

The background features a white page with three large, overlapping blue circles of varying sizes. Each circle is composed of concentric rings in different shades of blue, creating a 3D effect. Two thin, light blue lines intersect at the top left, forming a large 'V' shape that frames the text.

**Annual Report 2007**

**National Insurance Trust Fund**



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## 1a.VISION

“Safety – net and protection for all needy sectors”

## 1b.MISSION

To participate in the social and economic development of Sri Lanka through:

- Affordable, Efficient and progressive insurance Schemes for all needy segments in the society;
- Providing solutions to local market to cover high risks arising from changing needs through pooling and other arrangements; and
- Creating a reinsurance market in Sri Lanka to provide additional capacity to the local Insurance Market.



## 2. CORPORATE GOALS

- Design and implement new insurance schemes for the benefit of intended target groups
- Design and manage a Reinsurance scheme to capture at least 30% of the reinsurance market
- Automating the management of all schemes implemented by the NITF
- Develop Human resources to provide highly effective service to all beneficiaries.
- Manage the investments of NITF to achieve a minimum return of 15% during the next 5 year period.
- Promote and encourage the stakeholders to participate in relevant insurance schemes through education awareness programmes
- Develop adequate infrastructure facilities to facilitate future operations of NITF
- Strengthen and procedure of NITF
- Establish a risk management unit and conduct market studies and provide guidance to NITF on its future insurance activities.



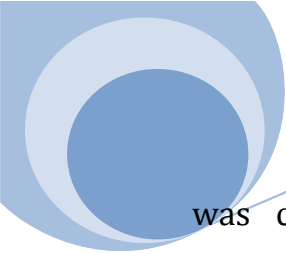
### **3. CHAIRMAN'S REVIEW**

It is great pleasure that I present to you the Annual report and the Audited Financial statements for the Year 2007. I am confident that our stakeholders will be satisfied with the operational and financial performance of the National Insurance Trust Fund during the last year.

In 2006 the National Insurance Trust Fund was established as a unit of Ministry of Finance and Planning to uplift the living standards of Sri Lanka Citizens. At the beginning we

implemented only Public servants insurance scheme. By 2007 in addition to this scheme we amalgamated SRCC & Tr Fund and these two schemes were functioning smoothly and efficiently.

In 2008, we started Reinsurance, Migrant workers insurance scheme and Motor Insurance scheme. Motor insurance department was handling the vehicles belongs to government and semi-government institutions. Under the Reinsurance programme it



was compulsory that all insurance companies had to cede 20% of their reinsurance business with the NITF.

**Future Expansions.**

We are planning to implement all types of general insurance business other than life insurance. I have no doubt that the forthcoming year will be a successful one.

**Appreciation**

On behalf of the Board of Directors, I wish to extend my appreciation of the continued support and co-operation of the Ministry of Finance and Planning, Insurance Board of Sri Lanka and other stakeholders.

I would like to thank the management and the staff who have worked very hard to achieve the goals.

