

“

We do our best
for the people
and strive
to be the best
at what we do.

”

CEYLINCO INSURANCE PLC

Annual Report 2016

An **entrepreneurial vision** and professional focus combined with an **indomitable spirit** and sincerity of action, have led Ceylinco Insurance PLC to success and leadership throughout three decades.

Today, Ceylinco Insurance PLC, the holding company embraces multiple industries **transforming the lives of thousands** of

Sri Lankans every single day. As we continue our story of growth, our focus remains the same: **to do our best** and always **be the best at what we do.**

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Corporate Information

Registered Office

“Ceylinco House”
No. 69, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.

Company Registration Number

PQ 24

Legal Form

A Quoted Public Company with limited liability, incorporated in Sri Lanka in 1987.

Licensed as a Company authorised to carry on insurance business, under the Control of Insurance Act No. 25 of 1962 as amended by Act No. 42 of 1986 (Presently replaced by Regulation of Insurance Industry Act No. 43 of 2000) upto 31st May, 2015.

Main Place of Business

Life Insurance

“Ceylinco Life Tower”,
No. 106, Havelock Road,
Colombo 5, Sri Lanka.
Telephone : 2461000
Call Centre : 2461461 (Hotline)
Fax : 2555959
E-mail : service@ceylife.lk
Website : www.ceylincolife.com

Main Place of Business

General Insurance

“Ceylinco House”,
No. 69, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.
Telephone : 2485757-9
Call Centre : 2393939
Fax : 2485701
E-mail : ceylincoinsurance@ceylins.lk
Website : www.ceylinco-insurance.com

The Stock Exchange Listing

The Ordinary Shares (Voting and Non Voting) of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

Principal Activities

Management of Investment, Insurance Operations, Health Care Operations, Education and Power Generation.

Auditors

Ernst & Young,
Chartered Accountants,
No. 201, De Saram Place,
Colombo 10.

Consulting Actuaries

Life Insurance

Willis Towers Watson,
Towers Watson Singapore Pte. Limited,
No. 135, Cecil Street,
#09-01, Singapore 069536.

General Insurance

M/s. K. A. Pandit
Consultants & Actuaries,
2nd. Floor - “Churchgate House”,
Veer Nariman Road,
Fort, Mumbai - 400 001, India.

Board of Directors

Mr. J.G.P. Perera Pg. Dip. M.CIM. (U.K.),
F.C.I.M. (U.K.)

- *Chairman*
(“Independent” Non-Executive Director)

Mr. A.R. Gunawardena F.C.I.C., Honorary
Fellow - ICBT Campus, Associate Collage of Cardiff
Metropolitan University, U.K.
- *Managing Director / Chief Executive
Officer*
(Executive Director)

Mr. R. Renganathan F.C.A., F.C.M.A.
(Non-Executive Director)

Mr. H.D.K.P. Alwis F.C.I.C.
(Non-Executive Director)

Mr. E.T.L. Ranasinghe M.B.A., Dip.M.,
F.C.I.M. (U.K.), Chartered Marketer
Director/Chief Operations Officer
(Executive Director)

Dr. W.C.J. Alwis B.Sc., F.I.I.L., F.C.I.I. (Lond.),
F.I.O.D. (U.K.)
(Non-Executive Director)

Mr. P.D.M. Cooray LUTCF (U.S.A.), C.I.A.M.,
C.I.I. (AWARD)
Director/Head of Training
(Executive Director)

Mr. K.I. Dharmawardena Attorney-at- Law
(“Independent” Non-Executive Director)

Mr. D.H.J. Gunawardena F.C.M.A. (U.K.)
(“Independent” Non-Executive Director)

Mr. P.A. Jayawardena F.C.A., F.C.M.A.,
F.M.A.A.T. (S.L.)
(Non-Executive Director)

Mr. N.D. Nugawela F.C.I.C.
(Non-Executive Director)

Mr. T.N.M. Peiris B.A. (Econ.) (Hons.),
F.C.A., F.C.M.A., F.C.I.C.
- *Director (Finance) / Head of Finance*
(Executive Director)

Mr. U. Witharana F.C.A., M.B.A., F.C.M.A.
(Non-Executive Director)

Gen. C.S. Weerasooriya (Retd.)
(“Independent” Non-Executive Director)

Mr. S.R. Abeynayake F.C.A., M.B.A. (Sri J.),
F.C.M.A.
(Non-Executive Director)

Mr. S.H.J. Weerasuriya B.Sc. (Lond.), M.I.C.E.,
F.I.E. (S.L.), F.S.S.E. (S.L.), C. Eng.
(Non-Executive Director)

Company Secretary

Mrs. T.N. Jasenthuliyana F.C.I.S. (U.K.),
F.C.P.M., F.C.C.S.
(Retired with effect from 23rd. February, 2017)

Mrs. Nilika Abhayawardhana A.C.I.S. (U.K.)
A.C.C.S.
(Appointed with effect from 23rd. February, 2017)

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank AG (Custodian Bank)
DFCC Vardhana Bank
Hatton National Bank PLC
Hongkong & Shanghai Banking
Corporation Ltd.
National Savings Bank
Nations Trust Bank PLC
NDB Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo Limited

Vision


To achieve leadership through competitive excellence in every business we undertake.

Mission

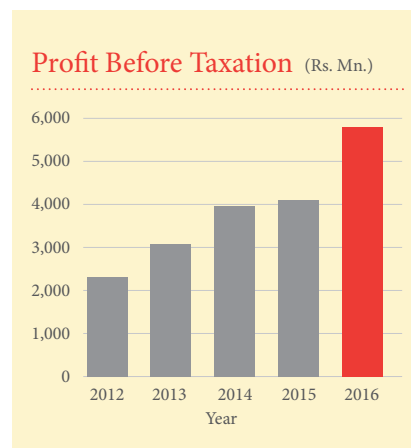
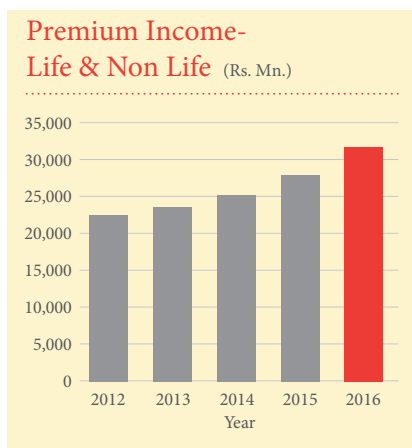
To contribute to the socio-economic development of our country through our financial viability, diversity and innovative value addition in all the sectors within our group thereby adding to shareholder wealth and being a catalyst in providing the highest standards of customer excellence, and recognising, rewarding and valuing the dignity of our staff in all our sectors.

Financial Highlights

| | Group | | |
|---|-------------------|-------------------|--------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | Change % |
| Results for the Year | | | |
| Gross Written Premium | 31,818,590 | 27,984,159 | 13.70 |
| Net Earned Premiums | 26,551,980 | 23,486,332 | 13.05 |
| Investments and Other Income | 10,419,186 | 8,324,133 | 25.17 |
| Revenue from Non Insurance Subsidiaries | 2,853,557 | 2,860,228 | (0.23) |
| Net Income | 39,824,723 | 34,670,693 | 14.87 |
| Benefits/Claims, Operating, Admin. & Other Expenses | (34,312,882) | (30,847,944) | 11.23 |
| Profit Before Share of Associates | 5,511,841 | 3,822,749 | 44.19 |
| Share of Profit of Associates | 288,518 | 275,724 | 4.64 |
| Profit Before Taxation | 5,800,359 | 4,098,473 | 41.52 |
| Profit After Taxation | 4,846,618 | 3,650,216 | 32.78 |
| Position at the Year End | | | |
| Shareholders' Funds | 27,070,515 | 22,212,630 | 21.87 |
| Life Insurance Contract Liabilities | 77,070,762 | 67,157,184 | 14.76 |
| Non - Life Insurance Contract Liabilities | 11,660,029 | 9,576,722 | 21.75 |
| Investments | 93,918,445 | 78,066,663 | 20.31 |
| Total Assets | 130,764,524 | 108,165,034 | 20.89 |
| Market Capitalisation (Rs. Mn) | 34,483 | 33,334 | 3.45 |

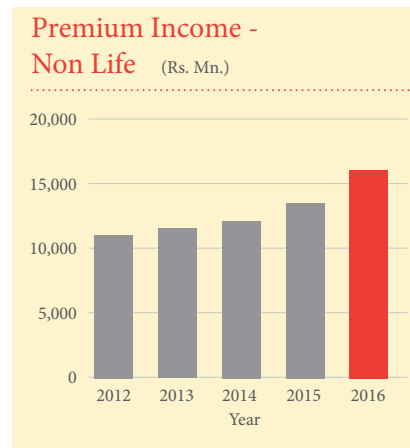
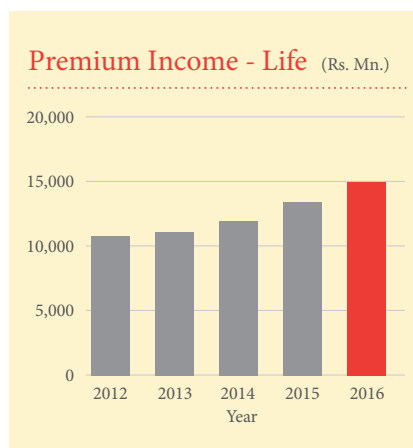
Gross Written Premium
Rs. 31.8 Bn. 

Profit Before Taxation
Rs. 5.8 Bn. 



Financial Highlights

| | Non - Life Insurance | | | Life Insurance | | |
|--|----------------------|-----------------|----------|-----------------|-----------------|----------|
| | 2016 Rs.'000 | 2015 Rs.'000 | Change % | 2016 Rs.'000 | 2015 Rs.'000 | Change % |
| Results for the Year | | | | | | |
| Gross Written Premium | 16,116,889 | 13,557,833 | 18.88 | 15,027,600 | 13,456,827 | 11.67 |
| Net Claims / Net Benefits | (6,699,268) | (5,690,518) | 17.73 | (6,651,682) | (5,956,744) | 11.66 |
| Increase in Long Term Insurance Funds | - | - | | (8,397,889) | (7,135,304) | 17.69 |
| Investments and Other Income (including reinsurance commission) | 1,573,435 | 1,313,491 | 19.79 | 8,780,688 | 6,740,962 | 30.26 |
| Profit Before Taxation | 1,381,125 | 892,589 | 54.73 | 3,743,726 | 2,181,196 | 71.69 |
| Profit After Taxation | 1,309,020 | 699,294 | 87.19 | 3,079,040 | 2,060,233 | 49.45 |



Dividend Per Share

Rs. 27.5 

Net Income

Rs. 39.8 Bn. 

| | Group | |
|---|-------------|-------------|
| | 2016 Rs. | 2015 Rs. |
| Per Ordinary Share | | |
| Earnings (Basic) | 176.0 | 132.3 |
| Dividends - Proposed | 27.5 | 22.5 |
| Net Assets (Shareholders' Equity) | 1,024.8 | 840.9 |
| Market Value at the Year End - Voting | 1,490.0 | 1,410.1 |
| Market Value at the Year End - Non Voting | 730.0 | 800.0 |
| Ratios | | |
| Return on Equity % | 16.9 | 15.8 |
| Dividend Cover (Times) | 6.4 | 5.9 |
| Price Earning (Times) - Voting | 8.5 | 10.7 |
| Price Earning (Times) -Non Voting | 4.1 | 6.0 |

Shareholders' Funds

Rs. 27.1 Bn. 

Profit After Taxation

Rs. 4.8 Bn. 

Chairman's Review



Overview

As I begin to write this review the realisation dawns that this is the first Annual Report of our company covering a complete calendar year as a holding company, not anymore in the insurance business. It is a report about a company which has been most responsive to change.

Change and being the most responsive to change not only to survive but more importantly to succeed has been the golden thread woven throughout the fabric of our company.

Way back in 1938 when under British rule, Ceylon Insurance Company was formed it was done as a response to change. A change in the law of the land by which motor insurance which hitherto had been optional now became mandatory. During the subsequent years with the expansion of the tea plantations and the increase in import- export trading there was a corresponding increase in the need for different types of insurance. The company responded by expanding its insurance portfolio and becoming the most successful insurance company.

In 1961 a change of utmost severity took place dismantling the very structure of the entire private sector. All vital industries, including insurance were nationalised. A government monopoly was created with the formation of the Insurance Corporation. Prohibited from initiating any new business and with an exodus of staff, Ceylon Insurance though faltering was determined not to fail. Therefore it responded by servicing its existing customers with utmost dedication and hoping for a favourable change in the future.

That favourable change took place in 1980 when with a new government in power, there was a partial reversal of the policy of nationalisation. In order to introduce an element of competition the government established the National Insurance Corporation which was permitted to appoint Principal Agents from the private sector. The company enthusiastically responded by renaming itself as Ceylinco Ltd and with a replenished staff soon became the leading Principal Agent.

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin

In 1987 the government opened the doors of insurance to the private sector. This was the vital change for which the company waited. In a well planned and efficiently executed response, Ceylinco Insurance PLC was incorporated. It soon surged ahead in the field of insurance and in 2004 displaced the Insurance Corporation from its exalted position of market leader.

As the years went by our company faced many a threat and challenge to which we responded with courage and determination thereby overcoming them all. However we as a company and you as shareholders never expected any further changes in the structure of the insurance industry itself. Yet such a change did occur.

The government directed that all composite insurance companies be segregated. The full impact of this legislation is still unfolding. The government owned Insurance Corporation has still not segregated though it is long the deadline past. Mergers and acquisitions within the industry are still taking place. But as far as this company was concerned we were, as explained to you last year, quite prepared and we responded with a smooth and effective transition in mid 2015.

During the year under review as our country prepared to transit into a new politico- socio- economic order Ceylinco Insurance PLC as a Holding Company through its diversity, financial viability and innovative vision, was in the best position to contribute towards the sustainable growth of that new order.

Insurance, Power, Education, Health Care and Financial Services are the indispensable pivots on which the socio – economic growth of our country can be built. These are the sectors within the holding company of which you are now the shareholders.

But I must at this point mention that this company and indeed the entire private sector hopes and urges the government to hasten the pace of transition into that new politico - socio-economic order. Yes, it is once again a matter of responding to the change which the people wanted and voted for in 2015.

That matter apart, you as shareholders may and should justifiably ask – How did this company, Ceylinco Insurance PLC, in its new role as a Holding Company respond during 2016 when the full impact of change was felt ?

I must emphasise that Ceylinco Insurance PLC was not a laid back company waiting with open arms to receive the dividends from its subsidiaries much like the feudal landlords of ancient times who without any effort or initiative waited for their tenant farmers to bring their entire harvest to their doorstep. On the contrary, members of the Board of Directors of Ceylinco Insurance PLC have individually and collectively, actively participated in the successful performance of every one of its subsidiaries.

Appointment of Strategic Committees

Other than this active, day to day involvement by individual Directors, the Board being conscious of its wider responsibilities had in a very far-reaching move appointed two Strategic Committees.

Corporate Strategies Committee

The scope of this committee is to find new opportunities to maximize shareholder wealth through the commencement of projects covering expansion, diversification, acquisition and restructuring. These proposals have to be submitted to the Board for approval prior to being implemented.

Strategic Implementation Committee

It is the responsibility of this committee to take over the projects and proposals approved by the Board, map out the implementation plans and ensure that these plans are implemented. Progress Reports have to be periodically submitted to the Corporate Strategies Committee which will submit these to the Board.

Thus while on the one hand the Board of Directors of Ceylinco Insurance PLC has the utmost confidence in the Boards of each and every subsidiary and allows such Boards a free hand to manage their respective companies within the parameters of good governance, transparency and most importantly – integrity. The Board of Directors of Ceylinco Insurance PLC on the other hand acts as a catalyst and initiator of further progress, diversification and expansion within its group. A separate section in this Report under ‘Sector Reviews’ provides you with all relevant information about our main subsidiaries.

However in keeping with the theme of this Review permit me to highlight some of the projects and programmes undertaken by some of the sectors specifically in response to changes within the socio-economic environment.

Insurance Sector (General) – Response to Flood Damages in May: The devastating floods in May 2016 which affected 22 of the 25 of the island's provinces resulted in an unprecedented response from Ceylinco

Insurance, Power, Education, Health Care and Financial Services are the indispensable pivots on which the socio - economic growth of our country can be built.

General Insurance Ltd. All customers even if they did not have a specific flood protection insurance cover and had the misfortune of their homes being damaged were paid some form of compensation. Similarly, employees adversely affected were compensated even if they did not have an insurance cover. These payments were made as a humanitarian gesture. In addition customers with legitimate claims were fully settled within a record breaking two weeks earning the outspoken gratitude of customers and becoming an exemplar within the industry.

Insurance Sector (Life) – Response to urgent need for energy conservation and environmental protection: The theme for 2016 of Ceylinco Life Insurance Ltd was ‘Go Green.’ Firstly, an island-wide tree planting campaign was launched through an active interaction between the sales team and customers. Plants were distributed and each household encouraged to care for it. Over 4,000 trees were planted and are now in healthy growth. Secondly, some of the company owned buildings had solar panels fixed (this included the Head Office). Thirdly, facilities for rain-water harvesting were installed in some of these buildings. Fourthly, the use of paper was greatly reduced through the use of digital technology, specially in company- customer transactions. Fifthly, the company systematically replaced some of the cars run only on petrol with hybrid cars.

Power Sector – Response to Rapidly Increasing Demand for Electricity: Work has already commenced to start new hydro power projects which when completed will be connected to the national grid. This type of private sector participation is being highly valued by the government which wants to ensure that the nation's total power supply can always meet the nation's total power demand. Also and more importantly in response to the government's new focus, work will shortly commence to produce Solar Power which too will be fed into the national grid.

Education Sector – Response to increasing Demand for Facilities for Internationally Recognized Educational Curricula: With a focus on IT, Engineering, Business Management and other Technological subjects, new campuses are being opened outside Colombo, while existing campuses are being expanded. Also in order to establish a proper foundation for a child's future education schools from Montessori to Secondary Level are being strengthened and increased.

A landmark introduction was the commencement of the Hospitality Programme. This is being done in affiliation with the internationally reputed Emirates Academy of Hospitality Management.

Health Care Sector – Response to increasing Demand for state-of-the-art technology for treatment of Cancer and Diabetes: It is tragic but true that victims of these two Non Communicable Diseases (NCDs) are increasing. Ceylinco Healthcare Services Limited (CHSL) operates four centres of excellence; the Ceylinco Healthcare Centre specializing in screening for cancer, the Ceylinco Radiation Treatment Unit which introduced the Linear Accelerator to Sri Lanka several years ago, the Ceylinco TomoTherapy Centre, which offers one of the most advanced forms of 3-D image-guided radiation treatment in Sri Lanka and the Ceylinco Diabetes Centre. These centres offer the best cancer and diabetic screening and treatment options in Sri Lanka, using the world's most modern, state-of-the-art treatment methods.

Retirement Resort - Response to increasing Demand for up-market Home for Senior Citizens: Located in Uswetikeiyawa, this sprawling set of chalets was built over 20 years ago as an Elders Home. However, in hindsight it appears to have been a premature venture. Hence it was used as a residential training centre. But with the changing lifestyles of Sri Lankan families there is now an increasing demand for comfortable, well maintained homes for active senior citizens who do not wish to be an encumbrance on their children. Re-named La Serena it has been restructured and renovated and is due to be opened in mid 2017.

Colombo Stock Exchange (CSE) Honours Ceylinco Insurance PLC

Our company was invited by the CSE to 'Ring the Bell' at the opening day of trading in October 2016. This bell is located on a special platform in the trading floor of the CSE. It is a ceremony performed in many stock exchanges throughout the world at which a leading company is invited every month to 'Ring the Bell.' It was my privilege as Chairman to represent the company, accompanied by Directors – Mr Patrick Alwis, Mr Thushara Ranasinghe, Dr Jagath Alwis and Mr Upali Witharana.

Sri Lanka Financial Reporting Standards (SLFRS) – New Requirements

In keeping with our company's continuous emphasis in the observance of best practices in good governance and transparency, the Board invited the Auditors to make a presentation of the impact and implementation of the forthcoming new requirements referred to as SLFRS 9 and 15. The objective of these new requirements is to provide high quality financial statements which are more understandable, more transparent and more comparable.

I take this opportunity to thank Mr Buwanesh Wijesuriya, Partner of M/S Ernst and Young who with his team offered the Board a very comprehensive presentation of the impending requirements.

Report of Related Party Transactions Committee

Furthermore, in this Annual Report we have for the first time included the Report of the Related Party Transactions Committee. This is yet another step taken by the Board of Directors to ensure good governance and transparency.

Market Leadership with Highest Ever Gross Written Premiums

As shareholders you will recall that in the previous (2015) Annual Report I stated that I am confident that in 2016 the two insurance subsidiaries – General Insurance and Life Insurance will each be the market leader in their respective fields. That confidence has been vindicated with General Insurance achieving a highest ever Gross Written Premium of Rs 16.1 Billion which reflects a 18.9 % growth and Life Insurance also achieving a highest ever Gross Written Premium of Rs 15.0 Billion which reflects a 11.7 % growth. With this achievement both companies became market leaders in their respective fields of insurance.

Proposed Dividend

The catalyst, initiator and overseeing role played by our company and the outstanding performances of our subsidiaries has resulted in my being in the privileged position of proposing on

behalf of the Board of Directors that a dividend of Rs 27.50/- per share be paid to you our shareholders. This is the highest dividend paid so far.

Awards and Accolades

As in the past years awards and accolades both national and international have been many. While these have been described in detail in the Reviews that follow I wish to place on record my congratulations to all the Subsidiary Heads and their respective teams for the recognition they have won.

My Thanks

I offer my most sincere gratitude to Mr Ajith Gunawardena Managing Director of this Holding Company, Mr Patrick Alwis Managing Director of Ceylinco General Insurance Ltd and Mr Rajkumar Renganathan Managing Director of Ceylinco Life Insurance Ltd for their motivational leadership and integrity. This motivational leadership and integrity has been the wind beneath the wings of all our subsidiaries. As this company responds to its changing role, I become more and more impressed by the increasing levels of professionalism and commitment of my colleagues on the Board of Directors, many of whom also serve on the Boards of our subsidiary companies either as Managing Directors, CEOs or Board members. To all of them I extend my most sincere gratitude.

And finally and most importantly, I come to you our shareholders to whom this Annual Report is presented. I extend to you my sincere thanks for your continuous loyalty and trust especially during the recent times of change. This trust and loyalty will always be valued by us and will not be betrayed.



J.G.P. Perera
Chairman

3rd March 2017

Managing Director/Chief Executive Officer's Review



Achieving the highest levels of performance is the ultimate goal of any individual and when it comes to a Company, it is no different. A company that is full of individuals who are centred, intuitive, creative and insightful is bound to perform well. These individuals should possess the discipline to keep on doing the right things and striving for excellence at every turn while in order for them to perform at their peak, the Company should believe in them wholeheartedly and give them necessary resources to shine. This is what makes a good company, a truly great company.

Driven to Perform

Over the course of the Company's history, an entrepreneurial vision and professional focus together with an indomitable spirit and sincerity of action have led Ceylinco Insurance PLC to numerous victories and leadership positions. Today, Ceylinco Insurance PLC has successfully expanded into multiple industries, transforming the lives of thousands of Sri Lankans every single day. Through the years, one characteristic has become our hallmark – an unrelenting drive to perform, to succeed, to win. Year on year, the Company and its multitude of businesses in areas of Insurance, Hydro Power, Healthcare, Education and Development Banking have concentrated on achieving milestone targets while redefining industry standards.

Macro-Economic Outlook

The year 2016 will be considered to be one of consolidation for the country as the Government of Sri Lanka took decisive steps to implement most of the fiscal policies announced towards the latter part of 2015. Taking cognizance of the changing development priorities, the Government policy statement presented for the next few years envisioned promoting a globally-competitive, export-led economy with an emphasis on inclusion. It identified as key policy priorities generating one million job opportunities, enhancing income levels, development of rural economies and creating a wide and strong middle class. The policy statement proposed reducing the fiscal deficit to 3.5% of GDP by 2020. However, the economic growth rate is forecasted to be around 4.5 - 5% for 2016 as well as in 2017.

“We believe in people who are balanced, instinctive, innovative, and insightful and empower them to achieve great things”

Ceylinco Insurance PLC

2016 will go down in the annals of history as a year of remarkable success with all the companies under the Ceylinco Insurance PLC umbrella demonstrating resounding success on several fronts.

During the year under review, Ceylinco Insurance PLC recorded a consolidated after tax profit of Rs. 4.8 billion an increase of 33% year-on-year while the Profit Before Tax stood at Rs. 5.8 billion.

Overview of Sectors

Insurance Sector

Insurance penetration continues to remain low with total premiums as a percentage of GDP at just over 1%, which is primarily the result of a widespread lack of awareness of the benefits of insurance among the general population. In recent years, the Government took various steps to overcome these issues in an effort to boost the overall insurance penetration rate and encourage the further development of the industry. In addition to the recently instituted separation of Life and Non-Life business lines and the increased capital requirements, both of which are expected to have a positive long-term impact, the Insurance Board of Sri Lanka (IBSL) has either already introduced or is in the process of introducing a number of additional new policies. Another recently introduced regulation requires all firms to improve their risk management regimes, particularly in regard to capital supervision.

The total premium income of the insurance industry, both General and Life is expected to reach Rs. 140.1 billion, recording a significant increase of 15.9 %

from last year. Gross Written Premium of General Insurance will reach Rs. 76.6 billion with a remarkable growth of 13.7% whereas the Life Insurance industry is expected to record a premium income of Rs. 63.5 billion, up 18.5 % from last year. Motor insurance, which represents the biggest share of General Insurance, is expected to reach a premium income of Rs. 49.4 billion with an increase of 15% over 2015, while Non-Motor is expected to grow by 11.4%, recording a premium income of Rs. 27.2 billion.

2016 was an outstanding year for Ceylinco General Insurance as it recorded one of the best years in its history with the Company registering a premium income of Rs. 16.1 billion, marking a growth of 18.9%. This is a significant increase of more than Rs. 2.5 billion over 2015. The Profit After Tax stood at Rs. 1.3 billion, an increase of 87 % over last year.

During the year under review, General Insurance paid claims to the tune of Rs. 10.5 billion, an increase of 59 % YoY, primarily driven by the claims after the flooding disaster that struck in certain parts of the island in May and June. During this tumultuous period, I am proud to state that as a responsible corporate citizen, we stood by our customers' side and went beyond what is expected of from an insurance company, notably in the case of the customers who had insured their vehicles through Ceylinco General Insurance and not their homes while similarly another selection of customers had insured their shops through the Company, but not their homes. Given the exceptional circumstances, the Company looked at their predicament from a humane point

Managing Director/Chief Executive Officer's Review

of view and took the bold step to pay a high percentage to compensate the flood damages to their homes thereby helping them rebuilt their shattered lives faster than expected.

The Company also pressed ahead with introducing new, innovative products and delivery systems by launching "Suwa Sampatha National Health" a new insurance product. This product is specifically tailored to suit the masses as it would enable them to enjoy the benefits of health insurance at an affordable price. "Suwa Sampatha International", a unique product that offers superior benefits including global, state-of-the-art medical treatment together with the added advantage of unmatched benefits in Sri Lanka was also re-launched during the year. A number of additional benefits were incorporated into the product thereby providing an enhanced cover that guarantees that customers get only the very best care possible should the need arise.

Another notable value addition introduced during the year was for our flagship brand "Ceylinco VIP On The Spot". If a brand new or reconditioned unregistered vehicle of a customer is in a total loss situation within two years of purchase, Ceylinco General Insurance will indemnify the cost of a vehicle with the identical make and model irrespective of the price escalation that may have occurred during the period. This is in sharp contrast to the standard practice of other insurance companies operating in the island, which is to compensate the amount equivalent to the market price of the vehicle at the time of the accident or the sum insured, whichever is less. This innovation paved the way for our valued customers to obtain a vehicle of similar make and model without having to bear any additional cost

Market Leadership

Ceylinco General Insurance continues to be the dominant player of the General Insurance Industry with a significant lead exceeding Rs. 400 million over the closest competitor. This is an outstanding achievement by the Company especially since the State-owned insurance companies are known to enjoy numerous

advantages over privately-owned companies when operating in this highly-competitive industry.

Overseas Insurance Operations

Ceylinco Insurance Company (Pvt) Ltd. - Maldives has continued to forge strategic alliances in several countries in the Middle East, namely the United Arab Emirates, Bahrain, Oman, Qatar and Saudi Arabia for which Ceylinco General Insurance provides management expertise. The associate company in Nepal and the subsidiary in Maldives have also shown exceptional results during the year under review, as they have done in the recent past.

Hydro Power Sector

The Hydro Power sector of the Group comprises of 3 power plants - Belihuloya (2.4MW), Loggal Oya Phase 1 (4MW) and Rajjamma (6MW). During the year under review, the severe drought prevalent in the country, especially after the month of May, adversely affected the performance of all 3 power plants. Belihuloya & Loggal Oya Phase 1, both of which rely solely on natural catchment for its power generation, only met 50% of its target generation during 2016. Rajjamma power plant, which operates on a regulated waterway, was least affected and performed above 80% of its expected capacity.

Construction commenced on the new project Loggal Oya Phase 2 during August 2016. Further, following the Government's decision to open up the solar PV grid connected ground mounted market, two projects in the capacity of 2MW each have been identified during the year and applications subsequently submitted to the Sri Lanka Sustainable Energy Authority. This is in line with our long-term goal of owning and operating a sizeable number of renewable energy projects. ENVIRO Engineering Solutions (Pvt) Limited, a subsidiary formed drawing on the human resources, especially the technical skills in engineering, fared reasonably well during the year. The workshop for the projects was setup in Kaduwela and considerable investments had been made for its infrastructure. The aim of this newly-formed company is to provide services for our own projects as well as projects of external clients.

The sector growth in the hydro sector will reach a saturating point in the coming years due to the fact that all hydro power potential that can be harnessed has been utilised as much as 80%. However, with new clean energy alternatives such as wind and solar power gaining popularity around the globe, it is expected that the Government will take all necessary steps to encourage the private sector to invest in such technologies. Having said that, the non-availability of feed in tariff for wind and solar power sector by far remains the biggest hurdle for private investment companies such as ours to enter the sector. We envisage the Government to provide its fullest support towards the development of this sector, specially in view of the shortages of power predicted in the national system by as early as the year 2018.

With the objective of venturing into solar power, a new application was submitted for a roof top solar project with a capacity of 600kW to be setup on top of concrete channels of one of our hydro projects. Investigations are being carried out to convert our offices and other owned premises roofs into Solar PV plants.

The total Revenue and Profit After Tax of the Power sector companies stands at Rs 542.4 million and Rs.150.2 million respectively.

Education Sector

The demand for high-quality education continues to increase and as the largest education conglomerate in Sri Lanka, institutions under our Education Sector continued to meet the needs of the market and provide necessary facilities and resources for students to further their education.

The Education Sector, which operates under Ceylinco Insurance PLC, comprises American Education Centre Ltd (ANC Education), ANC Modern Montessori International, Net Assist International, Regent International Management, Wycherley International School, International College of Business and Technology Ltd (ICBT Campus), CEC Events (Pvt) Ltd and the newly-established ANC Omega (Pvt) Ltd.

With the Government identifying hospitality and tourism sector as a leading foreign exchange earner, there has been an increased demand for professional training and development in this field. Your Company was able to make a timely breakthrough during the year when American Education Centre Ltd joined hands with Omega Global (Pvt) Ltd and launched the Emirates Hospitality Management programmes of Emirates Academy, UAE in Sri Lanka. Emirates Academy of Hospitality Management is run in association with Ecole hÔtelière de Lausanne in Switzerland which is the oldest and most respected hospitality school in the world.

The state-of-the-art ICBT campus in Colombo 04 continued to function smoothly and meet the diverse educational needs of the local population. It covers over 100,000 square feet and thereby provides the ideal learning facilities and environment. In order to meet the demand of students in outstation areas for high-quality education, ICBT has established branch campuses in Kandy, Kurunegala, Galle, Matara and Batticaloa.

Similarly, Net Assist International plays a key role in bringing advanced IT training and internationally accredited certifications within the reach of Sri Lankan students at an affordable cost. Its affiliation with VUE Authorised Test Centre offers on-line examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion.

The total revenue of the Education Sector companies stands at Rs. 2.4 billion with a Profit After Tax of Rs. 361 million contributing to the Group profit.

Accolades

Our growing list of accolades grew even longer during the year as Ceylinco Insurance once again won recognition across the board.

In 2016, the Company had the honour and privilege of being voted by the Sri Lankan people as ‘The People’s Insurance Company’ for an unprecedented 10th consecutive year. This achievement underscores the fact that we are close to

the hearts and minds of the people of Sri Lanka and have been so for a significantly long period.

Another noteworthy achievement was when Ceylinco Insurance was listed as the only insurance company in the prestigious Business Today magazine’s list of “Top 25 Companies in Sri Lanka for 2015/16”. Meanwhile, for yet another year, the LMD rankings announced in December 2016 witnessed Ceylinco Insurance appear as the highest-rated insurance company in the island.

Meanwhile, the ICBT continued the winning trend by being nominated the “Overall Winner” of the Education Sector at the National Business Excellence Awards organised by The National Chamber of Commerce of Sri Lanka. Furthermore, NetAssist was bestowed with the honour of “Best Learning Partner” in Sri Lanka award for the 7th consecutive year by Microsoft.

Thank You

I would like to take this opportunity to say a big “Thank You” to His Excellency the President, Prime Minister and the Government of Sri Lanka for the bold, positive measures taken to drive the country forward both economically and socially. It is noteworthy to mention that the private sector was given the necessary encouragement and provided with an environment to operate without any adverse interference by the Government.

My sincerest thanks are also extended to the Chairperson, the Director General and officials of the Insurance Board of Sri Lanka (IBSL) for their guidance and support throughout the year. As always, the professional manner in which they conducted their activities throughout the year has really made a positive difference for us. I would like to offer a special word of thanks to the Insurance Ombudsman for his admirable efforts and for serving with impartiality at all times.

I would like to convey my appreciation to the Reinsurers and Reinsurance Brokers who we rely on for strength and stability. The close bonds that we have built with them over the years continue to grow as we face the challenges of a fast-changing global landscape.

I also deeply appreciate the support of all our partner universities and institutions. They share our passion for providing education of the highest quality as we attempt to give our children the bright future that each and every one of them deserve.

I also extend my thanks to our wonderful shareholders for standing by the Company and believing in us through the good times and the toughest of times. Their trust in us continues to fuel our desire to perform at our peak and deliver the best possible results for all concerned.

A heartfelt “Thank You” goes out to our outstanding staff, who we truly consider as family, for years of hard work, dedication and loyalty. It is their extraordinary efforts that have resulted in the Company to be at the helm and I cannot thank you all enough for a job well done!

Last but certainly not least, I would like to offer my sincere thanks to our loyal customers for the immense faith they have placed in us. Without them by our side, none of our great accomplishments would have been possible. It is of utmost importance that we do everything possible to ensure that they reap the benefits of the success that we have achieved so that their future generations will continue to come to us for all their needs.

While we stand at the cusp of another year, I can proudly state that we are confident of facing any challenge without taking a backward step as we are armed with the vision, knowledge and determination that none can match. Driven by innovation and passion, we will continue to provide leadership to the industries that we operate in and will strive to guide them to reach greater heights, which we strongly believe will benefit the country as a whole. We trust in our abilities to the fullest and look ahead with optimism to creating a better, brighter future for all Sri Lankans.



A.R. Gunawardena
Managing Director/Chief Executive Officer

3rd March 2017

Board of Directors



Seated Left to Right

Mr. J.G.P. Perera
Chairman
(“Independent” Non-Executive Director)

Mr. A.R. Gunawardena
Managing Director /
Chief Executive Officer
(Executive Director)

Standing Left to Right

Mr. H.D.K.P. Alwis
(Non-Executive Director)

Dr. W.C.J. Alwis
(Non-Executive Director)

Mr. P.A. Jayawardena
(Non-Executive Director)

Mr. E.T.L. Ranasinghe
Director/Chief Operations Officer
(Executive Director)

Mr. T.N.M. Peiris
Director (Finance)/Head of Finance
(Executive Director)

Mr. U. Witharana
(Non-Executive Director)



Seated

Mr. R. Renganathan
(Non-Executive Director)

Standing Left to Right

Mr. N.D. Nugawela
(Non-Executive Director)

Mr. K.I. Dharmawardena
(“Independent” Non - Executive Director)

Mr. S.H.J. Weerasuriya
(Non-Executive Director)

Gen. C.S. Weerasooriya (Retd.)
(“Independent” Non-Executive Director)

Mr. S.R. Abeynayake
(Non-Executive Director)

Mr. D.H.J. Gunawardena
(“Independent” Non - Executive Director)

Mr. P.D.M. Cooray
Director/Head of Training
(Executive Director)

Board of Directors

Mr. J.G.P. Perera *Chairman*

Mr. J. Godwin Perera holds a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing of UK (CIM) and is also a Fellow of that Institute. A former President of the Sri Lanka Institute of Marketing (SLIM) he was awarded Honorary Membership for his services in marketing education where as the senior lecturer in SLIM's faculty he lectured to students preparing for the CIM and SLIM examinations. He is a Life Member of the Organisation of Professional Associations (OPA) – having been nominated by SLIM and a member of the Sri Lanka Institute of Directors.

Mr. Perera has served in both the public sector and private sector and held the positions of Head of Marketing – Bank of Ceylon; Group Marketing Consultant – Aitken Spence PLC; Director Corporate Planning – Lanka Milk Foods PLC. He has also served in several government appointed committees such as the Steering Committee for the accelerated development of the Bandaranaike International Airport to make it a South Asian Hub Airport; Committee to visit Japan and South Korea and study the concept of Trading Houses with a view of introducing it to Sri Lanka.

He is the author of several articles on Marketing, Management and on Tourism all of which were serialized in newspapers and in a leading business magazine. In 2011 his book 'When the going gets tough; the tough get going' which is a history of Ceylinco Insurance, was launched.

Mr. A.R. Gunawardena *Managing Director / Chief Executive Officer*

Mr. Ajith Gunawardena joined the Ceylinco Group in 1978 as a Sales Manager, attached to the Polonnaruwa Branch of The Finance, speedily rising to the position of Assistant General Manager – City Office.

At The Finance, Mr. Gunawardena was instrumental in initiating the first-ever leasing and project financing division in Sri Lanka. Moreover, he set up the hire purchase scheme for consumer durables

and import financing; pioneering concepts in the sphere of finance companies in Sri Lanka. Furthermore, the first ever venture capital company to be established in Sri Lanka, was also his brainchild.

He was appointed Director in charge of the General Division of Ceylinco Insurance in 1987. He introduced the visionary concept of a direct sales force for the insurance industry in Sri Lanka. His was the idea that transformed the sphere of insurance forever more – On The Spot Claim Settlement! This unprecedented idea, which amounted to a global first, has been embraced and adopted by many other insurers the world over. In fact, this very concept won the coveted Innovation of the Year Award at the Asian Insurance Industry Awards in 2003. Under his able leadership, Ceylinco Insurance received a rare accolade – that of being among the top four General Insurance Companies in Asia, in 2000 and once again clinched the Innovation of the Year Award at the Asia Insurance Industry Awards in 2006. Under his guidance Ceylinco Insurance has held the position of market leader in Sri Lanka, continuously since 2004. Mr. Ajith Gunawardena was also behind the first ever overseas joint venture for Ceylinco Insurance – Sagarmatha Insurance of Nepal, the concept of which, later on, extended to the Maldives. Several strategic alliances were also formed under his leadership with insurance companies in the Middle East, in countries such as the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar.

He successfully negotiated key joint ventures with Indian giants Larsen & Toubro and the Aditya Birla Group; alliances which resulted in the cement brand – Ultra Tech, abundantly available throughout Sri Lanka. Under the aegis of these joint ventures, the L & T Infocity, the largest ever Call Centre in Asia, was established.

Mr. Ajith Gunawardena has been the unyielding strength behind numerous other projects for Ceylinco, including power and energy projects in Belihuloya, Loggaloya and Rajjamma.

He was conferred with a Honorary Fellowship from the ICBT Campus, Associate Collage of Cardiff Metropolitan University, U.K. in 2016.

Mr. R. Renganathan *Director*

A Chartered Accountant by profession Mr. R. Renganathan joined Ceylinco Consolidated in 1983. He was entrusted with the task of setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987.

A firm believer in the miracle of Life insurance, with a vision of protecting every Sri Lankan family with a Ceylinco Life insurance policy, he has put together a team of professionals who share this common objective. Ceylinco Insurance PLC has continued to maintain market leadership in the Sri Lanka Insurance Industry and Ceylinco Life has won the Asia Insurance Review Award for Corporate Social Responsibility in the Asian Region. Mr. Renganathan is also a member of the LIMRA India/Sri Lanka Executive Board and was invited to speak at the LOMAL/LIMRA Strategic Issue Conference which was held in Kuala Lumpur.

Upon achieving success in the field of Life Insurance, he has now ventured into the healthcare sector with the idea of providing affordable healthcare facilities to the people of Sri Lanka. Therefore, with the affiliation of the Washington Cancer Institute he initially set up a Cancer Detection Centre and a Diabetes Centre. He has now set up a Cancer Treatment Centre with the latest state-of-the-art technology.

He serves as the Managing Director / CEO of Ceylinco Life Insurance Limited and also serves the board of Ceylinco Healthcare Services Ltd as Chairman.

Mr. H.D.K.P. Alwis

Director

Mr. Alwis joined the Company on 15th. May, 1990 and prior to joining the Company from 1978 he worked at M/s. Hatton National Bank, Lever Brothers (Ceylon) Limited and Richard Peiris & Company in the field of Sales and Marketing. He joined Ceylinco Insurance (General Insurance Division) as a Regional Manager and was promoted as Assistant General Manager in 1992, as Senior Assistant General Manager in 1996 and as Deputy General Manager in 1998. He was appointed to the Board on the 10th. of January, 2001, and currently serves as the Director of Ceylinco Insurance PLC and Managing Director of Ceylinco General Insurance Limited.

He was instrumental in spearheading the Strategic Alliances with leading Insurance Companies in the Middle East (UAE, Bahrain, Kuwait, Oman and Qatar), where Ceylinco Insurance promotes unique insurance solutions to migrant workers of all nationalities residing in the Gulf.

He was also the key figure behind setting up the Ceylinco Insurance branch network in Sri Lanka, under the guidance of the MD/CEO – Mr. Ajith Gunawardena, which has become one of the key factors in the Company's exponential growth in a fast-paced economy.

He was further involved in successfully implementing a unique system for the insurance sales force, regarding effectively prospecting clients. The visionary methodology, practiced by the gamut of the sales force at all levels, has resulted in stupendous results for individual sales personnel, as well as the Company as a whole. The system in question has also paved the way to monitor and manage the direct sales force of Ceylinco Insurance – General.

Mr. E.T.L. Ranasinghe

Director/Chief Operations Officer

Mr. Ranasinghe has 35 years of experience in the mercantile sector in sales, marketing and strategic planning. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, UK. He joined Ceylinco Limited as a Product Manager in September, 1986 and is one of the pioneer members of the team to set up the Ceylinco Insurance PLC, when the Company commenced operations in 1988.

He is a Founder Member of the Chartered Institute of Marketing, Sri Lanka Region and has held several positions in the Executive Committee, including that of the Senior Vice Chairman in the past.

He currently serves as the Deputy Chief Executive Officer of Ceylinco Life Insurance Limited and also a Director of Ceylinco Healthcare Services Limited.

Mr. Ranasinghe was invited to address the LIMRA/LOMA Strategic Issues Conference in Vietnam in the year 2012.

Dr. W.C.J. Alwis

Director

Dr. Jagath Alwis graduated as a Bachelor of Science (B.Sc.) majoring in Mathematics and Physics and joined the National Insurance Corporation in 1982 as a Trainee. He became an Associate Member of the Chartered Insurance Institute, London (ACII) in 1985 and a Fellow Member (FCII) in 1990. Also a Fellow Member of the Indian Insurance Institute (FIII), he is a Chartered Insurer by profession. Dr. Alwis is a Fellow Member of the Institute of Directors, U.K.

Dr. Alwis joined Ceylinco Insurance Company in March, 1988 as the Reinsurance Manager and also served in the capacity of Chief Manager (Technical), Deputy General Manager (Technical) before being appointed to the Board as the Director (Technical) in January, 1993. Presently he serves as the Director of Ceylinco Insurance PLC and Director - Technical of Ceylinco General Insurance Limited.

He presently serves on the Boards of a couple of leading Education Institutions as the Chairman, and heads the education sector of Ceylinco Insurance PLC.

He is one of the past Presidents of the Insurance Association of Sri Lanka (IASL) and presently an Executive Committee Member.

Dr. Alwis was also the President / Chairman of the Executive Board of the Association of Insurers and Reinsurers of Developing Countries (AIRDC) for the years 2012 to 2014 and is presently a member of the Board of Trustees.

He was conferred a Doctorate from the University of Middlesex, United Kingdom in 2013.

Dr. Alwis was a Board Member of the Faculty of Science, University of Peradeniya and is presently a Board Member of the Faculty of Management Studies, University of Sabaragamuwa.

Dr. Alwis won the Award for the "Personality of the Year" at the 18th. Asia Insurance Industry Awards Ceremony held in November, 2014 in Taipei and also won the Awards for "Outstanding Contribution for Education" and "Educational Entrepreneur of the Year" at the World Private Universities Awards held in Mumbai, India in 2014.

The International Insurance Society (IIS) U.S.A. has appointed Dr. Alwis in 2015 as an Ambassador for Sri Lanka and SAARC Region.

Mr. P.D.M. Cooray

Director/Head of Training

Mr. Cooray joined in March, 1985 as the Chief Instructor of the Key Security Services Limited. He has been an employee of Ceylinco Insurance, since it's inception. He started his career in the Sri Lankan Air Force as a Commissioned Officer. His career at Ceylinco Insurance commenced as an Assistant Manager (Training), and in January, 1990 he was promoted as Manager (Human Resources), thereafter he held the posts of Assistant General Manager (Administration and Human Resources)

Board of Directors

and Assistant General Manager (Training). In 1998 he was promoted to the post of Deputy General Manager (Training). Mr. Cooray was appointed as a Director to the Board of Ceylinco Insurance in September, 2001. Currently, he serves as the Director/Head of Human Resources and training of Ceylinco Life Insurance Limited.

Mr. Cooray is a Fellow of the Life Underwriters' Training Council (LUTCF) U.S.A. and a Chartered Insurance Agency Manager (CIAM). He played a very active role in setting up the Sales Force of Ceylinco Life. He is an internationally reputed speaker who has addressed many Life Insurance conventions and was the first South Asian non-member to address the MDRT which is the most prestigious Life Insurance convention in the world.

Mr. K.I. Dharmawardena *Director*

An Attorney-at-Law by profession Mr. Dharmawardena was admitted to the Bar in 1976 with first class honours and thereafter joined the Attorney General's Department in 1978 where he served until his retirement in 1999 holding the positions of State Counsel, Senior State Counsel and Deputy Solicitor General. He has a Masters Degree in International and Comparative Law from the Brussels University and is a Fellow of the Nuffield Foundation and Japan Foundation. Mr. Dharmawardena has undertaken extensive legal research at the Institute of Advanced Legal Studies, University of London and the United Nations Far Eastern Institute in Tokyo, Japan. He has specialized in ICT and Business Law and held many prestigious positions in Sri Lanka and overseas. In Sri Lanka he served as a Visiting Lecturer at the Sri Lanka Open University and Informatics Institute of Computer Studies and pioneered many research projects in Sri Lanka leading to Law reform in the fields of ICT Law, Evidence and Criminal Law. He has extensive legal experience in Public Law, Criminal Law, ICT Law and Business Law and has provided legal consultancy services to several large scale ICT and Business Projects both in Sri Lanka and abroad. Presently he practices as a Legal Consultant in ICT and Business Law. He is the Chairman of Wanasevana Pvt. Ltd.

He is the Chairman of the Remuneration Committee and a member of the Audit Committee of Ceylinco Insurance PLC. Mr. Dharmawardena is an "Independent" Non Executive Director.

Mr. D.H.J. Gunawardena *Director*

Mr. Herschel Gunawardena is a Fellow of the Chartered Institute of Management Accountants, U.K. and a Chartered Global Management Accountant. He has around forty years of experience in various industries including shipping, airline, mining, export and import trading with over twenty years of General Management experience.

Mr. Gunawardena is the Chairman of Citizens Development Business Finance PLC. He is also a Director of Hunter & Company PLC, Lanka Canneries (Pvt.) Limited, Heath & Co. (Ceylon) Limited and Pelwatte Dairy Industries Limited and Ceylinco Life Insurance Limited.

Mr. Gunawardena is the Chairman of the Audit Committee and a member of the Remuneration Committee of Ceylinco Insurance PLC. He is an Independent Non Executive Director of Ceylinco Insurance PLC.

Mr. P.A. Jayawardena *Director*

Mr. Palitha Jayawardene counts over 25 years of experience in the field of finance. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of the Certified Management Accountants of Sri Lanka. He joined the Life Division of the Company in 1990 as Chief Accountant (Branches) and was invited to the Board in 2005.

He currently serves as a Director/ Chief Financial Officer of Ceylinco Life Insurance Limited and also as a Director of Ceylinco Healthcare Services Limited.

Mr. N.D. Nugawela *Director*

Mr. Nugawela was appointed to the Board in September, 2001 and overlooks the administration of the Company's General Insurance branches. Having had over 10 years experience at Insurance Corporation where he obtained a Diploma in Insurance, he joined Ceylinco Limited as a Liaison Officer in late 1980. In April, 1989 he joined Ceylinco Insurance (General Insurance Division) as a Branch Manager and was promoted as a Regional Sales Manager in 1991, as an Assistant General Manager in 1994 and as a Senior Assistant General Manager in 1998. He held the post of Deputy General Manager (Branches) with effect from 2001. Presently he serve as the Director/Chief Operations Officer of Ceylinco General Insurance Limited.

Mr. Nugawela monitored the Technical and Claims functions of General Insurance and was overall in-charge of the "Nerve Centre" for claims processing.

