

This comprises the gross claims reserve, unearned premium reserve net of re-insurance and the deferred acquisition expenses.

Insurance Provision - Long Term

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

Interim Payments

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

Life Surplus

The excess of the assets over the liabilities as determined by the actuary (taking into account solvency requirements) and after distribution of dividends to policyholders.

Long Term Insurance

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

Maturity

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

Net Combined Ratio - Non-Life

This ratio indicated the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

Net Earned Premium

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

Net Expenses Ratio - Non-Life

A formula used by insurance companies to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff and operating expenses).

Formula:
$$\frac{\text{Net acquisition expenses and operating expenses}}{\text{Net earned premium}}$$

Net Loss Ratio - Non-Life

A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurances).

Formula:
$$\text{Net claims incurred} / \text{Net earned premium}$$

Net Written Premium

Gross written premium less reinsurance premium payable.

Net Claims Incurred

Claims incurred less reinsurance recoveries.

Policy Loans

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

Premium

The consideration payable by the insured for an insurance contract.

Profit Commission

Commission received from the reinsurer based on the net profit of the reinsurer as defined in the agreement between the insurer and the reinsurer.

Revenue Account

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

Reinsurance

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

Reinsurance Commission

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

Reinsurance Premium

The premium payable to the reinsurer.

Segment

Constituent business units grouped in terms of nature and similarity of operations.

Glossary of Insurance Terms Contd.

Solvency Margin - Life

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

Surrender

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

Surrender Value

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

Technical Reserve

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

Underwriting Result

This is the profit generated purely from the Non-Life insurance business without taking into account the investment income and other non-technical income and expenses.

Unearned Premium

It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the date of Statement of Financial Position.

Fair value

The price that a reasonable buyer would be willing to pay and a reasonable seller would be willing to accept for a product on the open market.

Available for sale (AFS)

Securities that have been acquired neither for short-term sale nor to be held to maturity. These are shown at fair value on the statement of financial position and changes in value are taken straight to equity instead of the income statement.

Bancassurance

An arrangement whereby banks sell insurance and investment products to their customers on behalf of other financial providers.

Cash flow statement:

Statement on the origin and utilisation of cash and cash equivalents during the accounting period. It shows the changes in liquid funds separated into cash flows from operating, investing and financing activities.

Combined ratio

Sum of the loss ratio and expense ratio.

Corporate Governance:

Serves to ensure responsible management and supervision of enterprises and is intended to foster the trust of investors, clients, employees and the general public in companies.

Earnings per share,

Ratio calculated by dividing the consolidated net income (loss) by the weighted average number of shares outstanding.

IBNR (Incurred but not reported) reserve:

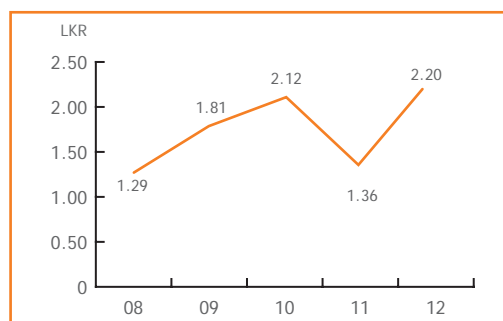
Provision for claims which have already occurred but which have not yet been reported.

Shareholder Information

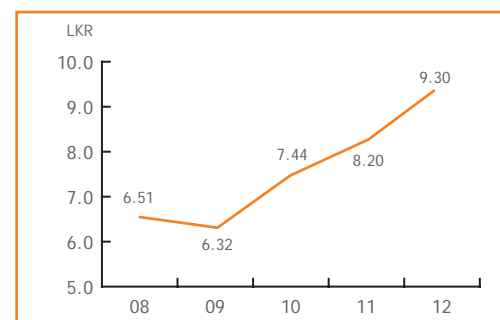
Valuation

31st December

		2012	2011
Earning Per Share (EPS)	LKR	2.20	1.36
Net Assets per Share	LKR	9.30	8.20
Price Earning Ratio	Times	4.77	11.01
Price/Book Value	Times	1.13	1.83
Dividends Per Share (DPS)	LKR	1.00	1.00
Dividend Payout Ratio	%	45.35	73.43
Dividend Yield	%	9.52	0.07



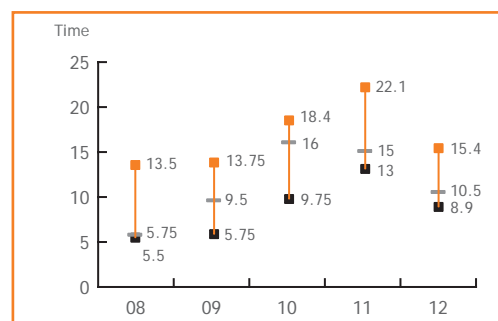
Earnings per Share



Net Assets per Share

Market information on Ordinary Shares of the Company

Market Value	2012		2011	
LKR	Value	Date	Value	Date
Highest Price	15.40	January 13, 2012	22.10	June 02, 2011
Lowest Price	8.90	April 02, 2012	13.00	November 25, 2011
Year end Price	10.50	December 31, 2012	15.00	December 31, 2011



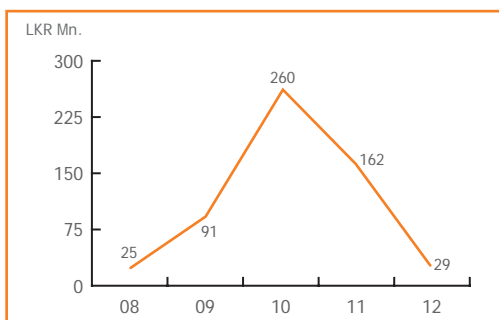
Price Earnings Ratio

■ Highest Price ■ Price as at 31 Dec
■ Lowest Price

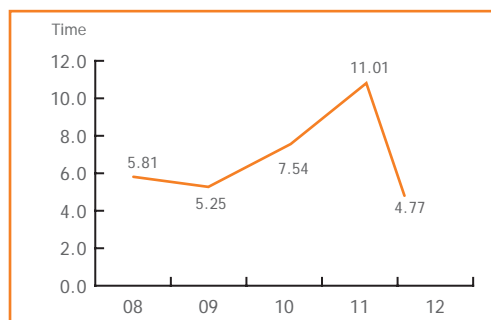
Shareholder Information Contd.

