

INSURANCE ASSOCIATION OF SRI LANKA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF INSURANCE ASSOCIATION OF SRI LANKA

#### Report on the Financial Statements

We have audited the accompanying financial statements of Insurance Association of Sri Lanka, ("the Company"), which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of accumulated fund and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium-sized entities ("SLFRS for SMEs"), and for such internal control as Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility,

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

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

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Smaller Enterprises.



## Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

A handwritten signature in black ink, appearing to be 'K. M. M.', written in a cursive style.

CHARTERED ACCOUNTANTS

Colombo

23 March 2016

**INSURANCE ASSOCIATION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION**

*As at 31 December*

	Note	2015 Rs.	2014 Rs.
<b>Assets</b>			
Property, plant and equipment	3	33,832	54,611
<b>Total non current assets</b>		<u>33,832</u>	<u>54,611</u>
<b>Current Assets</b>			
Trade receivables	4	2,043,809	106,862
Other investments	5	11,284,227	10,435,141
Other receivables		159,087	127,746
Cash and cash equivalents	6	4,530,684	2,120,355
<b>Total current assets</b>		<u>18,017,807</u>	<u>12,790,104</u>
<b>Total assets</b>		<u><u>18,051,639</u></u>	<u><u>12,844,715</u></u>
<b>Equity</b>			
Accumulated fund		12,278,437	11,609,298
<b>Total equity</b>		<u>12,278,437</u>	<u>11,609,298</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	4,221,371	231,481
Current tax payable		1,080,594	1,003,936
Bank overdraft	6	471,237	-
<b>Total current liabilities</b>		<u>5,773,202</u>	<u>1,235,417</u>
<b>Total liabilities</b>		<u>5,773,202</u>	<u>1,235,417</u>
<b>Total equity and liabilities</b>		<u><u>18,051,639</u></u>	<u><u>12,844,715</u></u>

The financial statements are to be read in conjunction with the related notes, which form as an integral part of these financial statements.

These financial statements are prepared and presented in compliance with the requirements of the Companies Act No. 07 of 2007.

.....  
Treasurer

The Executive Committee of the Association is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Executive Committee of the Association :

.....  
President

.....  
Executive  
Committee

.....  
Executive  
Committee

23 March 2016, Colombo.

INSURANCE ASSOCIATION OF SRI LANKA  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the year ended 31 December</i>		2015	2014
	Note	Rs.	Rs.
Revenue	8	27,610,852	19,114,534
Operating expenses	9	(22,492,573)	(12,064,849)
<b>Gross profit</b>		5,118,279	7,049,685
Other income	10	972,531	988,951
Administrative expenses	11	(5,345,013)	(6,931,431)
<b>Results from operating activities / Profit before tax</b>		745,797	1,107,205
Tax expense	12	(76,658)	(1,003,936)
<b>Profit for the year</b>		669,139	103,269
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the period, net of income tax</b>		-	-
<b>Total comprehensive income for the year</b>		669,139	103,269

The financial statements are to be read in conjunction with the related notes, which form as an integral part of these financial statements.

INSURANCE ASSOCIATION OF SRI LANKA  
STATEMENT OF ACCUMULATED FUND

---

*For the year ended 31 December 2015*

	Accumulated Fund Rs.	Total Rs.
Balance at 1 January 2014	11,506,029	11,506,029
Profit for the year	103,269	103,269
<b>Balance at 31 December 2014</b>	<b>11,609,298</b>	<b>11,609,298</b>
Profit for the year	669,139	669,139
<b>Balance at 31st December 2015</b>	<b>12,278,437</b>	<b>12,278,437</b>

The financial statements are to be read in conjunction with the related notes, which form as an integral part of these financial statements.