Mr. T.N.M. Peiris *Director (Finance) / Head of Finance*

Mr. Nihal Peiris graduated with Honors from the Sri Jayawardenapura University with a Bachelor of Arts Degree (Economics Special) in 1982. He became an Associate Member of the Institute of Chartered Accountants in 1984 and thereafter became a Fellow Member of the Institute. He is also a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

Having worked at M/s. Associated Motorways PLC as an Accountant for 1 ½ years, he joined The Finance Company PLC as the Chief Accountant in 1986 and excelled to Deputy Chief Executive Director and was on the Board till 2010. He also heads the Ceyfco Group as the Chairman and serves on the Boards of Subsidiary Companies.

He joined Ceylinco Insurance as a Finance Manager in 1989 and was appointed to the Board in August 1990. At present he heads the Finance Division of the Company and Ceylinco General Insurance Limited. He introduced the profit centre concept where

all branches and units are monitored according to performance. He has also introduced the Finance & Administrative Manual of the Company which indicates all procedures, principles and systems adopted by the Company, and the finances are documented in an IT platform. The Internal Audit Department was introduced by him and the Department works directly under his supervision as an Independent Unit. In 2014, Mr Peiris took over the City Office Departments directly under him and since then they have shown unprecedented growth in all spheres.

Mr. U. Witharana

Director

Mr. Upali Witharana joined Ceylinco Insurance PLC as an Assistant General Manager – Finance (General Insurance Division) on 04th. January, 1999. He is a Chartered Accountant and is an Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He also holds a Master of Business Administration Degree from the University of Colombo. Mr. Witharana has over 30 years of management experience in the Insurance industry both in Sri Lanka and overseas.

He is a past Chairman of the Finance Technical Sub-Committee of the Insurance Association of Sri Lanka (IASL).

Mr. Witharana was appointed to the Board of Ceylinco Insurance PLC on the 25th. of October, 2005. He also serves as the Finance Director/Director in other Associate and Subsidiary Companies of Ceylinco Insurance. He also serves as the Deputy Managing Director of Ceylinco General Insurance Limited. In addition to his contribution to the financial management of the Ceylinco Insurance Group, he extends his capabilities by leading a team of professionals in the capacity of the CEO, to successfully develop and manage a number of hydro power projects within the group.

General C.S. Weerasooriya (Retired)

Director

General C.S. Weerasooriya (Retired) is the fourth ‘Independent’ – Non Executive Director appointed to the Board of Ceylinco Insurance PLC. His appointment was with effect from 02nd. August, 2010.

He received his education at S. Thomas’ College, Mount Lavinia and is a graduate of the Pakistan Military Academy, Kakul and the National Defence College in India. He was appointed Commander of the Sri Lanka Army on 16th. December, 1998 and after an illustrious 35 year military career, was appointed Sri Lanka’s High Commissioner to Pakistan - a position he held for six years. During this period he was also the Ambassador Extraordinary and Plenipotentiary for Sri Lanka to Tajikistan and Kyrgyzstan.

His decades of experience in the military and diplomatic corps, administrative skills, integrity and acumen are an asset to the Board of Ceylinco Insurance PLC.

General Weerasooriya was conferred with the prestigious Civil Award by the President of Pakistan, His Excellency Mamnoon Hussain in April, 2014.

He also serves as a Non Executive Director of Ceylinco Life Insurance Limited.

Mr. S.R. Abeynayake

Director

Mr. Ranga Abeynayake counts over 18 years of experience in the field of Finance. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. He joined the Life Division of the Company in March, 1998 as Financial Accountant and held the post of Deputy General Manager (Finance) – Life Insurance, at the time he was appointed to the Board of Ceylinco Insurance PLC from 01st. February, 2011.

He currently serves as a Director/ Deputy Chief Financial Officer of Ceylinco Life Insurance Limited.

Mr. S.H.J. Weerasuriya

Director

Mr. Weerasuriya is a Civil Engineer possessing a Bachelor of Science Degree in Civil Engineering from the University of Kingston, England. Having worked for four years in England as a Civil Engineer, he counts many years of wide experience holding the posts of Structural Engineer and Chief Engineer in Architectural and Engineering firms in Sri Lanka. He has also served as a visiting lecturer of the University of Moratuwa and is a Founder Member and Fellow of the Sri Lanka Society of Structural Engineers – Sri Lanka and has served in the Executive Committee as well. He also serves as a member of the Board of Examiners of the Institution of Engineers – Sri Lanka.

Mr. Weerasuriya is Member of the Institution of Civil Engineers, U.K. (Chartered Engineer) and a Fellow Member of the Institution of Engineers – Sri Lanka and of the Society of Structural Engineers – Sri Lanka and is a Professional Engineer of The Engineering Council of England.

He is the Chairman of Mercantile Investments and Finance PLC since January, 2011, a Director of International Civil Engineering Consultants PL. and a Director of Kognosceti (Pvt.) Ltd. Mr. Weerasuriya is the Proprietor of Saro Weerasuriya Associates.

Stakeholder Engagement and Relationships

| Stakeholder | What we do | Objective |
|---|--|--|
| Shareholders | <ul style="list-style-type: none"> • Publish regulatory financial information through interim reports. • Publish Annual Report conforming to regulatory requirements and mailed to each shareholder in requested format within regulatory time frame. • Hold the AGM before scheduled date and EGMs when necessary, both in accordance with Companies Act No 07 of 2007 and the Articles of Association of the Company. • Conduct above meetings in accordance with above mentioned regulatory requirements and permit free and fair discussion on all aspects relating to the published agenda. • Seek shareholder mandate at such meetings on relevant itemized resolutions. • Answer all shareholder questions and requests for clarifications which are within the framework of shareholder Rights and Obligations as determined by the Companies Act No 07 of 2007 • Declare optimum dividends as determined by the Board of Directors having evaluated the company's current performance, profitability and future plans. | To enhance shareholder loyalty and confidence by providing an attractive Return on Investment thereby adding to shareholder wealth. |
| Regulators | <ul style="list-style-type: none"> • Strictly adhere to all regulations by letter and in spirit. • Respond promptly to all queries and requests for clarifications made by Regulators. | As a leading listed company to conduct business in a most responsible manner observing the principles of 'Good Governance' and through the strict adherence to all regulations to establish a close professional relationship with the regulators. |
| Government Departments and Government controlled Funds | <ul style="list-style-type: none"> • Make all payments such as taxes, duties, levies and regulatory contributions, accurately and within the specified time frames. | As a leading listed company to observe the principles of 'Good Governance' and practice responsible fiscal discipline. |
| Financial Institutions | <ul style="list-style-type: none"> • Create a firm, long term business relationship based on mutual trust and confidence. • Exchange information which will be mutually beneficial. | To establish financial links by which we can gain financial flexibility and strength. |
| Subsidiary and Associate Companies | <p>Implement the Board Resolution to form two Committees – Corporate Strategies Committee which will identify opportunities for diversification, acquisition and re-structuring and seek Board approval for same.</p> <p>Strategy Implementation Committee –which will in co-ordination with the relevant subsidiary or associate company set up plans for the implementation of projects approved by the Board</p> | To maximise shareholder wealth by adding to the value and sustainability of the subsidiary and associate companies. |

“Embracing multiple industries we **transform the lives of thousands** of Sri Lankans every single day”

Management Discussion & Analysis

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Management Discussion & Analysis

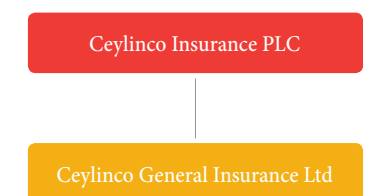
SECTOR REVIEWS

Insurance Sector

Ceylinco General Insurance Ltd

Review by the Managing Director - Mr. H.D.K.P. Alwis

Operational Structure



Overview - General Insurance Industry

The Sri Lankan economy has shown robust growth over the past several years which has resulted in the insurance industry also keeping pace, becoming a vibrant and a dynamic market segment in its own right.

In any economy, the growth of the General Insurance industry is closely related to the economic activity of the country. Given this backdrop, the outlook for the General Insurance industry of the country remains strong in relation to the strong GDP growth in recent years. A quick glance at the industry shows us that there are 14 General Insurance companies and one composite company operating in the island by end-2016. The industry has portrayed substantial growth over the past 5 years, with total assets almost doubling over the 2010-14 period.

During the year under review, Sri Lanka's insurance industry brought in Gross Written Premiums valued at Rs. 140.1 billion. An increase of 15.9% year-on-year while General Insurance accounted for

55% of the total premiums registering Rs. 76.6 billion in value, a growth of 13.7% in comparison to what was achieved in 2015. By the end of 2016, Motor Premiums accounted for 64.5% of all General Gross Written Premiums followed by Fire and Engineering (13%), Medical products (10%), General Accident (8.7%) and Marine (2.9%).

Challenges of the Industry

The key challenge facing the General Insurance industry is the price under-cutting prevalent among most insurance companies. This has resulted in a general decline in premium rates as a result of the fierce competition. This was observed mostly in the Motor Insurance segment. Such price under-cutting has enabled the smaller companies to gain market share on the more established players.

Changes to the fiscal policy of the country have resulted in a significant drop in certain categories of vehicle imports. This invariably affects the Insurance industry in a negative manner and should the trend continue in the coming year, the impact is expected to be substantial.

Company Performance

I am happy to announce that the company's performance during the year under review can be classified as "outstanding" and is easily the best results recorded in the recent past. During this 12-month period, the company recorded a premium income of Rs.16.1 billion (Rs.16,117 million) coupled with a remarkable growth of 18.9%, which signifies an increase of Rs.2.5 billion over the previous year. Moreover, the profitability of the Company after tax stands at Rs. 1.3 billion, an increase of 87.2% over 2015 while the profit before tax was Rs 1.4 billion.

During the year, Ceylinco General Insurance settled claims amounting to Rs. 10.5 billion, an increase of 59% year-on-year. The sharp increase in claim settlements is a result of the large number

of claims that were put forward and paid after the flooding disaster that adversely affected thousands in May and June of the year. In keeping with tradition, the company continued to focus on ensuring that all genuine claims were settled in the quickest possible time. Claims were paid within a period of 14 days, giving the customers a much-needed helping hand to bring about some form of normalcy to their shattered lives in the fastest possible time. It must be noted that there was a selection of customers who had only insured their vehicles through Ceylinco General Insurance but not their homes. Similarly, there was a segment of customers who had insured their shops, but not their homes. Looking at the customers' difficult circumstances simply from a humanitarian perspective, the company decided to pay a percentage to compensate the damages to their homes as well.



Mr H.D.K.P. Alwis
Managing Director

Market Leadership

Ceylinco General Insurance continues to be the front runner of the General Insurance Industry with a lead of over Rs. 400 million over the closest competitor. This is clearly another remarkable achievement by the company when one takes into account the numerous advantages enjoyed by the State-owned insurance companies over privately-owned companies such as ours.

New Products & Value Additions

Introducing new, innovative products and delivery systems has always been a key aspect that has contributed to the company's dominance in the market. A new health insurance product "Suwa Sampatha National Health" catering to the masses was launched during the year. This product offers a hospitalization cover of Rs. 25,000/- and another Rs. 10,000/- for hospitalization in a government hospital together with Rs. 15,000/- for specialised services that cannot be obtained in certain government hospitals. Additionally, this product also carries a personal accident cover for Rs. 200,000/-, all of which are provided at an affordable premium of Rs. 100/- per month. This is an ideal product for those who cannot afford the average Health Insurance products due to financial constraints.

The company also re-launched "Suwa Sampatha International", a unique product that offers superior benefits including global, state-of-the-art medical treatment together with the added advantage of unmatched benefits right here at home. With the re-launch, a host of additional benefits were incorporated into the product thereby providing an enhanced cover that guarantees our valued customers get only the very best care possible should the need arise.

When it comes to value additions, during the year under review, we added yet another unique benefit to our flagship brand "Ceylinco VIP On The Spot". If a brand new or reconditioned unregistered vehicle is in a total loss situation within two years of purchase, Ceylinco General Insurance will indemnify the cost of a vehicle with the identical make and model irrespective of the price escalation. This is a distinct deviation from the

Ceylinco General Insurance continues to be the front runner of the General Insurance Industry with a lead of over Rs. 400 million over the closest competitor.

standard practice of other insurance companies which is to compensate the amount equivalent to the market price of the vehicle at the time of the accident or the sum insured, whichever is less. This particular value addition enabled our valued customers to obtain a vehicle of similar make and model without an additional burden. Once a vehicle is registered, depreciation of the vehicle value is inevitable. In addition, the change of duty structure and the appreciation of the US Dollar also increase the price of reconditioned and brand new vehicles. The value addition introduced by Ceylinco "VIP On The Spot" will certainly eliminate the additional cost to be borne by our customers.

Human Resources

Your company continued to invest in the development of its loyal, dedicated and hardworking workforce during the year. Since exceptional customer service can only be provided by well-trained and highly-motivated individuals, the company provided them with the opportunity of broadening their horizons in their respective areas of expertise by exposing them to regular training sessions both in Sri Lanka and abroad. As a result, 15 individuals were sent for overseas training during 2016, while as many as 663 individuals underwent intensive training at regular intervals in Sri Lanka.

A year-long, extensive training programme for the company's Senior Managers was conducted by world-renowned trainers and a panel of top individual coaching experts in the country. This was designed as a management development programme aimed at being a part of the succession planning process, gearing the top management to take over the helm of the company, when the time comes.

With the objective of motivating the staff members, for the 13th consecutive year, Ceylinco General Insurance recognized and rewarded its best performers with a foreign tour in May 2016. A total of 225 staff members were flown to a

“Ceylinco Insurance turned what could have been a business nightmare, into 'business as usual' in a matter of days.”



Mr. Aelian Gunawardena
Managing Director
JAT Holdings (pvt) Ltd

Management Discussion & Analysis

SECTOR REVIEWS

Insurance Sector

“

We lost our vehicle within a few hours of the flood, but in a flash our hope was restored because of Ceylinco Insurance.



Mr and Mrs Mohammed Jibril

”

new destination - Ho Chi Minh City in Vietnam - for a five-day holiday in recognition of their outstanding contribution to the company. During the visit, a half-day workshop was also held with the participation of the entire tour group.

Non-sales staff were also given due recognition for their part in the company's success. A special awards ceremony titled "Pillars of Success" was organised to felicitate staff in job categories such as Finance, Underwriting and Administration together with other support services. They were duly rewarded for their performance with attractive cash prizes and certificates.

Reinsurance Arrangements

Ceylinco General Insurance has ties with only the world's best Reinsurers which lays the foundation for the company's greater financial stability and gives us a strong platform to successfully meet the challenges posed by any calamities, be it natural or man-made. It must be emphasized that as the clear leader in the Sri Lankan insurance sphere, the company remains far ahead of the stipulated reinsurance guidelines laid down by the regulator.

Advancements in Information Technology

The importance given to Information Technology (IT) in the company was demonstrated by the significant investments made into upgrading the

A year-long, extensive training programme for the company's Senior Managers was conducted by world-renowned trainers and a panel of top individual coaching experts in the country.

existing IT infrastructure to meet the growing demands of the company. An investment of USD 660,000 (approx. Rs.100 million) was made for the purchasing of a state-of-the-art hardware platform by Oracle Exadata X5-2 and related software. This acquisition has enabled Ceylinco General Insurance to further improve both the performance of the core application software and introduce new business intelligence tools during the year. It has also opened more outlets using Access Point Name (APN) to access the application system through 3G and 4G mobile connectivity. This has also further improved the efficiency of issuing policies as well as processing of claims, thereby providing customers the advantage of an even faster service. Along with this, our in-house software development staff was also provided advanced training so that they are geared to provide further modifications and new advancements to the application software at a faster pace utilizing methodologies such as Rapid Application Development.

Branch Network

The company remained focused on providing customers the largest branch network in the island, by surpassing a total of 440 branches and VIP counters during the year. This enabled the company to get closer to the existing customer base and also provide prospective customers from all walks of life the opportunity to easily gain access to the industry leader for all their General Insurance needs.

31 VIP counters were opened during 2016, 13 of them under the City Office and the remaining 18 under the branch network. The sales cadre was also increased in line with the expansion of the branch network and the growing demand for the company's products. This team now exceeds 1,950 individuals all of whom are trained to provide a speedy, professional service to our valued customers.

Engaging Communities

The innovation shown by the company in terms of products and delivery systems is also visible in other areas of the organisation. A fine example of this is the plan laid out during the latter part of 2016 to establish a trust to provide scholarships to needy schoolchildren

“

We have an ambulance to come to your aid, because Ceylinco Insurance came to our rescue.

”



Mr. Priyanthanal Balasooriya
Managing Director
Balasooriya Hospital in Puttalam

“

Ceylinco Insurance didn't allow my dream to be washed away with the floods.



Mrs. Shehani Rodrigo
Wattala

”

in underdeveloped parts of the island. In this endeavour, Moneragala District was earmarked for the launch of this programme which will provide as many as 1,000 poor schoolchildren with Rs. 1,500/- every month until they complete their Advanced Level (A/L) studies. This project is expected to come into effect during the first quarter of 2017.

During the months of May and June, flood victims were provided with food, dry rations, drinking water, sanitary items and medicine by our staff. Several of them travelled to the affected parts of the country and stayed in these areas for many days while ensuring that the items were fairly distributed to the affected families.

Pilgrims to Kataragama were provided with a much-needed drinking water plant which can provide purified water, including iced water, to over 2,000 persons each day. Similarly, our staff members were actively involved in several religious ceremonies all over the island providing devotees with refreshments. Some of the key religious events included the Nawam Perahera, Midnight Mass at St. Anne's Cathedral, Kurunegala and Wesak Dansalas in several parts of the country.

Future Outlook

The immediate future is expected to bring about rapid change and significant growth to Sri Lanka's insurance sector. The impact of the recent regulatory changes as well as the increase in demand is expected to fuel growth in the General Insurance industry for the foreseeable future.

Appreciations

First and foremost, I would like to convey my appreciation to His Excellency, the President, the Prime Minister and the Government of Sri Lanka, for all their magnificent efforts in taking the Sri Lankan economy in a new direction through a new approach and visionary leadership. It is heartening to note that the bold, positive steps taken by the Government towards solving the critical issue of how the country is perceived in the eyes of the international community has given the business community hope and augurs well for the future of the country as a whole.

I would like to pay a special tribute to the Chairperson, Director General and officials of the Insurance Board of Sri Lanka, for their support and co-operation throughout the year. They have remained consistent and steadfast, which has invariably made our journey at the top a smooth one. I would also like to make special mention of the Insurance Ombudsman for his wonderful services throughout the year.

I would like to offer a special word of thanks to all our Reinsurers and Reinsurance Brokers of worldwide fame and repute. Their strength is something that we rely on year after year and as always they have remained solid throughout the period under review. My thanks also go out to all our insurance agents and brokers, whose integrity has helped the company achieve amazing results over the years.

I extend a very special word of appreciation to all my colleagues on the Board, the Chief Executive Officer and the Head of Finance. I am fortunate to have received sound advice from such a group of outstanding individuals who I have always been able to count on for unreserved support and guidance. It makes me proud to be a part of such a highly-talented team as we steer the company through some exciting times into a future of even greater prosperity for all.

I would personally like to thank each and every one of our employees, who I consider members of one large family. Their abundance of good qualities, most notably their confidence, commitment, courage, determination, resilience and professionalism, especially during this past year, have ensured that we delivered positive results and overcame all obstacles.

Finally and most importantly, I would like to offer my sincere thanks to our loyal customers, for placing their trust in us and believing in our Company through even the toughest of times. It is their loyalty and trust that keeps our fires burning as we make every possible effort to guide them towards a brighter future.

Management Discussion & Analysis

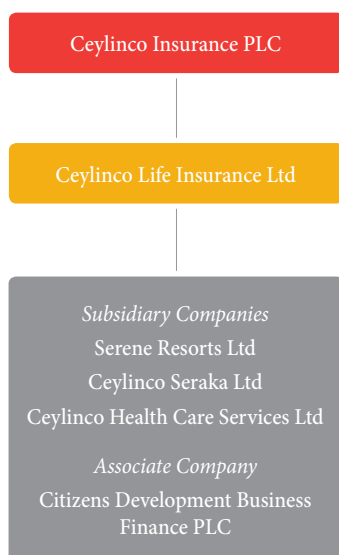
SECTOR REVIEWS

Insurance Sector

Ceylinco Life Insurance Ltd

Review by Managing Director/CEO - Mr. R. Renganathan

Operational Structure



A Relationship For Life™

Building trust and confidence in our credentials as the best provider of long term insurance in Sri Lanka has always been the focus of Ceylinco Life, and the company's continued growth, as detailed below, reflects the success of our efforts.

This year, I would also like to draw special attention to the remarkable progress we have made in our initiatives to make our operations more environment friendly. This is covered in some detail further on in this review.

Performance

I am pleased to report that Ceylinco Life posted total income of Rs 23.4 billion, a sound improvement of 17.83 per cent over 2015. Within this, Gross Written Premium Income topped Rs 15 billion, reflecting growth of 12 per cent. We are satisfied with this growth in the context of the general sentiment that prevailed in the market during the year reviewed. The number of new policies sold and active at the end of the year totalled 143,622, at a monthly average of 11,968 new life policies per month.

Investment income improved by a respectable 30 per cent to Rs 8.78 billion through the professional management of the company's investment portfolio, which grew by a solid 20.27 per cent to Rs 80.7 billion as at 31st December 2016. Total assets grew by Rs 16 billion or 20.22 per cent to Rs 96.5 billion.

At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (53 per cent); Fixed Deposits (9 per cent); Real Estate (8 per cent); Corporate Debt (29 per cent) and Others (1 per cent). Shareholders are aware that these investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act No 43 of 2000 and are subject to regular monitoring by the Insurance Board of Sri Lanka (IBSL).

A key performance indicator (KPI) that represents Ceylinco Life's financial strength and ability to meet its financial obligations with respect to its insurance contracts is its Capital Adequacy Ratio. I am proud to report that our Capital Adequacy Ratio stood at 335 per cent at the end of 2016, well above the statutory requirement of 120 per cent.

Life Fund

Our Life Fund grew by 14.58 per cent to Rs 77.9 billion at the end of the year under review, following a transfer of Rs 9.9 billion to the fund after the final shareholder transfer. This represents a 24 per cent increase over the transfers made in 2015. We have always taken pride in the speed at which our Life Fund has grown. Ceylinco Life was in fact the fastest to build up a Life Fund of Rs 60 billion, a feat it achieved in 2014. Over the past two years alone, the Fund has grown by nearly 30 per cent.

Benefits to shareholders

We recorded a net profit of Rs 3.1 billion for the year and transferred Rs 2.3 billion to shareholders. Dividends and earnings to shareholders for the 12 months exceeded Rs 2.5 billion.



Mr R. Renganathan
Managing Director/CEO

Benefits to policyholders

Gross claims and benefits paid to policyholders in 2016 surpassed Rs 6.8 billion, an 11 per cent improvement over the previous year. This included Rs. 2.9 billion in annual bonuses and 'Avurudu cash' bonuses to more than 300,000 policyholders and maturities totalling Rs 4.2 billion. The annual bonus pay-out in 2016 was the highest in the company's history.

As I have done in the past, I would like to emphasise the importance of our 'Pranama' scholarships programme as a policyholder benefit that continues to grow in monetary value and societal impact. The programme reached a milestone in 2016 with the 15th round of scholarships awarded, which took the number of high achieving young Sri Lankans benefitted, beyond the 2,000 mark. We presented another 154 scholarships worth more than Rs 10 million in the year reviewed.

Additionally, we launched a new initiative called 'Pranama Weerayo' under the Pranama banner to motivate young students. The programme recognises that heroes come in many shapes and sizes and we chose one segment – students that pass the Year 5 Scholarship Examinations – for special recognition. The 'Pranama Weerayo' programme presents every pre-registered student that passes the examination, usually conducted in August, with a personalised certificate as a special form of recognition of his or her potential. Pre-registered students that are placed within the top 10 island wide at the examination also win cash prizes of Rs 25,000 each.

Branch Network

We inaugurated three new buildings in the year under review, all of them custom-built for eco-friendly operations. The Horana building is a two-storey building of 5,870 square feet at a prime location on the Horana – Panadura Road. It has provision to expand to four storeys and is designed for optimal use of natural light and is entirely solar powered. The building is also equipped with the latest energy efficient lighting and air conditioning systems and has a facility for rainwater harvesting.

Building trust and confidence in our credentials as the best provider of long term insurance in Sri Lanka has always been the focus of Ceylinco Life, and the company's continued growth.

Our new, purpose-built environment-friendly building in the heart of Panadura is a three-storey, 7,713 square foot edifice powered by solar panels. It is equipped with energy-efficient air-conditioning and lighting systems, has rainwater harvesting facilities and uses recycled sewage water for the sustenance of its garden, significantly reducing consumption of resources and minimising its carbon footprint. The building has a fully-equipped conference hall and ample parking for customers.

We also opened an eco-friendly building in Wennapuwa on 37.4 perches of land to accommodate five branches serving the area. The three storeyed building with a floor area of approximately 8,760 square feet has a solar-powered electricity system and is fitted with energy-efficient air-conditioning and lighting. It is designed to maximise availability of natural light.



Management Discussion & Analysis

SECTOR REVIEWS

Insurance Sector

Going Green

As already indicated in my preamble to this review, one of the highlights of 2016 was our increased emphasis on greening our operations. Besides the eco-friendly branch buildings opened, the year began with the management, staff and sales team of your company undertaking to plant approximately 4,000 trees. A Tree Planting Week from 11th to 17th January required every employee to plant a tree and furnish photographic evidence of it. The activity led into a series of other environment-related initiatives across our branch network under a year-long sustainability drive comprising of three elements – ‘Reuse’, ‘Reduce’ and ‘Encourage’.

Overall, our efforts to reduce use of resources in the year reviewed generated a saving of more than 43,000 litres of fuel, an improvement of 12 per cent over 2015; a saving of 46,228 units of electricity and a reduction of 2.8 million sheets of A4-sized paper. I congratulate the team for these achievements and look forward to seeing further reductions in the years ahead.

As part of our dedication to the environment, we broke new ground in 2016 with the installation of the biggest solar electricity system in the city of Colombo at the Ceylinco Life Head Office. With a system capacity of 63.18kW, the solar power unit generates a saving of 7,200 units of electricity per month, resulting in an annual reduction of 65 tons of CO2 emitted to the environment as a result of consumption of power from the national grid and thermal power generators.

The Community

Our commitment to the communities we serve has always been a distinguishing facet of Ceylinco Life. We continued to support the education and health related needs of under-served areas in 2016. Some of the projects worthy of special mention are:

- The KN/ Kanagambikaikulam G. T. M. School in Kilinochchi which accommodates 372 students in Grades 1 to 11 received a building to house a library for its students and teachers through a collaboration between your company and the 57th Division of the

We also take pride in the fact that Ceylinco Insurance won its 10th consecutive Peoples Award in the insurance category at the 2016 ‘SLIM-Nielsen Peoples Awards’ - billed the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM).

Sri Lanka Army. This was the 66th classroom building funded by Ceylinco Life for a rural school in Sri Lanka, and the second donated by the company this year. Three more classroom buildings are under construction at beneficiary schools for completion in 2017 under this programme.

- We built and presented a purpose built classroom to the Sithyvinayakar Hindu College in Mannar, a government school of 1,700 students and 80 teachers.
- Nearly 3,000 people received free medical checks in 2016 under our ‘Waidya Hamuwa’ (Meet the doctor) community programme, which has benefitted some 135,000 people in 13 years. The Waidya Hamuwa programme is carried out by a team of doctors, medical and ophthalmic technicians and nurses that travels across the country, offering communities the facility of free consultancy and diagnostic tests such as random blood sugar, ECG and blood pressure. The team also offers eye checks free of charge.

I would also like to pay tribute to a small group of senior executives of Ceylinco Life for effectively demonstrating how disproportionately large undertakings can be accomplished by a few people by adopting five leadership practices that engage and inspire others. The group was challenged to conceptualise and execute four corporate social responsibility (CSR) projects as part of a leadership training exercise, and formed four teams of six each for the purpose. The work of this group of 24 in the course of just one month helped a remote community protect itself from Chronic Kidney Disease (CKD), gave a rural school a library, stimulated tree planting in communal institutions and renovated a dilapidated Pre-school.

Market expansion

Shareholders are aware that the ‘Family Savari’ mega promotion conducted every year is one of the principal market expansion initiatives of the company. In the year reviewed, the families of five policyholders – the lucky winners of the grand prize in ‘Family Savari 9’, received a sensational four-day tour of Germany. This was the climax of the 2016 edition under which another 60 policyholder families were taken on holidays to Dubai

and Singapore, and 500 families enjoyed a full day of fun at the Leisure World theme park.

In the next edition of Family Savari – the 10th – an all-expenses-paid holiday in England for five of our policyholders and their families will be the grand prize. Family Savari 10 will also offer prizes of holidays in Dubai and Singapore and a day-long visit to Leisure World for policyholder families. Over the past three years, we have presented winners of the grand prize at the Family Savari with holidays in Japan, Switzerland and Germany. The feedback from policyholders on the Family Savari programme is extremely encouraging. For many, the experience has created memories that will last a lifetime.

Awards & recognition

Ceylinco Life was declared the 'Best Life Insurer in Sri Lanka' for a third consecutive year in 2016, following an in-depth assessment of key performance indicators by World Finance, the authoritative UK-based international publication. The magazine's eminent panel of international experts analysed multiple aspects of sector-specific performance in FY 2015 before naming its country winners for 2016. Among the areas looked at were average time to underwrite and to issue a policy; how risk exposure is assessed and accommodated; achievements in the 12 months reviewed; how appropriate cover is ensured for new and existing clients; Customer Retention Rate; Average Time in Claim Settlement; New Customer Acquisition Rate; Average Cost per Policy and Net Premium.

We also take pride in the fact that Ceylinco Insurance won its 10th consecutive Peoples Award in the insurance category at the 2016 'SLIM-Nielsen Peoples Awards' – billed the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM). Your company enjoys the rare distinction of being adjudged the 'Peoples Insurance Brand of the Year' every year since the awards programme was launched ten years ago.

Additionally, we are most encouraged by the success of the 2015 Annual Report of Ceylinco Life which won two important accolades at the prestigious ARC Awards presented by MerComm Inc. in New York. We won the Silver award for 'Financial Data' in the 'Insurance - Life & Health' segment of the awards, as well 'Honors' in the same segment in the 'Traditional Annual Report' category. Last year's Annual Report was the life insurance company's first since the segregation of Life and General Insurance into separate business entities under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, which came into effect last year.

Ceylinco Life also reaffirmed its supremacy in the sphere of sales, winning seven awards at the 2016 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM). This rich haul of awards included all three awards in the 'Frontliner' category in the life insurance sector, and comprised of two Golds, three Silvers and two Bronze awards.

I am proud to report that we also produced 44 qualifiers to the Million Dollar Round Table (MDRT) in the year reviewed and two of them became Court of the Table members.

Healthcare

Our fully-owned subsidiary Ceylinco Healthcare Services Limited (CHSL) made steady progress in the year reviewed, more than doubling its profits. The company operates four centres of excellence, the Ceylinco Healthcare Centre specialising in screening for cancer, the Ceylinco Radiation Treatment Unit which introduced the Linear Accelerator to Sri Lanka several years ago, the Ceylinco TomoTherapy Centre, which offers one of the most advanced forms of 3-D image-guided radiation treatment in Sri Lanka and the Ceylinco Diabetes Centre.

New ventures – Serene Resorts

Policyholders are aware that Ceylinco Life owns a beachside property in Hendala, which has served as a residential training

centre in the past. We are in the process of refurbishing and re-furnishing the property which is to be launched in 2017 as Sri Lanka's first retirement resort for active retirees. This ground-breaking project is intended to be the first in a series of investments in infrastructure and care for the elderly, taking into consideration the needs of our ageing population. We are also looking at a second and third stage in the care cycle and will report on our plans at the appropriate time.

The future

We believe that there can be no better platform to address the future than the 13 consecutive years of market leadership that we have achieved. In 2016, Ceylinco Life engaged in an in-depth study of the market and its own position within it. As a result, we have developed a comprehensive road map for short and medium term growth through a realignment of our strategic direction. We have looked at our products, our communications and our human resources, and have developed plans that will see the company moving up the value chain with new products that respond to the needs and aspirations of higher net worth customer segments, while retaining its position in the mass segment.

For the short term, we have set ourselves several targets. For 2017, we are challenging ourselves to achieve 25 per cent growth in GWP, to grow our Life Fund by Rs 10 billion, to recruit and maintain our sales force at 4,500, to roll out our new brand identity across our network and to complete the 'digitisation' of our sales force.

We have developed training courses for sales officers and supervisors and introduced a training credits programme which requires every sales officer to undergo a minimum number of training courses per year. We are deploying new software for finance and treasury management and expanded our premium collection channels. These and other internal measures will support the achievement of our ambitious growth targets.

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SECTOR REVIEWS

Insurance Sector

I am also happy to report that we embarked on a programme of leadership training and assessment of senior management as part of the company's succession planning agenda. A group of 24 senior executives at Deputy General Manager (DGM), Assistant General Manager (AGM) and Senior Manager level joined the company's directors in the first of these programmes, conducted by the well-known corporate trainer Doug Adams.

We have now nominated successors to every member of the first and second tiers of the company's senior management and are in the process of looking at the third tier.

As a long term insurer, we need stable long term investment options, and have urged the government to look at launching Rupee Development Bonds to raise funds locally for its infrastructure projects. In many other countries, life insurers invest in such bonds to balance their investment portfolios.

We are also closely observing the discussions between the Life Insurance Association and the Department of Inland Revenue on the basis of calculation of taxes for life insurance companies. As long term insurers, we make assumptions on projected returns for 15 or 20 years, and ad hoc changes in the basis of taxation could adversely impact on those projections. It is our view that taxing the profits of life insurers would address this concern.

Thank you

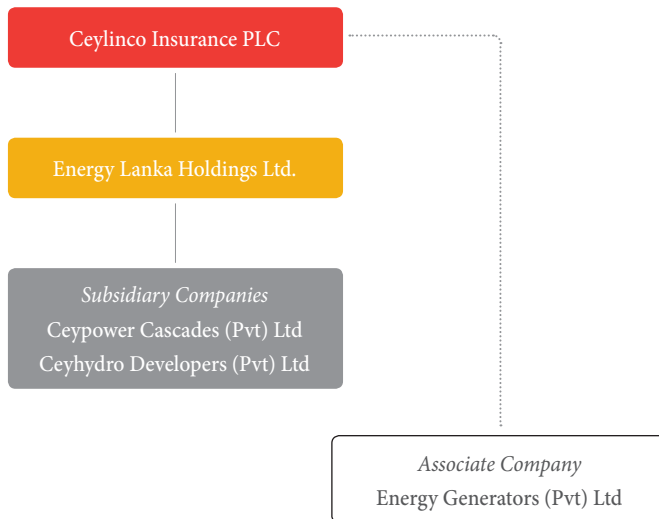
I would like to place on record my sincere gratitude to my colleagues on the Board of Directors, the staff, policyholders, shareholders and regulators for their guidance and support in 2016. I look forward to their continued assistance and co-operation in 2017.

SECTOR REVIEWS

Power Sector

Review by Director/Chief Executive Officer - Mr. Upali Witharana

Operational Structure



Introduction

In a the macroeconomic perspective, Sri Lanka achieved a GDP growth of around 4.4% during the year 2016 amidst various socio- economic contributing factors some of which were connected to world political and economic dynamisms. The power sector growth which is very similarly associated to national economic growth was also 4% for the year 2016.

The total dispatchable installed capacity of power plants in operating condition in Sri Lanka was approximately 3900MW by end of the year 2016. The major contributors being the large power plant of approximately 1400MW and 900MW of Lakvijaya Coal Power Plant in Norochcholei.

There are also 550 MW combined capacity oil based power plants owned by CEB and another similar combined capacity owned by private oil power plant owners.

The private owned small scale renewable energy projects contributed to another approximate 500 MW. Out of this 500 MW combined capacity of renewables, 330 MW were small hydro, 140 MW of wind and 30 MW solar power plants.

A 4% growth in the sector per year requires the addition of about 150 MW of capacity annually to the existing installed generation capacity. The maximum demand in Sri Lanka reached 2400 MW during the year 2016. The dry weather conditions suffered by Sri Lanka which was the worst in the last 10 year period had radically reduced the power generating capacity of hydro power plants. Therefore, the CEB had to rely on high cost fossil fuel based power plants during year 2016 to meet the demand for power.

The major power plant additions to the national grid as predicted by the CEB long term Generation Plan had not been met as planned during year 2016. The 35 MW Broadlands (2017), 120MW Uma Oya (2017) and 31MW Morogolla (2020) are all delayed. The most serious drawback being the delay of the 600 MW coal power plant in Sampur which is super-critical to meet the demand forecast for the year 2018. It is not in line and has not even reached the construction level. The most optimistic date for commissioning is beyond 2020 as per sources from the CEB.

The outcome of the aforementioned delays especially in the proposed coal power plant in Eastern Province has plunged Sri Lanka into a power crisis. The Government earlier in 2016 called for emergency power tenders for adding approximately 150 MW high cost diesel power plant to the national grid by end of 2017. This will further drain out our much needed foreign exchange. Furthermore the financial performance of CEB will be effected drastically due to high cost of purchase.

However, the Government's policy decision to open up the solar power generation project to private sector was welcomed by overwhelming demand during year 2016. The opening of project submission up to 5 MW solar power projects resulted in over 500 applicants submitting proposals. Later during the year, Government declared power



Mr Upali Witharana
Director/Chief Executive Officer

Management Discussion & Analysis

SECTOR REVIEWS

Power Sector

purchase prices for roof top solar power projects which had also attracted private sector participation. The roof top solar market may easily reach to 200 MW level by 2017/2018 from present 40MW due to this very positive move by the Government.

OUR PROJECTS

The small hydro power sector of the Group, comprises of 3 power plants, namely Belihul Oya (2.4MW), Loggal Oya Phase 2 (5MW) and Rajjammana (6MW). However the performance was also effected by the ongoing drought conditions in the country which specially prevailed after May 2016. The two projects (Belihul Oya & Loggal Oya Phase 2) which only relies on natural catchment for its power generation only met 50% of its target generations during 2016. The other power plant, which operates on a regulated water way was least affected and performed above 80% of its expected target.

The construction commenced on the new project Loggal Oya Phase 2 during August 2016. This is in line with our long term goal of owning and operating sizeable fleet of renewable energy projects.

After the Government decisions to open up solar PV grid connected ground mounted market, two projects in the capacity of 2MW each had been identified and applications had been submitted to the Sri Lanka Sustainable Energy Authority in the year 2016. The vehicle we have created ENVIRO Engineering Solutions (Pvt) Limited using the human resources specially the technical skills in engineering fared reasonably well during year 2016. The workshop of the projects was erected in Kaduwela and considerable investments had been made for its infrastructure. The aim of this newly formed company is to provide services for our own projects as well as projects of outside clients.

A new application has been submitted for roof top solar project with a capacity of 600 kW on top of concrete channels of one of our hydro projects. Investigations are being carried out to covert our offices and other owned premises roofs in to Solar PV plants.

The Government's policy decision to open up the solar power generation project to the private sector was welcomed by overwhelming demand during year 2016.

The sector growth in hydro power will be limited within the coming years due to the fact that all harnessable hydro power potential had been tapped up to 80%. However, the new technologies such as wind power and solar power requires further government assistance for the private sector to push its investments in to the sector. Our group has shown its desire to enter these new sectors by submitting applications and starting up the licensing process. However, the non-availability of feed in tariff for wind and solar power sector by far remains the most strenuous

barrier for private investment companies like ours to enter the sector. We envisage the Governments fullest support for development of the sector specially in view of the shortages of power in the national system by 2018.



Financial Highlights

The Power Sector Companies' performance was adversely affected by the drought during the year and consequently revenue generation and profitability has dropped.

| | Ceyhydro Developers (Pvt) Ltd. | Ceypower Developers Ltd. | Energy Generators (Pvt) Ltd. |
|------------------------|--------------------------------|--------------------------|------------------------------|
| Capacity | 4 MW | 2.4 MW | 6 MW |
| Revenue -2016 | Rs.147,135,880 | Rs.68,432,720 | Rs.331,826,413 |
| Profit After Tax -2016 | Rs. 22,429,618 | Rs.374,876 | Rs.143,812,859 |
| Total Assets | Rs.1,103,889,754 | Rs.493,693,851 | Rs.1,337,295,868 |

Our CSR Projects

During the year the Power Sector companies were involved in many CSR activities which include donating books to over 2,500 school going children in the project area, providing scholarships to A/L students, and by donating computer Labs and libraries to schools in the projects area.

Management Discussion & Analysis

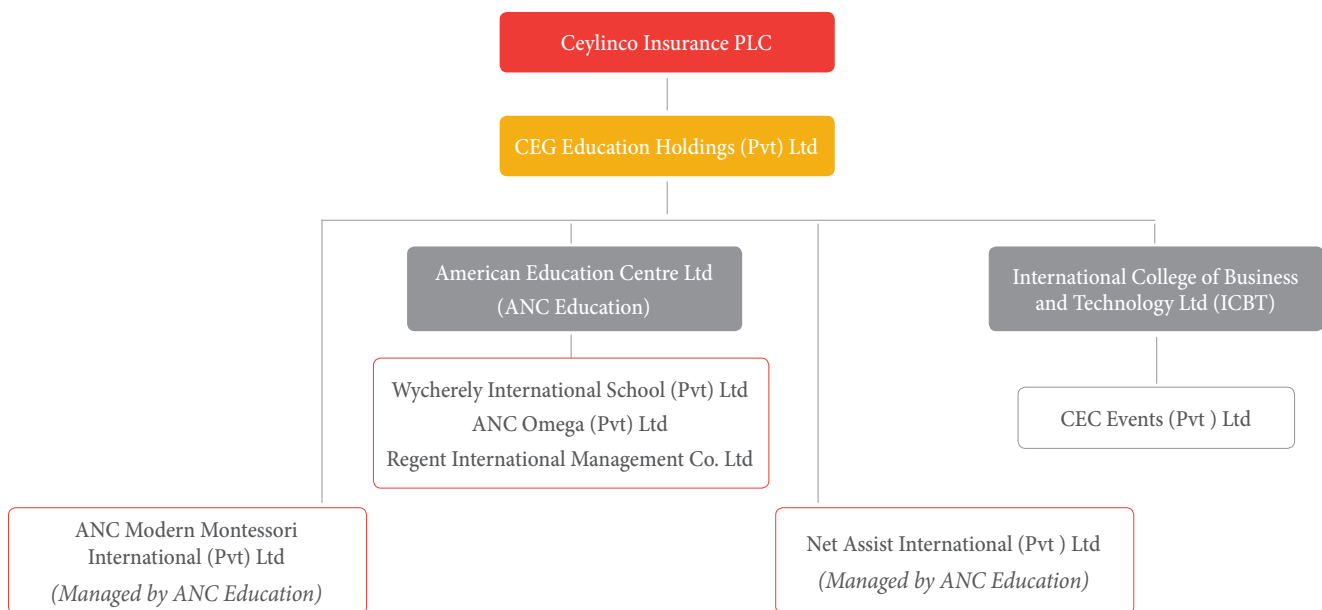
SECTOR REVIEWS

Education Sector

CEG Education Holdings (Pvt) Ltd

Review by the Chairman - Dr. Jagath Alwis

Operational Structure



Introduction

Human capital enriched through proper education is the most precious asset Sri Lanka or for that matter any country requires for both economic growth and sustainability. In fact education as a fundamental right is entrenched in the Constitution of Sri Lanka. Free education from kindergarten to university in all government schools was introduced way back in 1947, has enabled this country to maintain an adult literacy rate of 92.6 % which is above average by both regional and world standards.

However on the flip side is the sad fact that while 60.9 % of students become eligible to apply for entry to any one of the 15 state universities only 17.1% are able to gain entry. Thus Sri Lanka's higher education attainment is well below the accepted average of 28 % for a middle income country and even below the accepted average of 23 % for a low income country.

The priority for higher education in the scheme of national wealth by way of increasing university intake capacity, focusing on programmes in IT, engineering, business management and other technological subjects and providing the right environment for students to strengthen the cultural, moral and ethical values which shape the norms of an enlightened society has often been eloquently spoken of by political leaders. But the action taken for implementation has been grossly inadequate. Much needs to be done, and swiftly.

In addition, lack of capacity in government schools and the demand for international education curricula have prompted parents to send their children to international schools thereby creating a demand for international schools.

It is against this backdrop that Ceylinco Insurance PLC has taken very significant steps through its education subsidiary – CEG Education Holdings (Pvt) Ltd, to offer a wide range of opportunities both



Dr Jagath Alwis
Chairman

in Sri Lanka and overseas for students to acquire knowledge in the vital sectors of technology, engineering, science, medicine and business. It is an investment for the future of our country. Furthermore in order to provide the proper foundation for graduate and post-graduate courses Ceylinco's Education Sector also owns and manages internationally recognized pre-school and secondary school institutions.

American Education Centre Ltd (ANC Education)

This is a BOI approved company presently offering the widest range of specialized educational opportunities and operates under the brand name ANC Education

ANC Education: ANC Education is the largest US education provider in Sri Lanka and offers widest range of opportunities for students transferring to US Universities. In its capacity as the largest transnational education provider ANC Education has through its student placement arm enabled thousands of students to benefit from higher education by placing them in the best universities in USA, UK, Germany, Canada, Australia and Malaysia. As a result of the close ties ANC Education has with the leading American Universities a significant number of international students are also studying at the ANC from neighbouring countries.

The medical students placement arm, ANC Pathe Study Medicine is the most preferred medical students placement entity in Sri Lanka which has linked with Medical Universities in USA, UK, Europe, Australia, India and Malaysia.

Australian Foundation Programme has been specially designed for those who wish to complete their undergraduate studies in Australia and their Diploma Programme enables students to enter the second year of Degree Programme in selected Australian Universities.

The US Business Degree offered by ANC which could be completed in Sri Lanka is the biggest US Degree completion programme available in Sri Lanka.

ANC Omega (Pvt) Ltd: Recognizing the urgent and growing demands for

Human capital enriched through proper education is the most precious asset Sri Lanka or for that matter any country requires for both economic growth and sustainability.

professional training and development in the hospitality and tourism sector, which the Government has identified as a leading foreign exchange earner, a timely and significant breakthrough was made in 2016, when American Education Centre Ltd joined hands with Omega Global (Pvt) Ltd and launched the Emirates Academy of Hospitality Management programmes under the name of ANC Omega (Pvt) Ltd.

Emirates Academy of Hospitality Management is run in association with Ecole hôtelière de Lausanne in Switzerland which is the oldest and most respected hospitality school in the world.

ANC Modern Montessori International (Pvt) Ltd: This is an extended collaboration of Modern Montessori International (London) Group which has an estimated 100 pre-schools and teacher training centres in 16 countries of which 12 are in Asia thus making it one of Asia's leading pre-school education providers. MMI won the 'Top Brand' award for the pre-school sector in 2015.

It needs to be mentioned that Montessori is a unique educational approach which nurtures a child's intrinsic desire to learn by focusing on the child's cognitive, social, emotional and physical development. Educationists have accepted that the Montessori method places a child on the right path to become a confident and self-motivated learner.



Management Discussion & Analysis

SECTOR REVIEWS

Education Sector

Currently the Institute is operating from 3 locations namely Colombo 05, Mt Lavinia and Nugegoda. Plans have been made to expand this network to other major towns in the island.

Net Assist International (Pvt) Ltd was established in 2002 as a BOI approved joint venture between Singapore Net Assist Services and CEG for providing IT training and professional certification. Currently Net Assist International is managed by the American Education Centre thereby bringing advanced IT training and internationally accredited certifications within the reach of Sri Lankan students at an affordable cost.

Net Assist through its affiliation with VUE Authorised Test Centre offers on-line examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion. Microsoft recognized Net Assist International as a Gold Certified Partner for learning solutions and for many successive years received the award as Best Learning Partner.

In 2007 Oracle appointed Net Assist as its Authorised Education Centre for Sri Lanka and Maldives

Net Assist also provides valuable IT consultancy services such as software development, network designing, network security, data storage, communication servers and all Microsoft certification and project management certification products.

Regent International Management Co. Ltd: Is an associate company of ANC Education and is responsible for the management of Regent College, located in Gampaha which was established in 2001. The college is a fully equipped international school which conducts classes from Nursery to Advanced Level and offers the Edexcel International syllabus and the local syllabus in the English Medium.

Wycherley International School (Pvt) Ltd: Founded in 1985 makes it one of the first of international schools in the country. It is housed in what can be described as a 'heritage building' since it was once the Wycherley Nursing Home built in 1922 and owned and managed by the celebrated physician and author Dr. R.L. Spittle.

Wycherley is the first and only comprehensive centre for Cambridge Education from Year 1 to 13 and has achieved a quality of educational excellence which is on par with global standards.

Established in 1999 to provide affordable and internationally recognized educational qualifications in Sri Lanka it has over the years proved to be one of the leading institutions of its kind providing students with a truly campus type of environment. This has been confirmed by the fact that ICBT has been the overall winner of the National Business Excellence Awards in 2014, 2015 and 2016. In addition to this recognition ICBT has also been selected as the 'Partner of the Year' of the British Council since 2011.

International Collage of Business Technology (ICBT Campus) Offers Diplomas, Higher National Diplomas, Associate Degrees, Bachelor Degrees and Masters Degrees in association with the leading British Universities. The ICBT Higher National Diploma (HND) is recognized by the Tertiary & Vocational Council of Sri Lanka and accredited by the European Quality Assurance Agency (EQAA).

The ICBT HND is also benchmarked as being equivalent to the 2nd year of a British degree by the National Recognition Centre (NRC) of UK. This is the British national agency responsible for providing information and expert opinion on qualifications and skills globally. Mention must be made of the ICBT campus in Colombo 04 which is a state-of-the-art facility covering over 100,000 square feet thereby providing the ideal teaching/ learning facilities and environment. In

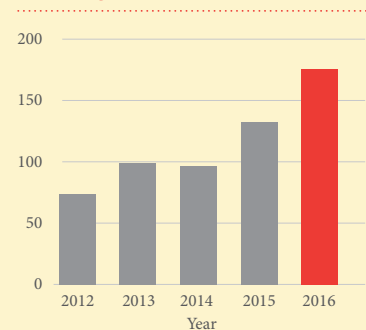
order to cater to the needs of students living in the provinces ICBT has established branch campuses in Kandy, Kurunegala, Galle, Matara and Batticaloa.