Trading Statistics

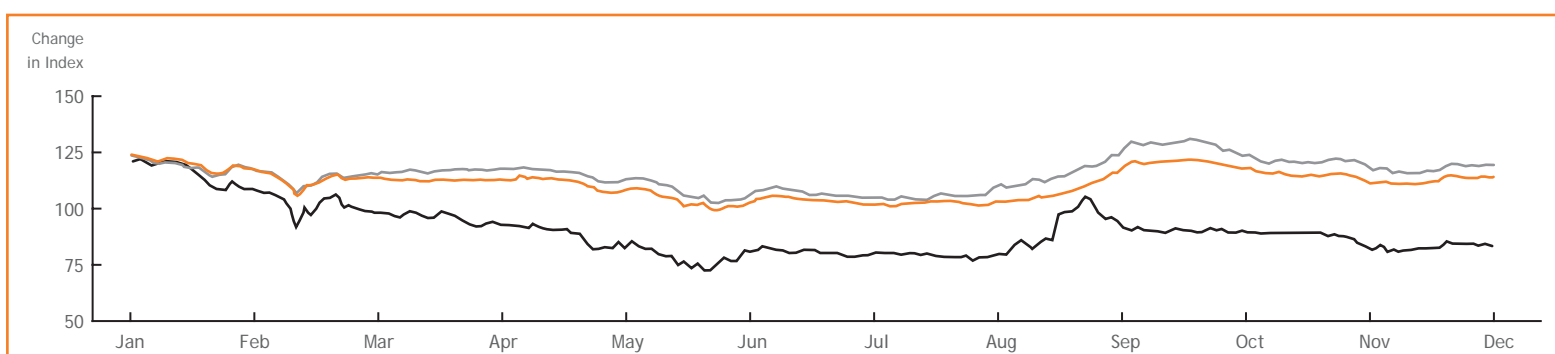
	2012	2011
Number of Transactions	10,087	33,617
Number of Shares Traded	28,559,200	162,250,200
% of Total Number of Shares Traded	7.87%	44.70%
Value of Shares Traded	LKR 333,543,898	2,958,437,680
Market Capitalisation	LKR 3,811,501,386	5,445,001,980



Number of Share Traded



Price Earnings Ratio



CSE Indices Vs. Janashakthi Insurance PLC Share Price - 2012

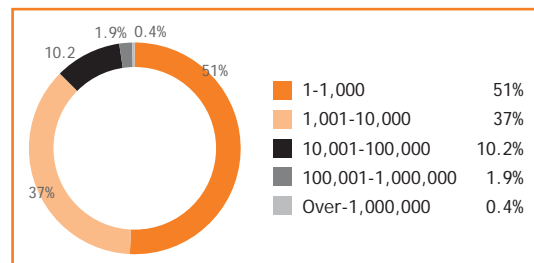
— ASPI — MPI — JIPLC

Distribution of Shareholders

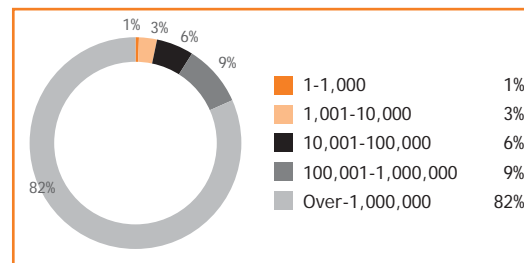
Number of Shares	2012				2011			
	No of Holders	%	Total Holding	%	No of Holders	%	Total Holding	%
1-1,000	3,235	50.74%	1,866,205	0.51%	3,211	49.64%	1,927,116	0.53%
1,001-10,000	2,343	36.75%	10,015,017	2.76%	2,459	38.01%	10,566,837	2.91%
10,001-100,000	648	10.16%	20,638,647	5.69%	649	10.03%	21,308,151	5.87%
100,001-1,000,000	124	1.94%	34,111,683	9.40%	123	1.90%	31,554,100	8.69%
Over-1,000,000	26	0.41%	296,368,580	81.64%	27	0.42%	297,643,928	82.00%
Total	6,376	100.00%	363,000,132	100.00%	6,469	100.00%	363,000,132	100.00%

Composition of Shareholders

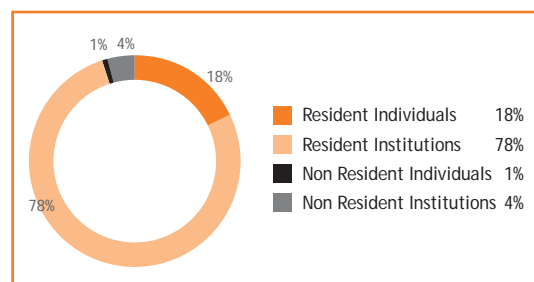
Shares	2012				2011			
	No of Holders	%	Total Holding	%	No of Holders	%	Total Holding	%
Resident :								
Individuals	6,091	95.53%	64,518,536	17.77%	6,178	95.50%	62,757,660	17.29%
Institutions	220	3.45%	282,112,593	77.72%	229	3.54%	284,056,172	78.25%
Non Resident :								
Individuals	57	0.89%	2,823,715	0.78%	54	0.83%	2,582,500	0.71%
Institutions	8	0.13%	13,545,288	3.73%	8	0.12%	13,603,800	3.75%
Total	6,376	100.00%	363,000,132	100.00%	6,469	100.00%	363,000,132	100.00%



Shareholders



Shareholding



Ownership

Shareholder Information Contd.