A. A. Wijepala  
Chairman  
National Insurance Trust Fund

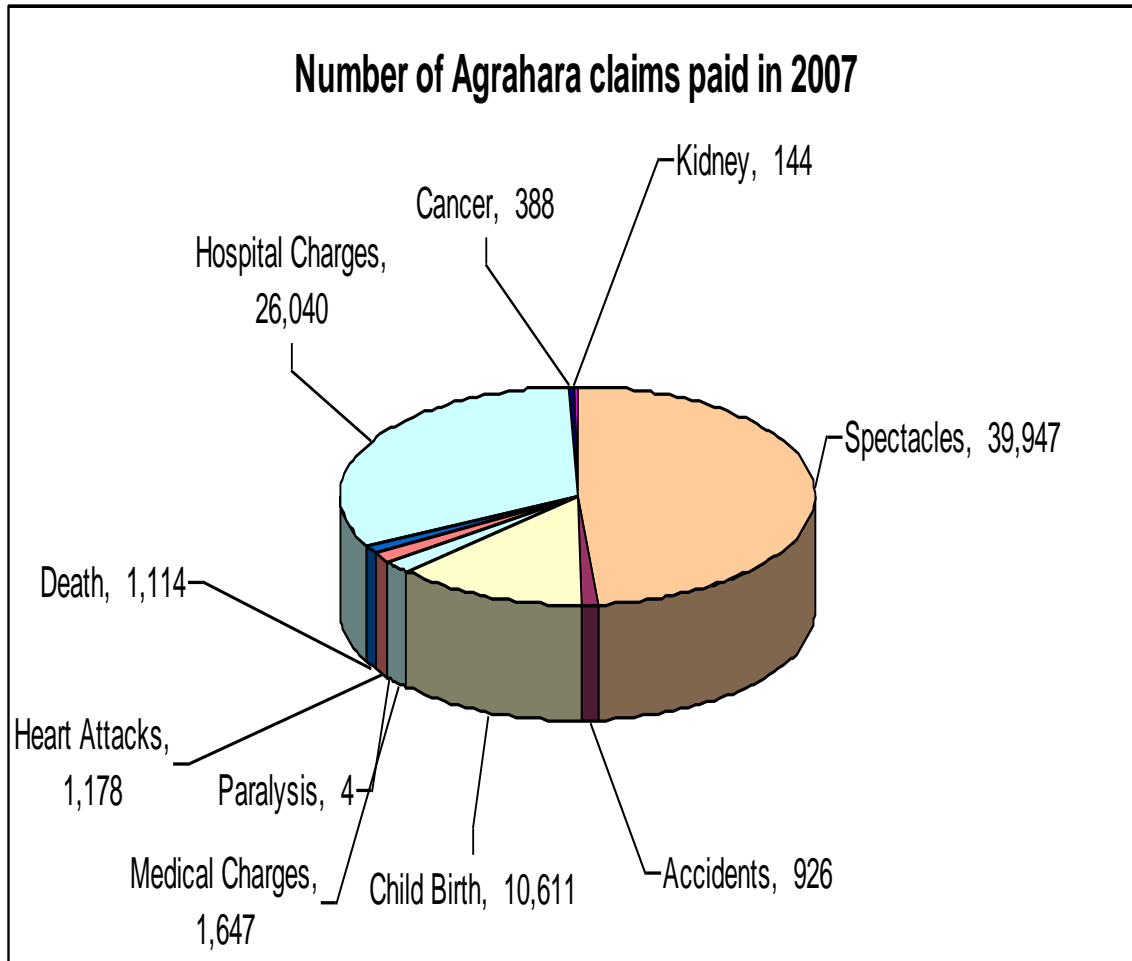


## **4. THE MEMBERS OF BOARD OF NATIONAL INSURANCE TRUST FUND**

|   |                         |
|---|-------------------------|
| ❖ <b>Mr. A. A. Wijepala</b>                                       | <b>Present Chairman</b> |
| ❖ <b>Prof. R. L. Wattawala</b><br>(From 14. 06.2007-31.03.2007)   | <b>Chairman</b>         |
| ❖ <b>Prof. Jagath Wickramasinghe</b><br>(01.01.2007 – 21.05.2007) | <b>Chairman</b>         |
| ❖ <b>Mr. D. Dissanayake</b>                                       | <b>-Board Member</b>    |
| ❖ <b>Dr. Nihal Jayathilaka</b>                                    | <b>-Board Member</b>    |
| ❖ <b>Dr. N. G.S. Panditharatne</b>                                | <b>-Board Member</b>    |
| ❖ <b>Mr. W. H. Piyadasa</b>                                       | <b>-Board Member</b>    |
| ❖ <b>Mr. Udaya Ranjith Senaviratne</b>                            | <b>-Board Member</b>    |
| ❖ <b>Mr. Maxy T. Wijethilake</b>                                  | <b>-Board Member</b>    |
| ❖ <b>Mr. N. G. Dayaratne</b>                                      | <b>-Board Member</b>    |
| ❖ <b>Mr. G. D. Rupasinghe</b>                                     | <b>-Board Member</b>    |
| ❖ <b>Mr. H. A. Ratnapala</b>                                      | <b>-Board Member</b>    |

## 5.FINANCIAL HIGHLIGHTS

### AGRAHARA DEPARTMENT



The NITF has paid 81,999 No. of claims under the Agrahara insurance scheme to the public servants in 2007. The higher numbers of claims met reflect enormous contribution made to uplift the living standards of the public sector servants when they require hand to hold on.

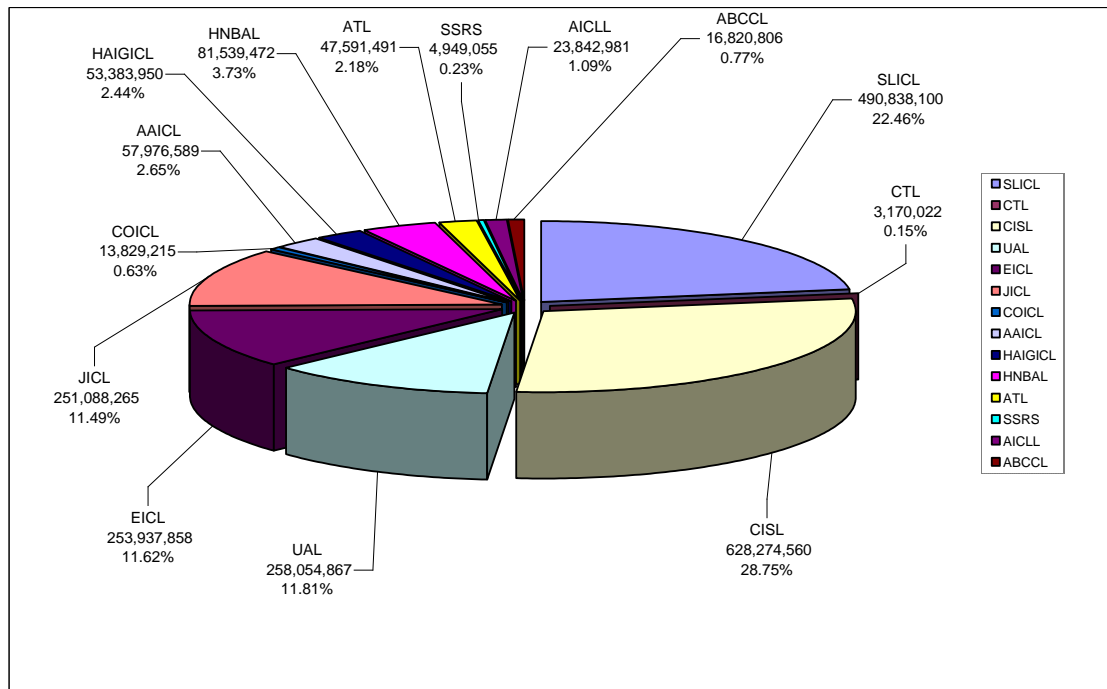
Out of the total claims paid, 50% were paid for spectacles this was the main area where Agrahara members needed NITF facilitation.



## FINANCIAL HIGHLIGHTS

### SRCC & TR DEPARTMENT

#### GROSS WRITTEN PREMIUM COMPANYWISE MARKET SHARE 2007



#### Abbreviations

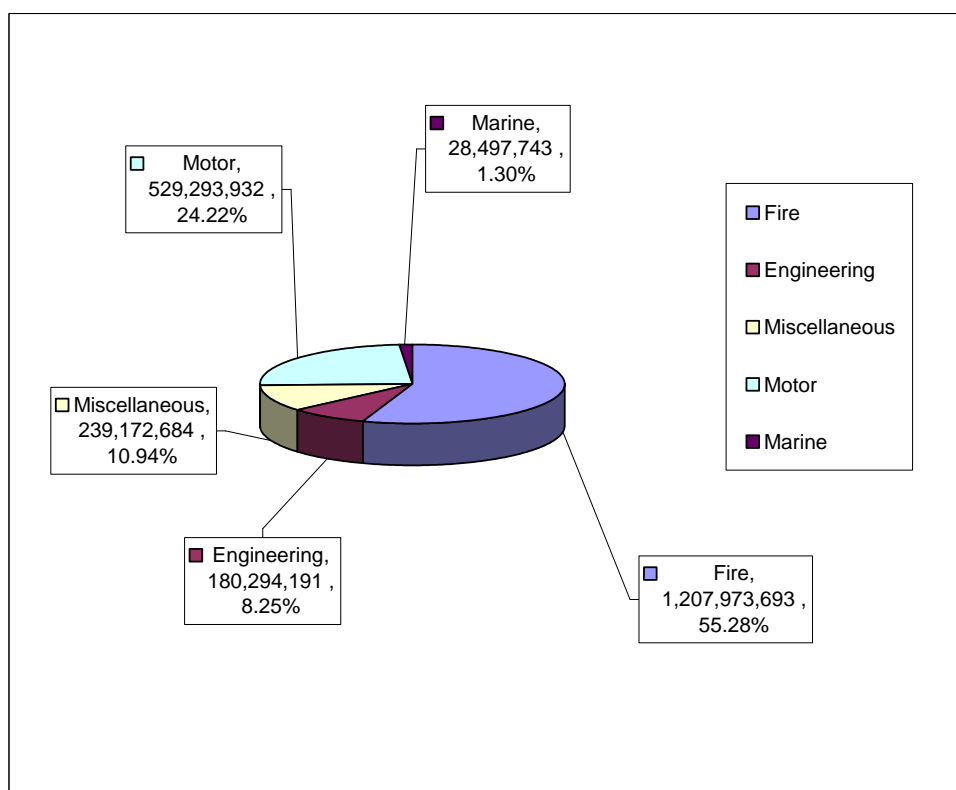
|         |   |
|---------|---|
| SLICL   | : Sri Lanka Insurance Corporation Ltd.  |
| CTL     | : Ceylinco Takaful Ltd                  |
| CISL    | : Ceylinco Insurance Company Ltd.       |
| UAL     | : Union Assurance Ltd.                  |
| EICL    | : Eagle Insurance Company Ltd.          |
| JICL    | : Janashakthi Insurance Company Ltd.    |
| COICL   | : Co-operative Insurance Company Ltd.   |
| AAICL   | : Asian Alliance Insurance Company Ltd  |
| HAIGICL | : Hayleys AIG Insurance Company Ltd     |
| HNBAL   | : HNB Assurance Ltd                     |
| ATL     | : Amana Takaful Ltd                     |
| SSRS    | : Seemasahitha Sanasa Rakshana Samagama |
| AICLL   | : Allianz Insurance Company Lanka Ltd   |
| ABCCL   | : ABC Insurance Co.Ltd                  |