CEC Events (Pvt) Ltd: This is an event management company which has organised a wide range of mega events in Colombo, Kandy, Galle, Negombo and Jaffna. In addition it provides key services such as research, planning, marketing, promoting, stall construction, photography and all pre and post event activities.

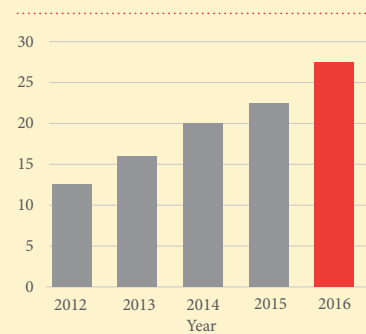
Share Information

| | | Year ended 31-Dec-2016 | Year ended 31-Dec-2015 |
|--|--------|---------------------------|---------------------------|
| Net Assets per Share | | | |
| Book value | Rs. | 1,024.80 | 840.90 |
| Earnings | | | |
| Earnings per share | Rs. | 176.00 | 132.30 |
| Price Earnings Ratio (times) - Voting | | 8.50 | 10.70 |
| Price Earnings Ratio (times) - Non Voting | | 4.10 | 6.00 |
| Dividends | | | |
| Interim & Final Dividend | Rs. | 27.50 | 22.50 |
| Share Price – Voting | | | |
| High | Rs. | 1,650.00 | 1,923.92 |
| Low | Rs. | 1,200.00 | 1,286.62 |
| Last transaction | Rs. | 1,490.00 | 1,410.10 |
| Share Price - Non-Voting | | | |
| High | Rs. | 998.00 | 850.00 |
| Low | Rs. | 700.00 | 509.53 |
| Last transaction | Rs. | 730.00 | 800.00 |
| Share trading – Voting | | | |
| No.of transactions | | 390 | 823 |
| No.of Shares traded | | 138,495 | 3,607,441 |
| Value of shares traded | Rs.Mn. | 193.00 | 5,750.00 |
| Share trading - Non – Voting | | | |
| No.of transactions | | 516 | 801 |
| No.of Shares traded | | 129,989 | 593,989 |
| Value of shares traded | Rs.Mn. | 96.00 | 391.00 |
| Days traded – Voting | | | |
| No.of days traded | | 119 | 162 |
| Total no.of market days | | 240 | 239 |
| % of Market days traded | % | 49.58 | 67.78 |
| Days traded - Non – Voting | | | |
| No.of days traded | | 126 | 163 |
| Total no.of market days | | 240 | 239 |
| % of Market days traded | % | 52.50 | 68.20 |
| Market capitalisation – Voting | | | |
| Value | Rs.Mn. | 29,800 | 29,712 |
| % of market | % | 1.09% | 1.01% |
| Market capitalisation - Non- Voting | | | |
| Value | Rs.Mn. | 4,682.57 | 5,131.50 |
| % of market | % | 0.17 | 0.17 |
| Price movements | | | |
| CSE All Share Price Index | | 6,228.26 | 6,894.50 |
| S&P SL 20 Index | | 3,496.44 | 3,625.69 |
| Ceylinco Insurance Share price - Voting | Rs. | 1,490.00 | 1,485.60 |
| Ceylinco Insurance Share price - Non- Voting | Rs. | 730.00 | 800.00 |

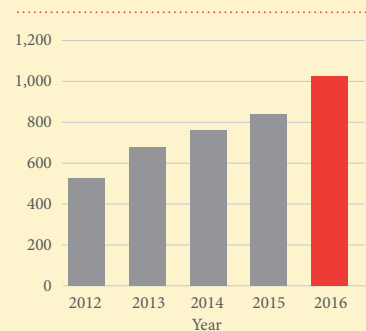
Earnings Per Share (Rs.)



Dividends Per Share (Rs.)

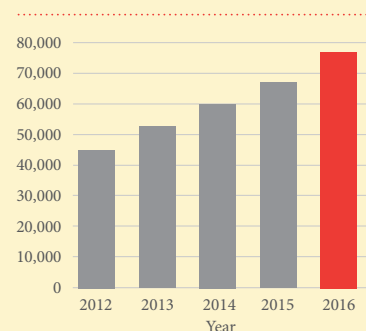


Net Assets Per Share (Rs.)



Long Term

Insurance Fund (Rs. Mn.)



Management Discussion & Analysis

Sustainability Report

This report is in accordance with Global Reporting Initiative (GRI) G4 (Core) Guidelines.

| General Standard Disclosures | | |
|------------------------------|--|---|
| Strategy And Analysis | | Remarks / Page Reference |
| G4-1 | Provide a confirmation that the most senior decision maker of the organisation is in agreement about the relevance of sustainability and the organisation's strategy for addressing sustainability | The MD/CEO is in agreement with the importance of Sustainability and committed to the organisation's strategy for addressing sustainability. |
| Organisational Profile | | |
| G4 -3 | Report the name of the organisation | Refer Corporate Information |
| G4 - 4 | Report the primary brands. | Since the Company is a Holding Company it does not market any branded or generic products or services.. However the subsidiary companies have their own brands. Refer 'Operational Structure' and 'Sector Reviews' for more details. |
| G4 -5 | Report the location of the organisation's Head Office | Refer Corporate Information |
| G4 -6 | Report the number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in this report | As mentioned under G4-4 the Company does not conduct any direct business. It is the subsidiary companies and the associate companies which have direct operations. Refer 'Operational Structure' and 'Sector Reviews' for more details |
| G4 - 7 | Report the nature of ownership and legal form | Refer Corporate Information |
| G4 -8 | Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries | The subsidiaries and associate companies involved in insurance, energy, education, health care and financial services cater to the needs of a very wide spectrum of the population through a network of branches, industrial/ technological sites, campuses, and centres relevant to each type of business. Refer 'Operational Structure' and 'Sector Reviews' for more details. |
| G4-9 | Report the scale of the organisation, including: <ul style="list-style-type: none"> • Total No. of employees • Total No. of operations • Gross Written Premiums • Total capitalisation broken down in terms of debt and equity • Value of services provided | As reported in G4-6 and G4-8 above it is the subsidiary and associate companies which have direct business operations in insurance, energy, education, health care and financial services. Relevant details can be found under 'Operational Structure', 'Sector Reviews' and 'Financial Statements.' |
| G4 -10 | <ul style="list-style-type: none"> • Report the total No. of employees by employment contract and gender • Report the total No. of permanent employees by employment type and gender • Report the total No. of employees by gender | Refer comments made in G4-9. It is specifically confirmed that every subsidiary and associate company is an equal opportunity employer. |

General Standard Disclosures

| | | |
|-------------------------------------|---|--|
| G4 -11 | Report the percentage of total employees covered by collective bargaining agreements | The need for collective bargaining agreements have not arisen because as a matter of principle in all the subsidiary and associate companies salaries, promotions, increments and perquisites are decided on the basis of seniority, performance and qualifications and through well structured one-to one appraisals in which impartiality and fair-play are the key factors. There are also various schemes of rewards and recognition. Close employer-employee links are maintained through proper line management channels. |
| G4 -12 | Describe the organisation's supply chain | The supply chains differ according to the operational businesses of each subsidiary and associate company. Refer 'Operational Structure' and 'Sector Reviews' |
| G4 -13 | Report any significant changes during the reporting period regarding the organisation's size structure, ownership or its supply chain including: <ul style="list-style-type: none"> • Changes in the location, operations, facility openings or closures • Changes in share capital structure and other capital formation | No significant changes have taken place within the Holding Company. However with the explicit approval of the Holding Company expansion and diversification have taken place within the subsidiary and associate companies. Refer 'Operational Structure and 'Sector Reviews'. |
| Commitments to External Initiatives | | |
| G4 -14 | Report whether and how the precautionary approach or principle is addressed | Not applicable |
| G4 -15 | List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses | The subsidiary and associate companies have embarked on numerous environmental and socio-economic community projects. Special mention must be made of Ceylinco General Insurance which took the unprecedented step of compensating customers whose homes were damaged by the island-wide flooding in May 2016 even when such customers did not have a specific insurance cover for floods. Similarly affected employees were also compensated Equally noteworthy is the 'Grow Green' campaign of Ceylinco Life which included an island-wide tree planting project and the installation of solar power in their Head Office and some branch offices. Also water, fuel and paper conservation projects have been implemented. Public opinion is unanimous that the two insurance companies have won excellent credentials for the speedy settlement of claims and the establishment of strong customer relationships. |
| G4 -16 | List memberships of associations and national or international advocacy organisations in which the organisation views membership as strategic | (a) Ceylon Chamber of Commerce (b) National Chamber of Commerce |

Management Discussion & Analysis

| General Standard Disclosures | | |
|--|---|--|
| Identified Material Aspects and Boundaries | | |
| G4 -17 | List all entities included in the organizations consolidated financial statements or equivalent documents | Refer 'Operational Structure' |
| Stakeholder Engagement | | |
| G4 -24 | Provide a list of stakeholder groups engaged by the organization | Refer 'Stakeholder Engagements and Relationships' |
| G4 -25 | Report the basis for identification and selection of stakeholders with whom to engage | (a) Groups who have the ability to influence the organization's business (b) Groups which are influenced by the organization's business |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group | Refer 'Stakeholder Engagements and Relationships' |
| G4 - 27 | Report key topics and concerns that have been raised through stakeholder engagement and how the organization has responded | Refer 'Stakeholder Engagements and Relationships' |
| Report Profile | | |
| G4- 28 | Reporting period | Calendar year |
| G4 - 29 | Date of the most recent previous report | 2015 |
| G4- 30 | Reporting cycle | Annual |
| G4 -31 | Provide the contact point for questions regarding the report or its contents | Company Secretary ciccosec@ceyins.lk |
| G4- 32 | Report the 'in accordance' option chosen | Core |
| Governance | | |
| G4- 34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts | Refer 'Corporate Governance' |
| Ethics and Integrity | | |
| G4- 56 | Describe the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | Refer 'Corporate Governance' |

| Specific | Standard Disclosures |
|---------------------|--|
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services |
| | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices |
| | Monetary value of significant fines / non-monetary sanctions for non-compliance of above |
| G4-PR9 Continued | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type and outcomes |
| | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type and outcomes |
| | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data |
| | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services |

Management Discussion & Analysis

Corporate Social Responsibility

Ceylinco General Insurance Ltd.

‘Ceylinco VIP Akurata Saviya’

Ceylinco General Insurance (CGI) is a firm believer in the importance of giving back to the less fortunate segments of society at every possible opportunity. Resultantly, plans were laid out during the year to introduce a programme that would benefit thousands of Sri Lankans living under difficult circumstances. Towards the latter part of 2016, extensive plans were made to establish a trust to provide scholarships to needy school going children in underdeveloped parts of the country. As a result, the Moneragala District was selected to launch the programme which is due to commence in the first quarter of 2017, paving the way for 1,000 poor children to dream of a proper education and a brighter future. These 1,000 children will receive Rs. 1,500/- every month until they complete their Advanced Level (A/L) examination thereby easing the burden on their parents and giving them a solid platform and necessary motivation to remain in school and excel in their studies.

Members of the company’s staff were also given the opportunity to be a part of this worthy cause by courtesy of monthly voluntary contributions, special contributions and child sponsorships. There is no doubt that this programme will go a long way in changing the lives of thousands of children for the better and will make a world of difference in their lives as they face an increasingly complex world.



Drinking Water Project at Katharagama

CGI staff made arrangements to provide drinking water to thousands of pilgrims that thronged to Katharagama. Accordingly, a drinking water facility was setup to provide purified water, including iced water, to over 2,000 pilgrims each day.



Flood Relief

During the months of May and June of 2016, Sri Lanka was faced with one of the worst flooding disasters in recent times causing hardships to hundreds of thousands of people. These flood victims were provided with food, dry rations, drinking water, sanitary items as well as medicine by our staff during this period. Dozens of CGI staff travelled to the affected areas of the country with the much-needed items and stayed for several days in order to ensure that the items were distributed fairly to all affected parties.



Religious Ceremonies

CGI staff played an active role in various religious ceremonies across the island by providing devotees with much-needed refreshments at places of worship. Some of the key religious events visited by our employees include Nawam Perahera, Midnight Mass at St. Anne's Cathedral, Kurunegala and Wesak Dansalas in several parts of the country.



Management Discussion & Analysis

Corporate Social Responsibility

Ceylinco Life Insurance Ltd.

Senior executives show the way with 4 CSR projects in a month

A small group of senior executives demonstrated how disproportionately large undertakings can be accomplished by five leadership practices that engage and inspire others. The work of this group of 24 in the course of a month helped a remote community protect itself from Chronic Kidney Disease (CKD), gave a rural school a library, stimulated tree planting in communal institutions and renovated a dilapidated Pre-school. Challenged to conceptualise and execute four corporate social responsibility (CSR) projects as part of a leadership training exercise, the 24 senior executives at Director, Deputy General Manager (DGM), Assistant General Manager (AGM) and Senior Manager level were formed into four teams of six each for the purpose.



> Two of the CSR projects undertaken by our senior executives: (above) the renovated Pre School building and (below) the tree planting campaign in progress.

Construction of a library building for a Kilinochchi school

A small government school in Kilinochchi received a building to house a library for its students and teachers through a collaboration between the company and the Sri Lanka Army. We partnered with the Army's 57 Division to construct the building for the KN/ Kanagambikaikulam G. T. M. School which accommodates 372 students in Grades one to 11. The 57 Division based in Kilinochchi donated the labour and supervised the construction of the library building with funds provided by the company. This is the 66th classroom building funded by Ceylinco Life for a rural school in Sri Lanka, and the second donated by the company this year. Three more classroom buildings are under construction at beneficiary schools for completion in 2017 under this programme.



> (Above) Brigadier Anura Sudasinghe, Divisional Commander of the Sri Lanka Army's 57 Division and our Assistant General Manager – Business Development Mr T. Vijayanath declare open the classroom building (Below).

Nearly 3,000 people see doctors free of charge

Nearly 3,000 people received free medical checks in 2016 under our 'Waidya Hamuwa' (Meet the doctor) community programme, which has benefited some 135,000 people in 13 years. The Waidya Hamuwa programme is carried out by a team of doctors, medical and ophthalmic technicians and nurses who travels across the country, offering communities the facility of free consultancy and diagnostic checks. Among the areas in which the Waidya Hamuwa team conducted free health camps in 2016 were Kotahena (175 attendees), Divulapitiya (245), Dankotuwa (198), Panduwasnuwara (225), Veyangoda (240), Mirigama (218), Aralaganwila (245), Bibile (213), Anamaduwa (195) and Nikaweratiya (215). Attendees received free examination by a doctor and underwent necessary diagnostic tests such as random blood sugar, ECG and blood pressure. They also received eye checks free of charge.



Donation of a classroom for special-needs children in Mannar

Children with special needs at a school in Mannar now have a classroom for themselves, thanks to the generosity of the company. We presented a purpose built classroom to the Sithyvinayakar Hindu College in Mannar, a government school of 1,700 students and 80 teachers. This was the 65th such classroom building built and donated by the company under our corporate social responsibility initiative to help rural schools in underserved areas of the country.



Management Discussion & Analysis

Corporate Social Responsibility

Power Sector

In order to give back to the communities where our hydro power projects operate in, most of our social responsibility initiatives are carried out in the localities of these projects. We believe that by implementing various types of such programmes, we are able to contribute positively to help uplift the living standards of the people in these rural areas. We are continuously engaged in these projects by supporting and advising them to maintain them as well as by financing in order to continue the activities uninterrupted.

Our programmes include:

- Construction and maintenance of community centres
- Repair and maintenance of irrigation channels
- Construction of roads and bridges
- Construction of computer labs for schools
- Providing free pre-school education of high standard by construction and maintenance of pre-schools and providing the children with meals and uniforms.
- Assistance to obtain medical treatment for children with serious illnesses or deformities
- Distribution of school books to over 3,000 children in the area.
- Monthly allowance of Rs. 2,500 to Advanced Level students attending schools from the remote areas in these localities



> *Community Center in Kumburuteniwala*



> *Children in Vishwa Lama Pre-school at Rajjammana*

Awards Won

Ceylinco Insurance

Ceylinco Insurance Feted For 5th Consecutive Year As The Only Insurer Among Sri Lanka's Top 30 Companies

Ceylinco Insurance moved up the corporate ladder to the 15th position and once again earned the honour of being the only Insurance Company amongst the top 30 companies for the year 2015 / 2016. Sri Lanka's top 30 companies were feted at a gala ceremony held at the Colombo Hilton in November 2016. The occasion marked the fifth consecutive year that Ceylinco Insurance came out ahead in the insurance arena in the island, achieving a truly unique feat. The financial information being reviewed for the selection process covered several aspects, which included: revenue, share turnover, profit after tax, growth in turnover, growth in profit, return on equity, growth in earnings per share, market capitalisation, value of shares transacted and value addition.



➤ Mr. Ajith Gunawardena, Managing Director / Chief Executive Officer of Ceylinco Insurance PLC receiving the award from the Hon. Minister of Finance, Ravi Karunanayake as Hon. Minister of Transport and Civil Aviation Nimal Siripala De Silva looks on.

10th Peoples Award as country's favourite insurance brand

Ceylinco Insurance won its 10th consecutive Peoples Award in the insurance category at the 2016 'SLIM-Nielsen Peoples Awards' – billed the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM). The company enjoys the rare distinction of being adjudged the 'Peoples Insurance Brand of the Year' every year since the awards programme was launched ten years ago.



➤ Managing Director of Ceylinco General Insurance Mr. Patrick Alwis (centre) and Mr. Joe Jayawardena, General Manager – Business Development at Ceylinco Life Insurance (left) receive the Peoples Award in the insurance category at the 2016 SLIM-Nielsen Peoples Awards.

Highest Ranked Insurance Company in LMD 100

Ceylinco Insurance maintained its position as the highest ranked insurance company in Sri Lanka for the 22nd consecutive year. The LMD rankings announced in December 2016 placed Ceylinco Insurance in the 22nd position amongst all listed company's in the island. Since the inception of LMD rankings, Ceylinco Insurance was able to occupy the top position amongst the insurance companies in the country

Management Discussion & Analysis

Ceylinco Life Insurance Ltd.

Best Life Insurer in Sri Lanka for 3rd year running

The company was declared the 'Best Life Insurer in Sri Lanka' for a third consecutive year, following an in-depth assessment of key performance indicators by World Finance, the authoritative UK-based international publication. The magazine's eminent panel of international experts analysed multiple aspects of sector-specific performance in FY 2015 before naming its country winners for 2016. Among the areas looked at were average time to underwrite and to issue a policy; how risk exposure is assessed and accommodated; achievements in the 12 months reviewed; how appropriate cover is ensured for new and existing clients; Customer Retention Rate; Average Time in Claim Settlement; New Customer Acquisition Rate; Average Cost per Policy and Net Premium.



Our Toastmasters' Club wins Golden Gavel

Our Toastmasters' Club was awarded the prestigious 'Golden Gavel' in 2016 by Toastmasters International in recognition of the progress of the club and its members. Presented at an Ovation Ceremony in Chennai, the Golden Gavel is considered a significant achievement for a club in only its second year of existence. This honour was bestowed on our Toastmasters Club in recognition of four Competent Communicator (CC) awards, two Competent Leadership (CL) awards and two Advanced Communicator Bronze (ACB) awards, won by its members in 2015-16.



> Members of the Ceylinco Life Toastmasters' Club with the Golden Gavel Award.

2015 Annual Report of Ceylinco Life Insurance Ltd. wins two ARC Awards in New York

2015 Annual Report of Ceylinco Life Insurance Ltd. won two important accolades at the prestigious ARC Awards presented by MerComm Inc. in New York, affirming the company's in financial disclosure. We won the Silver award for 'Financial Data' in the 'Insurance - Life & Health' segment of the awards, as well 'Honors' in the same segment in the 'Traditional Annual Report' category. Last year's Annual Report was themed 'Know Your Life Insurer', and was its first since the segregation of Life and General Insurance into separate business entities under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, which came into effect last year.



> Directors Palitha Jayawardena (left) and Ranga Abeynayake with the ARC Awards won for the company's 2015 Annual Report

Sales stars win 7 awards at NASCO 2016

We reaffirmed our supremacy in the sphere of sales, winning seven awards at the 2016 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM). This rich haul of awards included all three awards in the 'Frontliner' category in the life insurance sector, and comprised of two Golds, three Silvers and two Bronze awards. The company's star at the awards was Ms Kumari Danapala who won the Gold award in the Frontliner Category in the Life Insurance sector, the joint Gold award for the Outstanding Female Salesperson of the Year across all categories, and the joint Silver award for the Outstanding Frontliner of the Year across all industry sectors.



> Four of the five NASCO 2016 winners (from left) M. Priyaviraj, C. A. R. Upasena, Kumari Danapala and W. P. R. M. Silva.

Education Sector



> National Business Excellency Awards 2016 by National Chamber of Commerce, Sri Lanka



> NetAssist - "Best Learning Partner Award" for 7 consecutive years in Sri Lanka from Microsoft

Management Discussion & Analysis

The Year's Events

Ceylinco General Insurance

Ceylinco General Insurance introduces a comprehensive natural disaster cover for Traders and Homes

With natural disasters occurring relatively frequently than in the past due to volatile climatic conditions and other reasons, it is certainly not an easy task to predict them and they are virtually impossible to avoid. With this in mind, In June, Ceylinco General Insurance introduced a comprehensive Natural Disaster cover for Traders and Home Owners to cover their properties. It covered buildings and stocks of Traders and the house and its valuable contents in the event of home owners.

Through the Traders Disaster Relief Insurance and Home Owners Disaster Relief Insurance, the company covers loss or damage to the insured property due to floods, tsunamis, earthquakes, storms, cyclones, tidal waves, tornadoes, hurricanes, typhoons, thunderstorms, hailstorms and windstorms, among many others.

This is in addition to the host of other benefits the company offers in the Traders Disaster Relief Insurance such as fire and lightning, burglary for the building and stocks together with relocation expenses, public liability, workmen's compensation, cash in drawer, money in transit, business loan repayment cover, personal accident to employees, natural death and personal accident cover to the insured and funeral expenses cover for the insured & family.

Similarly in the Home Owners Disaster Relief, a host of other benefits are included such as fire and lightning, burglary, house breaking and theft, bursting or overflowing of water tanks, accidental breakage of fixed glasses and mirrors, electrical fire, damages due to riot strike & civil commotion for the building and contents and other covers such as workmen's compensation, public liability, personal accident to insured and spouse etc.



Ceylinco General Insurance concludes succession plan training for senior managers

Ceylinco General Insurance concluded a year long, extensive training programme for 35 of its Senior Managers in August. Consisting of lectures, individualised coaching sessions, group activities, along with an assignment involving a number of case studies, the training was conducted by globally recognised coaches and a panel of the best training experts in Sri Lanka.

The key focus of the Management Development Programme was to build a holistic professional with the ability to instil values and provide skills to the organisation, all of which will result in creating a highly-engaged workforce that will produce value and a competitive edge for Ceylinco General Insurance.

The objective of the programme was to expose the Senior Management of the company to modern techniques in management, and to provide them the skills and expertise necessary to be more effective and engage progressively in the company. As individuals, they would have benefited immensely through the programme to improve their work-related activities. Additionally, it would have helped in their personal development, both at work and at home whilst equipping them with the right thinking to lead the changes that the organisation needs to overcome challenges, especially with the expansion that the company envisages both locally and internationally.



Ceylinco General Insurance handsomely rewards Top Performers

Ceylinco General Insurance held its Annual Sales Conference and Awards Ceremony for 2015 in April with a gala event where its dynamic sales force was recognised and handsomely rewarded. The glittering event rewarded top performers for rising to every challenge, feting them with outstanding performance awards.

The event, attended by over 1,150 members of the sales force, was held under the theme: “With Unmatched Service, Happily In Tune With Customer Needs – Team Ceylinco General Insurance Forges Ahead!” The ceremony was graced by a distinguished gathering of invitees and well-wishers. Evaluated through stringent performance criteria, over 650 members of the sales force, who had excelled in their respective disciplines during 2015, were amply rewarded. As usual, the top performers were divided into Bronze, Silver and Gold categories, going up to the celebrated ‘Hall of Fame’ category. Along with the numerous valuable rewards in these categories, two new entrants were inducted into the prestigious Hall of Fame, and were further rewarded with brand new vehicles, in recognition of their outstanding service and contribution to the Company. Another individual, who had performed consistently over the last five years in the Hall of Fame category, was rewarded with a world tour for the entire family.



Unique Benefit for Ceylinco VIP Policy Holders

Ceylinco General Insurance added another new value addition to the host of benefits offered under its Ceylinco VIP On The Spot. If a brand new or an unregistered vehicle is condemned within two years of purchase, the company will replace it with a vehicle of similar make and model irrespective of the price escalation. While the standard practice within the industry is to compensate the amount equivalent to market price or the value the vehicle is insured for, we went a step further with this particular value addition. Thereby, our customers can get a vehicle of similar make and model without the additional burden of losing more money due to the depreciation of the vehicle value once it is registered and subsequent price increases of brand new or reconditioned vehicles.

If your brand new or unregistered vehicle gets condemned within two years of purchase, Ceylinco **VIP will replace the vehicle!**

No matter how much the vehicle costs!

CEYLINCO
VIP
ON THE SPOT

This benefit may be copied by other insurance companies but it can never be matched.

Overseas Trip

On the motivational front, for the 13th consecutive year, Ceylinco General Insurance rewarded its deserving staff with an overseas tour. A total of 225 members of our staff took wing to Ho Chi Minh City in Vietnam for a five-day holiday in recognition of their outstanding contribution to the company in 2015. During the holiday, a half-day workshop was also held with the participation of the entire tour group.

Management Discussion & Analysis

Inter-Department Cricket Tournament

The Annual Inter-Department / Region Cricket Tournament and Annual Family Get-together organised by the Sports Club was held in September 2016 at the CH & FC Grounds amidst a huge gathering. 24 teams representing the Branches/Regions and City Office departments took part in the cricket tournament whilst staff members and their families took the opportunity to enjoy themselves in a carnival type atmosphere. Metro Outer Region won the overall championship whilst the Sabaragamuwa Region emerged runners-up.



Ceylinco General Insurance - Mercantile Table Tennis Champions

Ceylinco General Insurance won the Mercantile Table Tennis championship at the tournament conducted by the Mercantile Table Tennis Association in June 2016. In the Final, they emerged victorious beating the formidable Dialog Axiata Team.

In recognition of their achievement the Table Tennis Association of the Maldives invited the winning Ceylinco General Insurance Team to participate in a Mercantile Table Tennis Tournament in the Maldives where they reached the Knock-out Stage having completed the Group Stage successfully.



Musical Show

A grand musical show, which was an inclusion to the annual family get-together for the fourth year running, was held in December 2016. Organised by the Employees Union of Ceylinco General Insurance, the event was an overwhelming success, with all those present enjoying it to the fullest. 'Gypsies' and several other guest artistes performed at the 'family musical show', which boasted a carnival atmosphere, with food stalls, and games for the children aplenty. All in all, it was a truly colourful and enjoyable event, which will no doubt linger in memory throughout the year.



Network Expansion

Underscoring our commitment to ensure growth and to better meet emerging opportunities, our branch network surpassed 440 branches and sales outlets during the course of the year. This is easily the largest branch network in the island and plays a pivotal role in making General Insurance solutions easily accessible to millions of Sri Lankans from all walks of life. 31 "VIP Counters" were opened in 2016 with 13 of them under the City Office and the remaining 18 under the branch network.

Concurrently, the Sales cadre too received a timely boost and now exceeds 1,950, enabling us to reach out to existing and prospective customers more efficiently and provide the speedy, personalised service that we are renowned for.

Pillars of Success - Non Sales Awards

In order to give due recognition to our non-sales staff, the company conducted an awards ceremony aptly named “Pillars of Success” at which high-performing staff in all categories including Finance, Underwriting, Administration as well as in other support services were rewarded on their performance with attractive cash prizes and certificates.



Suwa Sampatha International Re-launched

“Suwa Sampatha International”, which offers premium benefits including medical treatment in state-of-the-art hospitals across the globe with the added advantage of unmatched benefits right here at home, was re-launched with a wide array of additional benefits and an enhanced cover, thereby ensuring that our customers get nothing but the very best care possible.



Suwa Sampatha National Health Policy Introduced

A new health insurance product named “Suwa Sampatha National Health” which targeted a large segment of the general population was introduced in early 2016. It offers a hospitalization cover of Rs. 25,000/- and another Rs. 10,000 for hospitalization in a government hospital together with Rs. 15,000 for specialised services that cannot be obtained in a government hospital. This unique product also carries a personal accident cover for Rs. 200,000/- with all these covers given at an affordable premium of only Rs. 100/- per month. This is an ideal product for those who cannot afford the average health insurance products but who want added protection for the family.



Ceylinco General Insurance Partners Major Events

Ceylinco General Insurance partnered with several corporate events held during 2016. As most of our clients are a part of these annual events, our participation as a Strategic Partner in such events reiterated our commitment towards the development of the corporate echelons of the country.

CNCI Awards of the Ceylon National Chamber of Industries

The Annual Awards Ceremony organised by the Ceylon National Chamber of Industries (CNCI) is a much looked-forward to event by the micro, small & medium, as well as the large and extra-large categories of manufacturers and service sector organisations. This was our sixth year of association with this prestigious awards ceremony.

National Business Excellence Awards

The National Business Excellence Awards organised by The National Chamber of Commerce of Sri Lanka is considered the premier awards held for the corporate sphere in the country and includes a number of categories that celebrate the zenith of corporate achievement, the recently-introduced and keenly contested Criteria Awards being a case in point. Our partnership with the NBEA Awards is now in its fifth year, and associates us with the upper echelons of the business world.

Management Discussion & Analysis

Ceylinco Life Insurance

'Trailblazers' of 2015 honoured

A record 492 awards for performance excellence were presented on a single evening recently when we recognised leading contributors to the company's sector-leading results of FY 2015. Conducted as a tribute to the 'Trailblazers of Life Insurance' the entertainment-filled awards gala at the BMICH saw more than 250 members of our high-flying sales team, executives, unit and branch heads receiving trophies, overseas trips, cash rewards and star-class weekend holiday packages for individual and team performances. The awards ceremony was graced by two high profile international insurance personalities, Liu Ming Ta of Cathay Life as Chief Guest and Doug Adams, Management Consultant from USA as Guest of Honour.



➤ Ceylinco Life's top award winners with the company's Managing Director Mr R. Renganathan (extreme left) and Chief Guest Liu Ming Ta (extreme right)

England announced as Grand Prize in 'Family Savari 10'

An all-expenses-paid holiday in England will become a reality for five of our policyholders and their families in 2017 under the milestone 10th edition of our 'Family Savari' mega promotion. Family Savari 10 will also offer prizes of holidays in Dubai and Singapore and a day-long visit to Leisure World for policyholder families. Over the past three years, we have presented winners of the grand prize at the Family Savari with holidays in Japan (2014), Switzerland (2015) and Germany (2016).



➤ Our Managing Director/CEO Mr R. Renganathan and Deputy CEO Mr Thushara Ranasinghe (2nd right and extreme right) with the Family Savari Brand Ambassadors at the launch of Family Savari 10

Our policyholders on dream holiday in Germany

The families of five policyholders – the lucky winners of the grand prize in our 'Family Savari 9' mega promotion, received a sensational four-day tour of Germany. The group comprising of 21 prize winners and Family Savari Brand Ambassador Sanjeevani Weerasinghe were treated to an all-expenses-paid holiday which included visits to the BMW Museum, the Zugspitze Mountain with lunch at the peak and Neuschwanstein castle, and a day of shopping and sightseeing. The visit to Germany was the climax of the 2016 edition of the Ceylinco Life Family Savari promotion, under which another 60 policyholder families were taken on holidays to Dubai and Singapore, and 500 families enjoyed a full day of fun at the Leisure World theme park.



Policyholders treated to the thrills and spills of Leisure World

Members of the families of 500 policyholders from every district of Sri Lanka enjoyed unbridled fun and frolic when we hosted them to a day at the Leisure World theme park in Avissawella. Five selected families also had an opportunity for aerial sightseeing from a helicopter as part of the day's agenda. Policyholders were given the run of the theme park, with meals, refreshments and transport to and from the location provided.



Policyholders tour Dubai and Singapore

Fifty policyholder families spent three days in Singapore with all their expenses taken care of, taking in the Sentosa Island tour comprising of cable car rides and visits to Madam Tussauds, Underwater World, the Dolphin Show and Wings of Time, as well as a city tour and a shopping spree, under our 'Family Savari 9' mega promotion. Another 10 policyholder families spent four days in Dubai on an itinerary that included a visit to the Burj Khalifa, the world's tallest building, the Rustar Dhow Cruise with dinner, a desert safari and a visit to Dubai Gold Souk.



Management Discussion & Analysis

2016 dedicated to 'Going Green'

The management, staff and sales team of Ceylinco Life planted approximately 4,000 trees in one week in January 2016 to kick off a year dedicated by the company to 'Going Green.' Launched with the planting of a mango tree by our Managing Director/CEO R. Renganathan at our head office, the company's Tree Planting Week from 11th to 17th January required every employee to plant a tree and furnish photographic evidence of it. The activity led into a series of other environment-related initiatives across our 250 plus country-wide branch network under a year-long sustainability drive comprising of three elements – 'Re-use,' 'Reduce' and 'Encourage.'



> (Above) Directors join our Managing Director/CEO R. Renganathan (centre) at the planting of a tree and (Below) another tree being planted by senior management of the company.

New Green branch in Horana

We formally declared open our new branch building in Horana, purpose-built to the new eco-friendly model developed by the company for branches constructed on company-owned land. The new two-storey building of 5,870 square feet occupies a prime location on the Horana – Panadura Road. It has provision to expand to four storeys, is designed for optimal use of natural light and is entirely solar powered. The building is also equipped with the latest energy efficient lighting and air conditioning systems and has a facility for rainwater harvesting.



> Our Managing Director/CEO Mr R. Renganathan and Deputy CEO Mr Thushara Ranasinghe formally open the new Horana branch.

Top policyholders hosted to VIP viewing of Kandy Perahera

Policyholders who belong to the company's Premium Club and members of their families were treated to a viewing of the spectacular Kandy Perahera from the vantage point of our Kandy branch office. A group of nearly 100 people from areas such as Negombo, Anuradhapura, Hambantota, Ambalantota, Kalutara and Wellampitiya were provided with refreshments and dinner as a special reward for their loyalty.



Future leaders in succession planning initiative

We embarked on a programme of leadership training and assessment of senior management as part of the company's succession planning agenda. A group of 24 senior executives at Deputy General Manager (DGM), Assistant General Manager (AGM) and Senior Manager level joined the company's directors in the first of these programmes, conducted by the well-known corporate trainer Doug Adams. Comprising of individual interviews with the trainer/assessor, a three-day residential training session, one-to-one counselling sessions, execution of tasks set, and a second three-day training session and evaluation, the programme was intended to expose senior managers to leadership challenges and prepare them for future leadership of the company. As part of their training, the participants were broken into four groups and challenged to plan and execute four corporate social responsibility projects of their choosing, and using the experience, to make individual presentations assessing the areas in which each participant needs to improve.



Management Discussion & Analysis

Going Green in Panadura

The company reiterated its commitment to greener operations with the opening of our new, purpose-built environment-friendly office in the heart of Panadura. The three-storey, 7,713 square foot company-owned building at No 401, Galle Road, Panadura is powered by solar panels, is equipped with energy-efficient air-conditioning and lighting systems, has rainwater harvesting facilities and uses recycled sewage water for the sustenance of its garden, significantly reducing consumption of resources and minimising its carbon footprint. The building has a fully-equipped conference hall and ample parking for customers. Conforming strictly to its commitment to be eco-friendly, the construction was completed without sacrificing the trees at the site.



➤ Managing Director/CEO Mr R. Renganathan (left) declares open the company's new eco-friendly office at Panadura (above)

'Pranama' scholarships pass 2,000 milestone

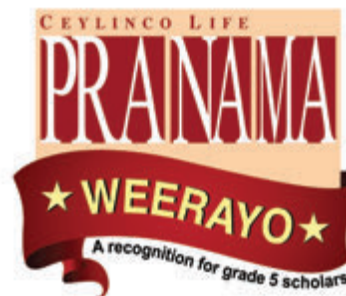
Our 'Pranama' scholarships programme reached a milestone with the 15th round of scholarships awarded in 2016, and took the number of high achieving young Sri Lankans benefitted beyond the 2,000 mark. Another 154 scholarships worth more than Rs 10 million were presented at the event at the BMICH which was attended by senior academics, officials, school principals, parents and students from all parts of Sri Lanka. Professor Upul Dissanayake, Vice Chancellor of the University of Peradeniya was the Chief Guest.



➤ A 'Pranama' recipient receives his scholarship from our Director/ Deputy CEO Mr Thushara Ranasinghe (Right).

'Pranama Weerayo' campaign to motivate young students

Heroes come in many shapes and sizes and we chose one segment – students that pass the Year 5 scholarship examinations – for special recognition under a new campaign launched in 2016. The 'Pranama Weerayo' programme presents every pre-registered student that passes the examination, usually conducted in August, with a personalised certificate as a special form of recognition of his or her potential. Additionally, pre-registered students that are placed within the top 10 island wide at the examination win cash prizes of Rs 25,000 each. To receive a 'Pranama Weerayo' certificate and to be eligible to win cash prizes, parents of students sitting the examination are required to register by visiting a branch of Ceylinco Life, meeting a sales officer of the company or by calling our Call Centre on 2461461.



Children from every district hosted at 'Ran Daru Charika 3'

More than 300 children from every district of Sri Lanka, each accompanied by a parent or guardian, embarked on an educational tour of places of interest in Colombo in the third edition of our 'Ran Daru Charika' programme comprising of guided tours of the 'Diyatha Uyana' Water Park at Battaramulla, the Colombo Harbour, the BMICH, Sri Lanka Rupavahini Corporation and the Nelum Pokuna theatre. The children were aged 4 - 12 years. Meals and refreshments during the tour were provided by Ceylinco Life. One of several annual events through which the company engages directly with existing policyholders, their families and prospective customers across the country, the 'Ran Daru Charika' is linked to our annual distribution of school timetables for the new academic year.



Colombo's biggest solar power system at our Head Office

We broke new ground in the sphere of eco-friendly operations with the installation in 2016 of the biggest solar electricity system in the city of Colombo at our Head Office. With a system capacity of 63.18kW, the solar power unit generates a saving of 7,200 units of electricity per month, resulting in an annual reduction of 65 tons of CO2 emitted to the environment as a result of consumption of power from the national grid and thermal power generators.



Management Discussion & Analysis

Green branch in Wennappuwa

An eco-friendly branch building was declared open in Wennappuwa, as part of the company's on-going 'Greening' of its branch network. The new office building on 37.4 perches land at No 15, Rex Dias Piyanama Mawatha, Wennappuwa accommodates five branches serving the area and offers ample parking for customers. The three-floor building with a floor area of approximately 8,760 square feet has a solar-powered electricity system and is fitted with energy-efficient air-conditioning and lighting. It is designed to maximise availability of natural light.



> (Above) The new Ceylinco Life building at Wennappuwa and (Below) the ceremonial opening by our Managing Director/CEO Mr R. Renganathan accompanied by Directors and staff.

Education Sector



➤ ANC Education graduates and Parents at the Opening Ceremony



➤ Wycherley International School Christmas Concert



➤ MMI Annual concert

Management Discussion & Analysis



➤ Foundation stone laying ceremony for ICBT Campus in Kandy



➤ Visit of Malaysian Crown Prince to ICBT



➤ ICBT Campus Dubai Graduation



➤ ICBT Indoor Games tournament 2016

Corporate Governance

We believe that good governance contributes to the long-term success of a company, creating trust and engagement between the company and its stakeholders. Our Corporate Governance practices are built on making a positive and sustainable impact in the lives of our customers, suppliers, employees, communities and on the environment in which we operate. In this regard we are proud to state that your Company and the Group were able to successfully meet the challenges in relation to all aspects of governance in 2016 as well.

We are committed to and focused on leveraging our vision, culture and governance practices to deliver successful customer experiences, engage with our employees, mitigate our risks, identify new opportunities and enhance our reputation. We believe this will help us meet our objectives of delivering superior shareholder returns and being the driving force for a financially empowered Sri Lanka.

It is with great pleasure that we present the Corporate Governance Report for 2016, which elaborates how the Board, its Committees and the Leadership Team effectively and collaboratively achieved these goals.

We are fortunate to be supported by a Board that possesses a diverse set of skills. During 2016, we continued to take a forward-looking approach to uplifting our Board composition. The Board has always maintained fairness, responsibility, accountability and transparency for the betterment of its stakeholders. It is accepted that the effectiveness of a Board depends on its individual members. Each member of the Board brings a different area of expertise, skills and experience to the table, which encourages a robust exchange of alternate views and ways of thinking.

Operations of the Ceylinco Insurance PLC is governed by the Companies Act No.7 of 2007, Regulation of Insurance Industry (Amendment) Act No.3 of 2011, the Continuing Listing Requirements of the Colombo Stock Exchange and the voluntarily adopted Code of Best Practice on Corporate Governance jointly issued

by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

We are responsible for ensuring that the management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In addition, we are responsible for ensuring that management maintains an effective risk management and oversight process at the highest level across the Company and Group.

Board of Directors

The main decision making body of the Ceylinco Insurance PLC is the Board of Directors and which comprises of sixteen Directors, twelve of whom, including the Chairman, function in a Non-Executive capacity. The Chief Executive Officer (CEO) and other three Executive Directors provide strategic direction and guidance to the Company and Group. The members of the Board consists of professionals in the fields of insurance, finance, management, IT and Law and possess the skills, experience and leadership required to direct, lead and control the Company and Group. The Board has appointed several Committees to assist in the discharge of their collective responsibilities. Your Company is mindful of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition to ensure that the skill representation is in alignment with current and future needs of the Company. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

Board Appointments

Ceylinco Insurance PLC identify the importance of having a Board equipped with the skills and experience necessary for the proper discharge of its responsibilities in order to ensure the continued effective oversight of the Company's operations as well as for effective and timely decision making.

Thereby the Company maintains proper and transparent procedure for new Board appointments as per the Articles of Association of the Company and applicable laws and regulations. The Company always takes into consideration the professional qualifications, business experience and personal qualities which require to govern amidst a highly dynamic operating environment. All the new Board appointments are communicated to the shareholders via Colombo Stock Exchange.

Board Process

The Board recognises the importance of providing timely and appropriate information to Directors to enable them to make informed decisions and to perform their duties and responsibilities effectively.

The Board of Directors as the highest governing body of the Company plays a central role in defining our long-term strategy, performance goals and Corporate Governance standards.

Role of the Chairman

The Chairman leads the Board and guarantees its effectiveness, while taking account of the interests of the Company's stakeholders and promoting high standards of corporate governance. The Chairman is responsible for the efficient conduct of Board meetings and ensures the effective participation of both Executive and Non-Executive Directors. He encourages all Directors to make an effective contribution for the benefit of the Company and maintains a balance of power between Executive and Non-Executive Directors.

Role of Chief Executive Officer

Authority is delegated by the Board to the Chief Executive Officer (CEO), who is responsible for the management of the Company's diverse businesses. The CEO further delegates authority to The Leadership Team and management committees who are empowered to make decisions to specified levels, beyond which they are escalated to the CEO or Board (as prescribed by the Board). The executive responsibility for the functioning of the Company's business

Corporate Governance

including implementation of strategies approved by the Board and developing and recommending to the Board the business plans and budgets that support the Company's strategy has been entrusted to the CEO.

Board meetings and attendance

The Board has held seven scheduled meetings for the year 2016. It is expected that all Directors attend scheduled Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chairman in advance of the meeting.

During the year 2016, the Board has maintained an excellent record of attendance to the meetings. The number of Board meetings and Sub-Committee meetings held during 2016, together with individual attendance, is given on page 79.

Board Committees

The Board is assisted by several voluntary Board Committees in carrying out more in-depth oversight in the areas of strategic and operational planning,

corporate governance, risk management, compliance, financial planning, integrity of external reporting, human resources and remuneration policy.

Reports of each of the Board Committees describing the activities undertaken by them during the year, are set out on page 69 of this Annual Report.

Board Performance

The Company does not have a formal procedure for the evaluation of Board performance, however all Directors dedicate adequate time and effort to the affairs of the Company. Further, the Board ensures contributions of all Directors are made to achieve the corporate objectives.

Board Interaction with Shareholders

The Board of Directors believes that maintaining good relationships with shareholders is of prime importance. Therefore, the Board of Directors invites the external auditors to be present at the AGM to answer any queries raised by shareholders. The Chairman of Board sub committees are present at the AGM and are willing to answer questions raised by the shareholders.

The Notice and related papers are sent out to the shareholders 15 working days prior to the date of the AGM.

Directors' Remuneration

Directors' remuneration is set out in this Report on page 171. The Board on the recommendation of the Remuneration Committee approved the remuneration paid to the Executive Directors during the year 2016. The Remuneration Committee determines Company's policy on specific remuneration packages for Executive Directors. The non-executive Directors are paid a monthly allowance for serving on the Board and Board committees.

Directors' Interests in Shares

Company's shares held by the Directors in office during the year, are shown on page 80 of this Report.

Statement of Compliance

The extent of Company adherence to the rules on Corporate Governance and the mandatory requirements in respect to Board Committees as specified in the Listing Rules of the Colombo Stock Exchange and the level of compliance maintained by the Company are analysed below.



Ceylinco Insurance rings CSE opening bell for October

Ceylinco Insurance PLC rang the opening bell to commence trading at the Colombo Stock Exchange (CSE) for the month of October and outlined the Company's commitment to contribute towards the sustainable growth of the economy and the country.

> Mr. Godwin Perera (Chairman - Ceylinco Insurance PLC) was accompanied by Mr. Patrick Alwis (Director - Ceylinco Insurance PLC), Mr. Renuke Wijayawardhane (Chief Operating Officer - CSE), Mr. Thushara Ranasinghe (Director - Ceylinco Insurance PLC), Mr. Vajira Kulatilaka (Chairman - CSE), Dr. Jagath Alwis (Director - Ceylinco Insurance PLC) and Mr. Upali Witharana (Director - Ceylinco Insurance PLC)

| Rule No: | Rule of Corporate Governance | Status of Compliance | Details |
|------------|---|----------------------------------|--|
| 7.10.1 | Two or one third of Directors, whichever is higher, should be Non – Executive Directors. | Complied | The Board comprises twelve Non-Executive Directors. |
| 7.10.2 (a) | Two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be “independent”. | Complied | The Board comprises four independent Non-Executive Directors. |
| 7.10.2 (b) | Each Non-Executive Director to submit a declaration of his/her independence or non- independence in the prescribed format. | Complied | The Non-Executive Directors have submitted the declaration. |
| 7.10.3 (a) | The names of Directors determined to be independent should be disclosed in the annual report. | Complied | Please refer page 69 |
| 7.10.3 (b) | In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report. | Not applicable | No such determination required. |
| 7.10.3 (c) | A brief resume of each Director including the areas of expertise should be published in the annual report. | Complied | Please refer pages 18 - 21 |
| 7.10.3 (d) | Provide a brief resume of new Director appointments to the Board. | Complied | A brief resume of each such new appointment has been provided to the CSE as specified |
| 7.10.5 | A listed company shall have a Remuneration Committee. | Complied | Please refer page 72 |
| 7.10.5 (a) | The Remuneration Committee shall comprise a minimum of two independent Non Executive Directors or Non-Executive Directors majority of whom shall be independent whichever is higher. | Complied | The Remuneration Committee consists of two independent Non Executive Directors |
| | One Non Executive Director shall be appointed as Chairman of the Committee by the Board | Complied | Mr. K.I. Dharmawardena functions as Chairman of the Remuneration Committee. |
| 7.10.5 (b) | The Remuneration Committee shall recommend the Remuneration of the Chief Executive Officers and the Executive Directors. | Complied | Please refer page 72 |
| 7.10.5 (c) | The annual report should set out: The names of Directors comprising the Remuneration Committee A statement of remuneration policy The aggregate remuneration paid to Executive and Non Executive Directors. | Complied Complied Complied | Please refer page 69 Please refer page 72 Please refer page 171 |
| 7.10.6 | A listed Company shall have an Audit Committee | Complied | Please refer page 70 |
| 7.10.6 (a) | The Audit Committee shall comprise a minimum of two independent Non-Executive Directors or a Non-Executive Director a majority of whom shall be independent, whichever is higher. | Complied | The Audit Committee consists of two independent Non-Executive Directors. |
| | One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. | Complied | Mr. D.H.J. Gunawardena functions as the Chairman of the Audit Committee |
| | The Chairman or one member of the committee should be a member of a recognized professional accounting body. | Complied | Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK) |

Corporate Governance

| Rule No: | Rule of Corporate Governance | Status of Compliance | Details |
|---------------|--|----------------------|---|
| | The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings | Complied | Please refer Page 69 |
| 7.10.6 (b) | Confirmation of functions of the Audit Committee is in accordance with the rules. | Complied | Please refer page 70 |
| 7.10.6 (c) | The annual report should set out: The names of the Directors who comprise the Audit committee | Complied | Please refer page 69 |
| | The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination. | Complied | Please refer page 70 |
| | A report by the Audit Committee setting out the manner of compliance of the functions during the period. | Complied | Please refer page 70 |
| 9.2.1 & 9.2.3 | Related Party Transactions Review Committee | Complied | The Committee was formed on 11th May 2016. The functions of the Committee are stated in Related Party Transactions Review Committee report in page 73 |
| 9.2.2 | Composition of the Related Party Transactions Review Committee | Complied | Please refer page 69 |
| 9.2.4 | Related Party Transactions Review Committee Meetings | Complied | Please refer page 81 |
| 9.3.1 | Immediate Disclosures | Complied | The Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange. |
| 9.3.2 (a) | Disclosure- Non-recurrent Related Party Transactions | Complied | The Company did not have any non-recurrent related party transactions with aggregate value, which exceeds 10% of the equity or 5% of total assets whichever is lower. Hence, no disclosure is required. |
| 9.3.2 (b) | Disclosure- Recurrent Related Party Transactions | Complied | Company being holding Company has dividend income from related parties, which is disclosed in page 171, even though it is below 10% of revenue of group. |
| 9.3.2 (c) | Report by the Related Party Transactions Review Committee | Complied | Please refer page 73 |
| 9.3.2 (d) | A declaration by the Board of Directors | Complied | Please refer page 85 |

Board Committees

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

Details of the Board Committees

| | Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
|-----------------------------|--|--|---|
| Chairman (Non Executive) | Mr. D.H.J. Gunawardena | Mr. K.I. Dharmawardena | Mr. D.H.J. Gunawardena |
| Members (Non Executive) | Mr. K.I. Dharmawardena | Mr. D.H.J. Gunawardena | Mr. K.I. Dharmawardena Gen. C.S. Weerasooriya P.A. Jayawardena U. Witharana |
| Members (Executive) | | | T.N.M. Peiris |
| Secretary | Mrs. T.N. Jasenthuliyana | Mrs. T.N. Jasenthuliyana | Mrs. T.N. Jasenthuliyana |
| Invitees | CEO Director – Finance Head of Internal Audit External Auditors | CEO Director – Finance | CEO |
| Agenda | Available | Available | Available |
| Planned Frequency | Quarterly | Bi-annually | Quarterly |
| Notice for meeting | As per agreed annual calendar | As per agreed annual calendar | As per agreed annual calendar |
| Professional Advice | Available | Available | Available |
| Terms of Reference | Available | Available | |
| Objectives | <p>Review and make recommendations to the Board for approval of annual accounts of the Company including the quarterly financial statements</p> <p>Review the effectiveness of the risk management and internal control processes and make recommendations for improvement</p> <p>Review the compliance with financial reporting requirements and other relevant legislation</p> <p>Review the corporate compliance with the Regulation of the Insurance Industry Act, Regulation of the Insurance Board of Sri Lanka and other applicable regulations</p> <p>Review internal and external audit plans and reports of internal and external auditors and follow up on recommendations</p> <p>Review the scope of annual audit and its fee with the External Auditors and the Management</p> <p>Determine the External Auditors fee and make recommendations to the Board on their appointment and their ceasing to hold office</p> | <p>Review and approve remuneration policy applicable to the employees of the company in line with the industry benchmarks</p> <p>Ensure that the company has acceptable performance appraisal systems for all employees</p> <p>Review and recommend to the Board the remunerations to be paid to Directors and Senior Management</p> | <p>To evaluate and consider all transactions that require approval</p> <p>To review the transactions by ensuring compliance with laws and regulations in relation to the related party transactions</p> <p>To ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions</p> <p>To ensure that related parties are treated on par with other shareholders and constituents of the Company</p> |

Board Audit Committee Report

The Board Audit Committee is responsible to the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audit and it reports to the Board of Directors on pertinent matters on a regular basis.