Twenty Largest Shareholders

	2012			2011		
	No of Shares	% of Top Twenty	% of Total	No of Shares	% of Top Twenty	% of Total
Janashakthi Limited	231,103,772	78.26%	63.66%	231,103,772	78.48%	63.66%
Bank of Ceylon-No 2 A/C	14,600,000	4.94%	4.02%	14,600,000	4.96%	4.02%
HSBC International Nominees Ltd-UBS AG Hongkong	11,400,000	3.86%	3.14%	11,400,000	3.87%	3.14%
First Capital Markets Limited/DYER Investments (Pvt) Limited	5,500,000	1.86%	1.52%	5,500,000	1.87%	1.52%
Mr. Udeshi Morarji Meghji	5,320,180	1.80%	1.47%	5,155,700	1.75%	1.42%
First Capital Markets Limited/Montgomery Investments (Pvt) Limited	4,170,500	1.41%	1.15%	4,170,500	1.42%	1.15%
First Capital Markets Limited/Patton Investments (Pvt) Limited	3,750,100	1.27%	1.03%	3,750,100	0.91%	0.74%
Commercial Bank of Ceylon PLC/Devi Holding (Pvt) Ltd.	2,000,000	0.68%	0.55%	2,020,000	0.69%	0.56%
Mr. Chitral Hiran Mendis	1,980,000	0.67%	0.55%	1,980,000	0.67%	0.55%
Mr. Ambani Dinesh Jamnadas	1,885,704	0.64%	0.52%	1,885,704	0.64%	0.52%
First Capital Market Limited/Rommel Investments Company	1,707,800	0.58%	0.47%	1,707,800	0.58%	0.47%
National Savings Bank	1,699,500	0.58%	0.47%	1,699,500	0.58%	0.47%
Mr. Vijendran Pathmanathan	1,634,452	0.55%	0.45%	1,634,452	0.55%	0.45%
Mr. Somasunderam Shanker Varadananda	1,490,400	0.50%	0.41%	1,490,400	0.51%	0.41%
DPMC Financial Services (PVT) Ltd.	1,287,400	0.44%	0.35%	1,287,400	0.44%	0.35%
Waldock Mackenzie Ltd/Hi-Line Trading (PVT) Ltd.	1,240,563	0.42%	0.34%	1,220,100	0.42%	0.34%
HSBC International Nominees Ltd-SSBT-Deutsche Bank AG Singapore	1,187,200	0.40%	0.33%	1,187,200	0.41%	0.33%
Mr. Hareesh Tirathdas	1,226,200	0.42%	0.34%	1,116,100	0.38%	0.31%
Mr. Arunasalam Sithampalam	1,080,000	0.37%	0.30%	-	0.00%	0.00%
Conffi Management Services (Private) Ltd	1,033,600	0.35%	0.28%	-	0.00%	0.00%
	295,297,371	100%	81.35%	292,908,728	99%	80%
Others	67,702,761		18.65%	70,091,404		19.31%
Total Shareholders	363,000,132	100%	100%	363,000,132		100%

As per Rule No.7.6 (iv) of the Colombo Stock Exchange, percentage of public holding as at December 31,2012 was 36.05% (38.45% as at December 31,2011).

*Comparative shareholding as at December 31,2011 of the twenty largest shareholders as at December 31,2012

Directors Shareholding

31st December	2012 No of Shares	2011 No of Shares
Mr.W T Ellawala	-	-
Mr.C T A Schaffter	12	12
Mr.Prakash Schaffter	-	-
Mr.L C R De C Wijetunga	-	-
Ms.Manjula Matthews	850,000	850,000
Mr.Nihal Jinasena	-	-
Mr.Ramesh Schaffter	-	-
Mr.Eardley Perera	-	-
Ms.Anushya Coomaraswamy	75,000	75,000

Record of Share Issue

	Issue	Basis	No of Shares
2006	31st December 2006		27,500,011
2007	Bonus Issue-30th March 2007	1:3	82,500,033
2008	Share Split-28th March 2008	1:2	220,000,088
2008	Initial Public Issue-16th June 2008		33,000,000
			363,000,132

Decade at a Glance

Statement of Income

(Values are to the nearest rupees thousand)

	2012*	2011*	2010	2009	2008	2007	2006	2005	2004	2003
Company										
Gross Written Premium	7,985,203	7,128,397	6,157,664	5,704,554	5,363,445	4,884,257	4,161,347	3,702,079	3,149,148	2,234,281
Net Earned Premium	6,838,810	6,075,909	5,453,865	4,966,773	4,562,077	4,114,386	3,341,209	2,911,286	2,303,020	1,786,263
Other Revenue	1,427,846	1,023,176	1,336,398	1,021,326	992,980	1,088,730	1,427,859	952,450	610,124	441,240
Total Net Income	8,266,656	7,099,084	6,790,263	5,988,099	5,555,057	5,203,116	4,769,068	3,863,736	2,913,144	2,227,503
Net Acquisition Cost	(1,245,001)	(1,113,596)	(920,560)	(888,055)	(837,740)	(642,239)	(489,158)	(376,427)	(221,367)	(166,033)
Net Claims and Benefits	(3,272,891)	(3,043,968)	(3,078,461)	(2,637,450)	(2,369,819)	(2,288,710)	(1,760,835)	(1,775,510)	(1,604,317)	(923,998)
Other Expenses	(1,777,775)	(1,501,966)	(1,406,138)	(1,412,888)	(1,444,168)	(1,520,454)	(1,432,890)	(1,246,536)	(950,761)	(724,204)
Increase in Life Insurance Fund	(917,073)	(905,978)	(574,174)	(299,955)	(400,137)	(202,589)	(282,773)	(254,553)	(219,989)	(235,026)
Profit / (Loss) before Taxation	863,498	533,576	810,930	749,751	503,193	549,124	803,412	210,710	(83,290)	178,242
Non Life										
Gross Written Premium	5,960,127	5,256,411	4,472,255	4,272,926	3,937,285	3,678,224	3,137,188	2,888,296	2,483,181	1,661,697
Net Earned Premium	4,852,607	4,233,270	3,797,992	3,572,752	3,167,981	2,939,550	2,343,377	2,109,306	1,643,370	1,217,521
Other Revenue	814,655	667,222	941,777	646,671	590,613	676,956	1,182,950	753,785	417,023	271,604
Total Net Income	5,667,262	4,900,492	4,739,769	4,219,423	3,758,594	3,616,506	3,526,327	2,863,091	2,060,393	1,489,125
Net Acquisition Cost	(795,131)	(669,312)	(559,854)	(537,431)	(477,374)	(354,662)	(260,222)	(223,374)	(111,597)	(82,989)
Net Claims and Benefits	(2,840,337)	(2,618,692)	(2,640,658)	(2,300,485)	(2,075,589)	(1,969,556)	(1,461,804)	(1,433,268)	(1,319,838)	(724,962)
Other Expenses	(1,281,600)	(1,078,912)	(1,032,982)	(1,036,656)	(1,022,979)	(1,021,800)	(1,064,573)	(998,739)	(714,385)	(504,580)
Profit / (Loss) before Taxation	559,778	533,576	506,275	344,851	182,652	270,488	739,728	207,710	(85,427)	176,594
Life										
Gross Written Premium	2,025,075	1,871,986	1,685,409	1,431,628	1,426,160	1,206,033	1,024,159	813,783	665,967	572,584
Net Earned Premium	1,986,203	1,842,639	1,655,873	1,394,021	1,394,096	1,174,836	997,832	801,980	659,650	568,742
Other Revenue	613,190	355,953	394,621	374,655	402,367	411,774	244,909	198,665	193,101	169,636
Total Net Income	2,599,393	2,198,592	2,050,494	1,768,676	1,796,463	1,586,610	1,242,741	1,000,645	852,751	738,378
Net Acquisition Cost	(449,870)	(444,285)	(360,706)	(350,624)	(360,366)	(287,577)	(228,936)	(153,053)	(109,770)	(83,044)
Net Claims and Benefits	(432,554)	(425,275)	(437,803)	(336,965)	(294,230)	(319,154)	(299,031)	(342,242)	(284,479)	(199,036)
Other Expenses	(496,176)	(423,054)	(373,156)	(376,232)	(421,189)	(498,654)	(368,317)	(247,797)	(236,376)	(219,624)
Increase in Life Insurance Fund	(917,073)	(905,978)	(574,174)	(299,955)	(400,137)	(202,589)	(282,773)	(254,553)	(219,989)	(235,026)
Surplus from Life Insurance Fund	303,720	-	304,655	404,900	320,541	278,636	63,684	3,000	2,137	1,648