#### Rs.

|                      |
|----------------------|
| 490,838,100          |
| 3,170,022            |
| 628,274,560          |
| 258,054,867          |
| 253,937,858          |
| 251,088,265          |
| 13,829,215           |
| 57,976,589           |
| 53,383,950           |
| 81,539,472           |
| 47,591,491           |
| 4,949,055            |
| 23,842,981           |
| 16,820,806           |
| <b>2,185,297,231</b> |

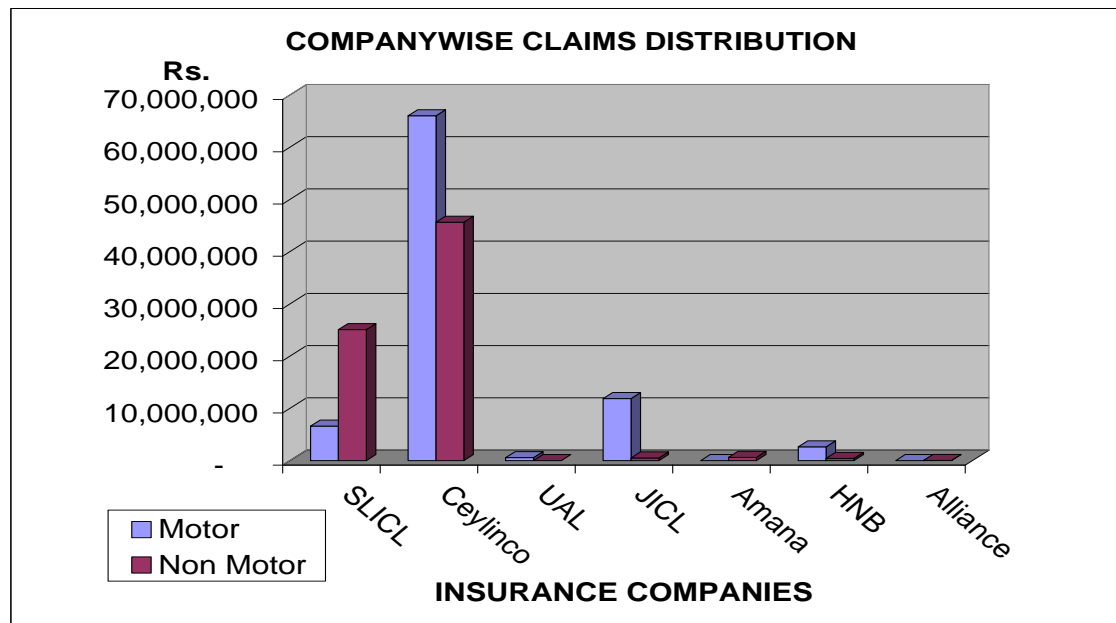
## DISTRIBUTION OF GROSS WRITTEN PREMIUM - 2007

| Class of business | Gross Written Premium (Rs.) |
|-------------------|-----------------------------|
| Fire              | 1,207,973,693               |
| Engineering       | 180,294,191                 |
| Miscellaneous     | 239,172,684                 |
| Motor             | 529,293,932                 |
| Marine            | 28,497,743                  |
|                   | <b>2,185,232,243</b>        |



## ANALYSIS OF CLAIMS DISTRIBUTION-2007

| Company            | Outstanding Claims as at 31.12.2006 |                   | Paid in year 2006 relating to 2006 Claims |                   | Total             |                    |
|--------------------|-------------------------------------|-------------------|---|-------------------|-------------------|--------------------|
|                    | Motor                               | Non Motor         | Motor                                     | Non Motor         | Motor             | Non Motor          |
| SLICL              | 6,608,756                           | 25,069,485        | -   | -                 | 6,608,756         | 25,069,485         |
| Ceylinco           | 66,023,857                          | 2,400,549         | -   | 43,239,718        | 66,023,857        | 45,640,267         |
| UAL                | -                                   | -                 | 564,500                                   | -                 | 564,500           | -                  |
| JICL               | 1,384,776                           | -                 | 10,494,183                                | 504,325           | 11,878,959        | 504,325            |
| Amana              | -                                   | -                 | -   | 621,394           | -                 | 621,394            |
| HNB                | 1,500,000                           | 428,136           | 1,122,540                                 | -                 | 2,622,540         | 428,136            |
| Alliance           | -                                   | 25,423            | -   | -                 | -                 | 25,423             |
| <b>Rs.</b>         | <b>75,517,389</b>                   | <b>27,923,593</b> | <b>12,181,223</b>                         | <b>44,365,437</b> | <b>87,698,612</b> | <b>72,289,030</b>  |
| <b>Grand Total</b> |                                     |                   |   |                   | <b>Rs.</b>        | <b>159,987,642</b> |





## **6. CORPORATE GOVERNANCE**

### **GOOD CORPORATE GOVERNANCE PRACTICES**

The National Insurance Trust Fund was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006. Thereafter the Strike, Riot, Civil Commotion and Terrorism Fund which was established in 1987 in terms of a cabinet paper had been absorbed into the National Insurance Trust Fund under the paragraph (1c) of the section 18 of the National Insurance Trust Fund Act No. 28 of 2006, dated 29<sup>th</sup> August 2006.