The scope and responsibilities of the Board Audit Committee is derived from its Terms of Reference as laid down in the Audit Committee Charter and it is authorised to seek any information as deemed necessary from the management and the staff of the Company. It is also authorised to review;

- the Company's financial reporting process with the objective of ensuring the integrity of the information reported,
- the design and operational effectiveness of the internal control systems and strengthen where necessary,
- the Company's compliance with applicable statutory and regulatory requirements,
- the risk management processes to ensure identification and mitigating of risks.
- the performance and independence of the Internal Auditors and External Auditors.

Composition of the Board Audit Committee

The Board Audit Committee, appointed by and responsible to the Board of Directors, consists of the following two Independent Non-Executive Directors.

Mr D.H.J. Gunawardena (Independent/ Non-Executive Director) - Chairman

Mr K.I. Dharmawardena (Independent/ Non-Executive Director) – Member

The Chairman of the Committee, Mr. D.H.J. Gunawardena who is an Independent Non-Executive Director, is a Fellow Member of a recognised professional accounting body with over 35 years of post-qualification experience. The

biographical details of the members of the Board Audit Committee are set out in the Director's Profiles Section of the Annual Report.

Meetings and Attendance

The Audit Committee met four times during the year. Attendance by the Committee members at each of these meetings is given in the table on page 81 of the Annual Report.

The Director Finance and respective officers attended the meetings of the Committee by invitation. The Heads of Internal Audit of Ceylinco Life Insurance Ltd. and Ceylinco General Insurance Ltd. attended the meetings by invitation. The officials representing other subsidiaries were also invited to attend meetings on a need basis. The External Auditors, Messrs Ernst & Young, were provided adequate access to ensure that they had no cause to compromise their independence and objectivity.

The Company Secretary acts as the secretary to the Audit Committee.

Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the consensus of the Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

Compliance with Financial Reporting, Statutory and Regulatory requirements

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee reviewed the quarterly interim and the year end financial statements prior to submission for Board Approval.

The Committee reviews the Quarterly Compliance Reports of the Significant Subsidiaries submitted to the Committee and observes that the Group's compliance framework provides reasonable assurance that all relevant laws, regulations, code

of ethics and standards of conduct have been followed. Any instances of non-compliance are included in the Audit Committee's reports to the Board of Directors and followed up to ensure that appropriate corrective action is taken.

Internal Audit

The Audit Committee reviewed the independence, objectivity and performance of the internal audit function and the adequacy of its resources. Internal audit reports submitted to the committee and audit findings presented in the reports were prioritised based on risk levels. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements.

External Audit

The Committee held a meeting with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters. Action was taken by the management in response to the issues raised, to ensure that internal controls were in place. The Audit Committee reviewed the other services provided by the External Auditors to the Company in order to ensure that their independence as Auditors had not been compromised.

Conclusion

The Committee received information and support from management during the year to enable it carry out its duties and responsibilities effectively. The committee continuously emphasised the need to uphold ethical values of the staff members.

The Committee is satisfied that the Company's internal controls are effectively implemented as designed to assess and manage risks and that the Company's assets are adequately safeguarded. The Company's Internal and External Auditors have been effective and have acted independently throughout the period under review.

The Committee has also discussed the implications of changes in Accounting Standards on financial reporting, other regulation changes and new environmental risks. Their impact on the Group as a whole has been included in Board deliberations.

The Committee is satisfied that the operational controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company are true and fair.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2017, subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena
Chairman, Audit Committee

23rd February 2017

Report of the Remuneration Committee

The Remuneration Committee appointed by and responsible for the Board of Directors comprises of two Board Members of whom, including the Chairman are Independent Non - Executive Directors. The Remuneration Committee comprised of the following members.

Mr. K.I. Dharmawardena (Independent/ Non-Executive Director) - Chairman

Mr. D.H.J. Gunawardena (Independent/ Non-Executive Director) - Member

The brief profiles of the Directors are given on pages 18 to 21 of the Annual Report.

The Company Secretary functions as the Secretary to the Remuneration Committee.

The Chairman & the Board assist the Committee by providing relevant information and participating in its analysis and discussions, except when their own compensation package is reviewed.

The Scope of the Committee

The Remuneration Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may involve Human Resource Administration of the Company and the Group and specially include;

- Approving the Remuneration Policy of the Company.
- Reviewing and making recommendations to the Board on the compensation of the Chairman, Chief Executive Officers, Executive Directors and other Members of the Board.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Maintaining and developing competitive and attractive remuneration packages for employees at all levels on par with industry standards.

- Review information related to executive pay from time to time to ensure it is in par with the industry rates.
- Ensuring that no Director is involved in setting his own remuneration package.

Remuneration Policy

The remuneration policy is intended to attract and retain a highly qualified and experienced workforce and reward performance accordingly. In discharging its responsibilities, the Committee has carefully reviewed and made recommendations to the remuneration policy of the Company while ensuring industry norms.

Meetings

The Committee met one time during the year under review. The attendance at the meetings is given in table on page 81 of the Annual Report. The proceedings of the Committee meetings have been circulated to and confirmed by the Board of Directors.

On behalf of the Remuneration Committee.



K.I. Dharmawardena
Chairman – Remuneration Committee

23rd February 2017

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed by the Board on 11th May 2016, in accordance with the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee consists of three Independent Non-Executive Directors, two Non Executive Directors and one Executive director. The following Directors are members of the Committee.

Mr. Herschel Gunawardena (*Chairman*) - *Independent Non Executive Director*

Mr. K.I. Dharmawardena - *Independent Non Executive Director*

Gen. C.S. Weerasooriya - *Independent Non Executive Director*

Mr. T.N.M. Peiris - *Executive Director*

Mr. P.A. Jayawardena - *Non Executive Director*

Mr. Upali Witharana - *Non Executive Director*

Brief profiles of the above Directors are given on pages 18 to 21 of this Annual Report.

Duties of the Committee

- To review all planned related party transactions of the group either prior to the transaction or if the transaction is expressed to be conditional on such review, prior to the completion of such transaction.
- Obtain any information that the Committee needs from management with regard to any related party transaction.
- Seek expert knowledge on any matters pertaining to related party transactions, where necessary.
- To scrutinise and approve the acquisition or disposal of substantial assets between related parties.
- To ascertain whether all related party transactions of the entity are transacted on normal commercial terms.
- To review the economic and commercial substance of recurrent/ non- recurrent related party transactions.

Meetings

The Committee held two meetings in the 2nd half of the year under review. The attendance at the meetings given in page 81 of this Annual Report.



D.H.J. Gunawardena
Chairman

Related Party Transactions Review
Committee

23rd February 2017

Corporate Strategies Committee

Ceylinco Insurance PLC as one of the main blue chip companies has maintained its position in the corporate arena and it has consistently grown in all aspects surpassing all its competitors. However, since the segregation of its insurance business in 2015 the nature of the company has changed and it has become an investment holding company.

With the objective of creating shareholder wealth, a Board sub-committee was formed, consisting of Industry Professionals, Executive and Non-Executive Directors. The main responsibilities of the committee include;

- Identifying new investment opportunities or projects and study the same and make necessary recommendations to the main Board.
- Study/analyse and evaluate projects that have been proposed by the respective sector heads to the Committee
- Formulate strategies in order to maximize shareholder wealth
- Making recommendations on Capital Structure proposals to the main Board.

The Committee foresees the potential future risks to the Company and recommend appropriate action to mitigate the same. These potential risks are analysed against the background of the prevalent business environment, regulatory framework, and changes in macroeconomic policies.

Regular meetings have been held during the year and necessary recommendations were made to the Board.

Statement of Directors' Responsibility

The responsibilities of the Directors in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 87.

The Companies Act No. 7 of 2007, requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at end of the financial year and of the Profit or Loss of the Company for the financial year. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have a proper regard to the establishment of appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Accounts. The Directors, after making enquiries and following a review of the Company's budget for 2017 to 2018 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD



Mrs. Nilika Abhayawardhana
Company Secretary

03rd. March, 2017

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2016 of Ceylinco Insurance PLC:

- All documents required by the Companies Act No. 7 of 2007 to be filed with the Registrar of Companies have been duly filed and compliance has been made with all other legal requirements in connection with the said Companies Act.
- All Dividend cheques have been dispatched by the due date.



Mrs. Nilika Abhayawardhana
Company Secretary

03rd. March, 2017

Financial Calendar 2017

| | |
|------------------------------|---------------------|
| Annual Report 2016 | 03rd March, 2017 |
| Annual General Meeting | 21st April, 2017 |
| Final Dividend Proposed | 21st April, 2017 |
| Ex-Dividend From | 24th April, 2017 |
| Final Dividend Payable | 02nd May, 2017 |
| Interim Report - 1st Quarter | 15th May, 2017 |
| Interim Report - 2nd Quarter | 15th August, 2017 |
| Interim Report - 3rd Quarter | 15th November, 2017 |
| Interim Report - 4th Quarter | 28th February, 2018 |

“ We continue
our story of
growth;
our focus
remains the same.

”

Financial Information

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Report of the Directors

The Directors are pleased to submit their report together with the Audited Statements of Income, Comprehensive Income, Changes in Equity, Cash Flow and the Statement of Financial Position of Ceylinco Insurance Group for the year ended 31st. December, 2016, and the Report of the Auditors thereon.

Review of Operations

The Chairman's and the Managing Directors' Reviews on pages 8 to 15 contain a detailed description of operations carried out in the year under review and projected developments.

The principal activities of the Group constitute Management of Investment, Insurance Operations, Health Care Operations, Education and Power Generation.

| Results of the Financial Year | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit After Taxation (After Non - Controlling Interest) | 4,648,741 | 3,495,086 | 1,042,302 | 913,712 |
| Add : Balance Brought Forward | 16,185,402 | 13,739,147 | 13,090,936 | 12,090,871 |
| Less: Super Gains Tax | - | (447,734) | - | (412,957) |
| Changes in Ownership in Group Companies | 2,650 | - | - | - |
| Revaluation Reserve - Transfer on Segregation | - | - | - | 752,012 |
| Other Comprehensive Income for the Period | (611,784) | (72,807) | - | 275,589 |
| Funds Available for Appropriation | 20,225,009 | 16,713,692 | - | 13,619,226 |
| Appropriation : Dividend Paid - Final | 594,326 | (528,290) | (594,326) | (528,290) |
| Unappropriated Profit Carried Forward | 19,630,683 | 16,185,402 | 13,538,912 | 13,090,936 |

Transfer to Reserves and Provisions

There were no transfers other than those mentioned above to or from reserves or provisions except for normal amounts set aside for items such as depreciation, outstanding claims and unexpired risks as shown in the accounts.

Share Capital

During the Financial year under review, no shares were issued.

The Stated Capital of the Company as at 31st. December, 2016 was Rs. 1,324,822,000/= and is represented by issued and fully paid 20,000,000 voting ordinary shares and 6,414,480 non voting ordinary shares.

Dividends

The Directors recommend a first and final dividend of Rs. 27.50 per share for the year ended 31st. December, 2016, payable on 2nd. May, 2017.

Directors

Messrs. J.G.P. Perera, A.R. Gunawardena, R. Renganathan, H.D.K.P. Alwis, E.T.L. Ranasinghe, W.C.J. Alwis, P.D.M. Cooray, K.I. Dharmawardena, D.H.J. Gunawardena, P.A. Jayawardena, N.D. Nugawela, T.N.M. Peiris, U. Witharana, Gen. C.S. Weerasooriya (Retired), S.R. Abeynayake and S.H.J. Weerasuriya were the Directors of the Company during the financial year ended 31st. December, 2016.

In accordance with the Articles of Association of the Company, Messrs. H.D.K.P. Alwis, E.T.L. Ranasinghe, P.D.M. Cooray and S.R. Abeynayake retire by rotation and being eligible, offer themselves for re-election.

Ordinary Resolutions were approved by the Shareholders at the last Annual General Meeting of the Company held on 6th. May, 2016 for the election of Mr. Juvanel Godwin Peter Perera and Gen. Chandrika Sirilal Weerasooriya as Directors being over 70 years, wherein the age limit specified in Section 210 of the Companies Act No. 07 of 2007 will not apply. Their appointments will be valid for one year from the appointed date.

In accordance with the Companies Act No. 07 of 2007, Mr. J.G.P. Perera has to retire thereafter and being eligible offers himself for re-election. Mr. Perera being a Director was 79 years of age in December, 2016, a Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Mr. Juvanel Godwin Peter Perera be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Juvanel Godwin Peter Perera.

In accordance with the Companies Act No. 07 of 2007, Gen. C.S. Weerasooriya has to retire and being eligible offers himself for re-election. Gen. Weerasooriya being a Director was 73 years of age in December, 2016, a Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Gen. Chandrika Sirilal Weerasooriya be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya.

Directors' Meetings

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

| Names of Directors | No. of Board Meetings attended |
|--------------------------------|--------------------------------|
| Mr. J.G.P. Perera | 07 |
| Mr. A.R. Gunawardena | 06 |
| Mr. R. Renganathan | 07 |
| Mr. H.D.K.P. Alwis | 06 |
| Mr. E.T.L. Ranasinghe | 06 |
| Dr. W.C.J. Alwis | 06 |
| Mr. P.D.M. Cooray | 07 |
| Mr. K.I. Dharmawardena | 06 |
| Mr. D.H.J. Gunawardena | 07 |
| Mr. P.A. Jayawardena | 07 |
| Mr. N.D. Nugawela | 07 |
| Mr. T.N.M. Peiris | 07 |
| Mr. U. Witharana | 07 |
| Gen. C.S. Weerasooriya (Retd.) | 05 |
| Mr. S.R. Abeynayake | 06 |
| Mr. S.H.J. Weerasuriya | 05 |

Directors' Interest in Shares

The Articles of Association of the Company does not stipulate the Directors to hold shares of the Company, as qualifying shares.

Report of the Directors

Directors' Interest in Shares of the Company are as follows:

| | Voting Shares | | Non Voting Shares | |
|---|---------------------|---------------------|---------------------|---------------------|
| | as at 31.12.2016 | as at 31.12.2015 | as at 31.12.2016 | as at 31.12.2015 |
| Mr. J.G.P. Perera | NIL | NIL | NIL | NIL |
| Mr. A.R. Gunawardena (Mr. A.R. Gunawardena 130 voting shares and 55 non voting shares; and joint with Mrs. K.S. Gunawardena 121,698 voting shares and 8,600 non voting shares) (Mrs. K.S. Gunawardena 14,900 voting shares and 7,702 non voting shares) | 121,828 | 121,828 | 8,655 | 8,655 |
| Mr. R. Renganathan (Mr. R. Renganathan 123,271 voting shares and joint with Mrs. T.R.S. Renganathan 3,626 voting shares) | 126,897 | 126,897 | NIL | NIL |
| Mr. H.D.K.P. Alwis | 3,200 | 3,200 | NIL | NIL |
| Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis | NIL | NIL | 2,000 | 2,000 |
| Mr. E.T.L. Ranasinghe | 9,245 | 9,245 | NIL | NIL |
| Dr. W.C.J. Alwis | 526,692 | 526,692 | 219,041 | 219,041 |
| Waldock Mackenzie Limited / Dr. W.C.J. Alwis | 2,339 | 2,339 | NIL | NIL |
| Mr. P.D.M. Cooray (Mr. P.D.M. Cooray 8,197 voting shares and joint with Mrs. J.M.F. Cooray 144 shares) | 8,341 | 8,341 | NIL | NIL |
| Mr. K.I. Dharmawardena Waldock Mackenzie Limited / Mr. K.I. Dharmawardena | 28 10,736 | 28 10,736 | NIL NIL | NIL NIL |
| Mr. D.H.J. Gunawardena | NIL | NIL | NIL | NIL |
| Mr. P.A. Jayawardena | 3,463 | 3,463 | 134 | 134 |
| Mr. N.D. Nugawela | 3,539 | 3,539 | 510 | 510 |
| Mr. T.N.M. Peiris (Mrs. P.S. Peiris 212 voting shares) | 24,831 | 24,831 | 2,000 | 2,000 |
| Mr. U. Witharana | 2,605 | 2,605 | 512 | 512 |
| Gen. C.S. Weerasooriya (Retd.) | NIL | NIL | NIL | NIL |
| Mr. S.R. Abeynayake | 9,790 | 9,790 | 200 | 200 |
| Mr. S.H.J. Weerasuriya | NIL | NIL | 600 | 600 |

The Directors' dealings of the Shares of the Company are in line with the regulations of the Colombo Stock Exchange and in keeping with the regulations of the Company.

Directors' Interest in Contracts

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company except those specified in the annexed schedule, which have been disclosed and declared at meetings of Directors.

Corporate Governance

The Audit Committee held four meetings and the Remuneration Committee held one meeting during the year 2016.

The number of meetings attended by each Director (who are members of the respective committees) are as follows:

| Name of Committee Member | Related Party Transaction Committee Review | | |
|--------------------------|--|------------------------|----|
| | Audit Committee | Remuneration Committee | |
| Mr. D.H.J. Gunawardena | 04 | 01 | 02 |
| Mr. K.I. Dharmawardena | 02 | 01 | 02 |
| Gen.C.S. Weerasooriya | Non Member | Non Member | - |
| Mr. T.N.M. Peiris | Non Member | Non Member | 02 |
| Mr. P.A. Jayawardena | Non Member | Non Member | 02 |
| Mr. U. Witharana | Non Member | Non Member | 02 |

The four Non Executive “independent” Directors have duly submitted to the Board their declarations as to their “independence”, and the other eight Non Executive Directors also have submitted their declarations. These have been tabled at the Board Meetings.

Analysis of Shareholders

| (Voting) Holding Range (Shares) | Number of Shareholders | Number of Shares | % |
|---------------------------------------|---------------------------|---------------------|--------|
| 1 to 1,000 | 2,519 | 749,476 | 3.75 |
| 1,001 to 5,000 | 746 | 1,323,591 | 6.61 |
| 5,001 to 10,000 | 52 | 386,258 | 1.93 |
| 10,001 to 50,000 | 33 | 621,675 | 3.11 |
| 50,001 to 100,000 | 3 | 274,000 | 1.37 |
| 100,001 to 500,000 | 5 | 728,023 | 3.64 |
| 500,001 to 1,000,000 | 7 | 4,591,569 | 22.96 |
| Over 1,000,000 | 5 | 11,325,408 | 56.63 |
| Total as at 31st. Dec. 2016 | 3,370 | 20,000,000 | 100.00 |

Analysis of Shareholders

| (Non Voting) Holding Range (Shares) | Number of Shareholders | Number of Shares | % |
|---|---------------------------|---------------------|--------|
| 1 to 1,000 | 1,216 | 271,626 | 4.23 |
| 1,001 to 5,000 | 87 | 207,351 | 3.23 |
| 5,001 to 10,000 | 17 | 136,140 | 2.12 |
| 10,001 to 50,000 | 18 | 431,013 | 6.72 |
| 50,001 to 100,000 | 4 | 307,157 | 4.79 |
| 100,001 to 500,000 | 9 | 1,536,683 | 23.96 |
| 500,001 to 1,000,000 | 1 | 690,857 | 10.77 |
| Over 1,000,000 | 1 | 2,833,653 | 44.18 |
| Total as at 31st. Dec. 2016 | 1,353 | 6,414,480 | 100.00 |

The percentage of “Public Holding” (as per Circular number 05/2013 of 30/12/2013 of the Colombo Stock Exchange) is 75.45% of the issued voting share capital (represented by 3,353 shareholders).

Report of the Directors

Analysis of Shareholdings

Institutional / Non – Institutional

| (Voting) Shareholder Category | Number of Shareholders | Total Shareholdings | Holdings % |
|-------------------------------------|---------------------------|------------------------|---------------|
| Individuals | 3,211 | 4,473,325 | 22.37 |
| Institutions | 159 | 15,526,675 | 77.63 |
| | 3,370 | 20,000,000 | 100.00 |

Analysis of Shareholdings

Institutional / Non – Institutional

| (Non Voting) Shareholder Category | Number of Shareholders | Total Shareholdings | Holdings % |
|---|---------------------------|------------------------|---------------|
| Individuals | 1,280 | 1,181,841 | 18.42 |
| Institutions | 73 | 5,232,639 | 81.58 |
| | 1,353 | 6,414,480 | 100.00 |

Share Ownership Distribution Analysis as at 31.12.2016

| Local Companies % | | Local Individuals % | | Foreign Companies % | | Foreign Individuals % | |
|-------------------------|------------|---------------------------|------------|---------------------------|------------|-----------------------------|------------|
| Voting | Non Voting | Voting | Non Voting | Voting | Non Voting | Voting | Non Voting |
| 52.20 | 27.24 | 22.73 | 18.83 | 25.05 | 53.86 | 0.02 | 0.07 |

Donation

During the year there was no charitable donations made by the Company.

Taxation

The Company is liable for income tax at 28%.

The Income Tax Liability of the Company for the year amounted to Rs. 6.7 Million.

Capital Expenditure & Capital Commitments

There were no expenditure on acquisition of Property, Plant and Equipment during the year.

The 20 major shareholders as at 31.12.2016
(Voting)

| Shareholder | Holding as at | % of the | Holding as at |
|---|---------------|------------------|---------------|
| | 31/12/2016 | issued share | 31/12/2015 |
| | No. of Shares | Capital | No. of Shares |
| | | as at 31/12/2016 | |
| Global Rubber Industries (Private) Limited | 4,450,135 | 22.25 | 4,450,135 |
| Banque Pictet & Cie SA | 2,545,079 | 12.73 | 2,545,079 |
| Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund) | 1,865,724 | 9.33 | 1,865,724 |
| Shriram City Union Finance Limited | 1,264,470 | 6.32 | 1,264,470 |
| Mitsui Sumitomo Insurance Company Limited | 1,200,000 | 6.00 | 1,200,000 |
| Mr. Prabhash Subasinghe | 912,981 | 4.56 | 912,981 |
| Ceylinco Insurance PLC A/C No. 04 (Pension Fund) | 737,900 | 3.69 | 737,900 |
| Citizens Development Business Finance PLC | 638,012 | 3.19 | 607,377 |
| Global Sea Foods (Private) Limited | 632,110 | 3.16 | 632,110 |
| Ceylinco Insurance PLC – A/C No. 05 (The Pension Trust Fund of Ceylinco Insurance PLC) | 618,474 | 3.09 | 618,474 |
| Dr. Watuthanthrige Chakrine Jagath Alwis | 526,692 | 2.63 | 526,692 |
| Castle Realty (Private) Limited | 525,400 | 2.63 | 525,400 |
| Pan Asia Banking Corporation PLC / D.S.K. Amarasekera | 200,000 | 1.00 | 200,000 |
| Ceylinco Insurance PLC – A/C No. 07 (Gratuity Trust Fund of Ceylinco Insurance PLC – Life Division) | 181,613 | 0.91 | 181,613 |
| Mr. Rajkumar Renganathan (Mr. R. Renganathan 123,271 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares) | 126,897 | 0.62 | 126,897 |
| Mr. Ajith Rohan Gunawardena (Mr. A.R. Gunawardena 130 shares and joint with Mrs. K.S. Gunawardena 121,698 shares) | 121,828 | 0.61 | 121,828 |
| People's Leasing & Finance PLC / C.D. Kohombanwickramage | 101,441 | 0.51 | 67,351 |
| Phoenix Ventures Private Limited | 100,000 | 0.50 | 100,000 |
| Commercial Credit and Finance PLC | 99,000 | 0.50 | 99,000 |
| People's Leasing & Finance PLC / B G Investments (Pvt.) Limited | 75,000 | 0.38 | ** 77,552 |

** B G Investments (Pvt.) Limited

Report of the Directors

The 20 major shareholders as at 31.12.2016

(Non Voting)

| Shareholder | Holding as at 31/12/2016 No. of Shares | % of the issued share Capital as at 31/12/2016 | Holding as at 31/12/2015 No. of Shares |
|--|--|---|--|
| Pershing LLC S/A Averbach Grauson & Co. | 2,833,653 | 44.18 | 2,832,474 |
| J.B. Cocoshell (Pvt.) Ltd. | 690,857 | 10.77 | 668,082 |
| Bharath Investments (Pte.) Ltd. | 269,200 | 4.20 | 269,200 |
| Dr. Watuthanthrige Chakrine Jagath Alwis | 219,041 | 3.41 | 219,041 |
| Banque Pictet & Cie SA | 200,000 | 3.12 | 200,000 |
| Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund | 199,830 | 3.12 | 169,930 |
| Mr. Piyadasa Rathnayaka | 175,000 | 2.73 | 175,000 |
| The Ceylon Investment PLC A/C # 02 | 126,010 | 1.96 | 126,010 |
| Gold Investment Limited | 118,500 | 1.85 | 118,500 |
| The Ceylon Guardian Investment Trust PLC A/C # 02 | 115,256 | 1.80 | 115,256 |
| E.W. Balasuriya & Company (Private) Limited | 113,846 | 1.77 | 113,846 |
| Waldock Mackenzie Ltd./ M.T. Moosajee | 99,778 | 1.56 | 99,778 |
| Askold (Private) Limited | 92,700 | 1.45 | 80,000 |
| The Ceylon Chamber of Commerce Account No. 02 | 62,274 | 0.97 | 62,274 |
| Mr. Husein Nuruddain Esufally | 50,000 | 0.78 | 58,405 |
| Mr. Murtaza Ali Jafferjee | 46,000 | 0.72 | 46,000 |
| Mr. Gulzar Hussein Ibrahim Jafferjee | 45,000 | 0.70 | 45,000 |
| Waldock Mackenzie Ltd. / Mr. M.Z.M. Wafik | 43,011 | 0.67 | 43,411 |
| Hatton National Bank PLC A/C No. 05 (Trading Portfolio) | 34,000 | 0.53 | 34,000 |
| Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund | 33,000 | 0.51 | NIL |

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the “Notes to Financial Statements”. (Pages 119 to 123)

The market value of Property, Plant and Equipment are considered not materially different to the book values as given in “Notes to the Financial Statements”. Property, Plant and Equipment are carried in the books at Rs. 3.3 million.

Current Assets

The Directors of the Company have taken reasonable steps to ascertain that whatever current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provisions have been made for the differences between those values.

Post-Balance Sheet Date Events & Unusual Items

Since the end of the financial year, no change in the assets of the Company have arisen which secures the liabilities of any other persons.

In the opinion of the Directors, no item, transaction or event of a material nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially, the results of the operations of the Company for the current financial year. However, the Company has complied with the guidelines given by the Insurance Board of Sri Lanka in relation to Splitting of Composite Insurance Companies as explained in Note 47.

Human Resources

It is a Company policy to provide equal opportunities in the recruitment and employment of staff. During the year under review, the Company has taken numerous measures to ensure staff contentment at all levels.

Related Party Transaction

The Company has complied with section 9 of the Colombo Stock Exchange (CSE) listing rules in respect of Related Party Transactions.

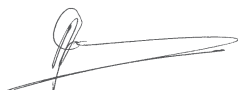
Auditors

The Financial Statements for the year have been audited by M/s. Ernst & Young (Chartered Accountants) who expressed their willingness to continue in office. In accordance with the Companies' Act No. 7 of 2007, a resolution relating to their re-appointment and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in note 35 on page 157 to the Financial Statements.

The Auditors of the Company, Messrs. Ernst & Young do not have any relationship with the Company other than that as the Auditors.

BY ORDER OF THE BOARD



A. R. Gunawardena
Managing Director / Chief Executive Officer



R. Renganathan
Director - Life Insurance



Mrs. Nilika Abhayawardhana
Company Secretary

3rd March, 2017

Report of the Directors (Annexure)

Directors' Interests in Contracts

No Director of the Company is directly or indirectly interested in the contracts of the Company.

The following is a schedule where the Directors of this company held Directorships in other companies during the period 01.01.2016 to 31.12.2016 in which this company has had transactions during the year 2016.

| Name of Company | Mr. J.G.P.Perera | Mr. A.R. Gunawardena | Mr. H.D.K.P. Alwis | Dr. W.C.J. Alwis | Mr. N.D. Niugawela | Mr. T.N.M. Peiris | Mr. U. Witharana | Mr. R. Renganathan | Mr. E.T.L. Ranasinghe | Mr. P.D.M. Cooray | Mr. P.A. Jayawardena | Mr. S.R. Abeynayaka | Gen. C.S. Weerasooriya | Mr. D.H.J. Gunawardena |
|--|------------------|----------------------|--------------------|------------------|--------------------|-------------------|------------------|--------------------|-----------------------|-------------------|----------------------|---------------------|------------------------|------------------------|
| 1 American Education Centre Ltd. | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | |
| 2 Asset Trust Management (Pvt.) Ltd. | | | | | | | ✓ | | | | | | | |
| 3 CEG Education Holdings (Pvt.) Ltd. | | ✓ | ✓ | ✓ | | | ✓ | | | | | | | |
| 4 Ceylinco General Insurance Ltd. | | | ✓ | ✓ | ✓ | | ✓ | | | | | | | |
| 5 Ceylinco Insurance Company (Pvt.) Ltd. (Maldives) | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 6 Ceylinco Investcorp (Pvt.) Ltd. | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 7 Ceylinco Life Insurance Ltd | ✓ | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8 Energy Generators (Pvt.) Ltd. | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 9 Energy Lanka Holdings Ltd. | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 10 International College of Business & Technology Ltd. | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | |

Report of the Auditors



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF CEYLINCO INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylinco Insurance PLC, ("the Company"), and the consolidated financial statements of the Company and Its Subsidiaries ("Group"), which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (Set out in pages 95 to 175)

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 Standards and for such internal controls as Board 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 Board, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of 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

As required by Section 163(2) of the Companies Act No. 7 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 give a true and fair view of the financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - The financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

03 March 2017
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Consolidated Statement of Financial Position

| As at 31 December | | | Group | | Company | |
|--|----------|-------------|--------------------|--------------------|-------------------|-------------------|
| | Page No. | Note | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Assets | | | | | | |
| Goodwill | 116 | 6 | 181,304 | 181,304 | - | - |
| Other Intangible Assets | 117 | 7 | 135,257 | 86,775 | - | - |
| Deferred Expenses | 117 | 8 | 880,521 | 778,442 | - | - |
| Property, Plant and Equipment | 118 | 9 | 15,996,496 | 11,988,889 | 3,284 | 3,342 |
| Investment Properties | 125 | 10 | 1,152,061 | 1,205,105 | 153,332 | 153,332 |
| Lease Hold Right | 117 | 7 | 1,604 | 2,230 | - | - |
| Investment in Subsidiaries | 129 | 11(a) | - | - | 15,965,563 | 15,965,563 |
| Investment in Associates | 129 | 11(b) | 2,294,307 | 1,889,168 | 92,514 | 92,514 |
| Financial Instruments | | | | | | |
| Held to Maturity Financial Assets | 131 | 12(a) | 64,831,408 | 47,148,849 | - | - |
| Loans and Receivables | 131 | 12(b) | 15,050,496 | 19,807,161 | 642,500 | 64,754 |
| Available-For-Sale Financial Assets | 131 | 12(c) | 10,431,783 | 7,801,444 | 98,774 | 248,863 |
| Financial Assets at Fair Value Through Profit or Loss | 132 | 12(d) | 158,390 | 214,936 | - | - |
| Employee Gratuity Benefit Asset | 138 | 13 | 1,407,940 | 1,449,570 | - | - |
| Employee Pension Benefit Asset | 142 | 14 | 1,665,840 | 1,763,386 | - | - |
| Reinsurance Receivables | 143 | 15 | 4,055,498 | 2,726,342 | - | - |
| Loans to Life Policyholders | 143 | 15 (a) | 1,378,954 | 1,335,634 | - | - |
| Income Tax Receivable | 144 | 16(a) | 1,082,927 | 1,189,738 | 20,130 | - |
| Deferred Tax Assets | 145-146 | 16(b) & (d) | 122,402 | 103,863 | - | - |
| Insurance Receivables/Trade Debtors | 147 | 17 | 4,262,399 | 3,594,024 | - | - |
| Accrued Income | 147 | 18 | 3,521,225 | 2,721,949 | 2,000 | 118 |
| Other Assets | 147 | 19 | 1,247,530 | 1,123,830 | 38,609 | 45,187 |
| Cash and Cash Equivalents | 147 | 20 | 906,182 | 1,052,395 | 4,404 | 4,011 |
| Total Assets | | | 130,764,524 | 108,165,034 | 17,021,110 | 16,577,684 |
| Equity & Liabilities | | | | | | |
| Equity Attributable to Equity Holders of Parent | | | | | | |
| Stated Capital | 148 | 21 (a) | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 |
| Retained Earnings | | | 19,630,683 | 16,185,402 | 13,538,912 | 13,090,936 |
| Revaluation Reserves | | | 3,411,509 | 2,141,754 | - | - |
| Other Reserves | 148 | 21 (b) | 2,703,501 | 2,560,652 | 2,041,107 | 2,040,088 |
| Total Ordinary Shareholders' Equity | | | 27,070,515 | 22,212,630 | 16,904,841 | 16,455,846 |
| Non-Controlling Interests | 160 | 38 (a) | 1,551,468 | 860,378 | - | - |
| Total Equity | | | 28,621,983 | 23,073,009 | 16,904,841 | 16,455,846 |
| Liabilities | | | | | | |
| Life Insurance Contract Liabilities | 149 | 22(a) | 77,070,762 | 67,157,184 | - | - |
| Unit Linked Fund & Other funds-Life | | | 333,129 | 268,062 | - | - |
| Non Life Insurance Contract Liabilities | 149 | 22(b) | 11,660,029 | 9,576,722 | - | - |
| Employee Gratuity Benefit Liability | 138 | 13 | 221,856 | 171,602 | - | - |
| Deferred Revenue | 151 | 23 | 241,957 | 235,990 | - | - |
| Interest Bearing Loans & Borrowings | 151 | 24 | 1,963,560 | 1,514,560 | 5,296 | - |
| Other Financial Liabilities | 152 | 25 | 3,980,013 | 304,742 | - | - |
| Deferred Tax Liabilities | 145 | 16(c) | 444,032 | 204,335 | - | - |
| Reinsurance Payables | 152 | 26 | 977,117 | 1,179,216 | - | - |
| Trade and Other Payables | 153 | 27 | 5,250,086 | 4,479,612 | 110,973 | 121,838 |
| Total Liabilities | | | 102,142,541 | 85,092,025 | 116,269 | 121,838 |
| Total Equity and Liabilities | | | 130,764,524 | 108,165,034 | 17,021,110 | 16,577,684 |

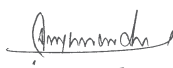
These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

The Notes on pages 95 through 175 form an integral part of the Financial Statements.

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:



T.N.M. Peiris
Director/Head of Finance



P.A. Jayawardene
Director



A.R. Gunawardena
Director



R. Renganathan
Director



Upali Witharana
Director

3rd March 2017
Colombo

Consolidated Income Statement

| For the Year ended 31 December | Group | | | | | Company | | |
|--|-------|--------|--------------|--------------|---------|-----------|--------------|--------|
| | Page | | 2016 | 2015 | Change | 2016 | 2015 | Change |
| | No. | Note | Rs.'000 | Rs.'000 | % | Rs.'000 | Rs.'000 | % |
| Net Income | 154 | 28 (c) | 39,824,723 | 34,670,693 | 15 | 1,093,984 | 12,941,450 | (92) |
| Gross Written Premiums | 153 | 28 (a) | 31,818,590 | 27,984,159 | 14 | - | 10,671,060 | (100) |
| Premiums Ceded to Reinsurers | 154 | 28 (b) | (4,447,099) | (4,120,025) | 8 | - | (1,085,108) | (100) |
| Net Written Premiums | | | 27,371,491 | 23,864,134 | 15 | - | 9,585,952 | (100) |
| Net Change in Reserve for Unearned Premium | | | (819,511) | (377,802) | 117 | - | (444,791) | (100) |
| Net Earned Premium | | | 26,551,980 | 23,486,332 | 13 | - | 9,141,161 | (100) |
| Revenue from Non Insurance Subsidiaries | 112 | 5 | 2,853,557 | 2,860,228 | (0) | - | - | - |
| | | | 29,405,537 | 26,346,560 | | - | 9,141,161 | - |
| Fees and Commission Income | 155 | 29 | 674,762 | 642,774 | 5 | - | 183,294 | (100) |
| Investment Income | 155 | 30 | 9,486,278 | 7,471,977 | 27 | 1,093,984 | 3,028,215 | (64) |
| Net Realised Gains | 155 | 31 | 28,196 | 94,584 | (70) | - | 539,371 | (100) |
| Net Fair Value Gains and Losses | 156 | 32 | 229,950 | 114,798 | 100 | - | 49,409 | (100) |
| Other Revenue | | | 10,419,186 | 8,324,133 | | 1,093,984 | 3,800,289 | |
| Gross Benefits and Claims Paid | 156 | 33(a) | (16,051,953) | (12,875,394) | 25 | - | (4,908,253) | (100) |
| Claims Ceded to Reinsurers | 156 | 33(b) | 1,852,037 | 1,371,318 | 35 | - | 377,425 | (100) |
| Gross Change in Contract Liabilities | 156 | 33(c) | (9,667,526) | (7,301,201) | 32 | - | (3,472,439) | (100) |
| Change in Contract Liabilities Ceded to Reinsurers | 156 | 33(d) | 2,129,524 | (35,028) | (6,179) | - | (49,823) | (100) |
| Net Benefits and Claims | | | (21,737,918) | (18,840,305) | | | (8,053,090) | |
| Cost of Sales - Non Insurance Subsidiaries | 112 | 5 | (765,204) | (720,125) | 6 | - | - | - |
| Acquisition Cost | 157 | 34 | (3,088,130) | (2,821,208) | 9 | - | (1,103,434) | 100 |
| Other Operating and Administrative Expenses | 157 | 35 | (8,577,777) | (8,342,088) | 3 | (44,701) | (2,738,805) | (98) |
| Finance Cost | 158 | 36 | (143,853) | (124,218) | 16 | (199) | (37,713) | (99) |
| Total Benefits, Claims and Other Expenses | | | (34,312,882) | (30,847,944) | | (44,900) | (11,933,041) | |
| Profit Before Share of Associates | | | 5,511,841 | 3,822,749 | - | 1,049,084 | 1,008,409 | - |
| Share of Profit of Associates | 129 | 11(b) | 288,518 | 275,724 | 5 | - | - | - |
| Profit Before Tax | | | 5,800,359 | 4,098,473 | 42 | 1,049,084 | 1,008,409 | 4 |
| Income Tax Expense | 158 | 37 | (953,741) | (448,257) | 113 | (6,782) | (94,697) | (93) |
| Profit for the Year | | | 4,846,618 | 3,650,216 | 33 | 1,042,302 | 913,712 | 14 |
| Profit Attributable to: | | | | | | | | |
| Equity Holders of the Parent | | | 4,648,741 | 3,495,086 | | 1,042,302 | 913,712 | |
| Non-Controlling Interests | 160 | 38 (b) | 197,877 | 155,130 | | - | - | |
| | | | 4,846,618 | 3,650,216 | | 1,042,302 | 913,712 | |
| Basic/Diluted Earnings Per Share | 160 | 39 | 176.00 | 132.32 | | 39.46 | 34.59 | |
| Dividend Per Share -Proposed | 160 | 40 | 27.50 | 22.50 | | 27.50 | 22.50 | |

The significant changes in the amounts under the Company Column compared to 2015 are due to the segregation of Insurance business on 1st June 2015. (Please refer note 47 for more details.)

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Consolidated Statement of Comprehensive Income

| For the Year ended 31 December | | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit for the Year | | 4,846,618 | 3,650,216 | 1,042,302 | 913,712 |
| Other Comprehensive Income | | | | | |
| Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | | | | |
| Net Gain/(Loss) on Available-For-Sale Assets | 41 | 52,798 | (349,396) | 1,019 | (683,536) |
| Exchange Differences on Translating Foreign Operations | 41 | (4,841) | (4,682) | - | - |
| Income Tax relating to components of Other Comprehensive Income | 41 | 55,233 | 19,651 | - | 20,636 |
| Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | 103,190 | (334,427) | 1,019 | (662,900) |
| Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | | | | |
| Revaluation Surplus/(Deficit) During the Year | 41 | 3,558,943 | 14,587 | - | - |
| Actuarial Gain/(Loss) on Defined Benefit Plans | 41 | (613,601) | (67,317) | - | 284,907 |
| Transfer to Long Term Insurance Fund | | (1,614,219) | - | - | - |
| Income Tax relating to Components of Other Comprehensive Income | 41 | (178,947) | (10,088) | - | (9,005) |
| Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | 1,152,176 | (62,818) | 1,019 | 275,902 |
| Other Comprehensive Income for the Year, Net of Tax | | 1,255,366 | (397,245) | 1,019 | (386,998) |
| Total Comprehensive Income for the Year, Net of Tax | | 6,101,984 | 3,252,971 | 1,043,321 | 526,714 |
| Total Comprehensive Income Attributable to: | | | | | |
| Equity Holders of the Parent | | 5,336,745 | 3,105,044 | 1,043,321 | 526,714 |
| Non-Controlling Interests | | 765,239 | 147,927 | - | - |
| | | 6,101,984 | 3,252,971 | 1,043,321 | 526,714 |

The significant changes in the amounts under the Company Column compared to 2015 are due to the segregation of Insurance business on 1st June 2015. (Please refer note 47 for more details.)