* Note:

Financial Information for 2012 & 2011 are stated according to Sri Lanka Financial Reporting Standards

Statement of Financial Position

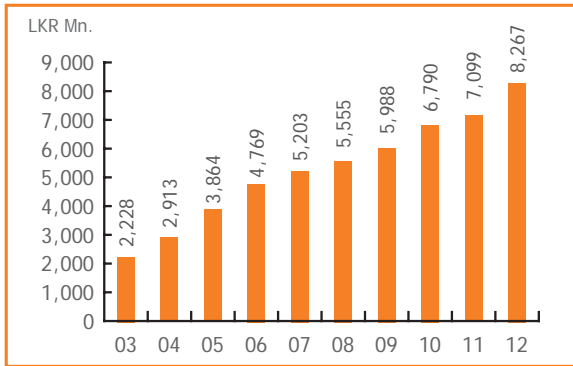
(Values are to the nearest rupees thousand)

	2012*	2011*	2010*	2009	2008	2007	2006	2005	2004	2003
Assets										
Financial Assets	11,437,063	9,365,764	8,252,929	7,133,487	6,158,017	6,402,976	5,655,534	7,428,084	7,445,371	4,113,583
Property, Plant & Equipment	380,007	304,651	318,051	333,719	331,428	319,358	350,683	385,423	530,391	524,430
Other Assets and Receivables	3,605,759	3,315,845	2,846,895	2,432,787	3,317,782	2,506,593	2,272,983	2,217,277	1,589,741	1,267,212
Cash and Cash Equivalents	421,109	513,129	1,023,166	456,213	227,389	443,901	262,834	335,300	152,602	131,080
Total Assets	15,843,938	13,499,389	12,441,041	10,356,206	10,034,616	9,672,828	8,542,034	10,366,084	9,718,105	6,036,305
Liabilities & Shareholders Equity										
Shareholders' Equity										
Stated Capital	1,496,000	1,496,000	1,496,000	1,496,000	1,496,000	1,100,000	275,000	275,000	275,000	275,000
Revenue Reserves	1,880,379	1,481,228	1,364,180	798,407	867,134	599,477	900,667	25,983	(183,536)	13,092
Total Shareholders' Equity	3,376,380	2,977,228	2,860,180	2,294,407	2,363,134	1,699,477	1,175,667	300,983	91,464	288,092
Liabilities										
Insurance Provision - Life	5,633,225	4,695,488	3,796,038	3,271,454	2,925,931	2,525,793	2,305,698	2,022,925	1,768,372	1,548,383
Insurance Provision - Non Life	4,622,516	4,067,606	3,857,961	3,224,691	3,208,753	3,004,996	3,146,304	3,228,304	2,780,363	2,013,068
Other Liabilities	2,211,817	1,759,067	1,926,862	1,565,654	1,536,798	2,442,562	1,914,365	4,813,872	5,077,906	2,186,762
Total Liabilities	12,467,558	10,522,161	9,580,861	8,061,799	7,671,482	7,973,351	7,366,367	10,065,101	9,626,641	5,748,213
Total Liabilities and Shareholders' Equity	15,843,938	13,499,389	12,441,041	10,356,206	10,034,616	9,672,828	8,542,034	10,366,084	9,718,105	6,036,305

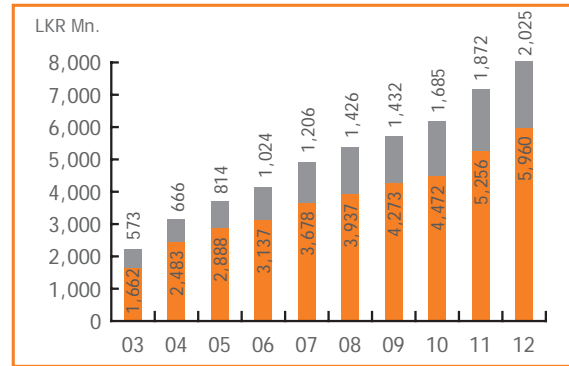
* Note:

Financial Information for 2012, 2011 & 2010 are stated according to Sri Lanka Financial Reporting Standards

Decade at a Glance Contd.