The Corporate Governance practices of National Insurance Trust Fund are carried out giving due consideration to the relevant areas of Corporate Governance Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka and the Public Enterprises Guidelines for Good Governance and other prominent Corporate Governance Reports.

### **THE BOARD OF MAANGEMENT**

The NITF is managed by a Board consisting of eight members appointed by the Minister in charge of the subject of Finance, consisting an officer to represent the Ministry of Finance, Chief Accountant of the Ministry of Finance, An officer representing the Ministry of Health, An officer representing the Ministry of Public Administration, Director General of the Insurance Trust Fund Board of Sri Lanka and three other persons nominated by the Minister to represent expertise in the fields of Finance, Banking, Insurance, Management and Law. The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment. The names of the Board of Directors are given in the page 7.

### **SUPPLY OF INFORMATION**

The Board receives a set of timely, accurate, relevant and comprehensive Board Papers containing which are circulated a week prior to the Board

Meeting and the Board meets on a monthly basis in order to make strategic decisions. During the year 2007 the Board met 17 occasions.



## **INTERNAL CONTROL AND INTERNAL AUDIT**

With regard to the Strike, Riot, Civil Commotion and Terrorism Fund, in 2007 a system of internal control was monitored by reputed independent Internal Auditors who carried out the internal audit functions based on the internal audit plan which was based on the timeliness and accuracy.



## **7.RISK MANAGEMENT**

### **INTRODUCTION**

Following prominent risks have been identified evaluating the quantum of the impact / consequence and the likelihood / plausibility of occurrence and accordingly risk response strategies such as avoidance acceptance, transfer, sharing, elimination and management have been adopted.

### **STRATEGIC RISK**

In order to ensure the accomplishment of strategic objectives, the management of the National Insurance Trust Fund has been vigilantly monitoring the economic developments and socio -political developments in Sri Lanka related to insurance sector which may impact the strategic intent of the National Insurance Trust Fund.

### **UNDERWRITING RISK**

In order to mitigate the burden from escalated claims costs due to possible occurrence of catastrophic events, the reinsurance agreements with AON Re for the National Insurance Trust Fund and with Willis Re for the Strike, Riot, Civil Commotion and Terrorism Fund have been entered with reinsurers who are having highest credit ratings (i.e. Fitch credit rating, Moody's credit rating, AM Best credit rating and Standard & Poor credit rating).

### **FORIEGN EXCHANGE RISK**

In order to eliminate the Foreign Exchange Transaction Risk the Reinsurance Agreements have been contracted in the home currency values for the payment of the reinsurance premium.



## **INVESTMENT CREDIT RISK**

In order to mitigate the Investment Credit Risk to a minimal level, risk free investments in Treasury Bills, REPOs and Treasury Bonds are made only in state banks.

## **OPERATIONAL RISK**

Operational Risk is mitigated by computerization of operations.

## 8.AUDITOR'S REPORT



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அறிப்பு திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல  
My No.

EF/I/S/2007/9

ඔබේ අංකය  
உமது இல  
Your No.

දිනය  
திகதி  
Date

27 October 2009

### Report of the Auditor General

The audit of Financial Statements of the National Insurance Trust Fund for the year ended 31 December 2007 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No.38 of 1971, and Section 17 of the National Insurance Trust Fund Act No. 28 of 2006.

#### **Responsibility of the Management 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 misstatements, 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**

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub Sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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කොළඹ 07, ශ්‍රී ලංකාව

දුරකථන  
தொலைபேசி  
Telephone. } 2691151

சுதந்திர சதுக்கம்,  
கொழும்பு 07, இலங்கை

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Fax No. } 2697451

INDEPENDENCE SQUARE,  
COLOMBO 07, SRI LANKA

ඉමේල්/වෙබ් අඩවිය  
#- மெயில்  
E-mail. } oaggov@sltruel.gov.lk



- 2 -

**Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that National Insurance Trust Fund had maintained proper accounting records for the year ended 31 December 2007 and the financial statements have been prepared in accordance with Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the National Insurance Trust Fund as at 31 December 2007 and the financial results of its operation and cash flows for the year then ended

**Report to Parliament**

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.



S. Swarnajothi  
Auditor General.

## 9.STATEMENT OF INCOME

(All figures in Sri Lankan Rupees)

For the year ended December 31,2007

|                                      | Notes | 2007<br>Agrahara | 2007<br>SRCC & Tr. | 2007<br>Total   | 2006<br>Total |
|--------------------------------------|-------|------------------|--------------------|-----------------|---------------|
| <b>Revenue</b>                       |       |                  |                    |                 |               |
| Net Earned Premium Income            | 01    | 925,340,682      | 1,729,562,000      | 2,654,902,681   | 318,902,642   |
| <b>Benefits, Losses and Expenses</b> |       |                  |                    |                 |               |
| Insurance claims and benefits        | 02    | (537,604,185)    | (885,439,853)      | (1,423,044,038) | (242,465,993) |
|                                      |       | 387,736,496      | 844,122,147        | 1,231,858,643   | 76,436,649    |
| <b>Other Revenue</b>                 |       |                  |                    |                 |               |
| Investment Income                    |       | 31,464,003       | 496,800,784        | 528,264,787     | -             |
| Interest on Soft Loans               |       | -                | 38,713,576         | 38,713,576      | -             |
|                                      |       | 419,200,499      | 1,379,636,507      | 1,798,837,006   | -             |
| <b>Expenditure</b>                   |       |                  |                    |                 |               |
| Staff related costs                  | 03    | 9,254,235        | 2,246,719          | 11,500,953      | 1,333,806     |
| Depreciation                         | 06    | 2,035,369        | 827,682            | 2,863,050       | -             |
| Administration Expenses              | 04    | 10,599,602       | 680,297            | 11,279,900      | 1,508,940     |
| Finance & Other expenses             | 05    | 1,319,576        | 2,065,629          | 3,385,205       | 138,170       |
| <b>Total expenditure</b>             |       | 23,208,782       | 5,820,326          | 29,029,109      | 2,980,916     |
| <b>Income over expenditure</b>       |       | 395,991,717      | 1,373,816,180      | 1,769,807,897   | 73,455,733    |