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Statement of Changes in Equity

| Group | Attributable to Equityholders of the Parent | | | | | | | | | | | |
|---|---|-----------|----------------------|-----------|-------------------------|-----------|-----------------------------|------------|--------------------------------------|------------|--------------------------------------|---------|
| | Stated Capital | | Revaluation Reserves | | Other Retained Reserves | | Available -for-Sale Reserve | | Foreign Currency Translation Reserve | | Total Ordinary Share-Holders' Equity | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | Note | | | | | | | | | | | |
| Balance As at 1st January 2015 | | 1,324,822 | 2,126,854 | 2,057,437 | 13,739,147 | 834,911 | 440 | 20,083,610 | 762,469 | 20,846,079 | | |
| Super Gain Tax | | - | - | (447,734) | (447,734) | - | - | (447,734) | (4,396) | (452,130) | | |
| Balance As at 1st January 2015 after Super Gain Tax | | 1,324,822 | 2,126,854 | 2,057,437 | 13,291,413 | 834,911 | 440 | 19,635,877 | 758,073 | 20,393,950 | | |
| Profit for the Year | | - | - | - | 3,495,086 | - | - | 3,495,086 | 155,130 | 3,650,216 | | |
| Other Comprehensive Income for the Year | | - | 14,900 | - | (72,807) | (329,326) | (2,809) | (390,042) | (7,203) | (397,245) | | |
| Total Comprehensive Income for the Year | | - | 14,900 | - | 3,422,279 | (329,326) | (2,809) | 3,105,044 | 147,927 | 3,252,971 | | |
| Final Dividend of Parent Company | | - | - | - | (528,290) | - | - | (528,290) | - | (528,290) | | |
| Subsidiary Dividend to non-controlling interest | | - | - | - | - | - | - | - | (45,622) | (45,622) | | |
| Balance As At 31st December 2015 | | 1,324,822 | 2,141,754 | 2,057,437 | 16,185,402 | 505,585 | (2,370) | 22,212,630 | 860,378 | 23,073,009 | | |
| Profit for the Year | | - | - | - | 4,648,741 | - | - | 4,648,741 | 197,877 | 4,846,618 | | |
| Other Comprehensive Income for the Year | | - | 1,267,069 | - | (611,784) | 35,624 | (2,905) | 688,004 | 567,362 | 1,255,366 | | |
| Total Comprehensive Income for the Year | | - | 1,267,069 | - | 4,036,957 | 35,624 | (2,905) | 5,336,745 | 765,239 | 6,101,984 | | |
| Final Dividend of Parent Company | 40 | - | - | - | (594,326) | - | - | (594,326) | - | (594,326) | | |
| Subsidiary Dividend to non-controlling interest | | - | - | - | - | - | - | - | (70,950) | (70,950) | | |
| Changes in Control in Subsidiaries/Associates | | - | 2,686 | - | 2,650 | 11,600 | - | 16,936 | (3,199) | 13,737 | | |
| Transfer to Long term Insurance fund | | - | - | - | - | 98,530 | - | 98,530 | - | 98,530 | | |
| Balance As At 31st December 2016 | | 1,324,822 | 3,411,509 | 2,057,437 | 19,630,683 | 651,339 | (5,275) | 27,070,515 | 1,551,468 | 28,621,983 | | |

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Statement of Changes in Equity

| Company | | | | | | | Total |
|--|---------|-----------|-------------|-----------|------------|-----------|---------------|
| | | Stated | Revaluation | Other | Retained | Available | Ordinary |
| | Note | Capital | Reserves | Reserves | Earnings | for Sale | Shareholders' |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Reserve | Equity |
| | | | | | | Rs.'000 | Rs.'000 |
| Balance As At 1st January 2015 | | 1,324,822 | 1,621,398 | 2,057,437 | 12,090,871 | 630,203 | 17,724,731 |
| Super Gain Tax | | - | - | - | (412,957) | - | (412,957) |
| Balance As at 1st January 2015 after Super Gain Tax | | 1,324,822 | 1,621,398 | 2,057,437 | 11,677,914 | 630,203 | 17,311,774 |
| Profit for the Year | | - | - | - | 913,712 | - | 913,712 |
| Other Comprehensive Income for the Year | | - | 313 | - | 275,589 | (662,900) | (386,998) |
| Total Comprehensive Income for the Year | | - | 313 | - | 1,189,301 | (662,900) | 526,714 |
| Final Dividend Paid | | - | - | - | (528,290) | - | (528,290) |
| Revaluation reserve transfer on derecognition of assets on Segregation | | - | (752,012) | - | 752,012 | - | - |
| Transfer of reserves to Long Term Insurance Fund on Segregation | | - | (869,699) | - | - | 15,348 | (854,351) |
| Balance As At 31st December 2015 | | 1,324,822 | - | 2,057,437 | 13,090,936 | (17,349) | 16,455,846 |
| Profit for the Year | | - | - | - | 1,042,302 | - | 1,042,302 |
| Other Comprehensive Income for the Year | | - | - | - | - | 1,019 | 1,019 |
| Total Comprehensive Income for the Year | | - | - | - | 1,042,302 | 1,019 | 1,043,321 |
| Final Dividend Paid | 40 | - | - | - | (594,326) | - | (594,326) |
| Balance As At 31st December 2016 | | 1,324,822 | - | 2,057,437 | 13,538,912 | (16,330) | 16,904,841 |

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

| For the Year ended 31 December | | Group | | Company | |
|--|-------|---------------------|---------------------|------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash Flows from Operating Activities | | | | | |
| Premiums/Revenue received from Customers | | 34,018,322 | 31,348,290 | - | 10,320,204 |
| Reinsurance Premiums (Net of Commission) Paid | | (4,169,472) | (3,300,269) | - | (899,037) |
| Commission Paid | | (3,289,859) | (2,971,272) | - | (1,104,354) |
| Claims and Benefits Paid | | (15,472,523) | (12,969,184) | - | (4,884,228) |
| Reinsurance Receipts in respect of Claims & Benefits | | 2,348,690 | 1,433,192 | - | 362,634 |
| Interest and Dividends Received | | 8,260,461 | 9,178,157 | 1,090,743 | 2,499,320 |
| Other Operating Cash Payments | | (8,299,918) | (8,827,276) | (44,805) | (2,700,845) |
| Other Income | | 356,635 | 309,504 | - | 34,038 |
| Contributions to Gratuity Fund/Gratuity payments | | (241,632) | (206,118) | - | (79,118) |
| Income Taxes Paid | | (205,068) | (181,884) | (38,919) | (23,751) |
| Interest paid | | (143,516) | (105,884) | (3) | (4,388) |
| Net Cash Flows from Operating Activities (Note A) | | 13,162,120 | 13,707,256 | 1,007,016 | 3,520,475 |
| Cash Flows from Investing Activities | | | | | |
| Investments in/Proceeds from Subsidiaries/Associates | | (72,441) | - | - | (800,000) |
| Acquisition of Financial Investments | 12(e) | (375,476,059) | (396,228,758) | (4,453,600) | (243,703,349) |
| Proceeds from sale of Investment Property | | 231,130 | 390,114 | - | 206,964 |
| Proceeds from Financial Investments | 12(e) | 359,622,162 | 383,678,732 | 4,028,854 | 241,125,034 |
| Acquisition of Property, Plant & Equipment | | (1,236,885) | (1,707,243) | - | (196,634) |
| Acquisition /Disposal of Intangible Assets | 7 | (87,911) | (71,284) | - | (59,641) |
| REREPO Borrowings (Net) | | 2,680,202 | 224,811 | - | 139,141 |
| Proceeds from Disposal of Property, Plant & Equipment | | 245,522 | 56,283 | - | 5,571 |
| Net Cash Flows from Investing Activities | | (14,094,282) | (13,657,345) | (424,746) | (3,282,914) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from Issue of Ordinary Shares | | - | - | - | - |
| Proceeds from Issue of Preference Shares | | - | - | - | - |
| Short/Term Loan | | 1,632,073 | 510,989 | - | - |
| Dividends Paid to Equity holders | | (658,123) | (563,380) | (587,173) | (528,290) |
| Net Cash Flows from Financing Activities | | 973,950 | (52,391) | (587,173) | (528,290) |
| Increase / (Decrease) in Cash & Cash Equivalents (Note B) | | 41,790 | (2,480) | (4,903) | (290,729) |
| Note A. | | | | | |
| Reconciliation of Profit before tax with Net Cash Flows from Operating Activities | | | | | |
| Profit before tax | | 5,800,360 | 4,098,473 | 1,049,084 | 1,008,409 |
| Adjustments for: | | | | | |
| Depreciation | 9 | 719,369 | 590,509 | 58 | 143,922 |
| Amortisation of Intangible Assets | 7 | 40,055 | 32,554 | - | 10,535 |
| Change in Trade and Other Receivables | | (2,343,363) | 1,028,214 | 3,208 | (1,176,259) |
| Change in Reinsurance Receivable | | (1,329,155) | 221,069 | - | 35,033 |
| Increase in Life Insurance Funds | | 8,397,889 | 7,135,305 | - | 3,530,543 |
| Increase in Non - Life Insurance Provisions | | 1,992,341 | 317,225 | - | 350,886 |
| Change in Trade and Other Payables | | 689,715 | 950,877 | (6,415) | 203,860 |
| Realised Gain | | (73,070) | (63,776) | - | (462,334) |
| Fair value Gain Recorded in Income Statement | | (229,950) | (114,798) | - | - |
| Foreign Exchange Gain/Loss | | (8,485) | (30,808) | - | (1,516) |
| Income Tax Paid | | (205,068) | (181,864) | (38,919) | (23,751) |
| Share of Associate Profits | | (288,518) | (275,724) | - | - |
| Net Cash Flows from Operating Activities | | 13,162,120 | 13,707,256 | 1,007,016 | 3,619,328 |
| Note B. | | | | | |
| Cash and Cash Equivalents at 1st January | | 516,677 | 519,157 | 4,011 | 294,739 |
| Cash and Cash Equivalents at 31st December (Note C) | | 558,467 | 516,677 | (892) | 4,011 |
| Increase / (Decrease) in Cash and Cash Equivalents | | 41,790 | (2,480) | (4,903) | (290,728) |
| Note C | | | | | |
| Cash in hand & Cash at Bank | 20 | 906,182 | 1,052,395 | 4,404 | 4,011 |
| Bank Overdraft | 24 | (347,715) | (535,718) | (5,296) | - |
| | | 558,467 | 516,677 | (892) | 4,011 |

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Insurance Revenue Account

| For the Year ended 31 December | Glossary Item | 2016 Rs. '000 | 2015 Rs. '000 | % Change |
|--|------------------|------------------|------------------|--------------|
| Non - Life Insurance | | | | |
| Gross Written Premium | 20 | 16,116,889 | 13,557,833 | 18.88 |
| Net Earned Premium | 31 | 11,783,117 | 10,152,831 | 16.06 |
| Net Claims Incurred | 36 | (6,699,268) | (5,690,518) | 17.73 |
| Underwriting and Net Acquisition Costs (Including Reinsurance) | 2 & 43 | (883,178) | (726,892) | 21.50 |
| Underwriting Result | 54 | 4,200,671 | 3,735,421 | |
| Other Operating, Investments Related and Administrative Expenses | | (3,856,112) | (3,653,431) | 5.55 |
| Investment and Other Income | | 1,099,638 | 888,870 | 23.71 |
| Interest Expense | | (63,072) | (78,271) | (19.51) |
| Profits From Operations After Interest Expense | | 1,381,125 | 892,589 | 54.73 |
| Key Ratios Non - Life Insurance | | | | |
| Net Loss Ratio | 33 | 56.85 | 56.05 | 1.44 |
| Net Expense Ratio | 32 | 40.76 | 43.91 | (7.19) |
| Net Combined Ratio | 30 | 97.61 | 99.96 | (2.35) |
| Life Insurance | | | | |
| Gross Written Premium | 19 | 15,027,600 | 13,456,828 | 11.67 |
| Net Written Premium (Net of Reinsurance Premium and Commission) | 35 | 14,653,771 | 13,146,773 | 11.46 |
| Investment and Other Income Attributable to Policyholders | | 7,975,299 | 6,507,792 | 22.55 |
| Net Benefits Payable | | (6,651,682) | (5,956,760) | 11.67 |
| Increase in Long Term Insurance Fund | | (8,397,889) | (7,135,305) | 17.69 |
| Commissions | 13 | (1,693,985) | (1,609,936) | 5.22 |
| Operating and Administrative Expenses Attributable to Policyholders | | (2,969,190) | (2,971,012) | (0.06) |
| Interest Expense | | (8,984) | (10,195) | (11.88) |
| Tax Expenses | | (607,340) | (171,357) | 254.43 |
| Surplus from Life Insurance Business | 25 | 2,300,000 | 1,800,000 | 27.78 |
| Surplus From Life Insurance Business | | 2,300,000 | 1,800,000 | 27.77 |
| Investment & Other Income not Attributable to Policyholders | | 805,389 | 227,908 | 253.38 |
| Operating and Administrative Expenses not Attributable to Policyholders | | 31,929 | (18,235) | (275.09) |
| Interest Expenses | | (932) | (21) | (4,338.09) |
| Tax Expenses | | (57,346) | 50,394 | (213.79) |
| Profits From Operations After Interest Expense | | 3,079,040 | 2,060,046 | 49.46 |

The Notes on Pages 95 through 175 form an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

1.1 General

Ceylinco Insurance PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and its shares are publicly traded on the Colombo Stock Exchange. The registered office of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. The main place of business is located at “Ceylinco House”, 69, Janadhipathi Mawatha, Colombo 1. Additional corporate information is given on page 03.

In the Annual Report of the Board of Directors and in the financial statements, “the Company” refers to Ceylinco Insurance PLC as the holding company and “the Group” refers to the companies whose accounts have been consolidated therein.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka except one subsidiary (Ceylinco Insurance Company (Pvt) Ltd Maldives) and one associate (Sagaramatha Insurance Ltd) which are incorporated and domiciled in the Republic of Maldives and Republic of Nepal respectively.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the group were underwriting of all classes of general insurance, life insurance, healthcare services, fund management, power generation, education and investment holding.

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Date of Authorization for Issue

The consolidated financial statements of Ceylinco Insurance PLC for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of directors on 3rd March 2017.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Investment property is measured at fair value
- Available for sale financial Assets and fair value through profit and loss measured at fair value
- Land and buildings are stated at revalued amounts
- Defined benefit obligations are actuarially valued and recognized at present value of the defined benefit obligation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability

Or

2. In the absence of a principal market, in the most advantageous market for the asset or liability

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

2.3 Functional and Presentation Currency

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

The functional currency of each entity in the group is Sri Lankan rupees, except for Ceylinco Insurance Company (Pvt) Ltd Maldives and Sagaramatha Insurance Ltd whose functional currencies are Rufiya and Rupee respectively.

2.4 Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

Notes to the Consolidated Financial Statements

2.5 Comparative information

As per the IBSL requirement, the Company segregated its General and Life insurance business with effect from 1st June 2015. Therefore, financial information disclosed in 2015 under “Company” includes insurance business information until the date of segregation; 1st June 2015. However, information for the year 2016 includes 12 months information of investment holding business.

The “Group” financial information includes insurance business and other business operations for the 12 months period for respective years. (Refer note 47 for more details on the segregation.)

2.6 Basis of Consolidation

2.6.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The consolidated financial statement comprises the financial statement of the company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Especially, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (ie. Existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

1. The contractual agreement with the other vote holders of the investee
2. Rights arising from other contractual agreements
3. The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities,

income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries touring their accounting policies into line with the Group’s accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, on-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income expenses arising from intra-group transactions and dividend, are eliminated in preparing the consolidated financial statements.

Business Combination

Business combinations were accounted for using the acquisition method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree’s identifiable net assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of LKAS39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6.2 Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investees, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investees.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in these financial statements of the Company and Group.

(a) Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain

Notes to the Consolidated Financial Statements

future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits
- The amount or timing of which is contractually at the discretion of the issuer
- That are contractually based on:
 - The performance of a specified pool of contracts or a specified type of contract
 - Realized and or unrealized investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the company, fund or other entity that issues the contract

(b) *Deferred Acquisition Costs (DAC)*

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums.

DAC for general insurance is 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 amortization is recorded in the income statement. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

(c) *Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. The estimated useful lives for the current and comparative periods are as follows:

| Item | Useful Life |
|-------------------|---------------|
| Computer software | 03 - 05 Years |
| Leasehold rights | 15-99 years |

Intangible assets with infinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

(d) *Segment Reporting*

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operated is not subject to risks and rewards that are significantly different on a geographical basis. Hence disclosure by geographical region is not provided.

(e) *Financial Assets*

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, as appropriate.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date.

The Group's financial assets include cash and short-term deposits, loans and receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognised in the income statement.

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity.

The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the

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expected cash flows is also amortised over the remaining life of the asset using the Effective Interest Rate (EIR). If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR method, less impairment. Gains and losses are recognised in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right 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 Group has transferred substantially all the risks and rewards of the asset; or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(f) *Impairment of Financial Assets*

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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 on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding

future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(g) *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset derecognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(h) *Fair Value of Financial Instruments*

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs. For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published net asset values.

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For financial instruments where there is not an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, net assets, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

The fair value of repo and call deposits with credit institutions is their carrying value. The carrying value is the cost of the investment and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability except for fair value through P&L. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(i) Reinsurance

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and is recognized in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that

the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the re-insurer.

(j) 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.

Insurance receivables are derecognized when the derecognizing criteria for financial assets have been met.

(k) Taxes

• Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or statement of other comprehensive income.

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

The Inland Revenue Act No. 10 of 2006 and amendments there to as well as relevant Board of Investment (BOI) regulations are applied in determining the taxable income/loss of the Company and its subsidiaries.

Certain Subsidiaries of the Company, are tax exempt and tax liable under concessionary rates (Please refer Note No. 37).

• Deferred Tax

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

• Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

Sales Taxes and Premium Taxes

Revenues, expenses and assets are recognised net of the amount of sales taxes and premium taxes except:

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

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

(1) *Investment Properties*

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model, when there are indications of fair value changes in investment property.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

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(m) Investment in Subsidiaries

Investments in Subsidiaries are treated as long - term investments and valued at cost in separate financial statements of the Company.

(n) Investments in Associates

Investments in Associates are recognized at cost in the separate financial statements of the company and accounted under equity method in consolidated financial statements.

(o) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment is stated at cost or valuation less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal.

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

| Item | Useful Life |
|-------------------------------------|-------------|
| Buildings | 50-70 Years |
| Improvement on Leasehold Building | 04-06 Years |
| Furniture and Fittings | 05-10 Years |
| Office Equipment | 03-10 Years |
| Computer Equipment | 02-05 Years |
| Motor Vehicles | 04-05 Years |
| Plant & Machinery/Project Equipment | 4-30 Years |
| Civil Construction | 57-60 Years |
| Medical Equipments | 05 Years |
| Electric Equipment | 05 Years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Revaluations

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value. Land and buildings are revalued in every three years.

The revaluation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount.

(v) De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit and loss in the year the asset is de-recognised. When revalue assets are sold, the amount included in the revaluation reserve are transferred to retained earnings.

(p) Other Assets

(a) Inventories

Inventories include all consumable items and are measured at the lower of cost and net realizable value. Cost is generally determined by reference to weighted average cost. Net realizable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

| | | |
|------------------|---|----------------------------|
| Stationery | } | - First in First out Basis |
| Course Materials | | |
| Books | | |

(b) **Gold**

Gold is measured at realizable value

(q) **Impairment of Non-Financial Assets**

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and cash at bank. Bank overdrafts are included in the statement of financial position under current liabilities.

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

(s) **Leasing**

Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at 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 in finance cost in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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 which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

(t) **Foreign Currency Transactions**

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period adjusted for payments during the period and the cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in profit or loss.

The Group's consolidated financial statements are presented in Sri Lankan rupees which is also the parent company's functional currency. Each Company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) **Transactions and Balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Notes to the Consolidated Financial Statements

(ii) **Group Companies**

The assets and liabilities of foreign operations are translated into rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

(u) **Life Insurance Contract Liabilities**

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross 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, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities'.

The liability is released when the contract expires, discharged or cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

For products containing DPF, the amount of the DPF is deemed to be the investment return on all related assets, where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of net unrealised gains/(losses) and retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realised as of the Statement of Financial Position date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared/undeclared additional benefits, are recorded in liabilities.

(v) **Non-life Insurance Contract Liabilities**

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

The provision comprises of reserve for the net unearned premium, reserve for the deferred acquisition cost (net), reserve for gross outstanding claims and the incurred but not reported (IBNR) provision. Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

(w) **Financial Liabilities – Initial Recognition and Subsequent Measurement**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings, and reinsurance payables.

Subsequent measurement

The subsequent measurement of financial liabilities as follows:

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(x) *Insurance payables*

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

Derecognition insurance payables

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

(y) *Provisions-General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

(z) *Defined Contribution Plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognised as an employee benefit expense in profit or loss when they are due.

(aa) Pensions and Other Post-Employment Benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-

measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to creditors of the Group nor can they be paid directly to the Group.

Fair value is based on market price information and, in the case of quoted securities, it is the published market price. The value of any defined benefit asset is restricted to the sum of any past service cost and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognized as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 – Employee Benefits, Para 58 and IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in other comprehensive income.

However, according to the Payment of Gratuity Act No. 12 of 1973, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the company. The provision is externally funded.

(bb) Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if

Notes to the Consolidated Financial Statements

the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(cc) Stated Capital

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

(dd) Dividends on Ordinary Share Capital

Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

(ee) Earnings Per Share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

(ff) Gross Written Premium

(1.) Non Life Insurance

Gross written premium is generally recognized as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

(2.) Life Insurance

Gross premium on life insurance contracts 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.

(gg) Reinsurance Premium

(1.) Non Life Insurance

Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates.

(2.) Life Insurance

Onward reinsurance premiums are recognized when payable. Reinsurance recoveries are credited to match the relevant gross claims.

(hh) Unearned Premiums- Non Life Insurance

Unearned premiums reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis except for the marine and title Policies in accordance with the Control of Insurance Regulations.

The basis of calculating unearned premiums for marine and title policies are as follows,

| Class of the Policy | Basis |
|---------------------|---|
| Marine | 60% in the same month 40% after three months of underwriting the policy |
| Title | 60% in the same year 40% is deferred until the validity of the policy expires. |

(ii) Revenue from Other Operations

(1) Healthcare Segment

This income of the Company comprises of two avenues i.e. from screening packages and screening tests. All such revenue is recognized in the Statement of Comprehensive Income on accrual basis.

(2) Services

Revenue is recognised in the accounting periods in which the services are rendered.

(3) Power Generation

Revenue is recognized in the accounting period in which the power is generated and supplied to national grid.

(4) Education

Revenue from rendering of services is recognized in the period in which the services are rendered.

(jj) Acquisition Costs

(1.) Non Life Insurance

Acquisition costs, representing commissions, which vary with and are directly related to the production of business, are deferred and amortized over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

(2.) *Life Insurance*

Commission Expense is charged to the period in which it's incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums.

(kk) *Claims*

(1.) *Non Life Insurance*

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR& IBNER (Incurred But Not Enough Reported) are actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends.

Actuarial valuation is performed on an annual basis.

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

(2.) *Life Insurance*

Death claims and surrenders are recorded on the basis of the notification received. Maturities, annuity payments and interim payments are recorded when due.

(3.) *Reinsurance on Claims*

Reinsurance on claims are recognized when the related gross insurance claim is recognised according to the terms of the relevant contract.

(ll) *Other Income*

(1.) *Rental Income*

Rental income from property is recognized in profit or loss on a straight line basis over the term of the lease.

(2.) *Fees and Commission Income*

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue when the related services are performed.

(3.) *Investment Income*

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method.

Investment income also includes dividend income which is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.

(4.) *Realized Gains and Losses*

Realized gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets. 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 occurrence of the sale transaction.

(5.) *Net fair value Gains and Losses*

Net fair value gains and losses recorded in the consolidated income statement include gains and losses on fair valuation of investment properties and gain and losses on financial assets at fair value through P&L.

(mm) *Finance Cost*

Finance cost is recognized as expenditure in the period in which they are incurred. However, finance costs are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.

(nn) *Cash Flow Statement*

The cash flow statement has been prepared using the "direct method".

3.1 Use of Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

| Critical Accounting Judgments, Estimates and Assumptions | Disclosure Reference | |
|---|----------------------|-----------|
| | Note | Page |
| Unearned premium and deferred acquisition cost | 8 & 22 (b)(2) | 117 & 150 |
| Insurance provision - Life Reserve for gross outstanding claims | 22 (a) | 149 |
| Valuation of investment property | 22 (b) (1) | 150 |
| Deferred tax - Utilization of tax losses | 10 | 125 |
| Measurement of defined benefit obligation | 16 (b) (2) & 16 (c) | 145 |
| | 13 | 138 |

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) which will be effective in the future. Further, these standards were not yet applied by the Group in preparation of these Financial Statements.

SLFRS 9 Financial Instruments

In December 2014, CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments: Classification and Measurement which reflects all phases of the financial instruments project and replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

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

The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts — Amendments to SLFRS 4

The amendments change the existing SLFRS 4 Insurance Contracts to allow entities issuing insurance contracts within the scope of SLFRS 4 to mitigate certain effects of applying SLFRS 9 Financial Instruments before the CA Sri Lanka's new insurance contracts standard (referred to as SLFRS 17 Insurance Contracts) becomes effective. The amendments help to resolve issues arising from the different effective dates for SLFRS 9 (1 January 2018) and SLFRS 17 (still to be decided, but not before 1 January 2020).

Entities issuing insurance contracts will still be able to adopt SLFRS 9 on 1 January 2018 without any further specific changes. In addition, the amendments introduce two alternative options that will allow entities issuing contracts within the scope of SLFRS 4:

1. To apply a temporary exemption from applying SLFRS 9 until the earlier of the effective date of a new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. This exemption will only be available to entities whose activities are predominantly connected with insurance (temporary exemption)

Or

2. Adopt SLFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before SLFRS 17 is implemented (overlay approach). The amendments make these alternative options part of SLFRS 4, rather than changing SLFRS 9.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 4 – Insurance Contracts is out of the scope of this standard. Therefore, we may not have a significant impact to insurance transactions from this standard.

However, there could be an impact to other revenue transaction with the implementation of this standard.

Amendments to LKAS 7 Statement of Cash Flows

The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

LKAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between SLFRS 10 and LKAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in SLFRS 3,

between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The ICASL has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

For all above standards to be issued and but not effective, the Group is currently assessing the potential impact on its Financial Statements resulting from the application.

5 SEGMENT INFORMATION

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The Operating Segments represent this business structure.

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

- The life insurance segment offers a wide range of whole life, term assurance, unitised pensions, guaranteed pensions, pure endowment pensions and mortgage endowment products.
- The non-life insurance segment comprises of products namely motor, fire, engineering, marine, employers' liability and miscellaneous.
- Healthcare segment includes Healthcare centre for Cancer Screening, Radiation Treatment units and Diabetes Centre.
- Maldives Foreign operations- this segment offers non-life insurance products in Maldives.
- Education Services segment includes primary, secondary, high education courses through various subsidiary companies.
- Power generation segment business is to generate and distribute hydro power to the national grid.
- Other segment includes investment holding, associate business, investment management & hotel services.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Contd.)

| Segment Income Statement for the year ended 31 December 2016 | Life Insurance | | Non-life Insurance | | Healthcare | Education | Generation | Power | Other Operations | Adjustments and Eliminations | | Total | | |
|--|---------------------|---------------------|--------------------|------------------|--------------------|------------------|------------------|--------------------|--------------------|------------------------------|----------|---------------------|---------|---------|
| | Rs.'000 | | Rs.'000 | | | | | | | Rs.'000 | | | Rs.'000 | |
| | Domestic | Foreign | Domestic | Foreign | | | | | | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 |
| Gross Premiums | 15,027,600 | 16,116,889 | 674,101 | - | - | - | - | - | - | - | - | 31,818,590 | | |
| Premiums Ceded to Reinsurers | (373,829) | (3,493,469) | (579,801) | - | - | - | - | - | - | - | - | (4,447,099) | | |
| Change in Reserve for Unearned Premium | - | (840,303) | 20,792 | - | - | - | - | - | - | - | - | (819,511) | | |
| Net Premiums | 14,653,771 | 11,783,117 | 115,092 | - | - | - | - | - | - | - | - | 26,551,980 | | |
| Revenue from Non Insurance Subsidiaries | - | - | - | 338,904 | 2,232,649 | 185,710 | 111,418 | (15,124) | (15,124) | - | - | 2,853,557 | | |
| Fees and Commission Income | 120,399 | 473,797 | 97,857 | - | - | - | 8,828 | (26,119) | (26,119) | - | - | 674,762 | | |
| Investment Income | 8,195,550 | 1,111,074 | 26,921 | 13,794 | 113,748 | 24,904 | 1,098,767 | (1,098,479) | (1,098,479) | - | - | 9,486,278 | | |
| Realised Gains | (5,283) | (16,636) | 53 | 3,600 | 46,462 | - | - | - | - | - | - | 28,196 | | |
| Fair Value Gains and Losses | 470,023 | 5,200 | - | - | - | - | - | (245,273) | (245,273) | - | - | 229,950 | | |
| Other Revenue | 8,780,688 | 1,573,435 | 124,831 | 356,298 | 2,392,859 | 210,614 | 1,219,013 | (1,384,995) | (1,384,995) | - | - | 13,272,743 | | |
| Segment Revenue | 23,434,460 | 13,356,552 | 239,923 | 356,298 | 2,392,859 | 210,614 | 1,219,013 | (1,384,995) | (1,384,995) | - | - | 39,824,723 | | |
| Gross Benefits and Claims Paid | (6,800,076) | (8,957,729) | (294,148) | - | - | - | - | - | - | - | - | (16,051,953) | | |
| Claims Ceded to Reinsurers | 148,394 | 1,327,607 | 376,036 | - | - | - | - | - | - | - | - | 1,852,037 | | |
| Gross Change in Contract Liabilities | (8,397,889) | (1,526,590) | 227,343 | - | - | - | - | - | - | 29,610 | - | (9,667,526) | | |
| Change in Contract Liabilities Ceded to Reinsurers | - | 2,457,444 | (327,920) | - | - | - | - | - | - | - | - | 2,129,524 | | |
| Cost of Sales - Non Insurance Subsidiaries | - | - | - | (77,768) | (546,705) | (59,315) | (81,416) | - | - | - | - | (765,204) | | |
| Net Benefits and Claims | (15,049,571) | (6,699,268) | (18,689) | (77,768) | (546,705) | (59,315) | (81,416) | 29,610 | 29,610 | - | - | (22,503,122) | | |
| Acquisition Cost | (1,693,985) | (1,356,975) | (37,170) | - | - | - | - | - | - | - | - | (3,088,130) | | |
| Other Operating and Administrative Expenses | (2,937,262) | (3,856,112) | (122,947) | (194,630) | (1,368,618) | (108,907) | (63,240) | 73,941 | 73,941 | - | - | (8,577,775) | | |
| Finance Costs | (9,915) | (63,072) | - | (141) | (56,535) | (13,972) | (218) | - | - | - | - | (143,853) | | |
| Other Expenses | (4,641,162) | (5,276,159) | (160,117) | (194,771) | (1,425,153) | (122,879) | (63,458) | 73,941 | 73,941 | - | - | (11,809,758) | | |
| Segment Benefits, Claims and Other Expenses | (19,690,733) | (11,975,427) | (178,806) | (272,539) | (1,971,858) | (182,194) | (144,874) | 103,551 | 103,551 | - | - | (34,312,880) | | |
| Share of Profit of Associates | - | - | - | - | - | - | 288,518 | - | - | - | - | 288,518 | | |
| Profit Before Taxation | 3,743,727 | 1,381,125 | 61,117 | 83,759 | 421,001 | 28,420 | 1,362,657 | (1,281,444) | (1,281,444) | - | - | 5,800,361 | | |
| Taxation | (664,686) | (72,105) | (10,926) | (14,488) | (60,263) | (22,063) | (13,074) | (96,136) | (96,136) | - | - | (953,741) | | |
| Profit After Taxation | 3,079,041 | 1,309,020 | 50,191 | 69,271 | 360,738 | 6,357 | 1,349,583 | (1,377,580) | (1,377,580) | - | - | 4,846,618 | | |

| Segment Income Statement for the year ended 31 December 2015 | | | | | | | | | | | | |
|--|---------------------|---------------------|--------------------|------------------|--------------------|------------------|-----------------|------------------|------------------|------------------------------|----------|---------------------|
| | Life Insurance | | Non-life Insurance | | Healthcare | Education | Generation | Power | Other Operations | Adjustments and Eliminations | | Total |
| | Rs.'000 | Rs.'000 | Domestic | Foreign | | | | | | Rs.'000 | Rs.'000 | |
| Gross Premiums | 13,456,827 | 13,557,833 | 969,499 | - | - | - | - | - | - | - | - | 27,984,159 |
| Premiums Ceded to Reinsurers | (310,055) | (2,987,485) | (822,485) | - | - | - | - | - | - | - | - | (4,120,025) |
| Change in Reserve for Unearned Premium | | (417,517) | 39,715 | - | - | - | - | - | - | - | - | (377,802) |
| Net Premiums | 13,146,772 | 10,152,831 | 186,729 | - | - | - | - | - | - | - | - | 23,486,332 |
| Revenue from Non Insurance Subsidiaries | - | - | - | 310,693 | 2,100,798 | 423,592 | 69,973 | (44,828) | - | - | - | 2,860,228 |
| Fees and Commission Income | 90,377 | 424,621 | 126,022 | - | - | - | 9,959 | (8,205) | - | - | - | 642,774 |
| Investment Income | 6,474,614 | 858,519 | 40,560 | 58 | 55,417 | 18,792 | 204,856 | (180,839) | - | - | - | 7,471,977 |
| Realised Gains | 61,173 | 30,351 | - | - | - | 2,508 | 477,332 | (476,780) | - | - | - | 94,584 |
| Fair Value Gains and Losses | 114,798 | - | - | - | - | - | - | - | - | - | - | 114,798 |
| Other Revenue | 6,740,962 | 1,313,491 | 166,582 | 310,751 | 2,156,215 | 444,892 | 762,120 | (710,652) | - | - | - | 11,184,361 |
| Segment Revenue | 19,887,734 | 11,466,322 | 353,311 | 310,751 | 2,156,215 | 444,892 | 762,120 | (710,652) | - | - | - | 34,670,693 |
| Gross Benefits and Claims Paid | (6,109,171) | (6,400,794) | (365,429) | - | - | - | - | - | - | - | - | (12,875,394) |
| Claims Ceded to Reinsurers | 152,427 | 882,258 | 142,413 | - | - | - | - | - | - | - | - | 1,177,098 |
| Gross Change in Contract Liabilities | (7,135,304) | (206,970) | 41,073 | - | - | - | - | - | - | - | - | (7,301,201) |
| Change in Contract Liabilities Ceded to Reinsurers | - | 34,988 | 124,204 | - | - | - | - | - | - | - | - | 159,192 |
| Cost of Sales - Non Insurance Subsidiaries | - | - | - | (63,646) | (553,563) | (67,775) | (35,144) | - | - | - | - | (720,125) |
| Net Benefits and Claims | (13,092,048) | (5,690,518) | (57,739) | (63,646) | (553,563) | (67,775) | (35,144) | - | - | - | - | (19,560,433) |
| Acquisition Cost | (1,610,178) | (1,151,513) | (59,517) | - | - | - | - | - | - | - | - | (2,821,208) |
| Other Operating and Administrative Expenses | (2,994,098) | (3,653,431) | (141,277) | (188,862) | (1,260,903) | (99,382) | (42,765) | 38,633 | - | - | - | (8,342,088) |
| Finance Costs | (10,214) | (78,271) | (9) | (3,766) | (31,279) | (14,964) | (113) | 14,398 | - | - | - | (124,218) |
| Other Expenses | (4,614,490) | (4,883,215) | (200,803) | (192,628) | (1,292,182) | (114,346) | (42,878) | 53,031 | - | - | - | (11,287,511) |
| Segment Benefits, Claims and Other Expenses | (17,706,538) | (10,573,733) | (258,542) | (256,274) | (1,845,745) | (182,121) | (78,022) | 53,031 | - | - | - | (30,847,944) |
| Share of Profit of Associates | - | - | - | - | - | - | 275,724 | - | - | - | - | 275,724 |
| Profit Before Taxation | 2,181,196 | 892,589 | 94,769 | 54,477 | 310,470 | 262,771 | 959,822 | (657,621) | - | - | - | 4,098,473 |
| Taxation | (120,963) | (193,295) | (13,777) | (21,150) | (24,926) | (46,411) | (7,392) | (20,343) | - | - | - | (448,257) |
| Profit After Taxation | 2,060,233 | 699,294 | 80,992 | 33,327 | 285,544 | 216,360 | 952,430 | (677,964) | - | - | - | 3,650,216 |

Segments of Life insurance and Non-life reflect financial information in a consistent manner in 2015 & 2016.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Contd.)

| Segment Statement of Financial Position at 31 December 2016 | Life Insurance | | Non-life Insurance | | Healthcare | Education | Power Generation | Other Operations | Adjustments and Eliminations | | | | | |
|---|-------------------|-------------------|--------------------|----------------|----------------|------------------|------------------|-------------------|------------------------------|--------------------|--------------------|---------|---------|---------|
| | Rs.'000 | Rs.'000 | Domestic | Foreign | | | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | | | | | | | | | | | | | | |
| Intangible Assets (Incl. Goodwill) | 2,759 | 125,920 | - | - | 491 | 187,390 | 1,604 | - | - | - | 318,165 | | | |
| Property, Plant & Equipment | 7,068,634 | 2,842,907 | 3,189 | 3,189 | 478,272 | 3,358,965 | 1,281,818 | 10,442 | 952,262 | 15,996,496 | 1,152,061 | | | |
| Investment Property | 1,796,000 | 155,000 | - | - | - | - | - | 153,332 | (952,262) | 73,306 | 2,294,307 | | | |
| Investment in Associates | 437,994 | - | - | - | - | - | 26,147 | 1,756,861 | - | - | - | | | |
| Investments in Subsidiaries | 1,021,000 | - | - | - | - | - | - | 15,966,553 | (16,987,553) | - | - | | | |
| Financial Instruments | 77,496,111 | 9,852,650 | 374,720 | 374,720 | 414,968 | 337,956 | 30,814 | 2,221,264 | (256,406) | 90,472,077 | 4,055,498 | | | |
| Reinsurance Assets | 41,298 | 3,831,541 | 182,659 | 182,659 | - | - | - | - | - | - | - | | | |
| Insurance/Trade Receivables | 1,593,558 | 3,598,682 | 177,125 | 177,125 | 5,612 | 249,434 | 16,942 | - | - | - | 5,641,353 | | | |
| Other Assets | 7,000,735 | 3,036,663 | 181,357 | 181,357 | 22,315 | 318,669 | 179,645 | 106,582 | (11,401) | 10,834,567 | - | | | |
| Total Assets | 96,458,089 | 23,443,363 | 919,050 | 919,050 | 921,658 | 4,452,414 | 1,536,970 | 20,215,034 | (17,182,054) | 130,764,524 | 89,063,920 | | | |
| Insurance Contract Liabilities | 78,258,243 | 11,435,157 | 277,409 | 277,409 | - | - | - | - | (906,889) | - | - | | | |
| Other Liabilities | 6,288,017 | 3,207,070 | 299,659 | 299,659 | 82,277 | 1,704,312 | 212,259 | 1,342,899 | (57,875) | 13,078,621 | - | | | |
| Total Liabilities | 84,546,260 | 14,642,227 | 577,068 | 577,068 | 82,277 | 1,704,312 | 212,259 | 1,342,899 | (964,764) | 102,142,541 | 102,142,541 | | | |

| Segment Statement of Financial Position at 31 December 2015 | Life Insurance | | Non-life Insurance | | Healthcare | Education | Power Generation | Other Operations | Adjustments and Eliminations | | | | | |
|---|-------------------|-------------------|--------------------|------------------|----------------|------------------|------------------|-------------------|------------------------------|--------------------|-------------------|---------|---------|---------|
| | Rs.'000 | Rs.'000 | Domestic | Foreign | | | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | | | | | | | | | | | | | | |
| Intangible Assets (Incl. Goodwill) | 651 | 78,847 | - | - | 594 | 187,987 | 2,230 | - | - | - | 270,309 | | | |
| Property, Plant & Equipment | 5,343,754 | 2,297,254 | 4,648 | 4,648 | 538,348 | 1,752,043 | 1,334,395 | 11,446 | 706,990 | 11,988,889 | 1,205,105 | | | |
| Investment Property | 1,399,171 | 359,600 | - | - | - | - | - | 153,332 | (706,990) | 73,306 | 1,889,168 | | | |
| Investment in an Associate | 365,553 | - | - | - | - | - | 26,147 | 1,424,162 | - | - | - | | | |
| Investments in Subsidiaries | 521,000 | - | - | - | - | - | - | 15,966,553 | (16,487,553) | - | - | | | |
| Financial Instruments | 64,853,851 | 8,591,729 | 442,541 | 442,541 | 11,461 | 129,295 | 4,942 | 1,256,688 | (318,117) | 74,972,390 | 2,726,342 | | | |
| Reinsurance Assets | 46,007 | 2,169,757 | 510,578 | 510,578 | - | - | - | - | - | - | - | | | |
| Insurance/Trade Receivables | 1,528,035 | 2,877,519 | 173,488 | 173,488 | 8,567 | 215,478 | 126,498 | 73 | - | 4,929,658 | - | | | |
| Other Assets | 6,177,151 | 3,259,356 | 199,705 | 199,705 | 6,087 | 309,901 | 177,078 | 65,296 | (11,401) | 10,183,173 | - | | | |
| Total Assets | 80,235,173 | 19,634,062 | 1,330,960 | 1,330,960 | 565,057 | 2,594,704 | 1,671,290 | 18,877,550 | (16,743,765) | 108,165,034 | 77,001,968 | | | |
| Insurance Contract Liabilities | 68,279,598 | 9,086,178 | 490,544 | 490,544 | - | - | - | - | (854,352) | - | - | | | |
| Other Liabilities | 2,509,201 | 2,665,014 | 481,212 | 481,212 | 44,948 | 1,202,838 | 261,937 | 1,049,386 | (124,479) | 8,090,057 | - | | | |
| Total Liabilities | 70,788,799 | 11,751,192 | 971,756 | 971,756 | 44,948 | 1,202,838 | 261,937 | 1,049,386 | (978,831) | 85,092,025 | 85,092,025 | | | |

Segments of Life insurance and Non-life insurance reflect financial information in a consistent manner in 2015 & 2016.

5A. SUMMARIZED INFORMATION OF MATERIAL PARTLY- OWNED SUBSIDIARIES

| | Energy Lanka Holdings Rs.000' | CEG Education Holdings Rs.000' |
|---|-------------------------------------|--------------------------------------|
| Summarized Income Statement for the year ended 31st December 2016 | | |
| Revenue | 210,614 | 2,392,859 |
| Cost of Sale | (59,315) | (546,705) |
| Administrative Expenses | (108,907) | (1,368,618) |
| Finance Cost | (13,972) | (56,535) |
| Profit Before Tax | 28,420 | 421,001 |
| Profit for the year from Continuing Operation | | |
| Total Comprehensive Income | 6,237 | 1,464,394 |
| Attributable to Non-Controlling Interests | 449 | 745,399 |
| Dividends Paid to Non-Controlling Interest | 4,771 | 48,821 |
| Summarized Income Statement for the year ended 31st December 2015 | | |
| Revenue | 444,892 | 2,156,215 |
| Cost of Sale | (67,775) | (553,563) |
| Administrative Expenses | (99,382) | (1,260,903) |
| Finance Cost | (14,964) | (31,279) |
| Profit Before Tax | 262,771 | 310,470 |
| Profit for the Year from Continuing Operation | | |
| Total Comprehensive Income | 215,380 | 271,579 |
| Attributable to Non-Controlling Interests | 5,707 | 112,635 |
| Dividends paid to Non-Controlling Interests | 4,780 | 32,012 |
| Summarized Statement of Financial Position as at 31 December 2016 | | |
| Current Assets | 227,401 | 906,059 |
| Non-Current Assets | 1,309,569 | 3,546,355 |
| Current Liabilities | 88,469 | 967,735 |
| Non-Current Liabilities | 123,790 | 736,577 |
| Total Equity | 1,300,438 | 2,183,224 |
| Summarized Statement of Financial Position as at 31 December 2015 | | |
| Current Assets | 334,665 | 654,674 |
| Non-Current Assets | 1,336,625 | 1,940,030 |
| Current Liabilities | 61,399 | 829,107 |
| Non-Current Liabilities | 168,742 | 373,731 |
| Total Equity | 1,441,150 | 1,391,865 |
| Please refer Note 38 for details of non-controlling interest | | |
| Summarized Statement of Cash Flows information for the year ended 31 December 2016 | | |
| Operating Cash flows | 141,786 | 510,131 |
| Investing Cash flows | (26,498) | (770,018) |
| Financing Cash flows | (121,394) | 213,467 |
| Net Increase /(Decrease) In cash and cash equivalents | (6,106) | (46,420) |
| Summarized Statement of Cash Flows information for the year ended 31 December 2015 | | |
| Operating Cash flows | 152,716 | 700,313 |
| Investing Cash flows | (10,425) | (720,306) |
| Financing Cash flows | (121,402) | (70,173) |
| Net Increase /(Decrease) In cash and cash equivalents | 20,889 | (90,166) |

Notes to the Consolidated Financial Statements

6 GOODWILL

| As at 31 December | Group | |
|-------------------------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 |
| Cost | | |
| At 1 January | 188,057 | 193,162 |
| Reclassification | - | (5,105) |
| At 31 December | 188,057 | 188,057 |
| Accumulated Impairment | | |
| At 1 January | 6,753 | - |
| Impairment during the year | - | 6,753 |
| At 31 December | 6,753 | 6,753 |
| Carrying Amount | | |
| At 31 December | 181,304 | 181,304 |

The amount represents Goodwill reflected in the CEG Education Holdings (Pvt) Ltd which is included under Education Segment.

The Group performs its annual impairment test as at 31st December of each financial year. The Group considers the net assets position and future cash flows of each operating segment when assessing the recoverable amount. As at 31st December 2016, there were no potential impairment of goodwill except Net Assist International (Pvt) Ltd for which provision has been made in 2015.

Accounting judgments, Estimates and Assumptions

Impairment of goodwill exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

7 OTHER INTANGIBLE ASSETS/LEASE HOLD RIGHT

| | Note | Lease Hold Right Rs.'000 | Group Computer Software & License Rs.'000 | Total Rs.'000 |
|--|------|--------------------------------|---|------------------|
| Cost | | | | |
| At 1 January 2016 | | 9,250 | 428,075 | 437,325 |
| Cost Capitalised | | - | 87,911 | 87,911 |
| At 31 December 2016 | | 9,250 | 515,986 | 525,236 |
| Accumulated Amortisation and Impairment | | | | |
| At 1 January 2016 | | 7,020 | 341,300 | 348,320 |
| Amortisation | 35 | 626 | 39,429 | 40,055 |
| At 31 December 2016 | | 7,646 | 380,729 | 388,375 |
| Carrying Amount | | | | |
| At 1 January 2016 | | 2,230 | 86,775 | 89,005 |
| At 31 December 2016 | | 1,604 | 135,257 | 136,861 |

Lease hold right is occupied by Ceypower Cascades (Pvt) Ltd on the Belihuloya Land. Please refer note 49 (b) for the reclassification note for comparative figures.

7.1 Acquisition of Other Intangible Assets during the year

During the financial year, the Group acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 87,911,000/- (2015 - Rs. 71,284,000/-). Cash payments amounting to Rs. 87,911,000/- (2015 - Rs. 71,284,000/-) were made during the year for purchase of Intangible assets (Computer Software & License).

7.2 Title restriction on Other Intangible Assets

There are no restrictions that existed on the title of the Intangible Assets as at the reporting date.

7.3 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31st December 2016. Based on the assessment, no impairment indicators were identified.

7.4 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2015 - Nil)

8 DEFERRED EXPENSES

| | Group Deferred Acquisition Costs (DAC) Insurance Contracts Rs.'000 |
|----------------------------|--|
| At 1 January 2016 | 778,442 |
| Expenses Deferred | 1,632,332 |
| Amortisation | (1,530,253) |
| At 31 December 2016 | 880,521 |

Deferred Acquisition Cost is those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and deferred to the extent that these costs are recoverable out of future premiums.

Notes to the Consolidated Financial Statements

9 PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|----------------------------|------------------|------------------|-------------------|------------------|------------------|--------------------|----------------------|----------------|-------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At Cost/Valuation | | | | | | | | | |
| At 1 January 2016 | 4,133,055 | 4,710,308 | 1,755,275 | 1,593,519 | 1,043,724 | 948,734 | 771,493 | 3,870 | 14,959,978 |
| Additions/Transfers | 405,691 | 112,307 | 4,583 | 397,454 | 83,759 | 95,840 | 37,405 | 167,402 | 1,304,441 |
| Disposals | (30,000) | (15,184) | (388) | (116,498) | (3,954) | (136,581) | (12,665) | - | (315,270) |
| Revaluation | 2,545,137 | 771,131 | - | - | - | - | - | - | 3,316,268 |
| At 31 December 2016 | 7,053,883 | 5,578,562 | 1,759,470 | 1,874,475 | 1,123,529 | 907,993 | 796,233 | 171,272 | 19,265,417 |

| Group | Freehold Land | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|----------------------------|---------------|----------------|-------------------|----------------|------------------|--------------------|----------------------|-------------|------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 January 2016 | - | 250,764 | 553,182 | 476,298 | 575,336 | 670,823 | 444,686 | - | 2,971,089 |
| Depreciation | - | 111,702 | 93,420 | 222,770 | 141,617 | 85,651 | 64,209 | - | 719,369 |
| Disposals | - | (136) | (363) | (88,536) | (2,017) | (106,191) | (4,618) | - | (201,861) |
| Revaluation | - | (219,676) | - | - | - | - | - | - | (219,676) |
| At 31 December 2016 | - | 142,654 | 646,239 | 610,532 | 714,936 | 650,283 | 504,277 | - | 3,268,921 |

| Group | Freehold Land | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|-----------------------------------|---------------|-----------|-------------------|----------------|------------------|--------------------|----------------------|-------------|------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Carrying Amount at Cost/Valuation | | | | | | | | | |
| At 1 January 2016 | 4,133,055 | 4,459,544 | 1,202,093 | 1,117,221 | 468,388 | 277,911 | 326,807 | 3,870 | 11,988,889 |
| At 31 December 2016 | 7,053,883 | 5,435,908 | 1,113,231 | 1,263,943 | 408,593 | 257,710 | 291,956 | 171,272 | 15,996,496 |

Please refer note 49 (b) for the reclassification note for comparative figures.