**INSURANCE ASSOCIATION OF SRI LANKA**  
**CASH FLOW STATEMENT**

*For the year ended 31 December*

	2015	2014
	<u>Rs.</u>	<u>Rs.</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	745,797	1,107,205
<b>Adjustments for:</b>		
Depreciation on property plant and equipment	20,780	22,334
Interest income	<u>(972,531)</u>	<u>(988,951)</u>
<b>Operating (Loss)/ profit before working capital changes</b>	<b>(205,954)</b>	<b>140,588</b>
<b>Working capital changes</b>		
(Increase) / decrease in trade receivables	(1,936,947)	730,736
(Increase) / decrease in other receivables	(31,341)	21,572
Increase / (decrease) in trade payables	<u>3,989,890</u>	<u>(1,509,829)</u>
<b>Cash generated/ (used in) from operating activities</b>	<b>1,815,648</b>	<b>(616,933)</b>
Income tax paid	-	-
<b>Net cash flow generated/ (used in) from operating activities</b>	<b>1,815,648</b>	<b>(616,933)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	123,444	697,428
Maturities of fixed deposits	5,501,628	1,961,216
Investment in fixed deposits	<u>(5,501,628)</u>	<u>-</u>
<b>Net Cash Flows Generated/ (Used in) from Investing activities</b>	<b>123,444</b>	<b>2,658,644</b>
<b>Net increase Cash &amp; Cash Equivalents</b>	<b>1,939,092</b>	<b>2,041,711</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>2,120,355</b>	<b>78,644</b>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>4,059,447</b>	<b>2,120,355</b>
<b>Analysis of Cash &amp; Cash Equivalents at the end of the year</b>		
Cash in hand	-	5,000
Cash at bank	<u>4,530,684</u>	<u>2,115,355</u>
	<b>4,530,684</b>	<b>2,120,355</b>
Bank overdraft	<u>(471,237)</u>	<u>-</u>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>4,059,447</b>	<b>2,120,355</b>

The financial statements are to be read in conjunction with the related notes, which form as an integral part of these financial statements.

# **INSURANCE ASSOCIATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS**

## **1. CORPORATE INFORMATION**

### **1.1 Domicile and Legal Form**

The Association was incorporated as a company limited by guarantee under the provisions of the Companies Act No. 7 of 2007.

The members of the association shall undertake to contribute to the assets of the Association in the event of the same being wound up while he is a member, or within one year after one ceases to be a member as per Section 33(1) of the Companies Act No. 07 of 2007.

### **1.2 Principal Activities and Nature of Operations**

The principal activities of the Association are as follows:

To provide membership to any corporation set up under the Insurance Act No 2 of 1961 and Insurance Special Provision Act No 22 of 1979 or any company incorporated under the companies Act No 17 of 1982, and registered with the controller of insurance to transact general and/or life insurance and / or reinsurance business within Sri Lanka.

Take necessary steps to carry out the aims and objectives of the Association.

### **1.3 The Registered Office and Principal Place of Business**

The registered office and the principal place of business of the Association is located at No. 20, St Michael's Road, Colombo 03.

## **2. GENERAL**

### **2.1 Significant Accounting Policies**

#### **2.1.1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards for small and medium sized entities (SLFRS for SMEs) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 7 of 2007.

The Statement of financial position, Statement of comprehensive income, Statement of changes in equity and statement of cash flows have been prepared on the basis that the Company is a going concern and in accordance with Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.



## **INSURANCE ASSOCIATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS**

During the year of acquisition and disposal, depreciation is charged for the number of months the asset was in use.

### **2.2.2 Trade and Other Receivable**

Amounts due from related companies and trade and other receivable are stated at the amount estimated to be realized and where necessary provision is made for bad and doubtful debts.

### **2.2.3 Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments which are readily convertible to known amounts of cash subject to insignificant risk of changes in value. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of bank overdrafts.

## **2.3 LIABILITIES AND PROVISIONS**

All known liabilities are accounted / provided for in preparing these Financial Statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that the settlement of which is expected to result in an outflow of resources embodying economic benefits.

### **2.3.1 Trade and Other Payable**

Trade and other payable are stated at amounts payable.

### **2.3.2 Capital Commitments and Contingent Liabilities**

There were no capital commitments and contingencies as at the reporting date.