## 10. BALANCE SHEET

(All figures in Sri Lankan Rupees)

As at December 31, 2007

|                                   | Notes | 2007<br>Agrahara   | 2007<br>SRCC & Tr.   | 2007<br>Total        | 2006<br>Total      |
|-----------------------------------|-------|--------------------|----------------------|----------------------|--------------------|
| <b>Assets</b>                     |       |                    |                      |                      |                    |
| <b>Non-current assets</b>         |       |                    |                      |                      |                    |
| Property, plant and equipment     | 06    | 22,526,588         | 2,713,877            | 25,240,465           | 1,461,388          |
| Investments                       |       | -                  | 5,449,343,240        | 5,449,343,240        | -                  |
|                                   |       | 22,526,588         | 5,452,057,117        | 5,474,583,705        | 1,461,388          |
| <b>Current assets</b>             |       |                    |                      |                      |                    |
| Receivables                       | 07    | 232,301,255        | 1,989,654,571        | 2,221,955,826        | 511,844,970        |
| Cash and cash equivalents         | 08    | 473,234,820        | 87,024,302           | 560,259,122          | 13,357,202         |
|                                   |       | 705,536,075        | 2,076,678,872        | 2,782,214,948        | 525,202,172        |
| <b>Total assets</b>               |       | <b>728,062,663</b> | <b>7,528,735,989</b> | <b>8,256,798,653</b> | <b>526,663,560</b> |
| <b>Equity and liability</b>       |       |                    |                      |                      |                    |
| <b>Equity</b>                     |       |                    |                      |                      |                    |
| Accumulated Fund                  | 09    | 489,549,669        | 6,093,959,259        | 6,583,508,929        | 94,102,009         |
|                                   |       | 489,549,669        | 6,093,959,259        | 6,583,508,929        | 94,102,009         |
| <b>Technical Reserves</b>         |       |                    |                      |                      |                    |
| Unearned Premium                  | 10    | -                  | 877,695,727          | 877,695,727          | -                  |
| Deferred Commission               | 11    | -                  | (161,317,228)        | (161,317,228)        | -                  |
|                                   |       | -                  | 716,378,499          | 716,378,499          | -                  |
| <b>Liability</b>                  |       |                    |                      |                      |                    |
| <b>Non-Current Liabilities</b>    |       |                    |                      |                      |                    |
| Government grant                  |       | 719,190            | -                    | 719,190              | 719,190            |
| Profit Commission payable         | 12    |                    | 83,722,067           | 83,722,067           |                    |
|                                   |       | 719,190            | 83,722,067           | 84,441,257           | 719,190            |
| <b>Current Liabilities</b>        |       |                    |                      |                      |                    |
| Claim Payable                     | 13    | 234,137,095        | 368,640,302          | 602,777,397          | -                  |
| Other payables                    | 14    | 3,656,709          | 266,035,862          | 269,692,571          | 431,842,361        |
|                                   |       | 237,793,804        | 634,676,164          | 872,469,968          | 431,842,361        |
| <b>Total equity and liability</b> |       | <b>728,062,664</b> | <b>7,528,735,989</b> | <b>8,256,798,653</b> | <b>526,663,560</b> |

## 11.STATEMENT OF CHANGES IN ACCUMULATED FUND

*(All figures in Sri Lankan Rupees)*

|  | <b>2007</b>     | <b>2007</b>           | <b>2007</b>   | <b>2006</b>     |
|--|-----------------|-----------------------|---------------|-----------------|
|  | <b>Agrahara</b> | <b>SRCC &amp; Tr.</b> | <b>Total</b>  | <b>Agrahara</b> |
| ACCUMULATED FUND                                     |                 |                       |               |                 |
| Accumulated fund as at 31.12.2006                    | 94,102,009      | 4,720,143,079         | 4,814,245,088 | 20,646,275      |
| Less: Refunds of Peoples Bank<br>Balance -951 & 4225 | (544,057)       |                       |               |                 |
| Income over expenditure                              | 395,991,717     | 1,373,816,180         | 1,769,807,897 | 73,455,734      |
| Accumulated fund as at 31.12.2007                    | 489,549,669     | 6,093,959,259         | 6,584,052,985 | 94,102,009      |

## 12. CASH FLOW STATEMENT

For the year ended December 31,

(All figures in Sri Lankan Rupees)

|   | 2007                 | 2006              |
|---|----------------------|-------------------|
| <b><u>Cash flow from operating activities</u></b>           |                      |                   |
| Net profit for the period                                   | 1,769,807,897        | 73,455,733        |
| <b>Adjustments for:</b>                                     |                      |                   |
| Depreciation  | 2,863,050            | -                 |
| Investment income   | (528,264,787)        |                   |
| Unearned Premium Income                                     | 877,695,727          |                   |
| Deferred Commission   | (161,317,228)        |                   |
| <b>Operating profit before working capital changes</b>      | <b>1,960,784,660</b> | <b>73,455,733</b> |
| Decrease in receivables                                     | (1,710,110,856)      | (203,902,642)     |
| Increase in Profit Commission Payable                       | 83,722,067           |                   |
| Increase in Claim payable                                   | 602,777,397          |                   |
| Decrease in Other payables                                  | (162,149,790)        | 144,002,251       |
| <b>Cash generated from operations</b>                       | <b>775,023,479</b>   | <b>13,555,343</b> |
| Income taxes paid   | -                    | -                 |
| <b>Net cash from operating activities</b>                   | <b></b>              | <b>13,555,343</b> |
| <b><u>Cash flows from investing activities</u></b>          |                      |                   |
| Purchases of property, plant and equipment                  | (23,102,704)         | (742,198)         |
| Investment in Government Securities                         | (5,449,343,240)      |                   |
| Proceeds of sale of equipment                               | -                    |                   |
| Net Assets transferred from SRCC & Tr fund                  | 4,716,059,599        |                   |
| Investment income   | 528,264,787          |                   |
| <b>Net cash used in investing activities</b>                | <b>(228,121,558)</b> | <b>(742,198)</b>  |
| <b>Net increase/ decrease in cash and cash equivalents</b>  | <b>546,901,920</b>   | <b>12,813,145</b> |
| <b>Cash and cash equivalents at beginning of the period</b> | <b>13,357,202</b>    | <b>544,056</b>    |
| <b>Cash and cash equivalents at end of the period</b>       | <b>560,259,122</b>   | <b>13,357,202</b> |
| <b><u>Analysis of cash and cash equivalents</u></b>         |                      |                   |
| Cash in hand and balances with banks                        | 153,653,499          | 13,357,202        |
| Short-term investments                                      | 406,605,623          | -                 |
| <b>Cash and cash equivalents</b>                            | <b>560,259,122</b>   | <b>13,357,202</b> |



## **13.ACCOUNTING POLICIES**

### **1.0 CORPORATE INFORMATION**

National Insurance Trust Fund (“The Fund”) is incorporated and domiciled in Sri Lanka by the “National Insurance Trust Fund Act, No. 28 of 2006”. The registered office of the company is situated at No. 70, D R Wijewardena Mawatha, Colombo 10 and the principal place of business is located at the this address.