Movement of Revalued free hold Land and Building if accounted on Cost basis

| | Freehold Land Rs.'000 | Building Rs.'000 |
|----------------------------|--------------------------|---------------------|
| At Cost | | |
| At 1 January 2016 | 4,414,926 | 3,946,559 |
| Additions/Transfers | 94,836 | 109,902 |
| Disposals | (30,000) | (2,640) |
| At 31 December 2016 | 4,479,762 | 4,053,821 |

Movement of Revalued free hold Land and Building if accounted on Cost basis

| | Freehold Land Rs.'000 | Building Rs.'000 |
|---------------------------------|--------------------------|---------------------|
| Accumulated Depreciation | | |
| At 1 January 2016 | - | 125,995 |
| Depreciation | - | 93,818 |
| Disposals | - | (136) |
| At 31 December 2016 | - | 219,677 |

| | Freehold Land Rs.'000 | Building Rs.'000 |
|--------------------------------|--------------------------|---------------------|
| Carrying Amount at Cost | | |
| At 1 January 2016 | 4,414,926 | 3,820,564 |
| At 31 December 2016 | 4,479,762 | 3,834,144 |

| Company | Freehold | | | |
|----------------------------|----------|-----------------|---------------------|------------------|
| | Note | Land Rs.'000 | Building Rs.'000 | Total Rs.'000 |
| At Valuation | | | | |
| At 1 January 2016 | | 500 | 2,900 | 3,400 |
| At 31 December 2016 | | 500 | 2,900 | 3,400 |

| | | | | |
|---------------------------------|----|----------|------------|------------|
| Accumulated Depreciation | | | | |
| At 1 January 2016 | | - | 58 | 58 |
| Depreciation | 35 | - | 58 | 58 |
| At 31 December 2016 | | - | 116 | 116 |

| | | | | |
|-------------------------------------|--|------------|--------------|--------------|
| Carrying Amount at Valuation | | | | |
| At 1 January 2016 | | 500 | 2,842 | 3,342 |
| At 31 December 2016 | | 500 | 2,784 | 3,284 |

Notes to the Consolidated Financial Statements

9 PROPERTY, PLANT AND EQUIPMENT (Contd.) 9.1 Details of Freehold Land & Building

Group

General Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|--|------------------|-----------------|--------------------------|---------------------------------|------------------------------------|--------------|-------------------|---------|-----------------------|
| | | | | | | Land Rs.'000 | Buildings Rs.'000 | | |
| 282, High Level Road, Kottawa | 862 | Condominium | Investment Method | Rent per Sq.ft per month | Rs. 60 | 3,700 | 5,300 | 9,000 | 31/12/2016 |
| 97, Bauddhaloka Mawatha, Gampaha | 8360 | A-0-R-0-P 16.50 | Market Comparable Method | Price per perch | Rs. 2,750,000 | 45,375 | 36,625 | 82,000 | 31/12/2016 |
| 42/1, Mihidu Mawatha, Kurunegala | 8425 | A-0-R-0-P 8.2 | Market Comparable Method | Price per Sq ft | Rs. 6500 | 41,000 | 55,000 | 96,000 | 31/12/2016 |
| 583/ 63 Liyanagemulla, Seeduwa | 43080 | A-3-R-1-P .3.6 | Market Comparable Method | Price per Sq ft | Rs. 8000 | 131,000 | 39,000 | 170,000 | 31/12/2016 |
| 60, Yovunpitiya Watte, Gnanawimala Mawatha. | 11282 | A-0-R-1-P 29 | Market Comparable Method | Price per Sq ft | Rs. 660 - 4000 | 20,700 | 50,300 | 71,000 | 31/12/2016 |
| Kosgoda, Balapitiya | | | | Price per Sq ft | Rs. 5500 | | | | |
| 63, Janadhipathi Mawatha, Colombo I. | - | A-0-R-0-P 13.84 | Market Comparable Method | Price per perch | Rs. 10,000,000 | 138,500 | - | 138,500 | 31/12/2016 |
| 3 rd,4 th, 7 th & 11 th Floors of Ceylinco House Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo I. | 31332 | - | Investment basis | Rent per Sq.ft per month | Rs. 10,000,000 Rs. 165-200 | - | 676,000 | 676,000 | 31/12/2016 |
| 46 / 34, "VIP Centre", Nawam Mawatha, Colombo 2. | 18068 | A-0-R-0-P 19.00 | Market Comparable Method | Price per perch | Rs. 10,000,000 | 190,000 | 174,000 | 364,000 | 31/12/2016 |
| Madabawita, Warakapola | 608 | A-0-R-0-P 16.25 | Market Comparable Method | Price per Sq ft | Rs. 7500 | 6,900 | 2,100 | 9,000 | 31/12/2016 |
| Malangama, Kuruwita | 650 | A-0-R-0-P 15.00 | Market Comparable Method | Price per Sq ft | Rs. 4000 | 6,750 | 2,250 | 9,000 | 31/12/2016 |

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|-------------------------|------------------|-----------------|--------------------------|---------------------------------|------------------------------------|----------|-----------|-----------|-----------------------|
| | | | | | | Land | Building | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| Induruwa, Kosgoda | 856 | A-0-R-0-P-24.30 | Market Comparable Method | Price per perch | Rs. 400,000 | 9,720 | 3,080 | 12,800 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 4500 | | | | |
| Ibbagamuwa, Melsiripura | 620 | A-0-R-1-P-00.00 | Market Comparable Method | Price per perch | Rs. 200,000 | 8,000 | 2,000 | 10,000 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 4000 | | | | |
| Unakuruwa, Tangalle | 798 | A-0-R-1-P-20.00 | Market Comparable Method | Price per perch | Rs. 250,000 | 5,000 | 2,800 | 7,800 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 4000 | | | | |
| Bibilioya, Kithulgala | 5326 | A-0-R-2-P-00.07 | Market Comparable Method | Price per perch | Rs. 200,000 | 17,400 | 19,600 | 37,000 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 4000 - 4500 | | | | |
| Ibbanwewa, Pussellawa | - | A-0-R-0-P-11.60 | Market Comparable Method | Price per perch | Rs. 260,000 | 3,000 | - | 3,000 | 31/12/2016 |
| Puttalam -South, Mundel | 705 | A-0-R-0-P-20.0 | Market Comparable Method | Price per perch | Rs. 100,000 | 2,000 | 2,840 | 4,840 | 31/12/2016 |
| Total | | | | | | 629,045 | 1,070,895 | 1,699,940 | |

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|--|------------------|------------------|--------------------------|---------------------------------|------------------------------------|----------|-----------|---------|-----------------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| No.115, Greens Road, Negombo | 13,169 | A-0-R-0-P-15.00 | Investment Method | Rent per Sq.ft per month | Rs.15 - Rs. 70 | 30,000 | 46,000 | 76,000 | 31/12/2016 |
| No. 63, Janadhipathi Mawatha, Colombo1 | - | A-0-R-0-P-13.84 | Residual Method | Price per perch | Rs. 10,000,000 | 138,500 | - | 138,500 | 31/12/2016 |
| | | | | Rent per Sq.ft per month | Rs. 230 | | | | |
| No.60,Colombo Road,Kaluwella, Galle | 11,385 | A-0-R-0-P-15.00 | Investment Method | Rent per Sq.ft per month | Rs.30 - Rs. 110 | 37,000 | 59,000 | 96,000 | 31/12/2016 |
| No.54, Harichandra Mawatha, Anuradhapura | 23,100 | A-0-R-1-P-10.68 | Investment Method | Rent per Sq.ft per month | Rs.12 - Rs.60. | 61,000 | 114,000 | 175,000 | 31/12/2016 |
| Serene Resorts, Bopitiya Road, Uswetakeiyawa | 37,184 | A-02-R-03-P-30 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 141,000 | 146,000 | 287,000 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 3,000 - Rs 5,500 | | | | |
| No.144 ,Hambanthota Road, Kachcheriyagama, Tissamaharama | 8,130 | A-0-R-1-P- 00.00 | Replacement Cost Method | Price per perch | Rs. 1,000,000 | 30,000 | 41,000 | 71,000 | 31/12/2016 |
| | | | | Price per Sq ft | Rs. 6,000 | | | | |

Notes to the Consolidated Financial Statements

9 PROPERTY, PLANT AND EQUIPMENT (Contd.)

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|--|------------------|-----------------|------------------------------|---------------------------------|------------------------------------|--------------|-------------------|-----------|-----------------------|
| | | | | | | Land Rs.'000 | Buildings Rs.'000 | | |
| No.45,Dharmapala Mawatha , Rathnapura | 3,022 | A-0-R-0-P-35.50 | Investment Method | Rent per Sq.ft per month | Rs.30 - Rs.100. | 71,000 | 9,200 | 80,200 | 31/12//2016 |
| No.45,Dharmapala Mawatha , Rathnapura (New Building) | 8,102 | - | Investment Method | Rent per Sq.ft per month | Rs.30 - Rs.100. | - | 68,800 | 68,800 | 31/12//2016 |
| No.264, Galle Road , Panadura | 7,116 | A-0-R-1-P-4.12 | Investment Method | Rent per Sq.ft per month | Rs.55 - Rs.100. | 154,000 | 49,000 | 203,000 | 31/12//2016 |
| No.423, Main Street , Kalutara | 12,000 | A-0-R-0-P-32.75 | Investment Method | Rent per Sq.ft per month | Rs.35 - Rs.60. | 49,000 | 79,000 | 128,000 | 31/12//2016 |
| No.327, Badulla Road , Bandarawela | 8,970 | A-0-R-0-P-17.01 | Market Comparable Method | Price per perch | Rs. 9,000,000 | 15,000 | 88,000 | 103,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 9,800 | | | | |
| No.106, Havelock Road, Colombo 05 | 61,630 | A-0-R-0-P-35.27 | Investment Method | Rent per Sq.ft per month | Rs.190 - Rs.200. | 353,000 | 673,000 | 1,026,000 | 31/12//2016 |
| No.32, Mistry Hills, Nuwara Eliya | 4,727 | A-0-R-0-P-26.9 | Direct Comparison Method | Price per perch | Rs. 450,000 | 12,000 | 22,000 | 34,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 5,000 | | | | |
| No.15 , Rextdias Mawatha, Wennappuwa | 8,663 | A-0-R-0-P-37.40 | Investment Method | Rent per Sq.ft per month | Rs.20 - Rs.70. | 28,000 | 59,000 | 87,000 | 31/12//2016 |
| No.91, Baudhaloka Mawatha, Gampaha | 9,458 | A-0-R-0-P-32.5 | Investment Method | Rent per Sq.ft per month | Rs.65 - Rs. 100 | 89,000 | 68,000 | 157,000 | 31/12//2016 |
| No.40, Rajapihilla Road, Kurunegala | 10,485 | A-0-R-0-P-15.5 | Investment Method | Rent per Sq.ft per month | Rs.50 - Rs. 80 | 31,000 | 89,000 | 120,000 | 31/12//2016 |
| No.90/4, Kurunegala Road, Chilaw | - | A-0-R-0-P-30.0 | Direct Comparison Method | Price per perch | Rs. 600,000 | 18,000 | - | 18,000 | 31/12//2016 |
| No.38, Abdul Gafoor Mawatha, Colombo 03 | - | A-0-R-1-P-4.5 | Income Capitalization Method | Price per perch | Rs. 10,000,000 | 445,000 | - | 445,000 | 31/12//2016 |
| No.406, Galle Road, Rawatawatta, Moratuwa | 6,874 | A-0-R-0-P.39.73 | Investment Method | Rent per Sq.ft per month | Rs.30 - Rs. 70 | 99,000 | 16,000 | 115,000 | 31/12//2016 |
| No.37,39 & 41, Kannarthiddy Road, Jaffna | 4,144 | A-0-R-1-P-7.9 | Investment Method | Rent per Sq.ft per month | Rs.100 - Rs. 180 | 86,000 | 12,000 | 98,000 | 31/12//2016 |
| No.22 (New 32), Lloyd's Avenue, Batticaloa | 12,317 | A-0-R-0-P-23.83 | Investment Method | Rent per Sq.ft per month | Rs.20 - Rs. 70 | 35,000 | 82,000 | 117,000 | 31/12//2016 |
| No.2, Gower Street Colombo-05 | 5,210 | A-0-R-1-P-27.25 | Market Comparable Method | Price per perch | Rs. 10,000,000 | 672,500 | 14,500 | 687,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 5,000 | | | | |
| No.20 & 22/3 Kandy Road, Trincomalee | 10,910 | A-0-R-1-P-20 | Contractor's Test Method | Price per perch | Rs. 750,000 | 40,000 | 90,000 | 130,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 8,000 | | | | |
| No.38,38/B Rajapilla Road, Kurunegala | - | A-0-R-0-P-23.93 | Market Comparable Method | Price per perch | Rs. 2,000,000 | 48,000 | - | 48,000 | 31/12//2016 |
| No.92 & 98 Jampettiah Street, Colombo -13 | 17,000 | A-0-R-1-P-11.22 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 146,000 | 71,000 | 217,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 5,000 - Rs.6,000. | | | | |
| No.70, Park Street, Colombo 02 | 4,510 | A-0-R-1-P-32.4 | Investment Method | Rent per Sq.ft per month | Rs.125 - Rs. 160 | 724,000 | 122,000 | 846,000 | 31/12//2016 |
| No.615, Galle Road, Mount Lavinia | 4,315 | A-0-R-1-P-12.5 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 157,500 | 19,500 | 177,000 | 31/12//2016 |
| | | | | Price per Sq ft | Rs. 5,000 | | | | |

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land | | Date of the Valuation |
|---|------------------|-----------------|--------------------------|---------------------------------|------------------------------------|---------------|-----------|-----------------------|
| | | | | | | Rs. '000 | Rs. '000 | |
| No.274, Panadura Road, Horana | 5,859 | A-0-R-0-P-25.5 | Investment Method | Rent per Sq.ft per month | Rs.60 - Rs.100 | 46,000 | 39,000 | 85,000 31/12/2016 |
| No.65, King Street, Kandy | 14650 | A-0-R-1-P-1.25 | Investment Method | Rent per Sq.ft per month | Rs.80 - Rs.160 | 227,000 | 49,000 | 276,000 31/12/2016 |
| No.45, Anagarika Dharmapala Mawatha, Matara | 7232 | A-0-R-0-P-26.44 | Replacement Cost Method | Price per perch | Rs. 4,250,000 Rs. 4,500 | 112,500 | 19,500 | 132,000 31/12/2016 |
| No.213, Highlevel Road, Nugegoda | - | A-0-R-0-P-23.75 | Market Comparable Method | Price per perch | Rs. 3,350,000 | 80,000 | - | 80,000 31/12/2016 |
| No.15A, Jaya Mawatha, Kadawatha | - | A-0-R-0-P-19.5 | Market Comparable Method | Price per perch | Rs. 870,000 | 17,000 | - | 17,000 31/12/2016 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (5th Floor) | 11,323 | - | Investment Method | Rent per Sq.ft per month | Rs. 160 | - | 226,000 | 226,000 31/12/2016 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 1,300 | - | Investment Method | Rent per Sq.ft per month | Rs. 165 | - | 25,541 | 25,541 31/12/2016 |
| No. 60, Park Street, Colombo 02 | 34,854 | A-0-R-1-P-2.82 | Investment Method | Rent per Sq.ft per month | Rs.125 - Rs. 160 | 428,000 | 210,000 | 638,000 31/12/2016 |
| No. 70, Park Street, Colombo 02 | 4,510 | - | Market Comparable Method | Price per perch | - | - | 62,722 | 62,722 31/12/2016 |
| Total | | | | | | 4,621,000 | 2,669,763 | 7,290,763 |
| Sub Total | | | | | | 5,250,045 | 3,740,658 | 8,990,703 |
| Land & Buildings -Ceylinco Insurance PLC and Other Subsidiaries | | | | | | 1,803,838 | 1,837,904 | 3,641,742 |
| Group - Total | | | | | | 7,053,883 | 5,578,562 | 12,632,445 |

The Group uses the revaluation model of measurement of land and buildings. The Land and Buildings of Ceylinco General Insurance Ltd., Ceylinco Life Insurance Ltd., and CEG Education Group were revalued by an independent expert valuer, Mr.W.M.Chandrasena Incorporated valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuation is based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

The net revaluation surplus was transferred to Revaluation Reserve.

Company

| Addresses | Building Sq. Ft. | Extent Perches | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land | | Date of the Valuation |
|--------------------------|------------------|----------------|--------------------------|--|------------------------------------|---------------|----------|-----------------------|
| | | | | | | Rs. '000 | Rs. '000 | |
| Panagoda | 2,500 | A-0-R-0-P 20.3 | Market Comparable Method | Rent per Sq. ft Per Month or Price per perch | 52.50 or 2,500,000 | - | 2,900 | 2,900 |
| 72, Pamunuwa, Maharagama | - | A-0-R-0-P 31 | | | | 500 | - | 500 |
| Total | | | | | | 500 | 2,900 | 3,400 |

The Company's Land & Buildings No.72, Pamunuwa, Maharagama and Panagoda were stated at cost.

Notes to the Consolidated Financial Statements

9 PROPERTY, PLANT AND EQUIPMENT (Contd.)

9.2 Acquisition of Property, Plant and Equipment during the year

During the financial year, the Group acquired PPE to the aggregate value of Rs. 1,137,039,000/- (2015 - Rs. 2,463,489,000/-). Cash payments amounting to Rs.1,137,039,000/- (2015 - Rs. 2,463,489,000/-) were made during the year to purchase of PPE.

9.3 Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

| Valuation Technique | Significant unobservable valuation inputs | Sensitivity of the fair value measurement to inputs |
|--|---|--|
| Market Comparable Method | | |
| This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value. | Price per perch for Land | Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases |
| | Price per square foot for Building | |
| Investment Method | | |
| This method involves capitalisation of the rental expected income at an appropriate Rate of years purchase currently characterised by the real estate market. | Gross Monthly Rental Years | Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases |

9.4 Fully Depreciated Property, Plant and Equipment

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

| As at 31 December | Group | |
|------------------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 |
| Plant and Machinery | 22,030 | 4,992 |
| Computer Equipment | 275,571 | 235,377 |
| Office Equipments | 292,378 | 189,869 |
| Furniture and Fittings | 128,740 | 191,050 |
| Motor Vehicles | 130,090 | 113,788 |
| | 848,809 | 735,076 |

9.5 Capital Commitments

There were no capital commitments relating to the acquisition of Property, Plant and Equipment during the year. (2015 - Nil)

9.6 PPE Pledged as Security for Liabilities

There were no items of Property, Plant and Equipment pledged as securities for liabilities during the year other than those disclosed in Note 45. (2015 - Nil)

9.7 Title Restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

9.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of PPE as at 31st December 2016. Based on the assessment, no impairment indicators were identified.

9.9 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2015 - Nil)

9.10 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle property, plant and equipment as at 31st December 2016. (2015 - Nil)

10 INVESTMENT PROPERTIES

| As at 31 December | Note | Group | | Company | |
|------------------------------------|------|------------------|------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| At 1 January | | 1,205,105 | 2,008,712 | 153,332 | 2,715,711 |
| Additions/Transfers | | - | 47,900 | - | 47,900 |
| Transfers on Segregation (Note 47) | | - | - | - | (2,050,129) |
| Disposal/Transfers | | (209,800) | (851,507) | - | (560,150) |
| Fair Value Gains | 32 | 156,756 | - | - | - |
| At 31 December | | 1,152,061 | 1,205,105 | 153,332 | 153,332 |

As at 31st December 2016, investment properties were valued by qualified valuer Mr. W.M.Chandrasena.

Please refer Note 49(C) for the reclassification note for comparative figures.

Notes to the Consolidated Financial Statements

10. INVESTMENT PROPERTIES (Contd.) 10.1 DETAILS OF INVESTMENT PROPERTY

| Company | | Building Sq. Ft. | Extent Perches | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Building Rs.'000 | Total Rs.'000 |
|---|--|------------------|----------------|--------------------------|--|------------------------------------|-----------------------|---------------------------|---------------|
| Addresses | | | | | | | | | |
| No.2, R.A.De Mel Mawatha, Colombo-04 | | 12432 | A-0-R-0-P-11 | Market Comparable Method | Rent per Sq. ft Per Month or Price per perch Price per sq ft | 52.50 or 2,500,000 | 104,288 | 49,044 | 153,332 |
| | | | | | | | 104,288 | 49,044 | 153,332 |
| Group | | | | | | | | | |
| General Insurance Business | | | | | | | | | |
| Addresses | | Building Sq. Ft. | Extent Perches | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Building Rs.'000 | Total Rs.'000 |
| No,34, Muhandiram Mawatha, Colombo-05 (1 Apartment) | | 2663 | - | Investment Method | Rent per Sq.ft per month | Rs.85/- | - | 42,000 | 42,000 |
| Averihena, Thalangama (1 House) | | 2981 | A-0-R-0-P-15 | Market Comparable Method | Price per perch & Price per Sq ft | Rs.725,000/- & Rs. 5,000/- | 10,150 | 11,850 | 22,000 |
| 583/63, Liyanagemulla, Seeduwa | | - | A-2-R-2-P-21.5 | Cost Approach | Price per perch & Price per Sq ft | Rs.450,000/- | 91,000 | - | 91,000 |
| Sub Total | | | | | | | 101,150 | 53,850 | 155,000 |

Life Insurance Business

| Address | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of Valuation |
|---|------------------|-----------------|--------------------------|---------------------------------|------------------------------------|----------|-----------|---------|-------------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.000 | |
| No.07, Mistry Hills, Nuwara Eliya | - | A-0-R-0-P-13.5 | Market Comparable Method | Price per perch | Rs.460,000 | 6,000 | - | 6,000 | 31/12/16 |
| No. 36, Talbot Town, Galle | 6,668 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs.85 - Rs. 130 | 90,000 | 16,000 | 106,000 | 31/12/16 |
| No.24A, New Galle Road, Nambimulla, Ambalangoda | 4,614 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs.75 - Rs. 100 | 55,000 | 17,000 | 72,000 | 31/12/16 |
| No. 115, Green Road, Negombo | - | A-0-R-0-P-37.5 | Market Comparable Method | Price per perch | Rs.2,500,000 | 94,000 | - | 94,000 | 31/12/16 |
| No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03 | 8,249 | Condominium | Investment Method | Rent per Sq.ft per month | Rs.140 - Rs. 160 | - | 125,000 | 125,000 | 31/12/16 |
| No. 70, Park Street, Colombo 02 | 4,550 | - | Market Comparable Method | - | - | - | 63,269 | 63,269 | 31/12/16 |
| No. 06, Railway Station Road, Matara | 2,982 | A-0-R-0-P-25.88 | Investment Method | Rent per Sq.ft per month | Rs.40 - Rs. 60 | 52,000 | 5,000 | 57,000 | 31/12/16 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 10,023 | - | Investment Method | Rent per Sq.ft per month | Rs. 165 | - | 207,460 | 207,460 | 31/12/16 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor) | 5,318 | - | Investment Method | Rent per Sq.ft per month | Rs. 170 | - | 113,000 | 113,000 | 31/12/16 |
| Total | | | | | | 297,000 | 546,729 | 843,729 | |

Group Total

502,438 649,623 1,152,061

The fair value of investment property reflects the actual market value as at reporting date.

Notes to the Consolidated Financial Statements

10.2 Title Restriction for Use

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility. (value of the property is amounting to Rs.153Mn). (Refer note 45). The property was not fair valued as at the reporting date.

10.3 Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as Level 3 based on the inputs to the valuation techniques used.

| Valuation Technique | Significant unobservable valuation inputs | Sensitivity of the fair value measurement to inputs |
|--|--|--|
| Market Comparable Method | | |
| This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value. | Price per perch for Land Price per square foot for Building | Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases |
| Investment Method | | |
| This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market. | Gross Monthly Rental Years | Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases |

11. (a) INVESTMENT IN SUBSIDIARIES

| As at 31 December | % of | | Company | | Cost | |
|---|-------------------------|------|------------------|-------------|-------------------|-------------------|
| | Direct/Indirect Holding | | Number of Shares | | 2016 | 2015 |
| | 2016 | 2015 | 2016 | 2015 | | |
| Company | | | | | | |
| Serene Resorts Ltd. | 100 | 100 | 500,000 | 500,000 | - | - |
| Ceylinco Seraka Ltd | 100 | 100 | 5,000 | 5,000 | - | - |
| Ceylinco Healthcare Services Ltd. | 99 | 99 | - | - | - | - |
| Ceylinco Investcorp (Pvt) Ltd. | 75 | 75 | 112,500 | 112,500 | 1,125 | 1,125 |
| Ceylinco Insurance Company (Pvt) Ltd (Maldives) | 60 | 60 | 9,339 | 9,339 | 42,723 | 42,723 |
| Energy Lanka Holdings Ltd | 100 | 100 | 166,603,438 | 166,603,438 | 666,414 | 666,414 |
| International College of Business & Technology Ltd. | 64 | 64 | 150,000 | 150,000 | 1,500 | 1,500 |
| Ceylinco General Insurance Ltd. | 100 | 100 | 2,501,000 | 2,501,000 | 7,348,359 | 7,348,359 |
| Ceylinco Life Insurance Ltd. | 100 | 100 | 10,000,050 | 10,000,050 | 7,811,652 | 7,811,652 |
| CEG Education Holdings (Pvt) Ltd | 63 | 63 | 2,912,499 | 2,912,499 | 64,007 | 64,007 |
| American Education Centre Ltd. | 41 | 41 | 460,000 | 460,000 | 4,600 | 4,600 |
| Preference shares | | | | | | |
| International College of Business and Technology Ltd.-10% | | | 195,828 | 195,828 | 1,958 | 1,958 |
| International College of Business and Technology Ltd.-08% | | | 2,322,500 | 2,322,500 | 23,225 | 23,225 |
| | | | | | 15,965,563 | 15,965,563 |

Principal place of business of all subsidiaries except Ceylinco Insurance Company (Pvt) Ltd Maldives, is Sri Lanka. The principal place of business of Ceylinco Insurance Company (Pvt) Ltd (Maldives) is Maldives.

Summarised financial information of material partly-owned subsidiaries is set out in note 5A.

11. (b) INVESTMENT IN ASSOCIATES

Company / Group Investments in Associates

| As at 31 December | % of | | Company | | Value | |
|--|-------------------------|------|------------------|------------|------------------|------------------|
| | Direct/Indirect Holding | | Number of Shares | | 2016 | 2015 |
| | 2016 | 2015 | 2016 | 2015 | | |
| Company | | | | | | |
| Unquoted Investments | | | | | | |
| Ceylinco Homes International Ltd. | 33 | 33 | 1,300,000 | 1,300,000 | 13,050 | 13,050 |
| Sagaramatha insurance Ltd | 20 | 20 | 1,076,388 | 619,964 | 18,557 | 18,557 |
| Energy Generators (Pvt)Ltd. | 24 | 24 | 86,483,872 | 86,483,872 | 60,907 | 60,907 |
| Company Investments in Associates (At Cost) | | | | | 92,514 | 92,514 |
| Group | | | | | | |
| Citizens Development Business Finance PLC (Cost) | 39 | 38 | | | 470,954 | 398,513 |
| Negative Goodwill on Acquisition over consideration | | | | | | |
| Ceylinco Homes International Ltd. | | | | | 13,218 | 13,218 |
| Citizens Development Business Finance Ltd | | | | | 14,485 | 14,485 |
| Group's share of Associates Companies Retained Assets | | | | | | |
| Ceylinco Homes International Ltd. | | | | | 20,749 | 21,292 |
| Sagaramatha Insurance Ltd | | | | | 147,327 | 114,577 |
| Citizens Development Business Finance PLC | | | | | 1,354,392 | 1,066,045 |
| Energy Generators (Pvt)Ltd. | | | | | 154,521 | 142,377 |
| Investment in Energy Generators (Pvt) Ltd by Subsidiary | | | | | 26,147 | 26,147 |
| | | | | | 2,201,793 | 1,796,654 |
| Group Investments in Associates (Equity Basis) | | | | | 2,294,307 | 1,889,168 |

Notes to the Consolidated Financial Statements

11. (b) INVESTMENT IN ASSOCIATES (Contd.)

| As at 31 December | Group | |
|---|------------------|------------------|
| | 2016 Rs.'000 | 2015 Rs.'000 |
| Share of Associates' Statement of Financial Position | | |
| Total Assets | 18,519,957 | 16,209,394 |
| Total Liabilities | (16,225,650) | (14,320,226) |
| Net Assets | 2,294,307 | 1,889,168 |
| Share of Associates Revenue and Profit | | |
| Revenue | 3,029,902 | 2,488,006 |
| Profit | 288,518 | 275,724 |

Principal place of business of all associate companies except Sagaramatha Insurance Ltd is Sri Lanka. The principal place of business of Sagaramatha Insurance Ltd is Nepal.

Fair value of investment in Citizens Development Business Finance PLC is amounted to Rs. 1,279,768,210 as at 31st December 2016 (2015 -Rs. 1,738,240,300).

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial instruments are summarised by categories as follows:

| As at 31 December | | Group | | Company | |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Held to Maturity Financial Assets | 12(a) | 64,831,408 | 47,148,849 | - | - |
| Loans and Receivables | 12(b) | 15,050,496 | 19,807,161 | 642,500 | 64,754 |
| Available-for-Sale Financial Assets | 12(c) | 10,431,783 | 7,801,444 | 98,774 | 248,863 |
| Financial Assets at Fair Value Through Profit or Loss | 12(d) | 158,390 | 214,936 | - | - |
| Total Financial Instruments | | 90,472,077 | 74,972,390 | 741,274 | 313,617 |

Available-for-Sale Financial Assets (AFS) have been valued at fair value

Loans and Receivables (L&R) have been valued at amortized cost

Financial Assets at Fair Value Through Profit or Loss have been measured at fair value

Held to Maturity Financial Assets have been measured at amortized cost

The following table compares the fair values of the financial instruments to their carrying values:

| | Group | | | | Company | | | |
|--|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | Carrying value Rs.'000 | Fair value Rs.'000 | Carrying value Rs.'000 | Fair value Rs.'000 | Carrying value Rs.'000 | Fair value Rs.'000 | Carrying value Rs.'000 | Fair value Rs.'000 |
| Held to Maturity Financial Assets | 64,831,408 | 61,275,692 | 47,148,849 | 47,013,248 | - | - | - | - |
| Loans and Receivables | 15,050,496 | 15,050,496 | 19,807,161 | 19,807,161 | 642,500 | 642,500 | 64,754 | 64,754 |
| Available-for-Sale Financial Assets | 10,431,783 | 10,431,783 | 7,801,444 | 7,801,444 | 98,774 | 98,774 | 248,863 | 248,863 |
| Financial Assets at Fair Value through Profit or Loss | 158,390 | 158,390 | 214,936 | 214,936 | - | - | - | - |
| Total Financial Instruments | 90,472,077 | 86,916,361 | 74,972,390 | 74,836,789 | 741,274 | 741,274 | 313,617 | 313,617 |

12. (a) Held to Maturity Financial Assets

| As at 31 December | Note | Group | | Company | |
|--|------|-------------------|-------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Fair value | | | | | |
| Treasury Bonds | | 38,635,293 | 35,302,579 | - | - |
| Debentures - Quoted | | 22,640,399 | 11,710,669 | - | - |
| Total Held to Maturity Financial Assets at Fair Value | | 61,275,692 | 47,013,248 | - | - |

| As at 31 December | Note | Group | | Company | |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Amortised Cost | | | | | |
| Treasury Bills | | 278,523 | 291,904 | - | - |
| Treasury Bonds | | 42,202,822 | 35,396,292 | - | - |
| Debentures - Quoted | 12.a.i | 22,350,063 | 11,460,653 | - | - |
| Total Held to Maturity Financial Assets at Amortised Cost | | 64,831,408 | 47,148,849 | - | - |

12. (b) Loans and Receivables

| As at 31 December | Note | Group | | Company | |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Receivables from Related Parties | | 39,780 | 39,452 | - | - |
| Staff Vehicle Loans | | 369,157 | 363,989 | - | - |
| Staff Loans other than Vehicle Loans | | 407,843 | 392,774 | - | - |
| Repo Investment | | 3,106,399 | 124,151 | 32,500 | 64,754 |
| Debentures - Unquoted | 12.b.i | 1,230,000 | 490,000 | - | - |
| Term Deposits | | 9,897,317 | 18,396,795 | 610,000 | - |
| Total Loans and Receivables at Amortised Cost | | 15,050,496 | 19,807,161 | 642,500 | 64,754 |

12. (c) Available-For-Sale Financial Assets

| As at 31 December | Note | Group | | Company | |
|--|----------|-------------------|------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Treasury Bonds & Bills | | 7,025,985 | 5,470,609 | 47,000 | 200,000 |
| Unquoted Share Investment | 12.c.i. | 699,638 | 678,304 | 18,174 | 15,503 |
| Unquoted Preference Share Investment | 12.c.ii. | 161,886 | 161,886 | 30,000 | 30,000 |
| Quoted Debentures | 12.c.iii | 1,751,504 | 707,220 | - | - |
| Quoted Share Investment | | 417,915 | 429,123 | 3,600 | 3,360 |
| Unit Trust Investments | 12.c.iv. | 374,855 | 354,302 | - | - |
| Total Available-For-Sale Financial Assets at Fair Value | | 10,431,783 | 7,801,444 | 98,774 | 248,863 |

Please refer Note 49(c) for the reclassification note for comparative figures.

Notes to the Consolidated Financial Statements

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

12. (d) Financial Assets at Fair Value Through Profit or Loss

| As at 31 December | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Fair value | | | | |
| Treasury Bonds | 141,159 | 194,353 | - | - |
| Short Term Investment - Quoted | 17,231 | 20,583 | - | - |
| Total Financial Assets at Fair Value Through Profit or Loss | 158,390 | 214,936 | - | - |

Held to Maturity Financial Assets

| As at 31 December | Group | | Company | |
|---|-------------------|-------------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| 12.a.i Debentures Quoted | | | | |
| Hatton National Bank PLC | 4,891,351 | 2,179,003 | - | - |
| Bank of Ceylon | 2,788,453 | 1,689,252 | - | - |
| National Development Bank PLC | 1,771,038 | 1,676,740 | - | - |
| Sampath Bank PLC | 4,080,270 | 2,975,078 | - | - |
| Seylan Bank PLC | 1,496,689 | 494,735 | - | - |
| Commercial Bank of Ceylon PLC | 1,169,774 | 10,000 | - | - |
| Peoples' Leasing & Finance PLC | 979,234 | 481,708 | - | - |
| DFCC Bank PLC | 3,479,029 | 880,462 | - | - |
| Commercial Credit & Finance PLC | 14,222 | 14,222 | - | - |
| Central Finance PLC | 320,401 | 320,328 | - | - |
| DFCC Vardhana Bank PLC | 776,640 | 638,234 | - | - |
| Nations Trust Bank PLC | 483,190 | 99,770 | - | - |
| Citizens Development Business Finance PLC | 99,770 | 1,121 | - | - |
| | 22,350,063 | 11,460,653 | - | - |

Loans and Receivables

| As at 31 December | Group | | Company | |
|-------------------------------------|------------------|-----------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| 12.b.i Debentures - Unquoted | | | | |
| LB Finance PLC | 230,000 | 230,000 | - | - |
| National Savings Bank | 1,000,000 | - | - | - |
| Central Finance Company PLC | - | 250,000 | - | - |
| Seylan Merchant Bank Ltd | - | 10,000 | - | - |
| | 1,230,000 | 490,000 | - | - |

Available-For-Sale Financial Assets

| As at 31 December | Group | | Company | |
|-------------------------------------|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 12.c.i Unquoted Share Investment | | | | |
| Ultratech Cement Lanka Pvt Ltd | 638,853 | 624,266 | - | - |
| ANC Education Pvt Ltd | 946 | 946 | - | - |
| Regent International school | 29,652 | 27,013 | - | - |
| Modern Montessori Pvt Ltd | 12,013 | 10,576 | - | - |
| St. Nicholas Education Services Ltd | 3,000 | 3,000 | 3,000 | 3000 |
| Asset Trust Management Pvt Ltd | 5,546 | 4,591 | 5,546 | 4591 |
| Asian Reinsurance Corporation | 9,628 | 7,912 | 9,628 | 7912 |
| | 699,638 | 678,304 | 18,174 | 15,503 |

| As at 31 December | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 12.c.ii Unquoted Preference Share Investment | | | | |
| Castle Realty Pvt Ltd | 131,886 | 131,886 | - | - |
| Ceylinco Homes International (Lotus Tower) Ltd | 30,000 | 30,000 | 30,000 | 30,000 |
| | 161,886 | 161,886 | 30,000 | 30,000 |

| As at 31 December | Group | | Company | |
|--------------------------------|-----------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 12.c.iii Quoted debentures | | | | |
| Sampath Bank | 87,144 | 95,993 | - | - |
| Alliance Finance Co. PLC | 10,935 | 10,180 | - | - |
| Seylan Bank PLC | 191,174 | 138,589 | - | - |
| People's Leasing & Finance PLC | 264,544 | 59,211 | - | - |
| Commercial Bank of Ceylon | 330,453 | - | - | - |
| Bank of Ceylon | 312,340 | - | - | - |
| Hatton National Bank PLC | 51,915 | 2,316 | - | - |
| National Development Bank PLC | 137,702 | 135,814 | - | - |
| DFCC Bank PLC | 81,388 | 31,402 | - | - |
| Central Finance PLC | 25,115 | 25,000 | - | - |
| Nations Trust Bank PLC | 133,820 | 83,740 | - | - |
| Siyapatha Finance PLC | 124,974 | 124,975 | - | - |
| | 1,751,504 | 707,220 | - | - |

Notes to the Consolidated Financial Statements

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

| As at 31 December | No. of Units | | Group | | No. of Units | | Company | |
|-----------------------------------|--------------|------------|---------|---------|--------------|------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | Rs.'000 | Rs.'000 | | | Rs.'000 | Rs.'000 |
| 12.c.v Unit Trust Investments | | | | | | | | |
| ASTRUE Gilt-Edged Fund | 20,000,000 | 20,000,000 | 223,235 | 214,905 | - | - | - | - |
| ASTRUE Money Market Fund | 995,314 | 995,314 | 10,630 | 10,316 | - | - | - | - |
| Guardian Acuity Fixed Income Fund | 6,810,345 | 6,810,345 | 93,509 | 84,857 | - | - | - | - |
| INVESTRUST Money Market Fund | 3,500,000 | 3,500,000 | 43,164 | 39,368 | - | - | - | - |
| Astrue Alpha Fund | - | - | 4,317 | 4,856 | - | - | - | - |
| | | | 374,855 | 354,302 | - | - | - | - |

12. (e) Carrying Values of Financial Instruments - Group

| | Held to Maturity | Loans and Receivables | Available- For-Sale | Fair value Through Profit or Loss | Total |
|---|---------------------|--------------------------|------------------------|--|-------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1st January 2016 | 47,148,849 | 19,807,161 | 7,862,934 | 214,936 | 75,033,880 |
| Purchases | 23,238,464 | 294,026,870 | 41,410,725 | 16,800,000 | 375,476,059 |
| Maturities | (4,861,274) | (295,534,492) | (3,996,600) | - | (304,392,366) |
| Disposals | (291,907) | (3,240,919) | (34,846,970) | (16,850,000) | (55,229,796) |
| Fair Value Gains Recorded in the Income Statement | - | - | - | 73,194 | 73,194 |
| Fair Value Gains Recorded in other Comprehensive Income | - | - | 35,510 | - | 35,510 |
| Amortisation Adjustment | (402,724) | (8,124) | (33,816) | (79,740) | (524,404) |
| At 31 December 2016 | 64,831,408 | 15,050,496 | 10,431,783 | 158,390 | 90,472,077 |

Carrying Values of Financial Instruments - Company

| | Loans and Receivables Rs.'000 | Available- For-Sale Rs.'000 | Total Rs.'000 |
|---|-------------------------------------|-----------------------------------|------------------|
| At 1st January 2016 | 64,754 | 248,863 | 313,617 |
| Purchases | 610,000 | 3,843,600 | 4,453,600 |
| Maturities | - | (3,996,600) | (3,996,600) |
| Disposals | (32,254) | - | (32,254) |
| Fair Value Gains Recorded in Other Comprehensive Income | - | 1,019 | 1,019 |
| Amortisation Adjustment | - | 1,892 | 1,892 |
| At 31 December 2016 | 642,500 | 98,774 | 741,274 |

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

For quoted debt instruments the fair values are determined based on quoted market prices.

For unquoted equity instruments, the price to book value have been used as a base to calculate fair value of investments.

For unquoted debt instrument, the carrying value approximates the fair value of the investment.

For unquoted unit trust investment, fair value are determined bast on market price of a unit.

12. (f) Determination of Fair Value and Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Notes to the Consolidated Financial Statements

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| Notes | 2016 | | | 2015 | | | Total fair Value Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 1 Quoted Prices in Active Markets Rs.'000 | Total fair Value Rs.'000 |
|--|---|---|---|---|---|---|--------------------------|---|---|---|--------------------------|
| | Level 1 Quoted Prices in Active Markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | Level 1 Quoted Prices in Active Markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | | | | | |
| Financial Assets | | | | | | | | | | | |
| Financial Assets at Fair Value Through Profit/Loss - Insurance Business | | | | | | | | | | | |
| Equity Securities | 17,231 | - | - | 17,231 | 20,583 | - | 17,231 | - | 20,583 | - | 20,583 |
| Debt Securities | 141,159 | - | - | 141,159 | 194,353 | - | 141,159 | - | 194,353 | - | 194,353 |
| | 158,390 | - | - | 158,390 | 214,936 | - | 158,390 | - | 214,936 | - | 214,936 |
| Available-For-Sale Financial Assets - Insurance Business | | | | | | | | | | | |
| Equity Securities | 398,520 | - | 770,739 | 1,169,259 | 400,303 | 756,152 | 1,169,259 | - | 400,303 | 756,152 | 1,156,455 |
| Debt Securities | 6,631,828 | 1,044,606 | - | 7,676,434 | 5,228,412 | - | 7,676,434 | - | 5,228,412 | - | 5,228,412 |
| Unit Trust | - | 370,538 | - | 370,538 | - | - | 370,538 | 349,446 | - | - | 349,446 |
| | 7,030,348 | 1,415,144 | 770,739 | 9,216,231 | 5,628,715 | 756,152 | 9,216,231 | 349,446 | 5,628,715 | 756,152 | 6,734,313 |
| Total Financial Assets (Group) | 7,188,738 | 1,415,144 | 770,739 | 9,374,621 | 5,843,651 | 756,152 | 9,374,621 | 349,446 | 5,843,651 | 756,152 | 6,949,249 |
| Financial Instruments at Fair Value - Other Businesses & Ceylinco Insurance PLC | | | | | | | | | | | |
| | 1,120,450 | 4,317 | 90,785 | 1,215,552 | 978,237 | 84,038 | 1,215,552 | 4,856 | 978,237 | 84,038 | 1,067,131 |
| | 8,309,188 | 1,419,461 | 861,524 | 10,590,173 | 6,821,888 | 840,190 | 10,590,173 | 354,302 | 6,821,888 | 840,190 | 8,016,380 |
| Financial Liabilities (Group) | | | | | | | | | | | |
| Repo Borrowings/Lease Creditors | 3,980,013 | - | - | 3,980,013 | 299,811 | 4,931 | 3,980,013 | - | 299,811 | 4,931 | 304,742 |

| | 2016 | | | 2015 | | | Total fair Value Rs.'000 |
|-------------------------------------|--|--|--|--|--|--|-----------------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | |
| | Quoted Prices in Active Markets Rs.'000 | Significant Observable Inputs Rs.'000 | Significant Unobservable Inputs Rs.'000 | Quoted Prices in Active Markets Rs.'000 | Significant Observable Inputs Rs.'000 | Significant Unobservable Inputs Rs.'000 | |
| Non Financial Assets | | | | | | | |
| Property Plant and Equipment | | | | | | | |
| Land | - | - | 7,053,883 | - | - | 4,133,055 | 4,133,055 |
| Building | - | - | 5,578,562 | - | - | 4,710,308 | 4,710,308 |
| | | | 12,632,445 | | | 8,843,363 | 8,843,363 |
| Investment Property | | | | | | | |
| Land | - | - | 502,438 | - | - | 802,010 | 802,010 |
| Building | - | - | 649,623 | - | - | 1,110,094 | 1,110,094 |
| | - | - | 1,152,061 | - | - | 1,912,104 | 1,912,104 |
| Total Non Financial Assets | - | - | 13,784,506 | - | - | 10,755,467 | 10,755,467 |

Reconciliation of Movements in Level 3 Financial Instruments Measured at Fair Value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets which are recorded at fair value:

| Insurance Business | At 1 | | Total Gains/(Loss) Recorded in Other Comprehensive Income Rs.'000 | At 31 December 2016 Rs.'000 |
|--------------------------------------|----------------------------|--------------------------------------|--|--------------------------------------|
| | January 2016 Rs.'000 | Additions/ Settlements Rs.'000 | | |
| Financial Assets | | | | |
| Available-For-Sale Financial Assets: | | | | |
| Equities | 756,152 | - | 14,587 | 770,739 |
| Total Level 3 financial assets | 756,152 | - | 14,587 | 770,739 |

Notes to the Consolidated Financial Statements

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

In case of change in assumptions having 10% variation, the effect to Other comprehensive income could be as follows:

| | Carrying Amount 31/12/2016 Rs.'000 | Effect of Possible Alternate Assumptions Rs.'000 | Carrying Amount 31/12/2015 Rs.'000 | Effect of Possible Alternate Assumptions Rs.'000 |
|-------------------|---|---|---|---|
| Equity Securities | 770,739 | 77,074 | 756,152 | 75,615 |
| | 770,739 | 77,074 | 756,152 | 75,615 |

13 GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the employee benefit plan. As at 31 December 2016 the gratuity liability was actuarially valued under the projected unit credit Method (PUC) by M/S.K.A.Pandit Actuarial valuer. The valuation is performed annually.

The amounts recognised in the Income Statement are as follows:

| As at 31 December | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Current Service Cost | 102,974 | 96,882 | - | 41,011 |
| Interest cost on Benefit Obligation | 219,788 | 196,382 | - | 81,826 |
| Expected Return on Plan Assets | (364,745) | (327,896) | - | (136,623) |
| | (41,983) | (34,632) | - | (13,786) |
| Net Actuarial Gain/ (loss) recognised in Other Comprehensive Income | (189,195) | 5,558 | - | 61,058 |

The amounts recognised in the Statement of Financial Position at the reporting date are as follows:

| As at 31 December | Group | | Company | |
|---|------------------|------------------|-----------------|------------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Present Value of the Defined Benefit Obligation | (2,397,904) | (2,197,955) | - | (2,129,597) |
| Fair value of Plan Assets | 3,805,844 | 3,647,525 | - | 3,445,940 |
| Total Net Defined Benefit Asset | 1,407,940 | 1,449,570 | - | 1,316,343 |
| Transferred on Segregation (Note 47) | - | - | - | (1,316,343) |

The Movement in the Defined Benefit Liability is as follows:

| | Group | | Company | |
|---|------------------|------------------|-----------------|------------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| At 1 January | 2,369,558 | 2,090,521 | - | 1,963,415 |
| Current Service Cost | 128,294 | 116,336 | - | 41,011 |
| Interest Cost | 238,279 | 209,513 | - | 81,826 |
| Benefits Paid | (128,643) | (96,749) | - | (48,069) |
| Actuarial (Gains)/ Losses | 12,273 | 49,937 | - | 91,413 |
| At 31 December | 2,619,761 | 2,369,558 | - | 2,129,597 |
| Defined Gratuity Benefit Obligation of the Insurance Business | (2,397,904) | (2,197,955) | - | - |
| Gratuity Liability -Other Subsidiaries | 221,856 | 171,602 | - | - |

The Gratuity benefit Liability of the Insurance businesses is valued by M/S.K.A.Pandit Actuarial valuer.

| The Movement in the Plan Assets is as follows: | Group | |
|--|--------------------|--------------------|
| | 2016 | 2015 |
| | Rs.'000 | Rs.'000 |
| At 1 January | (3,647,525) | (3,278,962) |
| Expected Return on Plan Assets | (364,745) | (327,897) |
| Actuarial Gains | 206,426 | (40,666) |
| At 31 December | (3,805,844) | (3,647,525) |

The distribution of the Plan Assets at the reporting date is as follows:

| As at 31 December | 2016 | 2015 |
|--------------------------|------------------|------------------|
| | Rs.'000 | Rs.'000 |
| Treasury Bonds/bills | 342,170 | 47,610 |
| Investment in Shares | 3,050,532 | 2,771,720 |
| Corporate Debentures | 25,000 | 30,000 |
| Commercial Papers | 181,880 | - |
| Other Assets | 206,262 | 798,195 |
| Total Plan Assets | 3,805,844 | 3,647,525 |

Gratuity funds' plan assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 3,050,532,000 as at the reporting date.(2015- Rs. 2,771,720,000).

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

| | 2016 | 2015 |
|--|--------|--------|
| Future Salary Increases | 10.00% | 8.50% |
| Discount Rate | 12.00% | 10.00% |
| Expected Rate of Return on Plan Assets | 12.00% | 10.00% |

13. GRATUITY BENEFIT LIABILITY/(ASSET) (Contd.)

Changes in the defined benefit obligation and fair value of plan assets

| Group 2016 | Amount Charged to Profit or Loss | | | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) | | | Actuarial Changes arising from Changes in Demographic Assumptions | | | Re-measurement Gains/(Losses) in Other Comprehensive Income | | |
|-----------------------------|----------------------------------|------------------------|------------------------|---|------------------------|---|---|---|-------------------------------------|---|---------------------|--|
| | 1-Jan-16 Rs.000 | Service Cost Rs.000 | Net Interest Rs.000 | Sub total Included in Profit or Loss Rs.000 | Benefit paid Rs.000 | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) Rs.000 | Actuarial Changes arising from Changes in Demographic Assumptions Rs.000 | Actuarial Changes arising from Changes in Financial Assumptions Rs.000 | Experience Adjustments Rs.000 | Subtotal Included in OCI Rs.000 | 31-Dec-16 Rs.000 | |
| Defined Benefit Obligation | (2,197,955) | (102,974) | (219,788) | (322,762) | 105,581 | - | - | 10,699 | 6,532 | 17,231 | (2,397,904) | |
| Fair Value of Plan Assets | 3,647,525 | - | - | - | - | 364,745 | - | - | (206,426) | (206,426) | 3,805,844 | |
| Benefit Assets/ (Liability) | 1,449,570 | (102,974) | (219,788) | (322,762) | 105,581 | 364,745 | - | 10,699 | (199,894) | (189,195) | 1,407,940 | |

Group 2015

| Group 2015 | Amounts Charged to Profit or Loss | | | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) | | | Actuarial Changes arising from Changes in Demographic Assumptions | | | Re-measurement Gains/(Losses) in other comprehensive income | | |
|-----------------------------|-----------------------------------|------------------------|------------------------|---|------------------------|---|---|---|-------------------------------------|---|---------------------|--|
| | 1-Jan-15 Rs.000 | Service cost Rs.000 | Net interest Rs.000 | Sub total Included in Profit or Loss Rs.000 | Benefit Paid Rs.000 | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) Rs.000 | Actuarial Changes arising from Changes in Demographic Assumptions Rs.000 | Actuarial Changes arising from Changes in Financial Assumptions Rs.000 | Experience Adjustments Rs.000 | Subtotal Included in OCI Rs.000 | 31-Dec-15 Rs.000 | |
| Defined Benefit Obligation | (1,963,414) | (96,882) | (196,382) | (293,264) | 93,831 | - | - | - | (35,108) | (35,108) | (2,197,955) | |
| Fair value of plan assets | 3,278,962 | - | - | - | - | 327,896 | - | - | 40,666 | 40,666 | 3,647,525 | |
| Benefit Assets/ (Liability) | 1,315,548 | (96,882) | (196,382) | (293,264) | 93,831 | 327,896 | - | - | 5,558 | 5,558 | 1,449,570 | |

Company 2015

| Company 2015 | Amounts Charged to Profit or Loss | | | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) | | | Actuarial Changes arising from Changes in Demographic Assumptions | | | Re-measurement Gains/(Losses) in other comprehensive income | | |
|-----------------------------|-----------------------------------|------------------------|------------------------|---|------------------------|---|---|---|-------------------------------------|---|---------------------|--|
| | 1-Jan-15 Rs.000 | Service cost Rs.000 | Net interest Rs.000 | Sub total Included in Profit or Loss Rs.000 | Benefit paid Rs.000 | Return on Plan Assets (Excluding Amounts Included in net Interest Expenses) Rs.000 | Actuarial Changes arising from Changes in Demographic Assumptions Rs.000 | Actuarial Changes arising from Changes in Financial Assumptions Rs.000 | Experience adjustments Rs.000 | Subtotal included in OCI Rs.000 | 31-May-15 Rs.000 | |
| Defined Benefit Obligation | (1,963,414) | (41,011) | (81,826) | (122,837) | 48,067 | - | - | - | (91,413) | (91,413) | (2,129,597) | |
| Fair value of Plan Assets | 3,278,962 | - | - | - | - | 136,623 | - | - | 30,355 | 30,355 | 3,445,940 | |
| Benefit Assets/ (Liability) | 1,315,548 | (41,011) | (81,826) | (122,837) | 48,067 | 136,623 | - | - | (61,058) | (61,058) | 1,316,343 | |

As a result of the segregation (Refer Note 47) the Gratuity Asset of Ceylinco Insurance PLC has been transferred to the new two insurance companies.

| Sensitivity level | Discount Rate | | Future salary Increment rate | |
|--------------------------------------|---------------|----------|---------------------------------|-----------|
| | Increase | Decrease | Increase | Decrease |
| | 1% | 1% | 1% | 1% |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Impact on Defined Benefit Obligation | (117,580) | 134,464 | 135,761 | (120,604) |

Following payments are expected contributions to the Defined Benefit Plan Obligation in the future years.

| | 2016 Rs.'000 | 2015 Rs.'000 |
|---------------------------|-----------------|-----------------|
| Within the next 12 Months | 948,335 | 819,219 |
| Between 2 and 5 Years | 509,993 | 518,525 |
| Between 5 and 10 Years | 986,977 | 1,099,994 |

The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 9 years. (2015: 9 years)

14. PENSION BENEFIT OBLIGATION

The Company has two defined benefit pension plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and Pension Fund of Ceylinco Insurance PLC.