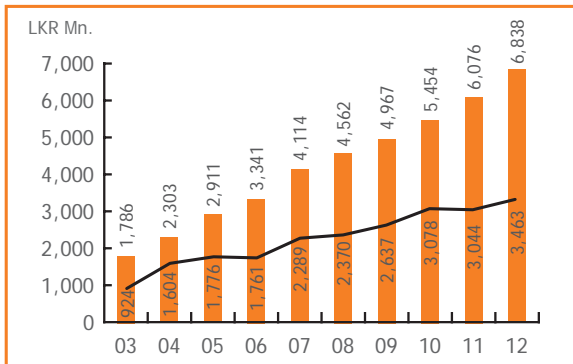


Revenue



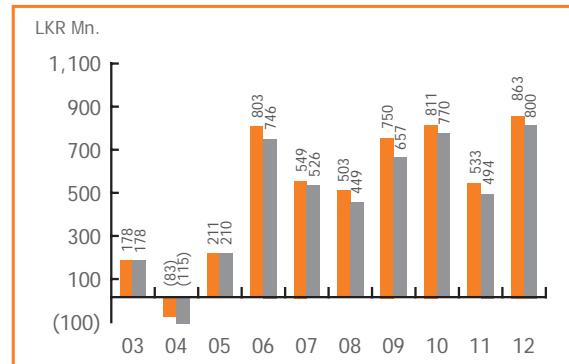
Gross Written Premium - Non-Life and Life

■ Non-Life ■ Life



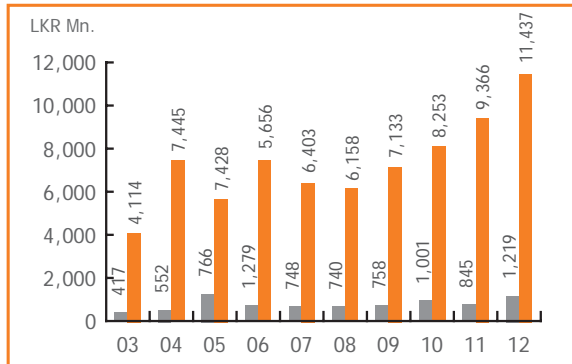
Consolidated Net Earned Premium and Net Incurred Claims

■ Net Earned Premium — Net Claims



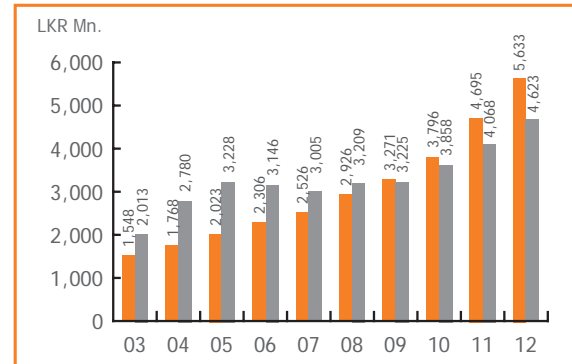
Consolidated Profit / (Loss) Before & After Taxation

■ Profit/(Loss) Before Taxation ■ Profit/(Loss) After Taxation



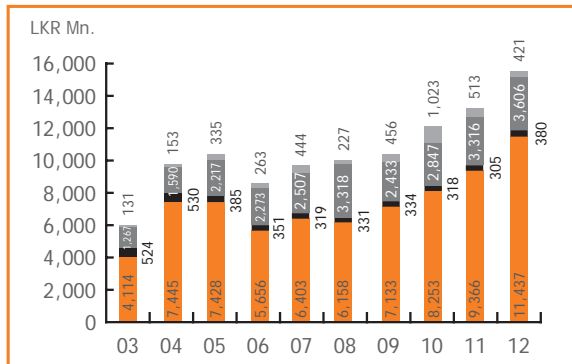
Consolidated Investment & Investment Income

Consolidated Investment Income Investment



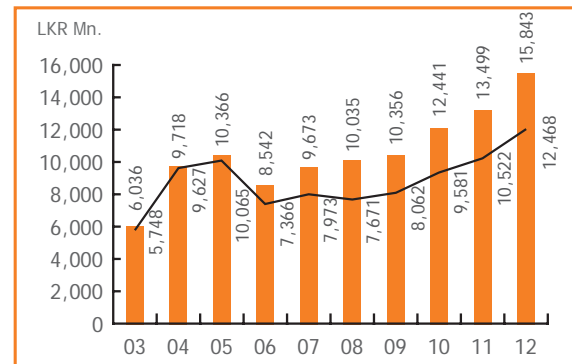
Life Fund & Non Life Fund

Life Fund Non Life Fund



Total Assets

Investments Other Assets and Receivables
Property, Plant & Equipment Cash and Cash Equivalents



Total Assets Vs Total Liabilities

Total Assets Total Liabilities

Branch Network



No.	Name of the Branch	Status	Address	Tel/Fax No.
Western Zone				
Avissawella Region				
1	Avissawella	Dev.	No. 29, Kudagama Road, Avissawella.	036-2232107/2233464
2	Ruwanwella	Dev.	No.195 A, Avisawella Road, Ruwanwella.	036-2268506/ 2268507
3	Padukka	Dev.	No.45 A, Hanwella Road, Padukka	011-2757545/ 2757544
Colombo East Region				
4	Battaramulla	Dev.	No.81/1, Kaduwela Road, Battaramulla.	011-2872732/ 2872730
5	Kaduwela	Dev.	No. 501, Avissawella Road, Kaduwela.	011-2538111/ 2537886
6	Hanwella	Dev.	No 137/3, Avissawella Road, Hanwella	036-2253992/ 2253993
7	Homagama	ADO	No.93, High Level Rd, Homagama.	011-4442055/ 2891899
Maharagama Region				
8	Kottawa	Dev.	No. 121/1 B, High Level Rd, Kottawa.	011-2783320/ 2783318
9	Nugegoda	Dev.	No.560, High Level Road, Gangodawila, Nugegoda.	011-2814030
10	Maharagama	ADO	No.157/1, High Level Rd, Maharagama.	011-4872525/2837490/ 4302356
11	Maharagama (General Sales)	Dev.	No. 72 1/1, Library Road, Maharagama.	011-2837836/2848930/2846048
12	Maharagama (Life Sales)	Dev.	No. 10, Elhena Road, Maharagama	011-2848783
13	Havelock Office	Dev.	No:291/22 Havelock Garden, Havelock Road, Colombo-06	011-2555515/ 2506106
Colombo South Region				
14	Kalubowila	Dev.	No.1/247, 1st Floor, Hospital Road, Kalubowila.	011-2764020
15	Piliyandala	Dev.	No.23, Second Cross Street, Piliyandala	011-2619729
16	Moratuwa	Dev.	No.603 B/1/1, Galle Road, Rawathawatte, Moratuwa.	011-2645703
Negombo Region				
17	Negombo	Reg.	No 229, St Josephs street Negombo	031-2231427-8/2235153/2231334
18	Ja-ela	Dev.	No.163 A, Colombo Road. Ja-ela.	011-2229795/ 2229051/ 2232663
19	Wattala	Dev.	Pearl Park Shopping Complex, 146G34, Market Junction, Negombo Road, Wattala.	011-2938498 / 2933418
20	Pettah Branch	Dev.	No.97 3/1, K B Christy Perera Mawatha, (formerly known as Jampettah Street) Colombo -13.	011-2473203/ 2473204/2473234
Gampaha Region				
21	Gampaha	Dis.	No.108, Colombo Rd, Gampaha.	033-2221946/ 2227808
22	Kirindiwela	Dev.	No.123/A, Colombo Rd, Kirindiwela.	033-2267970/ 2247083
23	Minuwangoda	Dev.	No. 484, Negambo Road, Minuwangoda.	011-2281028/2281033
24	Nittambuwa	Dev.	No.29/1, Kandy Rd, Nittambuwa.	033-2287235/ 2296734
25	Kadawatha	Dev.	No.155/1H, Kandy Road, Kadawatha.	011-2922345/ 2922346