During the year of operation Strike, Riot and Civil Commotion and Terrorism Fund which was under the Ministry of Finance & Planning was absorbed to National Insurance Trust Fund.

### **2.0 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of Preparation**

The Financial Statements have been prepared under historical cost convention in accordance with generally accepted accounting principles and the accounting standards laid down by the Institute of Chartered Accountant of Sri Lanka.

The financial statements are presented in Sri Lankan Rupees (Rs.)

No adjustment for inflationary factors has been made in these accounts.

Where appropriate, the accounting policies have been explained in the succeeding notes.

#### **2.2 Comparative Figures**

The accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year. Previous year's figures have been rearranged wherever necessary to the year's presentation



## **2.3 Capital Commitments**

There were no Capital commitments as at Balance Sheet date.

## **2.4 Cash Flow Statement**

Cash Flow Statement is prepared using “indirect method”

## **2.5 Related Party Transactions**

There were no related party transactions.

## **2.6 Post Balance Sheet Events**

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements

## **2.7 Assets and bases of their valuation**

### **2.7.1 Property, Plant & Equipments**

The Property, Plant & Equipments are recorded at cost

The Property, Plant and Equipment is the cost of purchase together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the Fund.



## Depreciation

The provision for depreciation is calculated by using straight line basis on the cost of all property, plant & equipments in order to write off such amount over their estimated useful lives by equal annual installments as follows

|                     |               |
|---------------------|---------------|
| Plant & Machinery   | Over 10 years |
| Furniture & Fitting | Over 08 years |
| Office Equipments   | Over 06 Years |
| Computers           | Over 05 Years |
| Motor Vehicles      | Over 05 years |

### 2.7.2 Investments

Investment are shown at Cost

### 2.7.2 Receivables

Collect ability of premiums, interest and other receivables is reviewed on an ongoing basis. Debtors other Receivables which are known to be uncollectible are written off.

### 2.7.3 Cash & Cash Equivalents

Cash & Cash Equivalents are defined as cash in hand, demand deposit banks for the purpose of cash flow statement, Cash and Cash Equivalent consists of cash in hand deposit in bank net of outstanding bank over draft.





## **2.8 Liabilities & Provision**

### **2.8.1 Unearned Premiums**

Unearned premiums are those proportions of the premium written in a year that related to the period of risk subsequent to the Balance Sheet date. The unearned Premiums are calculated on the 24<sup>th</sup> basis of Gross Premium.

### **2.8.2 Deferred Commission**

Deferred Commission represents net commission relates to unearned premium

### **2.8.3 Profit Commission**

Profit Commission is calculated and paid in two installments. First installment is paid after six months after end of the accounting period and the second installment after twelve months after end of the accounting period.

### **2.8.4 Claims Payable**

Claims comprise of approved claims which are not paid during the relevant financial year and the provision for outstanding claims which are declared by the members of the fund together with the related expenses and deductions made for reinsurance and salvage recoveries if available.

### **2.8.5 Other Payables**

Other payables are stated at their cost

### **2.8.6 Other Provisions**

All known provisions as at the Balance Sheet date have been fully provided for in the accounts.



## **2.9 Revenue & Expenses**

### **2.9.1 Revenue**

Revenue is recognized to the extent that it is probable that economic benefit will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

#### **a. Premium Contributions**

Premium Contributions are recognized when they fall due.

#### **b. Interest Income**

Interest income is recognized as the interest accrues unless future collection is in doubt.

#### **c. Others**

Gains and losses of a revenue nature on the disposal of property, plant and equipment are accounted for in the Income Statement.

All other income is recognized on an accrual basis.

### **2.9.2 Expenditure Recognition**

All expenditure incurred in the running of the Fund and in maintaining the Property, Plant & Equipments in a state of efficiency has been charged to revenue in arriving at Net Surplus.

## 14. NOTES TO FINANCIAL STATEMENTS

### Notes to Statement of Income

(All figures in Sri Lankan Rupees)

For the for the year ended December 31,

|   | 2007<br>Agrahara   | 2007<br>SRCC & Tr.   | 2007<br>Total        | 2006        |
|---|--------------------|----------------------|----------------------|-------------|
| <b>01. NET EARNED PREMIUM INCOME</b>        |                    |                      |                      |             |
| Contribution from Members                   | 578,628,923        | -                    | <b>578,628,923</b>   | 166,095,126 |
| Contribution from Treasury                  | 346,711,759        | -                    | <b>346,711,759</b>   | 152,807,516 |
| Gross Written Premium - SRCC & Tr           | -                  | 2,178,012,010        | <b>2,178,012,010</b> |             |
| <b>Gross Written Premium</b>                | <b>925,340,682</b> | <b>2,178,012,010</b> | <b>3,103,352,692</b> | 318,902,642 |
| Reinsurance Premium                         | -                  | (322,844,342)        | <b>(322,844,342)</b> | -           |
| <b>Net Written Premium</b>                  | <b>925,340,682</b> | <b>1,855,167,668</b> | <b>2,780,508,350</b> | 318,902,642 |
| Net Change in Reserves for unearned Premium | -                  | (125,605,669)        | <b>(125,605,669)</b> | -           |
|   | <b>925,340,682</b> | <b>1,729,562,000</b> | <b>2,654,902,681</b> | 318,902,642 |
| <b>02. BENEFITS LOSSES &amp; EXPENSES</b>   |                    |                      |                      |             |
| Spectacles                                  | 116,023,254        | -                    | <b>116,023,254</b>   | 10,849,580  |
| Hospital Charges                            | 159,807,438        | -                    | <b>159,807,438</b>   | 14,684,788  |
| Child Birth                                 | 45,184,773         | -                    | <b>45,184,773</b>    | 9,328,285   |
| Accidents                                   | 11,111,783         | -                    | <b>11,111,783</b>    | 1,207,500   |
| Medical Charges                             | 50,947,235         | -                    | <b>50,947,235</b>    | 42,358,033  |
| Heart Attacks                               | 62,678,516         | -                    | <b>62,678,516</b>    | 15,353,013  |
| Cancer                                      | 5,818,421          | -                    | <b>5,818,421</b>     | 614,749     |
| Normal & Accidental Death                   | 86,032,765         | -                    | <b>86,032,765</b>    | 4,149,990   |
| Claims Payable 2006                         | -                  | -                    | -                    | 143,920,055 |
| Net Claims Incurred -SRCC & Tr.             | -                  | 425,106,776          | <b>425,106,776</b>   |             |
| Net Commission                              | -                  | 307,533,091          | <b>307,533,091</b>   |             |
| Profit Commission                           | -                  | 152,799,986          | <b>152,799,986</b>   |             |
|   | <b>537,604,185</b> | <b>885,439,853</b>   | <b>1,423,044,038</b> | 242,465,993 |
| <b>03. STAFF COSTS</b>                      |                    |                      |                      |             |
| Gross salary                                | 6,867,470          | 2,015,055            | <b>8,882,525</b>     | 1,053,324   |
| EPF - employer                              | 567,740            | 94,722               | <b>662,462</b>       | 97,672      |
| ETF   | 151,290            | 29,842               | <b>181,131</b>       | 25,668      |
| Overtime and holiday pay                    | 404,333            | 7,100                | <b>411,433</b>       | 56,974      |
| Other allowances                            | 1,263,402          | 100,000              | <b>1,363,402</b>     | 100,168     |
|   | <b>9,254,235</b>   | <b>2,246,719</b>     | <b>11,500,953</b>    | 1,333,806   |