Changes in the Pension benefit obligation and fair value of plan assets

| Group 2016 | Amounts Charged to Profit or Loss | | | | Re-measurement Gains/(Losses) in Other Comprehensive Income | | | | |
|---|-----------------------------------|----------------|-----------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Service Cost | Net Interest | Sub total Included in Profit/Loss | Return on Plan Assets (Excluding Amounts in Net Interest Expenses) | Actuarial Changes Arising from Demographic Assumptions | Actuarial Changes Arising from Financial Assumptions | Experience Adjustments in OCI | Contributions by Employer | Total 31-Dec-16 |
| Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| 1-Jan-16 | (4,024) | (126,892) | (130,916) | - | (27,660) | (134,185) | (70,611) | (232,456) | (1,605,149) |
| Defined benefit Obligation | (1,268,917) | (4,024) | (130,916) | 27,140 | (103,776) | (134,185) | (70,611) | (232,456) | - |
| Fair value of plan assets | 3,032,303 | - | - | (27,140) | 276,090 | - | (161,078) | (161,078) | 123,674 |
| Total recognised benefit (liability) / Asset | 1,763,386 | (4,024) | (130,916) | - | 172,314 | (134,185) | (231,689) | (393,534) | 123,674 |
| | | | | | | | | | 1,665,840 |

| Group 2015 | Amounts Charged to Profit or Loss | | | | Re-measurement gains/(losses) in other comprehensive income | | | | |
|---|-----------------------------------|----------------|-----------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Service Cost | Net Interest | Sub total Included in Profit/Loss | Return on Plan Assets (Excluding Amounts in Net Interest Expenses) | Actuarial Changes Arising from Demographic Assumptions | Actuarial Changes Arising from Financial Assumptions | Experience Adjustments in OCI | Contributions by Employer | Total 31-Dec-15 |
| Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| 1-Jan-15 | (2,913) | (117,194) | (120,107) | 24,859 | (95,248) | - | (1,730) | (1,730) | (1,268,917) |
| Defined Benefit Obligation | (1,171,939) | (2,913) | (120,107) | 24,859 | (95,248) | - | (1,730) | (1,730) | - |
| Fair Value of Plan assets | 2,711,681 | - | - | (24,859) | (246,309) | - | (49,016) | (49,016) | 123,329 |
| Total Recognised Benefit (Liability) / Asset | 1,539,742 | (2,913) | (120,107) | - | 151,061 | - | (50,746) | (50,746) | 123,329 |
| | | | | | | | | | 1,763,386 |

| Company 2015 | Amounts Charged to Profit or Loss | | | | Re-measurement gains/(losses) in other comprehensive income | | | | |
|---|-----------------------------------|----------------|-----------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Service Cost | Net Interest | Sub total Included in Profit/Loss | Return on Plan Assets (Excluding Amounts in Net Interest Expenses) | Actuarial Changes Arising from Demographic Assumptions | Actuarial Changes Arising from Financial Assumptions | Experience Adjustments in OCI | Contributions by Employer | Total 31-May-15 |
| Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| 1-Jan-15 | (1,214) | (48,132) | (49,346) | 10,385 | (38,961) | - | (7,315) | (7,315) | (1,218,213) |
| Defined benefit Obligation | (1,171,939) | (1,214) | (49,346) | 10,385 | (38,961) | - | (7,315) | (7,315) | - |
| Fair value of plan assets | 2,711,681 | - | - | (10,385) | 102,602 | - | 353,278 | 353,278 | 51,487 |
| Total recognised benefit (liability) / Asset | 1,539,742 | (1,214) | (49,346) | - | 63,641 | - | 345,963 | 345,963 | 51,487 |
| | | | | | | | | | 2,000,834 |

As a result of the segregation (Refer Note-47) the Pension Asset of Ceylinco Insurance PLC has been transferred to the new two insurance companies. Pension Benefit Obligation is valued by M/s K.A. Pandith Actuarial Valuers.

Projected pension benefit obligation has been valued based on projected unit cost method.

Actuarial gains and losses have been recognised immediately in the statement of Other Comprehensive Income.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

| | | 2016 | 2015 |
|-------------------------------|----------------|-------------|--------|
| Discount rate | | 8-10-12% | 10% |
| Rate of return on Plan Assets | Current | 8-10-12% | 10% |
| | Previous | 10% | 10% |
| Salary Escalation rate | Scheme A | 0% | 0% |
| | Scheme B, C &D | 10% | 10% |
| Attrition rate | | 1% | 1% |
| Retirement age | Scheme A | 60 Yrs | 60 Yrs |
| Scheme B, C &D | | 55Yrs | 55Yrs |
| Mortality Table | | IALM2006/08 | PA 90 |

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 2,020,997,259/- at the Reporting date. (2015 - Rs 2,653,630,527/-).

15 REINSURANCE RECEIVABLES

| As at 31 December | Group | | Company | |
|--------------------------------------|------------------|------------------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance of Insurance Contracts | 4,055,498 | 2,726,342 | - | - |
| Total Reinsurance Receivables | 4,055,498 | 2,726,342 | - | - |

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

15. (a) Loans to Life Policy Holders

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate.

Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

Policyholder Loans are reviewed for impairment at each reporting date. Loans recivable as at reporting date are as follows

| | Group | |
|---------------------------------|------------------|------------------|
| | 2016 | 2015 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 1,335,634 | 1,507,143 |
| Loans Granted During the Period | 883,372 | 771,940 |
| Repayment During the Period | (840,052) | (943,449) |
| At 31 December | 1,378,954 | 1,335,634 |

Please refer Note 49(d) for the reclassification note for comparative figures.

Notes to the Consolidated Financial Statements

15. (a) Loans to Life Policy Holders (Contd.)

15.a.i Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

15.a.ii Concentration risk of loans to life policyholders

There is lower concentration of credit risk with respect to policyholders, as the company has a large number of dispersed receivables. the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans.

15.a.iii Impairment of loans to life policyholders

The Board of Directors has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders

15.a.iv Number of policy loans

Number of policy loans due as at 31 December 2016 was 43,715

15.a.v. Collateral details

The company does not hold any collateral as security against potential default by policyholders other than surrender value

16 TAXATION

| | Group | | Company | |
|--|------------------|------------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| 16 (a) Tax Receivable | | | | |
| At 1 January | 1,027,004 | 997,602 | (14,786) | 997,179 |
| Amounts recorded in the Income Statement | (856,289) | (362,464) | (6,782) | (100,424) |
| Notional Tax recognised | 518,983 | 333,467 | 1,358 | 144,004 |
| Payments made on-account during the year | 249,992 | 58,399 | 40,340 | 3,685 |
| Transfer on Segregation | - | - | - | (1,059,230) |
| At 31 December | 939,690 | 1,027,004 | 20,130 | (14,786) |
| | | | | |
| Payable balance included under Other payable | 143,237 | 162,734 | - | 14,786 |
| At 31 December | 1,082,927 | 1,189,738 | 20,130 | - |

Included in the Income Tax Recoverable is an amount of Rs.1,035,715,437 recognised as Notional Tax Credit available in the Life business.

There is a tax appeal relating to VAT on reinsurance recoveries and there is a tax intimation on life insurance taxation. (Refer Note 44 a i and 44 a ii)

16.(b) Deferred Tax Asset- Group

| As at 31 December | Other Comprehensive Income Statement | | Consolidated Income Statement | | Consolidated Statement of Financial Position | |
|--|--------------------------------------|-----------------|-------------------------------|-----------------|--|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Losses Carried Forward | - | - | - | 21,234 | - | - |
| Temporary Difference from Retirement Benefit Liability | 8,571 | 494 | (37,676) | (69,135) | 403,688 | 386,145 |
| Temporary Difference from Property Plant and Equipment | 68,304 | - | (34,720) | 34,487 | (304,278) | (282,256) |
| Revaluation Reserve | - | 2,926 | - | - | - | - |
| Available for Sale Financial Assets | (8,126) | (22,759) | - | 2,270 | 8,101 | (26) |
| Temporary Difference from allowance for Impairment | - | - | (11,249) | - | 11,249 | - |
| Temporary Difference from intangible assets | - | - | (3,642) | - | 3,642 | - |
| Deferred Tax Expense/(Income) | 68,749 | (19,339) | (87,287) | (11,144) | | |
| Deferred Tax Asset | | | | | 122,402 | 103,863 |

Total Deferred Tax Assets - Group

| As at 31 December | Group | |
|---|----------------|----------------|
| | 2016 | 2015 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 103,863 | 58,916 |
| Amounts recorded in the Income Statement | 87,287 | 11,144 |
| Amounts recorded in Other Comprehensive Income | (68,749) | 19,339 |
| Amount Reclassified from Deferred Tax Liability | - | 14,463 |
| At 31 December | 122,402 | 103,863 |

A Deferred Tax Asset is recognised for a tax loss carry forward only to the extent that realisation of the related tax benefit is probable.

16.(c) Deferred Tax Liabilities - Group

| As at 31 December | Consolidated Other Comprehensive Income Statement | | Consolidated Income Statement | | Consolidated Statement of Financial Position | |
|---|---|--------------|-------------------------------|---------------|--|------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Losses Carried Forward | - | - | 28,690 | 19,593 | 51,445 | 109,397 |
| Temporary Difference from Retirement Benefit Obligation | 872 | 8,939 | (33,751) | (12,274) | 290,951 | 247,116 |
| Temporary Difference from Property Plant and Equipment | 33,485 | - | 168,093 | 105,819 | (611,441) | (428,170) |
| Revaluation Reserve | 67,715 | 837 | - | (36,545) | (91,473) | (23,758) |
| Available For Sale Financial Assets (AFS) | (47,107) | - | - | - | - | (47,107) |
| Temporary Difference from Retained Reserves of Associates | - | - | 21,698 | 20,343 | (83,514) | (61,814) |
| Deferred Tax Expense/(Income) | 54,966 | 9,776 | 184,730 | 96,936 | - | - |
| Deferred Tax Liability | | | | | (444,032) | (204,335) |

Notes to the Consolidated Financial Statements

16 TAXATION (Contd.)

| Total Deferred Tax Liability | Group | |
|--|----------------|----------------|
| | 2016 | 2015 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 204,335 | 82,198 |
| Amounts recorded in the Income Statement | 184,730 | 96,936 |
| Amounts recorded in Other Comprehensive Income | 54,966 | 9,776 |
| Amount Reclassified from Deferred Tax Asset | - | 15,425 |
| At 31 December | 444,032 | 204,335 |

A Deferred Tax Asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

16. (d) Deferred Tax Asset- Company

| As at 31 December | Other Comprehensive Income Statement | | Income Statement | | Statement of Financial Position | |
|--|--------------------------------------|-----------------|------------------|----------------|---------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Losses Carried Forward | - | - | - | 21,234 | - | - |
| Temporary Difference from Retirement Benefit Liability | - | 8,350 | - | (55,613) | - | - |
| Temporary Difference from Property Plant and Equipment | - | - | - | 26,125 | - | - |
| Revaluation Reserve | - | 2,926 | - | - | - | - |
| Available for Sale Financial Assets | - | (22,907) | - | 2,270 | - | - |
| Deferred Tax Expense/(Income) | - | (11,631) | - | (5,984) | - | - |

| | Company | |
|--|----------|----------|
| | 2016 | 2015 |
| | Rs.'000 | Rs.'000 |
| At 1 January | - | 48,465 |
| Amounts recorded in the Income Statement | - | 5,984 |
| Amounts recorded in Other Comprehensive Income | - | 11,631 |
| Transfer on Segregation | - | (66,080) |
| At 31 December | - | - |

A deferred tax asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

17 INSURANCE RECEIVABLES/TRADE DEBTORS

| As at 31 December | Group | | Company | |
|------------------------|-----------|-----------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Premium Receivables | 3,990,411 | 3,243,408 | - | - |
| Due from Trade Debtors | 271,988 | 350,616 | - | - |
| | 4,262,399 | 3,594,024 | - | - |

Please refer Note 49(d) for the reclassification note for comparative figures.

17.(a). Credit Quality of Premium Receivables/Trade Debtors that are neither past due nor impaired is presented below;

| As at 31 December | Group | | | Company | | |
|-------------------|---------------|---------------|-----------|---------------|---------------|---------|
| | Below 60 days | Above 60 days | Total | Below 60 days | Above 60 days | Total |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 2016 | 3,477,106 | 785,293 | 4,262,399 | - | - | - |
| 2015 | 2,980,639 | 613,385 | 3,594,024 | - | - | - |

18 ACCRUED INCOME

| As at 31 December | Group | | Company | |
|---|-----------|-----------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Held to Maturity Investments | 2,034,745 | 1,377,032 | - | - |
| Financial Assets at Fair Value Through Profit or Loss | 7,172 | 5,666 | - | - |
| Loans & Receivables | 1,469,531 | 1,294,967 | 2,000 | 118 |
| Available for Sale Investments | 9,777 | 44,284 | - | - |
| | 3,521,225 | 2,721,949 | 2,000 | 118 |

Please refer Note 49(a) for the reclassification note for comparative figures.

19 OTHER ASSETS

| As at 31 December | Group | | Company | |
|----------------------------------|-----------|-----------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Advances, Deposits & Prepayments | 621,842 | 480,242 | 37,563 | 45,187 |
| Inventories | 99,795 | 111,415 | - | - |
| Gold | 2,706 | 2,491 | - | - |
| Deferred Staff Benefits | 177,420 | 181,197 | - | - |
| Other Receivables | 345,767 | 348,485 | 1,046 | - |
| | 1,247,530 | 1,123,830 | 38,609 | 45,187 |

20 CASH AND CASH EQUIVALENTS

| As at 31 December | Group | | Company | |
|--|----------------|------------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash in Hand and at Bank | 906,182 | 1,052,395 | 4,404 | 4,011 |
| Total Cash and Cash Equivalents | 906,182 | 1,052,395 | 4,404 | 4,011 |

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

Notes to the Consolidated Financial Statements

21.(a) Stated Capital

| As at 31 December | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Classes of Shares | | | | |
| 97,500,000 Ordinary Shares | | | | |
| 2,500,000 Unclassified Shares | | | | |
| 100,000,000 Non Voting Ordinary Shares | | | | |
| Issued & Fully Paid | | | | |
| Ordinary shares - Voting (21(aa)) | 200,000 | 200,000 | 200,000 | 200,000 |
| Ordinary shares - Non Voting (21(ab)) | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |
| Share Premium (21 (ac)) | 2,288 | 2,288 | 2,288 | 2,288 |
| | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 |

The holders of ordinary shares - voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

| | | | | |
|---|------------------|------------------|------------------|------------------|
| 21. (aa) Ordinary Shares - Voting | | | | |
| 20,000,000 Ordinary Shares Voting | 200,000 | 200,000 | 200,000 | 200,000 |
| | 200,000 | 200,000 | 200,000 | 200,000 |
| 21. (ab) Ordinary Shares - Non - Voting | | | | |
| 6,414,480 Ordinary shares - NonVoting | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |
| | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |
| 21(ac) Share Premium | | | | |
| Balance as at year end | 2,288 | 2,288 | 2,288 | 2,288 |
| | 2,288 | 2,288 | 2,288 | 2,288 |

21. (b) Other Reserves

| As at 31 December | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Other Retained Reserves | 2,057,437 | 2,057,437 | 2,057,437 | 2,057,437 |
| Available for Sale Reserve | 651,339 | 505,585 | (16,330) | (17,349) |
| Foreign Currency Translation Reserve | (5,275) | (2,370) | - | - |
| | 2,703,501 | 2,560,652 | 2,041,107 | 2,040,088 |

Other Retained Reserves represent General reserves.

22. INSURANCE CONTRACT LIABILITIES

| As at 31 December | Group | | Company | |
|---|-------|-------------------|-------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 |
| Life Insurance Contracts | 22(a) | 77,070,762 | 67,157,184 | |
| Non-Life Insurance Contracts | 22(b) | 11,660,029 | 9,576,722 | |
| Total Insurance Contract Liabilities | | 88,730,791 | 76,733,906 | |

Unearned premium reserve included in non-life insurance contract liabilities has been presented on net basis.

The actuaries have performed Liability Adequacy Test in accordance with the requirements of SLFRS -4 Insurance Contracts.

22. (a) Life Insurance Contract Liabilities

| | Insurance Contract Liabilities with DPF Rs.'000 | Insurance Contract Liabilities without DPF Rs.'000 | Total Gross Insurance Contract Liabilities Rs.'000 |
|---|---|---|---|
| At 1 January 2016 | 36,037,705 | 31,119,479 | 67,157,184 |
| Gross Premium Income | 6,048,253 | 8,850,822 | 14,899,075 |
| Premiums Ceded to Reinsurers | (16,458) | (357,156) | (373,614) |
| Liabilities Paid for Death, Maturities, Surrenders, Benefits and Claims | (3,181,160) | (3,470,522) | (6,651,682) |
| Investment Return | 4,187,682 | 3,702,255 | 7,889,937 |
| Reinsurance Commission Income | 3,854 | 81,509 | 85,363 |
| Other Operating and Admin Expenses | (1,694,640) | (1,792,732) | (3,487,372) |
| Underwriting and Net Acquisition Cost | (779,234) | (884,584) | (1,663,818) |
| Revaluation Reserve and AFS reserve transfer to Life Fund | 788,072 | 727,618 | 1,515,690 |
| Net Transfer to Shareholder | (116,530) | (2,183,470) | (2,300,000) |
| At 31 December 2016 | 41,277,544 | 35,793,218 | 77,070,762 |

The valuation of the Life insurance business as at 31 December 2016 was carried out by the Consulting Actuary, Mr. Mark Birch (FIA), on behalf of Willis Towers Watson. Following the actuarial valuation as at 31 December 2016 the Consulting Actuary has approved a transfer of Rs.2.3 billion from the life fund to the Shareholder's Account (2015 Rs.1.8 billion). In the opinion of the Consulting Actuary, adequate and proper reserves have been provided for all known liabilities in respect of the long term insurance business and the company has adequate financial resources to cover its capital requirements in accordance with risk based rules.

The Capital Adequacy Ratio (CAR) of Ceylinco Life Insurance Ltd. as at 31 December 2016 is 335% and is well above the minimum requirement of 120%

22. (b) Non-Life Insurance Contract Liabilities

| | Note | 2016 Insurance Contract Liabilities Rs.'000 | 2015 Insurance Contract Liabilities Rs.'000 |
|--|----------|---|---|
| As at 31 December | | | |
| Provision for Reported Claims by Policyholders | | 4,402,088 | 3,168,136 |
| Provision for Claims IBNR/IBNER | | 270,522 | 240,666 |
| Outstanding Claims Provision | 22 (b).1 | 4,672,610 | 3,408,802 |
| Provision for Unearned Premiums | 22.(b).2 | 6,987,419 | 6,167,920 |
| Total non Life insurance Contract Liabilities | | 11,660,029 | 9,576,722 |

Notes to the Consolidated Financial Statements

22. INSURANCE CONTRACT LIABILITIES (Contd.)

22. (b) 1 Outstanding Claims Provision

| Group | 2016 | | | 2015 | | |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
| | Insurance | Reinsurance | Net | Insurance | Reinsurance | Net |
| | Contract | of Liabilities | | Contract | of Liabilities | |
| | Liabilities | | | Liabilities | | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | 3,408,802 | 2,668,529 | 740,273 | 3,469,379 | 2,477,298 | 992,081 |
| Claims Incurred in the Current Accident Year | 10,543,038 | 3,819,999 | 6,723,039 | 6,833,831 | 1,018,355 | 5,815,476 |
| Other Movements in Claims Incurred in Prior Accident Years | (29,902) | 33,175 | (63,077) | 81,613 | 403,572 | (321,959) |
| Claims Paid During the Year | (9,249,328) | (2,507,504) | (6,741,824) | (6,976,021) | (1,230,696) | (5,745,325) |
| At 31 December | 4,672,610 | 4,014,199 | 658,411 | 3,408,802 | 2,668,529 | 740,273 |

| Company | 2016 | | | 2015 | | |
|---|-------------|----------------|----------|-------------|----------------|-------------|
| | Insurance | Reinsurance | Net | Insurance | Reinsurance | Net |
| | Contract | of Liabilities | | Contract | of Liabilities | |
| | Liabilities | | | Liabilities | | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | - | - | - | 3,065,603 | 2,134,769 | 930,834 |
| Claims Incurred in the Current Accident year | - | - | - | 2,471,871 | 46,878 | 2,424,993 |
| Other Movements in Claims Incurred in Prior Accident Years | - | - | - | 70,827 | 438,263 | (367,436) |
| Claims Paid During the Year | - | - | - | (2,604,707) | (534,964) | (2,069,743) |
| Transfer on Segregation (Note 47) | - | - | - | (3,003,594) | (2,084,946) | (918,648) |
| At 31 December | - | - | - | - | - | - |

Reinsurance receivable on paid claims are included under above Reinsurance receivables amounting to Rs. 526,355,000 in 2016 and Rs. 139,665,000 in 2015 respectively.

Reinsurance receivables on paid claims represent dues within 6 months.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claim reserve have been actuarially computed by M/S K.A.Pandit - Consultants and Actuaries. The valuation is performed on an annual basis.

The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

22. (b) 2 Provision for Unearned Premiums

| | Group | | Company | |
|-----------------------------------|------------------|------------------|-------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Insurance | Insurance | Insurance | Insurance |
| | Contract | Contract | Contract | Contract |
| | Liabilities | Liabilities | Liabilities | Liabilities |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | 6,167,920 | 5,790,118 | - | 5,679,609 |
| Premiums written in the year | 16,211,189 | 12,746,120 | - | 4,546,991 |
| Premiums earned during the year | (15,391,690) | (12,368,318) | - | (4,102,200) |
| Transfer on Segregation (Note 47) | - | - | - | (6,124,400) |
| At 31 December | 6,987,419 | 6,167,920 | - | - |

23 DEFERRED REVENUE

This represents entitled reinsurance commission on insurance business to be recognised in the future periods proportionately.

| | Deferred Revenue on Insurance Contracts Rs.'000 |
|----------------------------|---|
| At 1 January 2016 | 235,990 |
| Revenue Deferred | 571,654 |
| Amortisation | (565,687) |
| At 31 December 2016 | 241,957 |

24 INTEREST BEARING LOANS & BORROWINGS

| As at 31 December | Note | Group | | Company | |
|-------------------------|------|------------------|------------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Bank Overdraft | | 347,715 | 535,718 | 5,296 | - |
| Borrowings | 24.1 | 1,615,845 | 978,842 | - | - |
| Total borrowings | | 1,963,560 | 1,514,560 | 5,296 | - |

24.1 Borrowings

| As at 31 December | Note | Group | | Company | |
|----------------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 2016 Total Rs.'000 | 2015 Total Rs.'000 | 2016 Total Rs.'000 | 2015 Total Rs.'000 |
| Bank Loans | 24.2 | 520,435 | 193,880 | - | - |
| Corporate Borrowings | | 92,653 | 87,340 | - | - |
| Repo Borrowings | | 916,459 | 615,709 | - | - |
| Funds under Management Agreement | | 71,298 | 66,913 | - | - |
| Promisary Notes | | 15,000 | 15,000 | - | - |
| | | 1,615,845 | 978,842 | - | - |

24.2 Bank Loans

| | As at 01.01.2016 Rs.'000 | Loans Obtained Rs.'000 | Repayments Rs.'000 | As at 31.12.2016 Rs.'000 |
|------------------|--------------------------------|------------------------------|-----------------------|--------------------------------|
| Sampath Bank PLC | 193,880 | 400,000 | (73,445) | 520,435 |
| | 193,880 | 400,000 | (73,445) | 520,435 |

Loans were obtained at variable rates and it is assumed that the carrying value approximates fair value.

The assets pledged against borrowings are disclosed in Note 45.

Notes to the Consolidated Financial Statements

25 OTHER FINANCIAL LIABILITIES

| | Note | Group | | Company | |
|-----------------|------|-----------------|-----------------|-----------------|-----------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Repo Borrowings | | 3,980,013 | 299,811 | - | - |
| Lease Creditors | 25.1 | - | 4,931 | - | - |
| | | 3,980,013 | 304,742 | - | - |

25.1 Lease Creditors - Group

| As at 31 December 2015 | Not later than one year | Later than one year and not later than five years | Later than five years | Total |
|---|-------------------------|---|-----------------------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Total of future minimum lease payments | 5,582 | - | - | 5,582 |
| Present Value of minimum lease payments | 4,931 | - | - | 4,931 |

26 REINSURANCE PAYABLES

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Domestic Reinsurer - National Insurance Trust Fund (NITF) | 181,415 | 184,622 | - | - |
| Domestic Reinsurers - Others | 22,176 | 8,518 | - | - |
| Foreign Reinsurers | 773,526 | 986,076 | - | - |
| | 977,117 | 1,179,216 | - | - |

The above amounts include Reinsurance payable to National Insurance Trust Fund, Local reinsurers and Foreign reinsurers.

27 TRADE AND OTHER PAYABLES

| As at 31 December | Group | | Company | |
|----------------------------------|-----------|-----------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Policyholder Payments in Advance | 486,483 | 453,745 | - | - |
| Agency Commission Payable | 761,561 | 684,559 | - | - |
| Government Levies | 245,940 | 199,776 | - | - |
| Trade Creditors | 2,994,507 | 2,625,787 | 110,973 | 121,838 |
| Death Claims Payable | 98,340 | 103,432 | - | - |
| Accrued Expenses | 520,019 | 249,575 | - | - |
| Income Tax Payable | 143,236 | 162,738 | - | - |
| | 5,250,086 | 4,479,612 | 110,973 | 121,838 |

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

All amounts are payable within one year.

28 NET PREMIUMS

28. (a) Gross Written Premium

| Year ended 31 December | Notes | Group | | Company | |
|-------------------------------|----------|-------------------|-------------------|----------|-------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Life Insurance | 28 (a) 2 | 15,027,600 | 13,456,827 | - | 5,165,550 |
| Non-Life Insurance | 28 (a) 1 | 16,790,990 | 14,527,332 | - | 5,505,510 |
| Gross Written Premiums | | 31,818,590 | 27,984,159 | - | 10,671,060 |

Gross Written Premium

The premium income for the year by major classes of business is as follows.

28. (a) 1. Non - Life Insurance

| Year ended 31 December | Group | | | Company | | |
|------------------------|------------|------------|--------|---------|-----------|--------|
| | 2016 | 2015 | Change | 2016 | 2015 | Change |
| | Rs.'000 | Rs.'000 | % | Rs.'000 | Rs.'000 | % |
| Fire | 1,988,002 | 1,879,508 | 6 | - | 682,973 | (100) |
| Motor | 9,912,287 | 8,119,326 | 22 | - | 3,320,357 | (100) |
| Marine | 684,844 | 731,766 | (6) | - | 174,388 | (100) |
| Miscellaneous | 2,891,456 | 2,627,568 | 10 | - | 959,035 | (100) |
| Engineering | 1,133,121 | 1,029,927 | 10 | - | 304,954 | (100) |
| Employers' Liability | 181,280 | 139,237 | 30 | - | 63,803 | (100) |
| | 16,790,990 | 14,527,332 | 16 | - | 5,505,510 | (100) |

The Gross written premium of 2016 includes Rs.50,456,964/- and US\$ 141,544 (2015- Rs.35,080,138/- and US\$ 160,867) which are collected on behalf of co-insurance partners.

| Year ended 31 December | Group | | | Company | | |
|--------------------------------------|-------------------|-------------------|-----------|----------|-------------------|--------------|
| | 2016 | 2015 | Change | 2016 | 2015 | Change |
| | Rs.'000 | Rs.'000 | % | Rs.'000 | Rs.'000 | % |
| 28. (a) 2. Life Insurance | 15,027,600 | 13,456,827 | 12 | - | 5,165,550 | (100) |
| Total Gross Written premium | 31,818,590 | 27,984,159 | 14 | - | 10,671,060 | (100) |
| Annualised New Business Life Premium | 3,820,602 | 3,710,208 | 3 | - | 1,506,211 | (100) |

Notes to the Consolidated Financial Statements

28. (b) Premiums Ceded to Reinsurers

| Year ended 31 December | Notes | Group | | Company | |
|-------------------------------------|----------|------------------|------------------|-----------------|------------------|
| | | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| Life Insurance | 28 (b) 2 | 373,829 | 310,055 | - | 126,591 |
| Non-Life Insurance | 28 (b) 1 | 4,073,270 | 3,809,970 | - | 958,517 |
| Premiums Ceded to Reinsurers | | 4,447,099 | 4,120,025 | - | 1,085,108 |

Premium Ceded to Reinsurers

28. (b) 1. Non- Life Insurance

| Year ended 31 December | Group | | | Company | | |
|--|------------------|------------------|-------------|-----------------|------------------|--------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | Change % | 2016 Rs.'000 | 2015 Rs.'000 | Change % |
| Fire | 1,735,661 | 1,640,424 | 6 | - | 558,834 | (100) |
| Motor | 382,791 | 237,443 | 61 | - | 68,694 | (100) |
| Marine | 379,898 | 434,860 | (13) | - | 65,151 | (100) |
| Miscellaneous | 684,492 | 668,239 | 2 | - | 77,124 | (100) |
| Engineering | 875,611 | 816,700 | 7 | - | 183,974 | (100) |
| Employers' Liability | 14,817 | 12,304 | 20 | - | 4,740 | (100) |
| | 4,073,270 | 3,809,970 | 7 | - | 958,517 | (100) |
| National Insurance Trust Fund | | | | | | |
| Compulsory Reinsurance Cessions | 552,736 | 480,710 | 15 | - | 151,041 | (100) |
| Strike, Riots, Civil Commotion | 780,550 | 579,159 | 35 | - | 258,496 | (100) |
| Foreign Reinsurers | 2,669,076 | 2,692,987 | (1) | - | 515,471 | (100) |
| Local Coinsurance Partners | 70,908 | 57,114 | 24 | - | 33,509 | (100) |
| | 4,073,270 | 3,809,970 | 7 | - | 958,517 | (100) |
| 28. (b) 2. Life Insurance | | | | | | |
| Foreign Reinsurers | 373,829 | 310,055 | 21 | - | 126,591 | (100) |
| Total Premium Ceded to Reinsurers | 4,447,099 | 4,120,025 | | | 1,085,108 | (100) |

| Year ended 31 December | Group | | Company | |
|---------------------------|-------------------|-------------------|------------------|-------------------|
| | 2016 Rs.'000 | 2015 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 |
| 28. (c) Net Income | | | | |
| Net Earned Premium | 26,551,980 | 23,486,332 | - | 9,141,161 |
| Revenue From Subsidiaries | 2,853,557 | 2,860,228 | - | - |
| Other Revenue | 10,419,186 | 8,324,133 | 1,093,984 | 3,800,289 |
| | 39,824,723 | 34,670,693 | 1,093,984 | 12,941,450 |

Net income represents total net earned premium, other revenue and revenue from non insurance subsidiaries (group).

29 FEES AND COMMISSION INCOME

| Year ended 31 December | Group | | Company | |
|---|----------------|----------------|----------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance Commission Income | 657,016 | 610,238 | - | 173,185 |
| Other Fees | 17,746 | 32,536 | - | 10,109 |
| Total Fees and Commission Income | 674,762 | 642,774 | - | 183,294 |

30 INVESTMENT INCOME

| Year ended 31 December | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rental Income from Investment Properties | 16,491 | 61,398 | - | 20,813 |
| Financial Assets at Fair Value through Profit or Loss (held for Trading Purposes) | | | | |
| Interest Income | 55,084 | 84,894 | - | 50,734 |
| Held to Maturity Financial Assets Interest Income | 6,517,562 | 3,875,848 | - | 1,511,248 |
| Available-for-Sale Financial Assets | | | | |
| Interest Income | 669,098 | 613,353 | 1,499 | 288,598 |
| Dividend Income | 175,668 | 181,412 | 1,069,760 | 209,110 |
| Loans and Receivables Interest Income | 1,636,173 | 2,328,243 | 22,725 | 888,936 |
| Interest Income from Staff Loan | 58,946 | 42,186 | - | 11,557 |
| Other Operating Revenue | 357,256 | 284,643 | - | 47,219 |
| Total Investment Income | 9,486,278 | 7,471,977 | 1,093,984 | 3,028,215 |

31 NET REALISED GAINS

| Year ended 31 December | Group | | Company | |
|---|-----------------|---------------|----------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Property, Plant and Equipment Realised Gains | 63,683 | 9,798 | - | (10,573) |
| Available-for-Sale Financial Assets Realised Gains | | | | |
| Equity Securities * | - | 10,478 | - | 458,763 |
| Debt Securities * | 4,275 | 114,066 | - | 127,939 |
| Realised Losses | | | | |
| Equity Securities | (220) | (39,758) | - | (36,758) |
| Debt Securities | (39,542) | - | - | - |
| Total Realised Gains for Available-for-Sale Financial Assets | (35,487) | 84,786 | - | 549,944 |
| Total Realised Gains | 28,196 | 94,584 | - | 539,371 |

* The realised gains of the Company in 2015 includes income of Rs. 476,780,000 Representing available for sale reserve realisation due to transfer of assets on segregation to new General Insurance Company.

However, the said income is not included in the consolidated realised gains since it is not realised in Group perspective.

Notes to the Consolidated Financial Statements

32 NET FAIR VALUE GAINS AND LOSSES

| Year ended 31 December | Group | | Company | |
|---|----------------|----------------|----------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair Value Gains on Investment Properties | 156,756 | - | - | - |
| Fair Value Gains on Financial Assets at Fair Value through Profit or Loss (held for trading purposes) | 73,194 | 114,798 | - | 49,409 |
| Total Fair Value Gains and Losses | 229,950 | 114,798 | - | 49,409 |

33 NET BENEFITS AND CLAIMS

| Year ended 31 December | Group | | Company | |
|--|--------------------|--------------------|----------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 33. (a) Gross Benefits and Claims Paid | | | | |
| Life Insurance Contracts | 6,800,076 | 6,109,171 | - | 2,303,546 |
| Non-Life Insurance Contracts | 9,251,877 | 6,766,223 | - | 2,604,707 |
| Total Gross Benefits and Claims Paid | 16,051,953 | 12,875,394 | - | 4,908,253 |
| 33 (b) Claims Ceded to Reinsurers | | | | |
| Life Insurance Contracts | (148,394) | (152,427) | - | (36,681) |
| Non-Life Insurance Contracts | (1,703,643) | (1,218,891) | - | (340,744) |
| Total Claims Ceded to Reinsurers | (1,852,037) | (1,371,318) | - | (377,425) |
| 33 (c) Gross Change in Contract Liabilities | | | | |
| Change in Life Insurance Contract Liabilities | 8,397,889 | 7,135,304 | - | 3,459,448 |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | 1,269,637 | 165,897 | - | 12,991 |
| Total Gross Change in Contract Liabilities | 9,667,526 | 7,301,201 | - | 3,472,439 |
| 33 (d) Change in Contract Liabilities Ceded to Reinsurers | | | | |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | (2,129,524) | 35,028 | - | 49,823 |
| Total Change in Contract Liabilities Ceded to Reinsurers | (2,129,524) | 35,028 | - | 49,823 |
| Net Benefits and Claims | 21,737,918 | 18,840,305 | - | 8,053,090 |
| Net Benefits and Claims - Non Life Insurance | 6,688,347 | 5,748,257 | - | 2,326,777 |
| Net Benefits and Claims - Life Insurance | 15,049,571 | 13,092,048 | - | 5,726,313 |
| | 21,737,918 | 18,840,305 | - | 8,053,090 |

| Year ended 31 December | Group | | Company | |
|--|------------------|------------------|----------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 33 (e) Gross Claims and Benefits (Excluding Life Fund Increase) | | | | |
| Claims - Death, Disability and Hospitalisation | 647,858 | 608,850 | - | 253,689 |
| Policy Maturities | 4,220,388 | 3,691,997 | - | 1,395,555 |
| Interim Payments on Anticipated Endowment Plans | 750,286 | 739,270 | - | 317,688 |
| Surrenders | 907,419 | 845,932 | - | 271,975 |
| Cash Bonus Expenses | 260,584 | 204,379 | - | 59,864 |
| Annuities | 13,541 | 18,759 | - | 4,775 |
| | 6,800,076 | 6,109,187 | - | 2,303,546 |
| Reinsurance Recoveries | (148,394) | (152,426) | - | (36,681) |
| Life Insurance Net Claims and Benefits | 6,651,682 | 5,956,761 | - | 2,266,865 |

| Year ended 31 December | 2016 | 2015 | 2016 | 2015 |
|---|------------------|------------------|----------|------------------|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| 33. (f) Non - Life Net Claims Incurred | | | | |
| Gross Claims Incurred | 10,521,514 | 6,932,120 | - | 2,617,698 |
| Reinsurance Recoveries | (3,833,167) | (1,183,863) | - | (290,921) |
| Total Net Claims Incurred | 6,688,347 | 5,748,257 | - | 2,326,777 |

| Year ended 31 December | 2016 | 2015 | 2016 | 2015 |
|---|------------------|------------------|----------|------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 33. (g) The analysis by major classes of business is as follows-non-life | | | | |
| Fire | 390,070 | 183,984 | - | 127,451 |
| Motor | 4,845,680 | 4,141,675 | - | 1,691,574 |
| Marine | 74,057 | 91,660 | - | 27,129 |
| Miscellaneous | 1,201,301 | 1,203,241 | - | 450,407 |
| Engineering | 160,206 | 114,859 | - | 26,553 |
| Employer's Liability | 17,033 | 12,838 | - | 3,663 |
| | 6,688,347 | 5,748,257 | - | 2,326,777 |

34 ACQUISITION COSTS

| Year ended 31 December | Group | | Company | |
|------------------------------|------------------|------------------|----------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fees and Commission Expenses | 3,195,512 | 2,888,051 | - | 1,135,124 |
| Deferred Expenses | (107,382) | (66,843) | - | (31,690) |
| | 3,088,130 | 2,821,208 | - | 1,103,434 |

35 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

| Year ended 31 December | Notes | Group | | Company | |
|--|--------|------------------|------------------|---------------|------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Amortisation of Intangible Assets & Goodwill | 7 | 40,055 | 32,554 | - | 10,535 |
| Depreciation on Property and Equipment | 9 | 719,369 | 590,509 | 58 | 143,922 |
| Other Operating Expenses | 35 (b) | 2,314,867 | 2,518,600 | 9,018 | 890,069 |
| Auditors' Remuneration | | 14,534 | 11,780 | 1,367 | 2,127 |
| Employee Benefits Expense | 35 (a) | 4,293,940 | 3,952,105 | 4,520 | 1,281,190 |
| Selling Expenses | | 1,125,355 | 1,133,399 | - | 354,370 |
| Legal Expenses | | 53,310 | 92,154 | 29,738 | 52,378 |
| Donations | | 16,347 | 10,987 | - | 4,214 |
| Total Other Operating and Administrative Expenses | | 8,577,777 | 8,342,088 | 44,701 | 2,738,805 |

Notes to the Consolidated Financial Statements

35. (a) Employee Benefits Expense

| Year ended 31 December | Notes | 2016 | 2015 | 2016 | 2015 |
|---|--------|------------------|------------------|--------------|------------------|
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Wages and Salaries Including Bonus & Incentives | | 3,656,011 | 3,372,103 | 4,520 | 1,109,330 |
| Employees' Provident Fund | | 297,653 | 271,083 | - | 93,794 |
| Employees' Trust Fund | | 74,531 | 67,992 | - | 23,622 |
| Defined Gratuity Benefit & Pension Costs | 35 (c) | (34,212) | (131,015) | - | (22,079) |
| Other Staff Related Cost | | 299,957 | 371,942 | - | 76,523 |
| Total Employee Benefits Expense | | 4,293,940 | 3,952,105 | 4,520 | 1,281,190 |

35. (b) Other Operating Expenses

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.9,610,000. (2015 - Rs. 11,006,682/-). The operating expenses incurred in respect of investment property which earns rental income is Rs.1,439,000(2015- Rs.1,637,936)

35. (c) Net Gratuity benefit and pension cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

36. FINANCE COSTS

| Year ended 31 December | Group | | Company | |
|------------------------------------|----------------|----------------|------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current Borrowings | | | | |
| Interest Expense on Bank Overdraft | 14,658 | 12,814 | 3 | 4,221 |
| Interest Expense on Loans | 64,910 | 33,043 | - | - |
| Other Finance Charges | 64,285 | 78,361 | 196 | 33,492 |
| Total Finance Cost | 143,853 | 124,218 | 199 | 37,713 |

37. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

37. (a) Current Year Tax Charge

| Year ended 31 December | Group | | Company | |
|---|----------------|----------------|--------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current Tax | | | | |
| Income Tax | 822,873 | 338,578 | 6,782 | 100,978 |
| Over/under Provision in Respect of Previous Year | 33,416 | 23,887 | - | (297) |
| Total Current Tax | 856,289 | 362,465 | 6,782 | 100,681 |
| Deferred Tax | | | | |
| Origination of Temporary Differences (note 16 b, c and d) | 97,452 | 85,792 | - | (5,984) |
| Total Income Tax Expense | 953,741 | 448,257 | 6,782 | 94,697 |

37. (b) Tax recorded in Other Comprehensive Income (see Note 41)

| Year ended 31 December | Group | | Company | |
|---|----------------|--------------|----------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Deferred tax | 123,714 | 9,563 | - | (11,631) |
| Total Tax Charge to Other Comprehensive Income | 123,714 | 9,563 | - | (11,631) |

37. (c) Reconciliation of Tax Charge

| Reconciliation of Effective Tax Rate | Company | |
|---|--------------|---------------|
| | 2016 | 2015 |
| | Rs.000 | Rs.000 |
| Profit Before Tax | 1,049,084 | 1,008,409 |
| Profits from Life Insurance Business | - | 687,353 |
| Profit/Loss for Income Tax- General Insurance | 1,049,084 | 1,695,762 |
| Income Tax using the Company's Domestic Tax Rate 28.00% | 293,743 | 474,813 |
| Tax Exempt Income | (286,961) | (334,207) |
| Net non-Deductible/(deductible) Expenses | - | 14,919 |
| Tax Effect of Loss Claimed for the Year | - | (54,547) |
| Over / (Under) Provision of Previous Years | - | (297) |
| Deferred tax Charge/(Reverse) | - | (5,984) |
| | 6,782 | 94,697 |

| Reconciliation of Effective Tax Rate | Group | |
|--|----------------|----------------|
| | 2016 | 2015 |
| | Rs.000 | Rs.000 |
| Profit Before Tax | 5,800,359 | 4,098,473 |
| Profit from Life Business | - | 687,353 |
| Profits/Loss for Income Tax | 5,800,359 | 4,785,826 |
| Income Tax using the Company's Domestic Tax Rate | 2,000,943 | 1,340,031 |
| Tax Exempt Income | (5,305,438) | (2,924,351) |
| Net non-Deductible/(Deductible) Expenses | 4,234,215 | 2,034,420 |
| Tax Effect of Loss Claimed for the Year | (126,474) | (58,444) |
| Over / (Under) Provision of Previous Years | 33,416 | 4,279 |
| Deferred Tax Charge/(Reverse) | 97,452 | 85,792 |
| Tax Savings on Current Tax Loss | 19,628 | (33,470) |
| | 953,741 | 448,257 |

The Company is liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

Taxable profits of Long-Term insurance business are computed on investment income less management expenses and allowable expenses.

Ceylinco Health Care Services Ltd is liable to pay income tax at 12% on its business income & at 28% on its investment income.

CEG Education Holdings (Private) Limited and Cey Hydro Developers (Pvt) Ltd are liable to pay 10% on its business income. Other income of the Companies are liable for taxation at the normal rate.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd is liable for tax at 12% tax on the income for the year of assessment 2016/2017. Other income of the Company is liable for taxation at the normal rate.

Ceylinco Insurance Company (Pvt) Ltd. -Maldives is liable to pay income tax at 15% on its business income in Maldives.

Notes to the Consolidated Financial Statements

38 NON CONTROLLING INTERESTS (NCI)

38. (a) Accumulated balances of Non-Controlling Interest

| As at 31 December | 2016 Rs.'000 | 2015 Rs.'000 | Effective ownership by NCI % |
|--|-----------------|-----------------|------------------------------------|
| Name of Company | | | |
| Ceylinco Healthcare (Pvt) Ltd | 1,580 | 1,026 | 0.80 |
| Ceylinco Insurance (Pvt) Ltd -Maldives | 136,792 | 134,511 | 40 |
| Ceylinco Investcorp (Pvt) Ltd | 8,551 | 9,354 | 25 |
| Energy Lanka Holdings Ltd | 24,273 | 31,796 | - |
| CEG Education Holdings Ltd | 1,380,272 | 683,691 | 37.40 |
| | 1,551,468 | 860,378 | |

38. (b) Profit allocated to Non-Controlling Interest

| Year ended 31 December | 2016 Rs.'000 | 2015 Rs.'000 |
|---------------------------------------|-----------------|-----------------|
| Name of Company | | |
| Ceylinco Healthcare (Pvt) Ltd | 554 | 267 |
| Ceylinco Insurance (Pvt) Ltd-Maldives | 20,076 | 32,396 |
| Ceylinco Investcorp (Pvt) Ltd | 3,151 | 4,125 |
| Energy Lanka Holdings Ltd | 449 | 5,707 |
| CEG Education Holdings Ltd | 173,647 | 112,635 |
| | 197,877 | 155,130 |

39 BASIC/DILUTED EARNINGS PER SHARE

Basic/Diluted Earnings per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

| Year ended 31 December | Group | | Company | |
|---|-----------|-----------|-----------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Profit for the Year (Rs.'000) | 4,648,741 | 3,495,086 | 1,042,302 | 913,712 |
| Weighted Average Number of Ordinary Shares ('000) | 26,414 | 26,414 | 26,414 | 26,414 |
| Basic/Diluted Earnings per Ordinary Share (Rs.) | 176.00 | 132.32 | 39.46 | 34.59 |

There were no potential dilutive Ordinary Shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share as shown above.

40 DIVIDENDS PAID AND PROPOSED

| Year ended 31 December | Company | |
|--|---------|---------|
| | 2016 | 2015 |
| Final Proposed Dividend (Rs.'000) | 726,398 | 594,326 |
| No. of Shares in issue for the year ('000) | 26,414 | 26,414 |
| Dividend per Share (Rs.) | 27.50 | 22.50 |

The Board of Directors has proposed a Final dividend of Rs. 27.50 per share for the year ended 31st December, 2016 which is to be approved by the shareholders at the Annual General Meeting to be held on 21st April 2017. According to LKAS -10 - Events after the Reporting Date, this proposed dividend is disclosed, but not recognized as a liability as at 31st December, 2016.

However, for the purpose of computing Dividend per Share the final dividend proposed has been taken into consideration.

41 INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

| Group | 2016 | | | 2015 | | |
|--|------------------|------------------|------------------|------------------|--------------|------------------|
| | Tax | | | Tax | | |
| | Before Tax | (Expense) | Net of Tax | Before Tax | (Expense) | Net of Tax |
| | Amount | Benefit | Amount | Amount | Benefit | Amount |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Exchange Differences on Translating Foreign Operations | (4,841) | - | (4,841) | (4,682) | - | (4,682) |
| Net Gain/(Loss) on Available-For-Sale Financial Assets | 52,798 | 55,233 | 108,031 | (349,396) | 19,651 | (329,745) |
| Actuarial Gain on Defined Benefit Plans | (613,601) | (9,443) | (623,044) | (67,317) | (10,401) | (77,718) |
| Revaluation Surplus/(Deficit) During the Year | 3,558,943 | (169,504) | 3,389,439 | 14,587 | 313 | 14,900 |
| Total | 2,993,299 | (123,714) | 2,869,585 | (406,808) | 9,563 | (397,245) |

| Company | 2016 | | | 2015 | | |
|--|--------------|-----------|--------------|------------------|---------------|------------------|
| | Tax | | | Tax | | |
| | Before Tax | (Expense) | Net of Tax | Before Tax | (Expense) | Net of Tax |
| | Amount | Benefit | Amount | Amount | Benefit | Amount |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Net gain/(loss) on Available-For-Sale Financial Assets | 1,019 | - | 1,019 | (683,536) | 20,636 | (662,900) |
| Actuarial Gain on Defined Benefit Plans | - | - | - | 284,907 | (9,318) | 275,589 |
| Revaluation Surplus/(Deficit) During the Year | - | - | - | - | 313 | 313 |
| Total | 1,019 | - | 1,019 | (398,629) | 11,631 | (386,998) |

42 RISK MANAGEMENT FRAMEWORK

42. (a) Governance framework

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

The Group has established a risk management process with specified objectives with clear tasks. The board of directors and senior managers manage the risks through various committees and delegated authorities. The reviews of risks on regular basis and the strategies adopted timely ensures the risk management function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory environment and macro economic changes. The Group has well experienced and skilled directors who could assess the risks and execute appropriate strategies and achieve the targets with less negative effect to shareholders.

42. (b) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

Notes to the Consolidated Financial Statements

42 RISK MANAGEMENT FRAMEWORK (Contd.)

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Insurance business maintains capital, investments and solvency as per the regulations prescribed by Insurance Board of Sri Lanka. (IBSL). Further, the insurance business maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime.

New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to capital management

The Group allocates capital to businesses as required and ensures the sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the company and achieves the required capital levels of the Group.

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of capital such as reinsurance.

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

42. (c) Regulatory framework

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

The insurance business is regulated by Insurance board of Sri Lanka with the objective of protecting shareholders and policyholders. There are various regulations and directive the insurance business is expected to adhere in order to achieve the expected norms, which leads the insurance business to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interest rates risks, share price changes etc. The Group manages these risks through various strategies adopted at asset liability committee, investment committee and risk management committees.

42. (d) Asset Liability Management (ALM) Framework

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints. ALM deals with the optimal investment of assets in view of meeting current goals and future liabilities.

Various financial risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk.

The Investment committee identifies the nature of the liabilities arising from the product portfolio and evaluates the investment options that best suit to hedge the liability. The Group manages these selected positions within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates to achieve investment returns in excess of its obligations in the long term.

43 INSURANCE AND FINANCIAL RISK

43. (a) Insurance risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme. All reinsurance is designed to mitigate the group's net exposure to a single claim as well as to catastrophe losses.

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 Group 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 Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Group has all reinsurance arrangements with many leading reinsurance companies.

43. (a) 1. Life insurance contracts

Life insurance contracts offered by the Company include: whole life, term assurance, endowment plans, Retirement plans, Critical illness benefit, disability insurance, daily hospital cash and major surgery benefit.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being higher than expected
- Morbidity risk – risk of loss arising due to policyholder's health experience being worse than expected
- Investment return risk – risk of loss arising from actual returns being lower than expected
- Expense risk – risk of loss arising from expense experience being higher 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 properly assessed and correct premium are charged. The use of scientifically designed proposal forms and medical screening ensure appropriate data related the insured risk are collected and premium charged takes account of current health conditions and additional risk of life to be insured.

The strategy also addresses regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts in which 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.

43. (a) 2. Non-Life Insurance

The main risk faced by non-life insurance business is that the actual claims are varying from the expected claims from different types of policies. The non-life insurance business minimises the risks by evaluating the business in detail and charges the correct premiums so that the company has sufficient reserves to meet any unforeseen claims.

There are other types of risks such as reinsurance, default risk, credit risk, concentration risk, liquidity risks and market risks. The business's risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

Notes to the Consolidated Financial Statements

43 INSURANCE AND FINANCIAL RISK (Contd.)

43. (a) 2. Non-life insurance contracts

The non-life insurance principally issues the following types of general insurance contracts: motor, marine, engineering, fire, suwa sampatha and miscellaneous products. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. 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. Furthermore, 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 non-life. Further on the spot claims settlement procedures also helps to reduce the exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The non-life has also limited its exposure by arranging reinsurance contracts with rated Reinsurers internationally.

43. (b) 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 Life insurance segment exposure to credit risk:

- Credit risk policy is set based on the assessment and IBSL determination. Accordingly Life insurance segment has the maximum amounts and limits that may be advanced to counterparties by reference to their long-term credit ratings. Policy is monitored at each reporting date or when required for changes in the risk environment.
- Reinsurance is placed with counterparties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- 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 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.

The following processes/activities of General insurance segment division reduces the credit risk of financial instruments.