Branch Network Contd.

No.	Name of the Branch	Status	Address	Tel/Fax No.
26	Kelaniya	Dev.	No.878, Bulugaha Junction, Kandy Road, Kelaniya.	011-2911483/ 2911484
Southern Zone				
Kalutara District				
27	Aluthgama	Dev.	No.25, Douglas Gunawardena Mawatha, Aluthgama.	034-2270203/ 2271665
28	Bandaragama	Dev.	Karunathne Bldg, Market Lane, Bandaragama.	038-2293919/ 2293946
29	Kalutara	Dis.	No. 338/1/1, Galle Road, Kaluthara South	034-2226595/ 2223579
30	Panadura	Dev.	No.445/1-2, Galle Road, Panadura	038-2240669/ 2241246
31	Horana	Dev.	No.132/1, Anguruwatota Rd, Horana.	034-2262977/ 2261002
32	Mathugama	Dev.	No.74B, Nabada Road, Mathugama	034-2248243/ 034-2248244
Matara and Hambantota Region				
33	Matara	Reg.	No.211 A, Anagarika Dharmapala Mw, Matara.	041-2229554/2221550/2223035
34	Akuressa	Dev.	No.63 A, Matara Rd, Akuressa.	041-2283260/ 2283567
35	Tangalle	Dev.	No.104, Beliatha Road, Tangalle.	047-2241644/ 2241614
36	Galle	Dis.	No.41/1, Gnanobasha Mawatha, New Street, Galle.	091-2223473/ 2246001
37	Ambalangoda	Dev.	No.14, First Floor, Galle Road, Ambalangoda.	091-2256544/ 2255724
Monaragala District				
38	Ampara	Dis.	Amarathunga Building, D.S.Senanayake Veediya, Ampara.	063-2223952/ 2223622
39	Monaragala	Dis.	No. 135, Pathinayake Bld, Wellawaya Road, Monaragala.	055-2277037/ 2276430
40	Wellawaya	Dev.	Opposite the New Filling Shed, Monaragala Road, Wellawaya.	055-2274984/ 2274985
41	Tissamaharamaya	Dev.	No.77/1, Jayaweera Bld, Main St, T'maharamaya.	047-2239093/ 2239165
Ratnapura District				
42	Balangoda	Dev.	No.15, Main St, Balangoda.	045-2287569/ 2286987
43	Eheliyagoda	Dev.	No.312, Main Street, Eheliyagoda.	036-2259944/ 2258245
44	Embilipitiya	Dev.	No.93 A, Malwatte Building, New Town Road, Embilipitiya	047-2230993/ 2261270
45	Ratnapura	Dis.	No.66, Bandaranayake Mw, Ratnapura.	045-2231800/ 2230936
46	Ambalantota	Dev.	No.76 A, Mallika Building, Tangalle Road, Ambalantota.	047-2225439/ 2223363
North & East Zone				
Batticaloa District				
47	Batticaloa	Dis.	No 26-28, Bailey Rd, Batticaloa.	065-2226360/ 2223904
48	Kalmunai	Dev.	165, Batticaloa Road, Kalmunai	067-2224747/ 2224987
49	Akkaraipathu	Dev.	Main St, Ampara Rd, Akkaraipathu.	067-2279252/ 2279320
50	Valachchenai	Dev.	Main Street, Valachchenai	065-2258304/2258305
Jaffna Region				
51	Jaffna	Dis.	No.165, Manipay Rd, Jaffna.	021-2223827/ 2229552

No.	Name of the Branch	Status	Address	Tel/Fax No.
52	Nelliyadi	Dev.	Vickneswara College Rd, Karaveddy, Nelliyadi.	021-2264418
53	Chavakachcheri	ADO.	Station Road, Chavahachcheri.	021-2270724/ 2270723
54	Chunnakam	Meeting Point	Raja Complex, No. 89, KKS Road, Chunnakam	021-2241691
55	Mullaitivu	Dev.	P W D Road , Mullaitivu	0773-013418/ 0212290145
Trincomalee Region				
56	Kantalai	Dev.	No.70/1/A, Main Street, Kantalai	026-2234855/ 2234890
57	Trincomalee	Dis.	No.316, In Harbour Road, Trincomalee.	026-2225326/ 2225926
58	Mutur	Dev.	Periya Palam, Batticaloa Road, Mutur	026-2238368
Vavuniya Rgion				
59	Kilinochchi	Dev.	Kandy Road (Near The old Hospital) Kilinochchi	021-2280087
60	Mannar	Dev.	No.91, Ward - 07, Kadalrei Veethy, Mannar	023-2250790/ 22250791
61	Vavuniya	Dis.	No.30, 1st Cross Street, Vavuniya.	024-2224916/ 2221668
North Central Zone				
Kurunegala Region				
62	Kuliyapitiya	Dev.	No. 107, Kurunegala Road, Kuliyapitiya	037-2283548/ 2284546
63	Kurunegala	Reg.	No.9 , Noel Senevirathna Mawatha, Colombo Road, Kurunegala.	037-2232673-4, 2229507/ 2221019
64	Nikaweratiya	Dev.	Heelogama Rd, Nikaweratiya.	037-2260832/ 2260911
65	Giriulla	Dev.	No.103A/1, Negombo Road, Giriulla	037-2289514/ 2289515
66	Melsiripura	Dev.	No:3 Near Filling station, Melsiripura.	037-2250272
Anuradhapura District				
67	Anuradhapura	Dis.	No.255, Chenkoon Bld, Main Street, Anuradhapura.	025-2224063, 2235038/ 2226695
68	Medawachchiya	Dev.	No.70, Jaffna Road, Medawachchiya.	025-2245161/ 2245191
69	Galgamuwa	Dev.	No. 257 Main Street, Galgamuwa	037-2254116/ 2254117
70	Kekirawa	Dev.	(Opposite the Hospital), Maradankadawala Rd, Kekirawa.	025-2263300/ 2263372
71	Thambuttegama	Dev.	Anuradhapura Rd, Thambuttegama	025-2275052/ 2275200
Polonnaruwa District				
72	Dehiattakandiya	Dev.	No.59E, Shopping Complex, New Town, Dehiattakandiya.	027-2250265/ 2250245
73	Hingurakgoda	Dev.	No.29, Airport Rd, Hingurakgoda.	027-2247587/ 2245040
74	Medirigiriya	ADO	Post Office Road, Medirigiriya.	027 2248775
75	Polonnaruwa	Dis.	No.46, Shanas Bldg, Main Street, Kaduruwela.	027-2225125/ 2222866
Puttalam Region				
76	Chilaw	Dis.	No.54, Kurunegala Rd, Chilaw.	032-2220062/ 2222622
77	Anamaduwa	ADO	No.9, Maha Uswawa Road, Anamaduwa.	071-8066788/ 2263100
78	Mahawewa	ADO	No.10, Main St, Mahawewa.	032-2254607, 2252710/ 2255786