#### 04. ADMINISTRATION EXPENSES

|                           |                   |                |                   |                  |
|---------------------------|-------------------|----------------|-------------------|------------------|
| Traveling                 | 148,083           | 13,046         | <b>161,129</b>    | 5,081            |
| Rent                      | 1,880,415         | -              | <b>1,880,415</b>  | 793,499          |
| Water                     | 75,881            | -              | <b>75,881</b>     | -                |
| Electricity               | 628,808           | -              | <b>628,808</b>    | 346,503          |
| Staff welfare Expenses    | 170,830           | 24,590         | <b>195,420</b>    | -                |
| Telephone                 | 638,645           | 112,536        | <b>751,181</b>    | 108,776          |
| Printing and stationary   | 1,275,826         | 186,608        | <b>1,462,434</b>  | 232,139          |
| Office maintenance        | 2,194,018         | 62,620         | <b>2,256,638</b>  | 22,942           |
| Janitorial maintenance    | 28,000            | -              | <b>28,000</b>     | -                |
| Labour charges            | -                 | 7,742          | <b>7,742</b>      | -                |
| Professional fee          | 1,130,519         | -              | <b>1,130,519</b>  | -                |
| Consultancy fee           | 316,300           | -              | <b>316,300</b>    | -                |
| Internet & Email expenses | 287,500           | -              | <b>287,500</b>    | -                |
| Fuel Expenses             | 26,000            | -              | <b>26,000</b>     | -                |
| Vehicle Insurance         | 111,337           | 84,807         | <b>196,144</b>    | -                |
| Staff Training            | -                 | 94,600         | <b>94,600</b>     | -                |
| Postage                   | 1,687,439         | 63,618         | <b>1,751,057</b>  | -                |
| Vehicle Maintenance       | -                 | 30,131         | <b>30,131</b>     | -                |
|                           | <b>10,599,602</b> | <b>680,297</b> | <b>11,279,900</b> | <b>1,508,940</b> |

#### 05. FINANCE & OTHER EXPENSES

|  |                  |                  |                  |   |
|--|------------------|------------------|------------------|---|
| Bank Charges                                 | 54,000           | 112,237          | <b>166,237</b>   | - |
| Internal Audit Fee                           | -                | 1,322,000        | <b>1,322,000</b> | - |
| External Audit Fee                           | -                | 72,000           | <b>72,000</b>    | - |
| Technical Advisory Committee Attendance fees | -                | 201,000          | <b>201,000</b>   | - |
| Working Committee Attendance fees            | -                | 122,250          | <b>122,250</b>   | - |
| Technical Evaluation Committee Members fees  | -                | 34,500           | <b>34,500</b>    | - |
| Inventory Item - Written -off                | -                | 46,300           | <b>46,300</b>    | - |
| Miscellaneous Expenses                       | 311,142          | 12,782           | <b>323,924</b>   | - |
| Advertising Expenses                         | 954,435          | 142,560          | <b>1,096,995</b> | - |
|  | <b>1,319,576</b> | <b>2,065,629</b> | <b>3,385,205</b> | - |

## Notes to Balance Sheet

As at December 31, 2007

(All figures in Sri Lankan Rupees)

### Note 6: PROPERTY PLANT AND EQUIPMENT

|   | <u>Motor<br/>Vehicles</u> | <u>Office<br/>Equipment</u> | <u>Furniture &amp;<br/>Fittings</u> | <u>Software</u>   | <u>Misc.<br/>Assets</u> | <u>Total</u>      |
|---|---------------------------|-----------------------------|-------------------------------------|-------------------|-------------------------|-------------------|
| <u>Cost:</u>                            |                           |                             |                                     |                   |                         |                   |
| Balance as at 01/01/2007                | -                         | 903,340                     | 534,710                             | -                 | 23,338                  | <b>1,461,388</b>  |
| Assets transferred from SRCC & Tr Fund  | 3,416,550                 | 500,689                     | 171,693                             | 35,000            | 174,170                 | <b>4,298,101</b>  |
| Additions                               | 9,578,750                 | 4,856,126                   | 5,115,328                           | 3,562,500         | -                       | <b>23,112,704</b> |
| Disposals                               | -                         | -                           | -                                   | -                 | -                       | -                 |
| Balance as at 31/12/2007                | <b>12,995,300</b>         | <b>6,260,154</b>            | <b>5,821,731</b>                    | <b>3,597,500</b>  | <b>197,508</b>          | <b>28,872,193</b> |
| <u>Depreciation:</u>                    |                           |                             |                                     |                   |                         |                   |
| Balance as at 01/01/2007                | -                         | -                           | -                                   | -                 | -                       | -                 |
| Balance transferred from SRCC & Tr Fund | 683,310                   | 48,620                      | 12,331                              | 7,000             | 17,417                  | <b>768,679</b>    |
| Charge for the year                     | 1,162,248                 | 742,425                     | 415,001                             | 520,125           | 23,252                  | <b>2,863,050</b>  |
| Balance as at 31/12/2007                | <b>1,845,557.50</b>       | <b>791,044.95</b>           | <b>427,332.14</b>                   | <b>527,125.00</b> | <b>40,668.50</b>        | <b>3,631,728</b>  |
| Written Down Value as at 31/12/2007     | <b>11,149,742</b>         | <b>5,469,109</b>            | <b>5,394,399</b>                    | <b>3,070,375</b>  | <b>156,840</b>          | <b>25,240,465</b> |