## **2.4. INCOME STATEMENT**

### **2.4.1 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### **(a) Other Income**

Interest income and all other income are recognised on accrual basis.

### **2.4.2 Expenditure**

All expenditure incurred in running the business, and in maintaining the Equipment in a state of efficiency, is charged to the Income statement in arriving at the net expenditure over income for the year.

## **INSURANCE ASSOCIATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS**

### **2.1.2 Going Concern**

The Executive Committee of the Association is satisfied that the Company had adequate resources to continue their operations for a foreseeable future. Therefore, the Going Concern basis has been adopted in preparing these financial statements.

### **2.1.3 Functional and Presentation Currency**

These financial statements are presented in Sri Lankan rupees, which is the Company's functional currency. All financial information presented in rupees has been rounded to the nearest rupee.

### **2.1.4 Executive Committee's Responsibility for the Financial Statements**

The Executive Committee of the Association is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and with the requirements of Companies Act 07 of 2007.

### **2.1.5 Changes in Accounting Policies**

The Accounting policies applied by the Association are, unless otherwise stated, consistent with those used in the previous year.

### **2.1.6 Comparative Information**

The Accounting Policies applied by the Association are consistent with those of the previous year and this information is reclassified wherever necessary to comply with the current presentation.

### **2.1.7 Events after Reporting Date**

There were no material events occurring after the reporting date as at 31 December 2015 that require adjustment or disclosure in the financial statements.

## **2.2 ASSETS AND BASES OF THEIR VALUATION**

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Association's business or assets that are expected to be recovered within no more than twelve months after the Reporting date. Items classified as non-current assets are assets that include amounts expected to be recovered after twelve months from the Reporting date.

### **2.2.1 Equipments**

Equipments are stated at historical cost less accumulated depreciation. Depreciation on assets is calculated so as to write off related cost of the assets on a straight line basis at the rate of 20% per annum over the expected useful economic life of the assets.

**INSURANCE ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**2.4.4 Income Tax Expense**

**(a) Current Taxation**

The liability for taxation is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

**2.4 CASH FLOW STATEMENT**

The cash flow statement has been prepared using the "Indirect method". Interest paid is classified as operating cash flows, interest received are classified as investing cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the cash flow statement.

INSURANCE ASSOCIATION OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 Property, plant and equipment

	Office Equipment	Computer Equipment	Other Equipment	Total
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Balance as at 01 January 2015	74,383	153,800	67,000	295,183
Additions	-	-	-	-
Disposals	-	-	-	-
Balance as at 31st December 2015	<u>74,383</u>	<u>153,800</u>	<u>67,000</u>	<u>295,183</u>
<b>Depreciation</b>				
Balance as at 01 January 2015	70,182	103,389	67,000	240,571
Charge for the Year	2,100	18,680	-	20,780
Disposals	-	-	-	-
Balance as at 31st December 2015	<u>72,282</u>	<u>122,069</u>	<u>67,000</u>	<u>261,351</u>
<b>Carrying amounts</b>				
At 31 December 2014	<u>4,201</u>	<u>50,411</u>	<u>-</u>	<u>54,611</u>
At 31st December 2015	<u>2,101</u>	<u>31,731</u>	<u>-</u>	<u>33,832</u>

As at 31st December,

	2015	2014
	<u>Rs.</u>	<u>Rs.</u>
4 Trade receivables		
Sri Lanka Insurance Corporation Ltd.	306,620	-
Co-operative Insurance Co. Ltd	-	106,862
LOLC Life Assurance Ltd.	193,366	-
Asian Alliance Gen. Insurance Ltd.	304,803	-
Ceylinco Life Insurance Ltd	240,304	-
HNB Assurance PLC	306,630	-
Janashakthi Insurance PLC	306,630	-
Life Insurance Corpn. Lanka Ltd.	60,076	-
Union Assurance PLC	300,380	-
Senok Automobile Co. Ltd	25,000	-
	<u>2,043,809</u>	<u>106,862</u>