- Credit risk policy is based on the IBSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- The investment committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The regular review by the Board also minimises the credit risks.

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.

| As at 31 December | Notes | 2016 | | 2015 | |
|--|-------|-------------------|--------------------|-------------------|--------------------|
| | | Group Rs.'000 | Company Rs.'000 | Group Rs.'000 | Company Rs.'000 |
| Financial Instruments | | | | | |
| Held-to-Maturity Financial Assets | | | | | |
| Debt Securities | 12(a) | 64,831,408 | - | 47,148,849 | - |
| Loans and receivables | | | | | |
| Debt Securities | 12(b) | 14,233,716 | 642,500 | 19,010,946 | 64,754 |
| Other | | 816,780 | - | 796,215 | - |
| | | 15,050,496 | 642,500 | 19,807,161 | 64,754 |
| Available-For-Sale Financial Assets | | | | | |
| Equity Securities | 12(c) | 1,117,553 | 21,774 | 1,107,427 | 18,863 |
| Debt Securities | | 9,314,230 | 77,000 | 6,694,017 | 230,000 |
| | | 10,431,783 | 98,774 | 7,801,444 | 248,863 |
| Financial Assets at Fair Value through Profit or Loss | | | | | |
| Equity Securities | 12(d) | 141,159 | - | 20,583 | - |
| Debt Securities | | 17,231 | - | 194,353 | - |
| | | 158,390 | - | 214,936 | - |
| Reinsurance Assets | 15 | 4,055,498 | - | 2,726,342 | - |
| Insurance Receivables | 17 | 4,262,399 | - | 3,594,024 | - |
| Cash and Cash Equivalents | 20 | 906,182 | 4,404 | 1,052,395 | 4,011 |
| Total Credit Risk Exposure | | 99,696,156 | 745,678 | 82,345,151 | 317,628 |

Industry Analysis

| As at 31 December 2016 | Financial Services Rs.'000 | Government Rs.'000 | Services Rs.'000 | Manufacturing and Power Rs.'000 | Others Rs.'000 | Total Rs.'000 |
|--|----------------------------------|-----------------------|---------------------|---------------------------------------|-------------------|-------------------|
| Assets | | | | | | |
| Insurance Business | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | |
| Debt Securities | 22,350,063 | 42,202,822 | - | - | - | 64,552,885 |
| | 22,350,063 | 42,202,822 | - | - | - | 64,552,885 |
| Loans and receivables | | | | | | |
| Term Deposits | 8,301,123 | - | - | - | - | 8,301,123 |
| Repo Investments | - | 2,986,263 | - | - | - | 2,986,263 |
| Unquoted Debentures | 1,230,000 | - | - | - | - | 1,230,000 |
| Staff and Vehicle Loans | - | - | - | - | 774,139 | 774,139 |
| | 9,531,123 | 2,986,263 | - | - | 774,139 | 13,291,525 |
| Available-for-Sale Financial Assets | | | | | | |
| Equity Securities | 377,926 | - | 5,365 | 652,522 | 133,446 | 1,169,259 |
| Debt Securities | 1,751,504 | 5,924,930 | - | - | - | 7,676,434 |
| Unit Trust | 370,538 | - | - | - | - | 370,538 |
| | 2,499,968 | 5,924,930 | 5,365 | 652,522 | 133,446 | 9,216,231 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | |
| Equity Securities | 304 | - | 411 | 16,516 | - | 17,231 |
| Debt Securities | - | 141,159 | - | - | - | 141,159 |
| | 304 | 141,159 | 411 | 16,516 | - | 158,390 |
| Sub Total | 34,381,458 | 51,255,174 | 5,776 | 669,038 | 907,585 | 87,219,031 |
| Financial Instruments -Other | | | | | | |
| Subsidiaries & Ceylinco Insurance PLC | - | - | - | - | - | 3,253,046 |
| Total Credit Risk Exposure | | | | | | 90,472,077 |

Notes to the Consolidated Financial Statements

43 INSURANCE AND FINANCIAL RISK (Contd.)

| As at 31 December 2015 | Financial Services Rs.000 | Government Rs. 000 | Services Rs. 000 | Manufacturing Rs. 000 | Others Rs. 000 | Total Rs. 000 |
|--|------------------------------|-----------------------|---------------------|--------------------------|-------------------|-------------------|
| Assets | | | | | | |
| Insurance Business | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | |
| Debt Securities | 11,460,653 | 35,396,292 | - | - | - | 46,856,945 |
| | 11,460,653 | 35,396,292 | - | - | - | 46,856,945 |
| Loans and Receivables | | | | | | |
| Term Deposits | 18,160,909 | - | - | - | - | 18,160,909 |
| Repo Investments | - | 49,811 | - | - | - | 49,811 |
| Unquoted Debentures | 490,000 | - | - | - | - | 490,000 |
| Staff and Vehicle Loans | - | - | - | - | 753,302 | 753,302 |
| | 18,650,909 | 49,811 | - | - | 753,302 | 19,454,022 |
| Available-for-Sale Financial Assets | | | | | | |
| Equity Securities | 384,033 | - | 1,484 | 638,441 | 132,497 | 1,156,455 |
| Debt Securities | 186,664 | 4,870,638 | 171,110 | - | - | 5,228,412 |
| Unit Trust | 349,446 | - | - | - | - | 349,446 |
| | 920,143 | 4,870,638 | 172,594 | 638,441 | 132,497 | 6,734,313 |
| Financial Assets at Fair Value through profit or Loss | | | | | | |
| Equity Securities | 392 | - | 98 | 19,660 | 433 | 20,583 |
| Debt Securities | - | 194,353 | - | - | - | 194,353 |
| | 392 | 194,353 | 98 | 19,660 | 433 | 214,936 |
| Sub Total | 31,032,097 | 40,511,094 | 172,692 | 658,101 | 886,232 | 73,260,216 |
| Financial Instruments - Other | | | | | | |
| Subsidiaries & Ceylinco Insurance PLC | | | | | | 1,712,174 |
| Total Credit Risk Exposure | | | | | | 74,972,390 |

The below table indicates the rating of investments as at 31st December 2015 & 2016.

| As at 31 December 2016 | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BB+ | BB | BBB- | B | Not rated | Total |
|--|-------------------|------------------|------------------|-------------------|------------------|----------------|------------------|----------|----------------|----------|---------------|---------------|----------|------------------|-------------------|
| Group | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Insurance Business | | | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | | |
| Debt Securities | 42,202,822 | 2,788,453 | 1,169,774 | 10,126,255 | 6,171,710 | 483,190 | 1,496,689 | - | 113,992 | - | - | - | - | - | 64,552,885 |
| Loans and Receivables | 3,986,263 | 1,000,000 | 3,005,828 | 127,945 | 3,467,200 | 35,100 | 585,050 | - | 285,000 | - | - | 25,000 | - | 774,139 | 13,291,525 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | | |
| Equity Securities | - | - | 2,641 | - | - | 11 | - | - | 224,831 | - | - | - | - | 941,776 | 1,169,259 |
| Debt Securities | 5,924,930 | 2,316 | 1,083,844 | 134,358 | 236,432 | 133,820 | 149,972 | - | - | 10,762 | - | - | - | - | 7,676,434 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | - | - | 370,538 | 370,538 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | | | |
| Equity Securities | 37 | - | 47 | 369 | 36 | - | - | - | - | - | - | - | - | 16,742 | 17,231 |
| Debt Securities | 141,159 | - | - | - | - | - | - | - | - | - | - | - | - | - | 141,159 |
| Total | 52,255,211 | 3,790,769 | 5,262,134 | 10,388,927 | 9,875,378 | 652,121 | 2,231,711 | - | 623,823 | - | 10,762 | 25,000 | - | 2,103,195 | 87,219,031 |
| Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | 90,472,077 |

| As at 31 December 2015 | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BB+ | BB | BBB- | B | Not rated | Total |
|--|-------------------|------------------|------------------|-------------------|------------------|------------------|------------------|---------------|----------------|----------|------------|----------|----------|------------------|-------------------|
| Group | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Insurance Business | | | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | | |
| Debt Securities | 35,396,292 | 1,689,293 | - | 4,755,486 | 3,300,884 | 643,990 | 947,009 | - | 113,992 | - | - | - | - | 10,000 | 46,856,945 |
| Loans and Receivables | 49,811 | 1,027,000 | 1,448,406 | 11,535,020 | 1,250,000 | 1,605,433 | 1,500,050 | - | 275,000 | - | - | - | - | 763,302 | 19,454,022 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | | |
| Equity Securities | - | 470 | 572 | - | - | 578 | - | - | 213,122 | - | 666 | - | - | 941,047 | 1,156,455 |
| Debt Securities | 4,521,192 | 2,316 | 57,967 | 168,360 | 107,935 | 210,487 | 149,975 | 13,769 | 10,180 | - | - | - | - | - | 5,228,412 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | - | - | 349,446 | 349,446 |
| Financial Assets at fair Value through Profit or Loss | | | | | | | | | | | | | | | |
| Equity Securities | 37 | - | 45 | 322 | 25 | - | - | - | - | - | - | - | - | 20,154 | 20,583 |
| Debt Securities | 194,353 | - | - | - | - | - | - | - | - | - | - | - | - | - | 194,353 |
| Total | 40,161,685 | 2,719,078 | 1,506,990 | 16,459,188 | 4,658,844 | 2,460,488 | 2,597,034 | 13,769 | 612,294 | - | 666 | - | - | 2,083,949 | 73,260,216 |
| Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | 74,972,390 |

Notes to the Consolidated Financial Statements

43 INSURANCE AND FINANCIAL RISK (Contd.)

43. (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. Even at a catastrophic events liquidity risk of Life insurance segment is low as the cash inflow is greater than cash outflow.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to liquidity risk:

- Assessment and determination of Liquidity risk in order to maintain optimal liquidity mix.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The liquidity risks in General insurance segment is where the Group does not have enough cash/arrangements to meet payments./commitments as they fall due. Following processes/activities are in place to minimise the liquidity risk.
- The regular maintenance of investments in accordance with the IBSL guidelines.
- The investment committee reviews the liquidity levels and take appropriate actions to improve the liquidity
- Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

43.c.1 Maturity Analysis for Financial Assets and Financial Liabilities

Insurance Business

Table below represent the maturity profiles of financial assets and financial liabilities

| As at 31st December 2016 | Up to Three years Rs.'000 | Above Three Years Rs.'000 | Total Rs.'000 |
|------------------------------------|---------------------------------|---------------------------------|--------------------|
| Financial Assets | | | |
| Financial Instrument | | | |
| Measured at Fair Value | 7,864,733 | 3,002,183 | 10,866,916 |
| Measured at Amortized Cost | 105,713,109 | 48,264,848 | 153,977,957 |
| Reinsurance Receivable | 3,914,137 | - | 3,914,137 |
| Insurance Receivable | 4,027,890 | - | 4,027,890 |
| Other Assets | 11,985,783 | 1,113,263 | 13,099,046 |
| Cash and Cash Equivalents | 1,268,571 | - | 1,268,571 |
| Total Financial Assets | 134,774,223 | 52,380,294 | 187,154,517 |
| Financial Liabilities | | | |
| Reinsurance Payable | 813,488 | - | 813,488 |
| Other Liabilities | 14,553,366 | - | 14,553,366 |
| Total Financial Liabilities | 15,366,854 | - | 15,366,854 |
| Total Excess Liquidity | 119,407,369 | 52,380,294 | 171,787,663 |

| As at 31st December 2015 | Up to Three years Rs.'000 | Above Three Years Rs.'000 | Total Rs.'000 |
|------------------------------------|---------------------------------|---------------------------------|--------------------|
| Financial Assets | | | |
| Financial Instrument | | | |
| Measured at Fair Value | 7,733,165 | 728,947 | 8,462,112 |
| Measured at Amortized Cost | 98,935,645 | 30,962,164 | 129,897,809 |
| Reinsurance Receivable | 2,261,771 | - | 2,261,771 |
| Insurance Receivable | 3,262,321 | - | 3,262,321 |
| Other Assets | 9,144,176 | 1,852,737 | 10,996,913 |
| Cash and Cash Equivalents | 1,297,361 | - | 1,297,361 |
| Total Financial Assets | 122,634,439 | 33,543,848 | 156,178,287 |
| Financial Liabilities | | | |
| Reinsurance Payable | 889,006 | - | 889,006 |
| Other Liabilities | 6,377,814 | - | 6,377,814 |
| Total Financial Liabilities | 7,266,820 | - | 7,266,820 |
| Total Excess Liquidity | 115,367,619 | 33,543,848 | 148,911,467 |

43. (d) 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 equity price risk and commodity prices (price risk).

The investment committee reviews the impact of market risks and corrective actions are suggested regularly.

43. (d) (i) Currency risk

The Group has no significant concentration of currency risk.

However, the investments in foreign currency deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk. (translation risk.)

43. (d) (ii) 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 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 identifies the volatile nature of Sri Lankan interest rate environment. Therefore the company closely monitors the re-investment calendar of the investment fund and obtains internal and external expert opinion on the behaviour of interest rate environment in taking re-investment decisions. Company maintains mix of short term and long term asset mix and also maintains interest rate sensitive and Inflation rate sensitive asset classes in managing the interest rate risk. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

43. (e) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

Notes to the Consolidated Financial Statements

44 CONTINGENCIES AND COMMITMENTS

44. (a) Legal proceedings and regulations

One of the Subsidiary, Ceylinco General Insurance Ltd. operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

44. (a) (i) In relation to Ceylinco General Insurance Ltd. the Department of Inland Revenue has issued VAT assessments for the taxable period in the years 2003 and 2004 mainly imposing VAT on Reinsurance recoveries and reinsurance discounts. Upon the determination of the Commissioner General of Inland Revenue, holding the position they are chargeable with VAT, Company appealed to the Tax appeals Commission. The Tax appeals commission has given its decision in favor of Inland Revenue. Hence, upon the receipt of the decision of the tax appeals commission, company appealed to the Honourable Court of appeal on the questions of Law. Now the matter is pending before the Honourable court of appeal for their opinion. The amount so assessed by Inland Revenue is Rs. 195.9 Million.

44. (a) (ii) The Ceylinco Life Insurance Ltd. has received tax assessments for the year of assessments 2010/2011, 2011/2012, 2012/2013 and 2013/2014 Assessments have been issued by the Department of Inland Revenue in contrary to the Inland Revenue Act No. 10 of 2006.

Therefore, the Company is of the view that these assessments will not materialise and there will be no additional tax liabilities arising against the Company. Hence, no provision has been made for the assessments received. The Company has made representation against the assessment issued to the Department of Inland Revenue in consultation with the tax consultants of the Company

44. (b) Capital commitments

The Ceylinco General Insurance Ltd does not have any commitment as at the reporting date (2015 - operating lease rentals on vehicles Rs. 85,222,172).

Ceylinco Life Insurance Ltd. has committed to pay an amount of Rs.209,651,784 as at the reporting date under contract entered into on Capital expenditure project.

CEG Education Group company has project expenditure commitments for the purpose of carrying out construction of new office building in Bambalapitiya amounting to Rs. 336,793,337.(2015- Rs.454,673,685)

45 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

| Nature of Assets | Nature of Liability | Carrying Amount Pledged Rs.'000 | Included under |
|---|--|------------------------------------|-----------------------------|
| Building - Company | Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (Note 10) | 153,333 | Investment Property |
| Fixed Deposit - Ceylinco General Insurance Ltd. | Pledged to Seylan Bank PLC to obtain bank overdraft facilities. | 61,200 | Loans & Receivables |
| Unquoted shares - Company | Mortgaged to Seylan Bank PLC by Energy Generators (Pvt) Ltd to obtain loan facility | 60,907 | Investment in Associates |
| Treasury Bonds - Ceylinco Life Insurance Ltd. | Pledged to Seylan Bank PLC to obtain banking facilities. | 136,000 | Held to Maturities |
| Fixed Deposits - Ceylinco Life Insurance Ltd. | Pledged to Seylan Bank PLC to obtain banking facilities. | 50 | Loans & Receivables |
| Fixed Deposits - Ceylinco Life Insurance Ltd. | Pledged to Nation Trust Bank PLC to obtain banking facilities. | 100 | Loans & Receivables |
| Land & Buildings - CEG Education Holdings Ltd Group | Loan facilities from Sampath Bank PLC and Seylan Bank PLC | 923,000 | Property, Plant & Equipment |

46 RELATED PARTY DISCLOSURES

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As the Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of the CIPLC have the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the CIPLC and their immediate family members have also been identified as Key Management Personnel of the Company.

46.I Compensation of KMP

| | Group | | Company | |
|---|--------------------|--------------------|------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Short-Term Employee Benefits -Company | 3,890,622 | 198,644,037 | 3,890,622 | 198,644,037 |
| Other Long-Term/Post Employment Benefits -Company | - | 81,075,304 | - | 81,075,304 |
| Short Term & Long Term Employee Benefits Received from the Subsidiaries | 930,247,819 | 494,170,000 | - | - |
| | 934,138,441 | 773,889,341 | 3,890,622 | 279,719,341 |

46.II Transaction with Related Parties - Subsidiaries

| | 2016 | 2015 |
|----------------------|---------------|-------------|
| | Rs. | Rs. |
| Premium Received | - | 130,271 |
| Fund Management Fees | - | 675,000 |
| Dividend Received | 1,013,154,092 | 159,907,375 |

46.III Transaction with Related Parties - Sub Subsidiaries

| | 2016 | 2015 |
|-----------------------|------------|------------|
| | Rs. | Rs. |
| Premium Received | - | 7,430,773 |
| Fund Management Fees | - | 2,215,864 |
| Claim Paid | - | 1,472,117 |
| Dividend Received | 36,842,942 | 23,219,132 |
| Rent Received/ (paid) | - | 1,078,062 |
| Training Expenses | - | 2,680,000 |

46.IV Transaction with Related Parties - Equity Accounted Investees

| | 2016 | 2015 |
|-------------------|------------|------------|
| | Rs. | Rs. |
| Premium Received | - | 1,007,233 |
| Claim Paid | - | 187,168 |
| Dividend Received | 19,458,871 | 74,230,285 |
| Commission Paid | - | 15,695,669 |

Notes to the Consolidated Financial Statements

46 RELATED PARTY DISCLOSURES (Contd.)

46.II.a Transaction with Related Parties - Subsidiaries

| | 2016 | 2015 |
|-------------------------------|-----------|-----------|
| | Rs. | Rs. |
| Ceylinco Investcorp (Pvt) Ltd | | |
| Premium Received | - | 118,369 |
| Fund Management Fees | - | 675,000 |
| Dividend Received | 4,050,000 | 4,500,000 |

| | 2016 | 2015 |
|--|------------|------------|
| | Rs. | Rs. |
| 46.II.b. CEG Education Holding (Pvt) Ltd | | |
| Premium Received | | 11,902 |
| Dividend Received | 26,599,990 | 15,959,994 |

| | 2016 | 2015 |
|---|-------------|-------------|
| | Rs. | Rs. |
| 46.II.c Energy Lanka Holdings (Pvt)Ltd. | | |
| Dividend Received | 116,622,406 | 116,622,406 |

| | 2016 | 2015 |
|---|------------|------------|
| | Rs. | Rs. |
| 46.II.d Ceylinco Insurance Company (Pvt) Ltd-Maldives | | |
| Dividend Received | 23,090,508 | 22,323,975 |

| | 2016 | 2015 |
|--|-------------|---------|
| | Rs. | Rs. |
| 46.II.e. Ceylinco General Insurance Ltd. | | |
| Dividend Received | 312,524,188 | 501,000 |

| | 2016 | 2015 |
|---------------------------------------|-------------|---------|
| | Rs. | Rs. |
| 46.II.f. Ceylinco Life Insurance Ltd. | | |
| Dividend Received | 530,267,000 | 250,000 |

46.III Transaction with Related Parties - Sub Subsidiaries

| | 2016 | 2015 |
|---|-----------|-----------|
| | Rs. | Rs. |
| 46.III.a. American Education Centre Ltd | | |
| Premium Received | - | 4,216,690 |
| Claim Paid | - | 617,446 |
| Dividend Received | 8,025,000 | 5,350,000 |

| | 2016 | 2015 |
|--|------|---------|
| | Rs. | Rs. |
| 46.III.b Ceypower Cascades (Pvt)Ltd | | |
| Premium Received | - | 283,031 |

| | 2016 | 2015 |
|--|------|-----------|
| | Rs. | Rs. |
| 46.III.c Ceyhydro Developers (Pvt) Ltd. | | |
| Premium Received | - | 1,641,600 |

| | 2016 | 2015 |
|---|------------|------------|
| | Rs. | Rs. |
| 46.III.d International College of Business & Technologies Ltd. | | |
| Premium Received | - | 1,232,102 |
| Dividend Received | 28,817,942 | 17,869,132 |

| | 2016 | 2015 |
|---|------|-----------|
| | Rs. | Rs. |
| 46.III.e Ceylinco Health Care Services Ltd | | |
| Premium Received | - | 57,350 |
| Medical Fees for staff & Customers | - | 2,215,864 |
| Claim Paid | - | 854,671 |
| Rent Received/ (paid) | - | 1,078,062 |

| | 2016 | 2015 |
|------------------------------------|------|-----------|
| | Rs. | Rs. |
| 46.III.f Serene Resorts Ltd | | |
| Training Expenses | - | 2,680,000 |

46.IV Transaction with Related Parties - Equity Accounted Investees

| | 2016 | 2015 |
|---|------|------------|
| | Rs. | Rs. |
| 46.IV.a Citizen Development Business Finance PLC | | |
| Premium Received | - | 973,876 |
| Claim Paid | - | 174,968 |
| Dividend Received | - | 52,609,317 |
| Commission Paid | - | 15,695,669 |

| | 2016 | 2015 |
|--|------------|------------|
| | Rs. | Rs. |
| 46.IV.b Energy Generators (Pvt)Ltd. | | |
| Premium Received | - | 33,357 |
| Claim Paid | - | 12,200 |
| Dividend Received | 19,458,871 | 21,620,968 |
| | 19,458,871 | 21,666,525 |

46.V Other Related Parties

| | | |
|-----------------------------------|---------|---|
| Asset Trust Management (Pvt) Ltd. | | |
| Dividends Received | 303,750 | - |

Notes to the Consolidated Financial Statements

47. SEGREGATION

47. (a) Background

Composite Insurance companies were required to segregate their business into General insurance and Life insurance by 2015 February as per the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. As per the guidelines of Insurance Board of Sri Lanka (IBSL) on splitting, the Company complied with necessary steps and obtained insurance licenses for newly incorporated Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd for carrying out insurance business with effect from 1st June 2015. Henceforth, Ceylinco Insurance PLC would not be carrying on insurance business with effect from 1st June 2015.

Therefore, financial information disclosed under “Company” for 2015 includes insurance business information until the date of segregation, ie: 1st June 2015. The “Group” financial information includes insurance business and other business operations for the 12 months period for both years.

47. (b) Transfer of assets, liabilities and realisation of unrealised reserves

Ceylinco Insurance PLC transferred assets and liabilities of General and Life insurance business at its book value on 1st June 2015 to respective new companies licensed to carry on insurance business.

The Company made necessary adjustments on account of realisation of unrealised reserves as at 1st June 2015 (ie: revaluation and AFS reserves) due to the transfer of assets and liabilities, even though in Group perspective there is no such realisation of reserves.

The performance of General and Life Insurance businesses are disclosed in Segment information in Note 5.

48. EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues pertaining to Employees & Industrial relations during the year.

49. RECLASSIFICATION OF COMPARATIVES - GROUP

49. (a) Interest Receivable which was included under Accrued Income has been reclassified under Quoted debentures in Available-For-Sale Financial Assets for better presentation and fair valuation purposes.

| Impact on the Statement of Financial Position as at 31 December 2016 | Previously Reported Rs.'000 | Impact of Adjustment Rs.'000 | Reclassified Amount Rs.'000 |
|--|--------------------------------|---------------------------------|--------------------------------|
| Accrued Income (Note 18) | 2,745,654 | (23,705) | 2,721,949 |
| Financial Instruments | | | |
| Available-For-Sale Financial Assets (Note 12 c) | 7,777,739 | 23,705 | 7,801,444 |
| | 10,523,393 | - | 10,523,393 |

49. (b) Lease Hold Right which was included under Other Intangible Assets has been reclassified separately under Lease hold Right for better presentation.

| Impact on the Statement of Financial Position as at 31 December 2016 | Previously Reported Rs.'000 | Impact of Adjustment Rs.'000 | Reclassified Amount Rs.'000 |
|--|--------------------------------|---------------------------------|--------------------------------|
| Other Intangible Assets (Note 7) | 89,005 | (2,230) | 86,775 |
| Lease Hold Right (Note 7) | - | 2,230 | 2,230 |
| | 89,005 | - | 89,005 |

49. (c) Investment Properties which were included under Property, Plant and Equipment has been reclassified under Investment Properties due to the change in the purposes of the usage from group point of view.

| Impact on the Statement of Financial Position as at 31 December 2016 | Previously Reported Rs.'000 | Impact of Adjustment Rs.'000 | Reclassified Amount Rs.'000 |
|--|--------------------------------|---------------------------------|--------------------------------|
| Investment Properties (Note 10) | 1,912,104 | (706,999) | 1,205,105 |
| Property, Plant and Equipment (Note 9) | 11,281,890 | 706,999 | 11,988,889 |
| | 13,193,994 | - | 13,193,994 |

49. (d) Loans to Life Policyholders which were included under Insurance Receivables/Trade Debtors has been reclassified under Loans to Life Policyholders for better presentation.

| Impact on the Statement of Financial Position as at 31 December 2016 | Previously Reported Rs.'000 | Impact of Adjustment Rs.'000 | Reclassified Amount Rs.'000 |
|--|--------------------------------|---------------------------------|--------------------------------|
| Loans to Life Policyholders (Note 15 a) | - | 1,335,634 | 1,335,634 |
| Insurance Receivables/Trade Debtors (Note 17) | 4,929,658 | (1,335,634) | 3,594,024 |
| | 4,929,658 | - | 4,929,658 |

Quarterly Analysis 2016

Consolidated Statement of Income

(values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3 rd quarter | 4th quarter | Total |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Jan- Mar.16 | Apr- Jun.16 | Jul- Sep.16 | Oct- Dec.16 | Jan- Dec.16 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross written premiums | 7,478,148 | 7,902,967 | 8,130,891 | 8,306,584 | 31,818,590 |
| Premiums ceded to reinsurers | (986,638) | (1,268,265) | (979,507) | (1,212,689) | (4,447,099) |
| Net written premiums | 6,491,510 | 6,634,702 | 7,151,384 | 7,093,895 | 27,371,491 |
| Net change in Reserve for unearned premium | (463,098) | (24,161) | (326,738) | (5,514) | (819,511) |
| Net Earned premium | 6,028,412 | 6,610,541 | 6,824,646 | 7,088,381 | 26,551,980 |
| Revenue from Subsidiaries | 791,117 | 725,071 | 650,653 | 686,716 | 2,853,557 |
| | 6,819,529 | 7,335,612 | 7,475,299 | 7,775,097 | 29,405,537 |
| Investment and Other Income | 2,323,518 | 2,311,084 | 2,865,470 | 2,919,114 | 10,419,186 |
| Net income | 9,143,047 | 9,646,696 | 10,340,769 | 10,694,211 | 39,824,723 |
| Net benefits and claims | (3,238,595) | (3,228,868) | (3,427,880) | (3,444,686) | (13,340,029) |
| Increase in Life Insurance Fund | (1,636,497) | (2,534,313) | (2,539,484) | (1,687,595) | (8,397,889) |
| Acquisition cost | (791,618) | (805,133) | (817,620) | (673,759) | (3,088,130) |
| Cost of sales of subsidiaries | (183,420) | (173,067) | (177,412) | (231,305) | (765,204) |
| Other operating and administrative expenses | (2,251,099) | (2,299,325) | (2,307,427) | (1,719,926) | (8,577,777) |
| Finance cost | (23,276) | (18,783) | (40,849) | (60,945) | (143,853) |
| Total benefits, claims and other expenses | (8,124,505) | (9,059,489) | (9,310,672) | (7,818,216) | (34,312,882) |
| Profit before share of associates | 1,018,542 | 587,207 | 1,030,097 | 2,875,995 | 5,511,841 |
| Share of profit of associates | 122,435 | 79,229 | 26,567 | 60,287 | 288,518 |
| Profit before tax | 1,140,977 | 666,436 | 1,056,664 | 2,936,282 | 5,800,359 |
| Income tax expense | (214,274) | (101,793) | (155,589) | (482,085) | (953,741) |
| Profit for the year | 926,703 | 564,643 | 901,075 | 2,454,197 | 4,846,618 |

Company Statement of Income

(values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3 rd quarter | 4th quarter | Total |
|---|-----------------|-----------------|----------------|-----------------|------------------|
| | Jan- Mar.16 | Apr- Jun.16 | Jul- Sep.16 | Oct- Dec.16 | Jan- Dec.16 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross written premiums | - | - | - | - | - |
| Premiums ceded to reinsurers | - | - | - | - | - |
| Net written premiums | - | - | - | - | - |
| Net change in Reserve for unearned premium | - | - | - | - | - |
| Net Earned premium | - | - | - | - | - |
| Investment and Other Income | 29,078 | 504,861 | 3,858 | 556,187 | 1,093,984 |
| Net Income | 29,078 | 504,861 | 3,858 | 556,187 | 1,093,984 |
| Net benefits and claims | - | - | - | - | - |
| Increase in Life Insurance Fund | - | - | - | - | - |
| Acquisition cost | - | - | - | - | - |
| Other operating and administrative expenses | (11,010) | (11,281) | (9,424) | (12,986) | (44,701) |
| Finance cost | - | - | - | (199) | (199) |
| Total benefits, claims and other expenses | (11,010) | (11,281) | (9,424) | (13,185) | (44,900) |
| Profit before tax | 18,068 | 493,580 | (5,566) | 543,002 | 1,049,084 |
| Income tax expense | - | (23,627) | 23,627 | (6,782) | (6,782) |
| Profit for the year | 18,068 | 469,953 | 18,061 | 536,220 | 1,042,302 |

Note: The financial information reported quarter-wise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

Quarterly Analysis 2015

Consolidated Statement of Income

(Values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3 rd quarter | 4th quarter | Total |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Jan- Mar.15 | Apr- Jun.15 | Jul- Sep.15 | Oct- Dec.15 | Jan- Dec.15 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross written premiums | 6,813,816 | 6,627,712 | 6,953,657 | 7,588,974 | 27,984,159 |
| Premiums ceded to reinsurers | (916,257) | (885,744) | (953,958) | (1,364,066) | (4,120,025) |
| Net written premiums | 5,897,559 | 5,741,968 | 5,999,699 | 6,224,908 | 23,864,134 |
| Net change in Reserve for unearned premium | (412,562) | 99,743 | (27,763) | (37,220) | (377,802) |
| Net Earned premium | 5,484,997 | 5,841,711 | 5,971,936 | 6,187,688 | 23,486,332 |
| Revenue from Subsidiaries | 772,292 | 718,247 | 511,835 | 857,854 | 2,860,228 |
| | 6,257,289 | 6,559,958 | 6,483,771 | 7,045,542 | 26,346,560 |
| Investment and Other Income | 1,945,354 | 2,046,093 | 2,084,676 | 2,248,010 | 8,324,133 |
| Net income | 8,202,643 | 8,606,051 | 8,568,447 | 9,293,552 | 34,670,693 |
| Net benefits and claims | (2,708,578) | (2,910,249) | (2,963,389) | (3,122,785) | (11,705,001) |
| Increase in Life Insurance Fund | (2,043,738) | (2,314,357) | (1,423,441) | (1,353,768) | (7,135,304) |
| Acquisition cost | (724,960) | (725,563) | (738,954) | (631,731) | (2,821,208) |
| Cost of sales of subsidiaries | (133,236) | (190,545) | (144,481) | (251,863) | (720,125) |
| Other operating and administrative expenses | (2,080,540) | (2,232,121) | (2,192,998) | (1,836,429) | (8,342,088) |
| Finance cost | (32,778) | (23,622) | (32,758) | (35,060) | (124,218) |
| Total benefits, claims and other expenses | (7,723,830) | (8,396,457) | (7,496,021) | (7,231,636) | (30,847,944) |
| Profit before share of associates | 478,813 | 209,594 | 1,072,426 | 2,061,916 | 3,822,749 |
| Share of profit of associates | 81,489 | 24,122 | 75,032 | 95,081 | 275,724 |
| Profit before tax | 560,302 | 233,716 | 1,147,458 | 2,156,997 | 4,098,473 |
| Income tax expense | (72,682) | (27,324) | (47,570) | (300,681) | (448,257) |
| Profit for the year | 487,620 | 206,392 | 1,099,888 | 1,856,316 | 3,650,216 |

Company Statement of Income

(values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3 rd quarter | 4th quarter | Total |
|---|--------------------|--------------------|----------------|----------------|---------------------|
| | Jan- Mar.15 | Apr- Jun.15 | Jul- Sep.15 | Oct- Dec.15 | Jan- Dec.15 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross written premiums | 6,539,998 | 4,131,062 | - | - | 10,671,060 |
| Premiums ceded to reinsurers | (686,138) | (398,971) | - | - | (1,085,108) |
| Net written premiums | 5,853,860 | 3,732,091 | - | - | 9,585,952 |
| Net change in Reserve for unearned premium | (424,161) | (20,630) | - | - | (444,791) |
| Net Earned premium | 5,429,699 | 3,711,461 | - | - | 9,141,161 |
| Investment and Other Income | 1,892,592 | 1,755,475 | 981 | 151,242 | 3,800,289 |
| Net Income | 7,322,291 | 5,466,936 | 981 | 151,242 | 12,941,450 |
| Net benefits and claims | (2,696,072) | (1,813,752) | - | (3,543,266) | (8,053,090) |
| Increase in Life Insurance Fund | (2,043,738) | (1,470,536) | - | 3,514,274 | - |
| Acquisition cost | (711,655) | (457,703) | - | 65,924 | (1,103,434) |
| Other operating and administrative expenses | (1,688,409) | (1,214,831) | (8,686) | 173,121 | (2,738,805) |
| Finance cost | (22,572) | (7,119) | - | (8,022) | (37,713) |
| Total benefits, claims and other expenses | (7,162,446) | (4,963,941) | (8,686) | 202,031 | (11,933,042) |
| Profit before tax | 159,845 | 502,995 | (7,705) | 353,273 | 1,008,408 |
| Income tax expense | (62,585) | (21,543) | (5) | (10,564) | (94,697) |
| Profit for the year | 97,260 | 481,452 | (7,710) | 342,709 | 913,712 |

Note: The financial information reported quarterwise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

Ten Year Summary

Statement of Financial Position

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------|----------|----------|---------|---------|---------|---------|---------|------------|---------|
| Investor Information | | | | | | | | | | |
| Return on Net Assets (%) | 21.43 | 18.45 | 19.76 | 17.26 | 16.75 | 14.09 | 13.76 | 12.84 | 10.42 | 23.16 |
| Net Assets per Share Group (Rs.) | 1,024.84 | 840.93 | 760.33 | 675.72 | 525.04 | 450.98 | 309.47 | 262.62 | 237.84 | 225.27 |
| Net Assets per Share Company (Rs.) | 639.98 | 622.99 | 671.02 | 601.35 | 475.60 | 413.90 | 285.73 | 262.62 | 239.87 | 224.06 |
| Market Price per Share 31st December | | | | | | | | | | |
| Voting Rs. | 1490.00 | 1410.10 | 1379.00 | 1340.00 | 855.90 | 746.70 | 381.00 | 220.00 | 200.00 | 185.00 |
| Non - Voting Rs. | 730.00 | 800.00 | 550.00 | 398.00 | 330.50 | 343.00 | 270.00 | 134.25 | 145.00 | - |
| Earnings per Share Rs. | 176.00 | 132.32 | 96.00 | 98.00 | 73.94 | 57.09 | 36.41 | 25.96 | 21.21 | 50.78 |
| Price Earnings (times) - Voting | 8.47 | 10.66 | 14.00 | 13.00 | 11.58 | 13.08 | 10.47 | 8.48 | 9.42951438 | 3.64 |
| Price Earnings (times) - Non Voting | 4.15 | 6.05 | 5.00 | 4.00 | 4.47 | 6.01 | 7.42 | 5.17 | 6.84 | - |
| Market Capitalisation Rs.Mn | 34,483 | 33,334 | 31,103 | 29,358 | 19,238 | 17,134 | 9,352 | 5,261 | 4,930 | 3,700 |
| Dividend per Share Rs. | 27.50 | 22.50 | 20.00 | 16.00 | 12.50 | 6.50 | 5.50 | 5.00 | 3.00 | 3.00 |
| Employee Information | | | | | | | | | | |
| Revenue per Employee Rs.Mn | 11.231 | 14.450 | 9.100 | 9.300 | 8.165 | 7.478 | 5.415 | 5.331 | 5.514 | 4.942 |
| Net Profit per Employee Rs.'000 | 1635.748 | 1708.410 | 1116.000 | 947.000 | 699.329 | 547.107 | 301.988 | 241.950 | 180 | 310,577 |
| Number of Employees Nos. | 3,546 | 3,336 | 3,556 | 3,253 | 3,321 | 3,067 | 3,744 | 3,649 | 3,645 | 3,360 |

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015 & 2016 are based on LKAS/SLFRS and balance years are based on SLAS. Investments include financial instruments for the years 2011, 2012, 2013 and 2014.

Ten Year Summary

Statement of Comprehensive Income

| Year end 31 December | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|------------------|
| Non- Life (Sri Lanka) | | | | | | | | | | |
| Gross written Premium | 16,116,889 | 13,557,833 | 12,164,864 | 11,568,284 | 11,093,583 | 10,041,212 | 9,224,608 | 9,081,297 | 11,287,233 | 10,350,684 |
| Net Earned Premium | 11,783,117 | 10,152,831 | 9,359,977 | 8,842,712 | 8,622,152 | 7,782,907 | 7,249,160 | 7,691,395 | 8,445,196 | 7,770,598 |
| Investment Income and other Income | 1,099,638 | 888,870 | 1,022,541 | 1,009,183 | 736,134 | 674,463 | 438,080 | 482,853 | 606,068 | 510,173 |
| Net Claims | (6,699,268) | (5,690,518) | (5,259,911) | (4,641,733) | (4,556,428) | (4,475,745) | (4,339,864) | (4,677,027) | (4,766,689) | (4,380,504) |
| Acquisition Expenses | | | | | | | | | | |
| (Net of Reinsurance Commission) | (883,178) | (726,892) | (570,376) | (724,493) | (709,502) | (589,533) | (478,770) | (511,595) | (581,211) | (565,862) |
| Operating & Administrative Expenses | (3,856,112) | (3,653,431) | (3,684,496) | (3,505,144) | (3,283,927) | (2,712,239) | (2,498,266) | (2,607,201) | (3,366,099) | (2,607,414) |
| Operating Profit Before Interest Expenses | 1,444,197 | 970,860 | 867,735 | 980,525 | 808,429 | 679,853 | 370,341 | 378,425 | 337,265 | 726,991 |
| Life | | | | | | | | | | |
| Gross Written Premium | 15,027,600 | 13,456,827 | 12,002,524 | 11,122,906 | 10,829,470 | 9,833,905 | 8,786,121 | 7,522,328 | 8,257,279 | 6,847,185 |
| Net written Premium | 14,653,771 | 13,146,772 | 11,715,219 | 10,866,904 | 10,576,066 | 9,597,478 | 8,639,853 | 7,395,301 | 8,060,219 | 6,649,593 |
| Investment Income and Other Income | 8,660,289 | 6,650,585 | 6,735,305 | 6,617,979 | 4,754,938 | 3,889,608 | 3,454,269 | 3,352,433 | 2,639,208 | 1,526,900 |
| Net claims and Benefit | (6,651,682) | (5,956,744) | (4,893,847) | (4,757,321) | (3,990,881) | (2,946,295) | (2,685,361) | (2,698,277) | (2,113,092) | (1,762,458) |
| Commission (Net of Reinsurance Commission) | (1,573,586) | (1,519,801) | (1,299,135) | (1,265,544) | (1,356,742) | (1,237,818) | (1,171,497) | (1,079,487) | (1,244,224) | (1,036,412) |
| Increase in Life Insurance Fund | (8,397,889) | (7,135,304) | (7,256,468) | (7,654,622) | (6,765,658) | (6,335,332) | (5,418,174) | (4,417,313) | (4,374,916) | (2,933,386) |
| Operating & Administrative Expenses | (2,937,262) | (2,994,098) | (2,673,584) | (2,517,219) | (2,213,918) | (2,163,561) | (2,217,267) | (2,056,891) | (2,517,582) | (2,043,840) |
| Operating Profit Before Interest Expenses | 3,753,641 | 2,191,410 | 2,327,490 | 1,290,177 | 1,003,805 | 804,080 | 601,823 | 495,766 | 449,613 | 400,397 |
| Total Business (Group) | | | | | | | | | | |
| Gross Written Premium | 31,818,590 | 27,984,159 | 25,222,854 | 23,691,376 | 22,636,715 | 20,216,205 | 18,020,408 | 16,675,601 | 20,087,177 | 17,536,819 |
| Revenue | 39,824,723 | 34,670,693 | 32,262,950 | 30,396,748 | 27,114,875 | 22,933,515 | 20,272,380 | 19,369,887 | 20,098,842 | 16,603,530 |
| Net earned Premium | 26,551,980 | 23,486,332 | 21,301,922 | 19,899,630 | 19,322,492 | 17,457,253 | 15,930,153 | 15,175,328 | 16,580,852 | 14,466,377 |
| Benefit Losses and Expenses | (22,503,122) | (19,560,433) | (18,091,004) | (17,704,318) | (15,871,737) | (13,894,730) | (14,063,375) | (13,360,812) | (13,096,401) | (10,695,940) |
| Other Revenue | 13,272,743 | 11,184,361 | 10,962,028 | 10,497,118 | 7,792,383 | 5,476,262 | 4,274,722 | 4,130,665 | 3,463,427 | 2,137,152 |
| Operating and Administrative Expenses | (11,665,905) | (11,163,293) | (10,187,694) | (9,627,485) | (9,045,433) | (7,429,293) | (4,989,690) | (4,994,844) | (6,205,001) | (4,784,789) |
| Operating Profit Before Interest Expenses | 5,655,696 | 3,946,967 | 3,985,252 | 3,064,945 | 2,197,705 | 1,609,492 | 1,151,811 | 950,336 | 742,876 | 1,122,800 |
| Interest Expenses | (143,853) | (124,218) | (167,890) | (127,116) | (55,726) | (42,704) | (92,112) | (93,597) | (99,583) | (82,078) |
| Income from Associates | 288,518 | 275,724 | 150,917 | 143,421 | 180,494 | 111,189 | 70,945 | 26,138 | 11,452 | 2,816 |
| Profit Before Taxation | 5,800,361 | 4,098,473 | 3,968,279 | 3,081,250 | 2,322,473 | 1,677,977 | 1,130,644 | 882,877 | 654,745 | 1,043,538 |
| Income Tax Expenses | (953,741) | (448,257) | (1,118,602) | (211,590) | (227,794) | (140,147) | (129,030) | (188,401) | (169,430) | (30,359) |
| Profit for the Year | 4,846,618 | 3,650,216 | 2,849,677 | 2,969,660 | 2,094,679 | 1,537,830 | 1,001,614 | 694,476 | 485,315 | 1,013,199 |

Note: Financial information for the years 2010, 2011, 2012, 2013, 2014, 2015 & 2016 are based on LKAS/SLFRS and balance years are based on SLAS.

Glossary of Financial & Insurance Terms

- 1 Acquisition Expenses - Long Term Insurance**
All expenses which vary with and are primarily related to, the acquisition of new insurance contracts.
- 2 Acquisition Expenses - General**
All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.
- 3 Actuary**
An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.
- 4 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 ensure that the Company holds adequate assets to fund the Company's liabilities.
- 5 Admissible Assets**
Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Board of Sri Lanka under the regulation of Insurance Industry Act No. 43 of 2000 (No 50 and No. 51)
- 6 Annuity**
A series of regular payments. Annuities include annuities, where payments are made at definite times and life annuities where payments depend on the survival of an annuitant. A life Annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.
- 7 Beneficiary**
The person or financial institution (for e.g. a trust fund) named in the policy as the recipient of insurance money in the event of the policyholder's death.
- 8 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 a percentage of the sum assured.
- 9 Claims**
The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.
- 10 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 (No.18) at the beginning and end of the accounting period.
- 11 Claims Incurred But not Reported (IBNR)**
A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.
- 12 Claims Outstanding - Long Term Insurance**
The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.
- 13 Commission**
Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.(No.1 and No.2)
- 14 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 Balance Sheet date.
- 15 Dividend Cover**
Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.
- 16 Earned Premium**
Written premium (No.56) adjusted by the unearned premium reserve (No.55) at the beginning and end of the accounting period.
- 17 Earnings Per Share**
Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.

Glossary of Financial & Insurance Terms

- 18 Gross Claims Reserve - General**
The amount provided, including claims incurred but not reported (No.11) and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.
- 19 Gross Written Premium - Life**
Premium to which the insurer is contractually entitled and receivable in the accounting period.
- 20 Gross Written Premium - General**
Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- 21 Insurance**
Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to 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.
- 22 Insurance Provision - General**
This comprises of the gross claims reserve (No.18), unearned premium reserve (No.55) net of re-insurance and the deferred acquisition expenses
- 23 Insurance Provision - Long Term**
The funds 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.
- 24 Interim Payments**
Periodic payments to the policyholders on a specific type of policy.
- 25 Life Surplus**
The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.
- 26 Lapsed Policy**
A policy terminated at the end of the grace period because of non - payment of premiums.
- 27 Long Term Insurance**
Commonly referred to life insurance contracts, as opposed to annual Non - Life insurance policies.
- 28 Market Capitalisation**
Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.
- 29 Maturity**
The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.
- 30 Net Combined Ratio - General**
This ratio indicates the profitability of the insurer's operations by combining the net loss ratio (No. 33) with net expense ratio.
- 31 Net Earned Premium**
Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium (No. 55)
- 32 Net Expense Ratio - General**
A formula used by insurance companies to relate to income to acquisition and administrative (e.g. commissions, taxes, staff, selling and operating expenses).
Formula :
$$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical expenses}}{\text{Net Earned Premium}}$$
- 33 Net Loss Ratio - Non Life**
A formula used by insurers to relate net claims incurred (No.36) to net earned premium (i.e. after deducting relevant reinsurance)
Formula:
$$\frac{\text{Net claims incurred}}{\text{Net earned Premium}}$$
- 34 Net Assets Per Share**
Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.
- 35 Net Written Premium**
Gross Written Premium (No.19 and No.20) less reinsurance premium (No.45)
- 36 Net Claims Incurred**
Claims incurred (No.10) less reinsurance recoveries.
- 37 Non Life Insurance**
Non Life Insurance and General Insurance have the identical meaning.

- 38 **Policy**
The printed document issued to the policyholder by the Company stating the terms of the insurance contract.
- 39 **Policy Loan**
Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.
- 40 **Price Earning Ratio**
Market Price of a share divided by earnings per share.
- 41 **Premium**
The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.
- 42 **Reinstatement**
The restoration of a lapsed policy to full force and effect. The Company requires evidence of insurability and payment of past due premiums plus interest.
- 43 **Reinsurance**
A method of insurance arranged by insurers to share the exposure of risks accepted.
- 44 **Reinsurance Commission**
Commission received or receivable in respect of premium paid or payable to a reinsurer.
- 45 **Reinsurance Premium**
The premium payable to the reinsurer.
- 46 **Segment**
Constituent business units grouped in terms of nature and similarity of operations.
- 47 **Return on Shareholders' Equity**
Profits after tax divided by the Capital employed as at Balance Sheet date.
- 48 **Return on Total Assets**
Profits after Tax divided by Total assets attributable to Shareholders.
- 49 **Revenue Reserve**
An account which shows a financial summary of the insurance related revenue transactions for the accounting period.
- 50 **Rider**
An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.
- 51 **Risk Based Capital (RBC)**
An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.
- 52 **Surplus**
This is the excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.
- 53 **Surrender**
The amounts refundable to Life policyholders when they terminate their insurance contracts after a specific period.
- 54 **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.
- 55 **Unearned Premium / Unearned Premium Reserve**
It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
- 56 **Written Premium**
Total premium received or due from all sources, including premiums for reinsurance assumed, during a period.

Notice of Meeting

Notice is hereby given that the Thirtieth Annual General Meeting of the Shareholders of the Company will be held on Friday, 21st, April, 2017 at 10.30 a.m. at the Auditorium - Level 7, ICBT Building, No. 36, De Krestler Place, Bambalapitiya, Colombo 04 and the business to be brought before the meeting will be :

- To read the Notice convening the Meeting.
- Chairman's Address.
- To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st. December, 2016 and the Report of the Auditors thereon.
- To declare a Dividend for the year ended 31st. December, 2016.
- To re-elect Mr. Hettiarachige Don Kamal Patrick Alwis, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Elmo Thushara Lalindra Ranasinghe, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Peter Devaan Marlon Cooray, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Sri Ranga Abeynayake as a Director, who retires by rotation at the Annual General Meeting, in terms of Article 95, as a Director.
- To re-elect Mr. Juvanel Godwin Peter Perera, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

“Resolved that Mr. Juvanel Godwin Peter Perera who will be 80 years in December, 2017 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Juvanel Godwin Peter Perera.”

- To re-elect Gen. Chandrika Sirilal Weerasooriya (Retired), who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

“Resolved that Gen. Chandrika Sirilal Weerasooriya (Retired) who will be 74 years in December, 2017 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya.”

- To authorise the Directors to determine payments for charitable purposes for the year 2017.
- To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
- To transact any other business of which due notice shall be given.

By Order of the Board



Mrs. Nilika Abhayawardhana
Company Secretary

3rd. March, 2017

Note :

Any shareholder unable to attend the Meeting may appoint another to attend and vote for him and such proxy need not be a shareholder of the Company.

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company at 5th. Floor - “Ceylinco House”, 69, Janadhipathi Mawatha, Colombo 1, before 10.30 a.m. on 19th. April, 2017. A Proxy drop box is also available on 3rd. floor.

Shareholders/Proxyholders should bring with them their National Identity Card or any form of valid identification when attending the meeting.

It is proposed to post ordinary dividend warrants on 02nd. May, 2017 and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 24th. April, 2017.

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