Branch Network Contd.

No.	Name of the Branch	Status	Address	Tel/Fax No.
79	Puttalam	Dev.	No.116, Opp. Base Hospital, Kurunegala Rd, Puttalam.	032-2266209/ 2266300
80	Wennappuwa	Dev	No.31, Main Street, Wennappuwa.	031-2253396
Central Zone				
	Kandy District			
80	Kandy	Reg.	No 302 , D S Senanayaka Veediya , Kandy.	081-2227496-8/ 2201236
81	Gampola	ADO	No.134/A/1, Kandy Road, Gampola.	081-2350555
82	Katugastota	Dev.	No: 6 Sri Rathanapala Mawatha , Katugastota.	081-2500649
83	Rikillagaskada	ADO	Hewaheta Road, Rikillagaskada	081-3840934
	Matale District			
84	Dambulla	Dev.	No. 78, Anuradhapura Road, Dambulla	066-2283676/2283678
85	Galewela	Dev.	No.215, 1st Floor, Dambulla Rd, Galewela.	066-2288435
86	Hettipola	ADO	Hettipola, Vilgamuwa, Matale.	066-3683722
87	Matale	Dis.	No.18A, Kandy Road, Matale.	066-2224362
	Nawalapitiya Region			
88	Nawalapitiya	Dev.	No.88, Gampola Road, Nawalapitiya.	054-2224215/ 2224341
89	Pilimathalawa	Dev.	No.207/1/1, Colombo Rd, Pilimathalawa.	081-2575188/ 2575189
90	Kegalle	Dis.	No. 262/1,Main Street,Kegalle	035-2231360/ 2223539
91	Warakapola	Dev.	No.212, Kandy Road, Warakapola	035-2267026/ 2268778
	Nuwara Eliya & Badulla Region			
92	Hatton	ADO	No.184, Colombo Rd, Hatton.	051-2224051/ 2225412
93	Nuwara Eliya	Dis.	No.33/1/1, Park Rd, Nuwara Eliya.	052-2235291/ 2223759
94	Welimada	Dev.	No.127/1, Hemapala Munidasa Mw, Welimada.	057-2244541/ 2244597
95	Badulla	Dis.	No.13 1/1, R H Gunawardana Mw, Badulla.	055-2229944/ 2222730
96	Bandarawela	Dev.	No.213/1/1, Main Street, Bandarawela.	057-2231540/ 2231580
97	Mahiyanganaya	Dev.	No.2, Sri Jayashanka Bldg, Kandy Rd, Mahiyanganaya.	055-2257370/ 2258391
	Colombo			
98	Colombo Sales		No. 55/60, Vauxhall Lane, Colombo 02	011-2309751 / 011-2309976/2309757
99	Colombo City Region		No. 55/60, Vauxhall Lane, Colombo 02	011-7309999/7303300/011-7309199
100	Colombo Metro Region		No. 55/60, Vauxhall Lane, Colombo - 02.	011-2309981
101	Colomco Central Region		No. 55/60, Vauxhall Lane, Colombo 02	011-2132123
102	Colombo Integrated Region		No. 55/60, Vauxhall Lane, Colombo - 02.	011-2309975/011-2309976
103	Colombo North Region		No. 55/60, Vauxhall Lane, Colombo 02	011-309789/7309196
104	Head Office Life Sales - North		Muthukuda Building @ 118, Braybrooke Place, Colombo 2	011-2309780
105	Kollupitiya		No. 441, Galle Road, Colombo 03.	0112-132716

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of Janashakthi Insurance PLC will be held on 28th March 2013 at 11.00 am in the Auditorium of Sri Lanka Foundation Institute, 100 Independence Avenue, Colombo 07 to transact the following businesses:

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st December 2012 together with the Report of the Auditor's thereon.
2. To re-elect Mr. A D E I Perera who retires by rotation in terms of Article 94 of the Articles of Association of the Company and offers himself for re-election as a Director.
3. To re-elect Ms. A Coomaraswamy who retires by rotation in terms of Article 94 of the Articles of Association of the Company and offers herself for re-election as a Director
4. To re-elect as a Director Deshamanya Dr. T N Jinasena who being over the age of 70 years and who retires by rotation in terms of Article 94 of the Articles of Association of the Company and pursuant to Section 211 of the Companies Act, No.7 of 2007

IT IS HEREBY RESOLVED that it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Deshamanya Dr. T N Jinasena, who is 71 years of age and that he be re-elected as a Director of the Company.

5. To appoint Mr. W. T. Ellawala as a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007

IT IS HEREBY RESOLVED that it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. W. T. Ellawala, who has attained the age of 75 years.

FURTHER RESOLVED that the Company appoints Mr. W. T. Ellawala, as a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007.