INSURANCE ASSOCIATION OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st December,</i>	2015 <u>Rs.</u>	2014 <u>Rs.</u>
<b>5 Other investments</b>		
<b>Current investments</b>		
Fixed deposits	11,284,227	10,435,141
<b>6 Cash and cash equivalents</b>		
<b>6.1 Bank balances</b>		
NTB Savings account	4,530,684	2,115,355
	<u>4,530,684</u>	<u>2,115,355</u>
<b>6.2 Cash in hand</b>	-	5,000
	<u>4,530,684</u>	<u>2,120,355</u>
<b>Cash and cash equivalents</b>	4,530,684	2,120,355
Bank overdrafts	(471,237)	-
Cash and cash equivalent for the purpose of cash flow statement	<u>4,059,447</u>	<u>2,120,355</u>
<b>7 Trade and other payables</b>		
Accrued expenses	1,855,432	-
Other payables	2,365,939	231,481
	<u>4,221,371</u>	<u>231,481</u>
<b>For the year ended 31 December,</b>	<b>2015</b>	<b>2014</b>
	<u>Rs.</u>	<u>Rs.</u>
<b>8 Revenue</b>		
Members subscription	1,581,633	2,221,575
Ombudsman & Database recoveries	8,493,017	8,118,775
Participation fee & Donations for NAFLIA congress	5,782,534	5,330,000
University awareness program contribution	-	147,997
Persistancy study contributions	-	3,296,186
Insurance awareness programme	11,753,668	-
	<u>27,610,852</u>	<u>19,114,534</u>
<b>9 Operating Expenses</b>		
Ombudsman & Date base maintenance expenses	6,242,000	6,852,123
NAFLIA expenses	5,549,656	4,569,663
ICDC expenses	-	281,976
University awareness program expenses	295,740	277,982
RBC workshop	-	7,934
Hall hiring charges	-	75,171
Motor agent seminar	58,494	-
Insurance awareness programme	10,274,783	-
Gampola school programme	71,900	-
	<u>22,492,573</u>	<u>12,064,849</u>

INSURANCE ASSOCIATION OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December,	2015 Rs.	2014 Rs.
<b>10 Other income</b>		
Interest income	972,531	988,951
	<u>972,531</u>	<u>988,951</u>
<b>11 Administrative expenses</b>		
Office rent	102,000	102,000
Salaries	2,702,550	1,680,700
Secretarial fees	100,562	140,550
Audit fees and expenses	169,320	176,980
Tax consultancy fee	61,224	57,142
Telephone charges	42,508	40,520
E-mail, Printing and stationary expenses	66,037	27,372
Depreciation	20,780	22,334
Web hosting charges	625,528	660,658
EPF 12%	383,606	277,250
ETF 3%	90,286	44,520
Debit tax	-	4,908
Fuel expenses	380,200	300,779
Professional fee	19,706	15,500
Bank charges	11,143	6,500
NBT and VAT	547,512	447,433
Other expenses	16,866	-
Postage	5,185	-
Telegraphic transfer	-	2,926,285
	<u>5,345,013</u>	<u>6,931,431</u>
<b>12 Income tax expense</b>		
Accounting profit before income tax	745,797	1,107,205
Aggregate non deductible expenses for tax purposes	20,780	22,334
Aggregate deductible expenses for tax purposes	-	(35,914)
Total statutory income	<u>766,577</u>	<u>1,093,626</u>
(-) Loss Claimable up to 35% of the Total Statutory Income	-	-
<i>Made up as follows,</i>		
Statutory Income from Business liable at 10%	76,658	109,363
Under provision of previous year Tax Liability	-	894,573
Current Tax Charges	<u>76,658</u>	<u>1,003,936</u>

**INSURANCE ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**13 Capital Commitments**

There were no capital commitments at the year end date.

**14 Contingent Liabilities**

There were no contingent liabilities at the year end.

**15 Events occurring after the balance sheet date**

There were no event occurring after the balance sheet date which require adjustments to or disclosers in the financial statements.