As at December 31, 2007

(All figures in Sri Lankan Rupees)

|   | 2007               | 2007                 | 2007                 | 2006               |
|---|--------------------|----------------------|----------------------|--------------------|
|   | Agrahara           | SRCC & Tr.           | Total                |                    |
| <b>07. RECEIVABLES</b>                            |                    |                      |                      |                    |
| Receivable from Treasury                          | 7.1 210,483,190    | -                    | 210,483,190          | 511,844,970        |
| Interest Receivable                               | 20,508,615         | 27,394,441           | 47,903,056           | -                  |
| Premium Receivable SRCC & Tr                      | -                  | 404,370,185          | 404,370,185          | -                  |
| Advances receivable                               | 100,000            | -                    | 100,000              | -                  |
| Soft Loans  | -                  | 1,557,816,372        | 1,557,816,372        | -                  |
| Stationary Stock                                  | -                  | 24,690               | 24,690               | -                  |
| Prepaid Insurance                                 | -                  | 48,882               | 48,882               | -                  |
| Cheque return Receivable from members             | 1,209,450          | -                    | 1,209,450            | -                  |
|   | <u>232,301,255</u> | <u>1,989,654,571</u> | <u>2,221,955,826</u> | <u>511,844,970</u> |
| <b>7.1 Receivable from Treasury</b>               |                    |                      |                      |                    |
| Bank balance as at 31.12.2006 (4225 Central Bank) | 36,161,642         | -                    | 36,161,642           | 337,523,422        |
| Contribution Receivable - Treasury                | 174,321,548        | -                    | 174,321,548          | 174,321,548        |
|   | <u>210,483,190</u> | <u>-</u>             | <u>210,483,190</u>   | <u>511,844,970</u> |
| <b>7.2 Contribution receivable from Members</b>   |                    |                      |                      |                    |
| Employee contribution                             | -                  | -                    | -                    | 166,095,126        |
| Contribution received                             | -                  | -                    | -                    | (166,095,126)      |
|   | <u>-</u>           | <u>-</u>             | <u>-</u>             | <u>-</u>           |
| <b>08. CASH AND CASH EQUIVALENTS</b>              |                    |                      |                      |                    |
| Cash at bank                                      | 153,619,197        | 24,302               | 153,643,499          | 13,357,202         |
| Cash in Hand                                      | 10,000             | -                    | 10,000               | -                  |
| Short term Investments                            | 319,605,623        | 87,000,000           | 406,605,623          | -                  |
|   | <u>473,234,820</u> | <u>87,024,302</u>    | <u>560,259,122</u>   | <u>13,357,202</u>  |
| <b>09. ACCUMULATED FUND</b>                       |                    |                      |                      |                    |
| Accumulated fund                                  | 94,102,009         | 4,720,143,079        | 4,814,245,088        | 20,646,275         |
| Less: Refunds of Peoples balnce -951& 4225        | (544,057)          | -                    | -                    | -                  |
| Income over expenditure                           | 395,991,717        | 1,373,816,180        | 1,769,807,897        | 73,455,734         |
|   | <u>489,549,669</u> | <u>6,093,959,259</u> | <u>6,584,052,985</u> | <u>94,102,009</u>  |
| <b>10. UNEARNED PREMIUM</b>                       |                    |                      |                      |                    |
| Balance as at 31/12/2006                          | -                  | 752,090,059          | 752,090,059          | -                  |
| Provision for the year                            | -                  | 125,605,669          | 125,605,669          | -                  |
| Balance as at 31/12/2007                          | -                  | 877,695,727          | 877,695,727          | -                  |
| <b>11. DIFFERED COMMISSION</b>                    |                    |                      |                      |                    |
| Balance as at 31/12/2006                          | -                  | 137,662,657          | 137,662,657          | -                  |
| Provision for the year                            | -                  | 23,654,572           | 23,654,572           | -                  |
| Balance as at 31/12/2007                          | -                  | 161,317,228          | 161,317,228          | -                  |
| <b>12. PROFIT COMMISSION PAYABLE</b>              |                    |                      |                      |                    |
| Profit Commission payable(Payable in 2009)        |                    | 83,722,067           | 83,722,067           | -                  |
|   |                    | <u>83,722,067</u>    | <u>83,722,067</u>    | <u>-</u>           |
| <b>13. CLAIM PAYABLES</b>                         |                    |                      |                      |                    |
| Claims Payable                                    | 234,137,095        | 368,640,302          | 602,777,397          | 431,760,164        |
|   | <u>234,137,095</u> | <u>368,640,302</u>   | <u>602,777,397</u>   | <u>431,760,164</u> |
| <b>14. OTHER PAYABLES</b>                         |                    |                      |                      |                    |
| Accrued Expenses                                  | 930,227            | 7,637                | 937,864              | 82,197             |
| Other Payables                                    | 2,726,482          | -                    | 2,726,482            | -                  |
| Premium refund payable                            | -                  | 7,285,222            | 7,285,222            | -                  |
| Profit Commission Payable                         | -                  | 142,636,670          | 142,636,670          | -                  |
| Audit fee Payable                                 | -                  | 801,000              | 801,000              | -                  |
| VAT Payable                                       | -                  | 12,385,090           | 12,385,090           | -                  |
| Reinsurance Payable                               | -                  | 102,920,243          | 102,920,243          | -                  |
|   | <u>3,656,709</u>   | <u>266,035,862</u>   | <u>269,692,571</u>   | <u>82,197</u>      |



## 15. CORPORATE INFORMATION

❖ **Name of the Institution:**

National Insurance Trust Fund

❖ **Legal Form**

Statutory Body established under the National Insurance Trust Fund Act No. 28 of 2006

❖ **Registered Office**

National Insurance Trust Fund,  
No. 70, D.R. Wijewardana Mawatha,  
Colombo 10.

❖ **Auditors:**

External : Auditor General, Auditor General's Department

Internal :For Strike, Riot, Civil Commotion and Terrorism Fund –Ernst & Young Chartered Accountants

❖ **Bankers:** Peoples Bank