6. To appoint Mr. C. T. A. Schaffter as a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007

IT IS HEREBY RESOLVED that it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. C. T. A. Schaffter, who has attained the age of 82 years.

FURTHER RESOLVED that the Company appoints Mr. C. T. A. Schaffter, as a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007.

7. To appoint Mr. L C R de C Wijetunga as a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007

IT IS HEREBY RESOLVED that it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. L C R de C Wijetunga who has attained the age of 75 years.

FURTHER RESOLVED that the Company appoints Mr. L C R de C Wijetunga, as a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007.

8. To re-appoint Messrs SJMS Associates, Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Board of Directors to determine their remuneration.
9. To authorize the Directors to determine and make donations.

By order of the Board



K H L Corporate Services Limited
Secretaries

At Colombo,
26 February 2013

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Company Secretaries, No. 75, Arnold Ratnayake Mawatha Colombo 10 not less than 48 hours before the time fixed for the Meeting.

Form of Proxy

I/We,of
being a member/s of the Company, hereby appoint
 Mr/Mrs/Miss
 (holder of N.I.C.No.....) of.....
 whom failing

- | | |
|---|--------------|
| 1. William Tissa Ellawala of Colombo | whom failing |
| 2. Chandra Thomas Adolphus Schaffter of Nugegoda | whom failing |
| 3. Prakash Anand Schaffter of Nugegoda | whom failing |
| 4. Ramesh Schaffter of Nugegoda | whom failing |
| 5. Mrs. Manjula Mathews of Nugegoda | whom failing |
| 6. Athulugamage Damian Eardley Ignatius Perera of Colombo | whom failing |
| 7. Ms. Anushya Coomaraswamy of Battaramulla | whom failing |
| 8. Deshamanya Dr. Tissaweera Nihal Jinasena of Ja-Ela | whom failing |
| 9. Lionel Cuthbert Read de Cabraal Wijetunge of Colombo | whom failing |

as my/our Proxy to represent me/us and vote on my/our behalf at the 20th Annual General Meeting of the Company to be held on 28th March 2013 at 11.00 am in the Auditorium of Sri Lanka Foundation Institute, 100, Independence Avenue, Colombo 07 and at any adjournment thereof and every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution

	FOR	AGAINST
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st December 2012 together with the Report of the Auditor's thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. A D E I Perera who retires by rotation in terms of Article 94 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Ms. A Coomaraswamy who retires by rotation in terms of Article 94 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Deshamanya Dr. T N Jinasena who retires by rotation in terms of Article 94 of the Articles of Association of the Company and in terms of Section 211 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
5. Appointment of Mr. W T Ellawala as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
6. Appointment of Mr. C T A Schaffter as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
7. Appointment of Mr. L C R de C Wijetunge as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
8. Re-appointment of Messrs. SJMS Associates, Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9. Authorization of the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this Day of 2013

.....
 Signature

.....
 Shareholder's N.I.C./P.P./Co.Reg.No.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited at No.75, Arnold Ratnayake Mawatha, Colombo 10, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

Name of Company

Janashakthi Insurance PLC

Statutory Status

- Incorporated as a Public Company on 28th August 1992 under the provisions of the Companies Act No. 17 of 1982
- Subsequently re-registered under the Companies Act No.7 of 2007 on 6th May 2008.
- Insurance Company licensed by the Insurance Board of Sri Lanka in terms of Section 113 (2) (a) of the Regulation of Insurance Industry Act No.43 of 2000 on 01st January 2002.

Company Registration Number

PB 307 / PQ

Stock Exchange Listing

The Shares of the Company was listed on 21st July on the Colombo Stock Exchange, Diri-Savi Board

Registered Office

No. 55/72, Vauxhall Lane, Colombo 02

P O Box

2202

Contact Details

Telephone Number : 2303300

Fax Numbers : 2334864
7309299

E-mail : insurance@janashakthi.com

Corporate Website : <http://www.janashakthi.com>

Accounting Year-end

December 31

Tax Payer Identification Number (TIN)

134003642

VAT Registration Number

134003642 - 7000

Ratings

Claims Paying Ability Rating - A-

Board of Directors

Mr. W T Ellawala - Chairman

Mr. C T A Schaffter - Deputy Chairman

Mr. Prakash A Schaffter - Managing Director

Mr. Ramesh Schaffter

Mrs. Manjula Mathews

Mr. A D E I Perera

Ms. A Coomaraswamy

Deshamanya Dr. T N Jinasena

Mr. L C R de C Wijetunge

Secretary to the Board

Mr. Ramesh Schaffter

Company Secretary

K H L Corporate Services Limited
75, Arnold Ratnayake Mawatha, Colombo 10
Tel: 2639807

Company Registrar

SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road, Colombo 03
Tel: 2573894

External Auditors

M/s. SJMS Associates
Chartered Accountants,
No. 02, Castle Lane, Colombo 04
Tel : 5444400

Consultant Actuary - Life Insurance

Actuarial & Management Consultants (Pvt) Limited
1st Floor, No. 434, R A D Mel Mawatha,
Colombo 03
Tel : 2575280

Re-Insurance Panel

Hannover- Life Reinsurance Co. Ltd
Partner - Reinsurance Europe PLC
SCOR Global Life SE
SCOR Reinsurance Asia-Pacific Pte. Ltd, Singapore
Hannover Reinsurance Company, Kuala Lumpur, Malaysia
Sirius International, United Kingdom
B.E.S.T. Reinsurance - Far East Regional Office, Malaysia
Taiping Reinsurance Co. Ltd., Hong Kong
Malaysian Reinsurance Berhad, Malaysia
Trust International & Reinsurance Co. B.S.C., Bahrain
General Insurance Corporation of India, India
African Reinsurance Corporation, Africa
Asia Capital Reinsurance Pte. Ltd., Singapore
Societe Centrale De Reassurance, Morocco
Al Fajer Retakaful Insurance Company, Kuwait
Fed. Of Afro-Asian Insurers & Reinsurers (FAIR), Turkey
National Insurance Trust Fund (NITF)
United India Assurance Co.Ltd, India

Bankers

Commercial Bank of Ceylon
Sampath Bank
HSBC
Bank of Ceylon
Peoples Bank
NTB
Union Bank



JANASHAKTHI
INSURANCE

Janashakthi Insurance PLC Annual Report 2012