

THE INTEGRATION OF VALUE



CEYLINCO INSURANCE PLC
ANNUAL REPORT 2017



THE INTEGRATION OF VALUE



At Ceylinco Insurance, holistic business excellence is built into our DNA. Value creation stems from all elements of our operations and flows across our wide range of sectors, including General and Life Insurance, Hydropower, Education, Development Banking and Healthcare. This year we are proud to state that the Group has recorded a remarkable growth in all sectors, achieving our highest ever profit to date. As we deliver unmatched benefits to all our customers, your Company continues to be above the rest, contributing to national growth and excellence, transforming the lives of the multitude of stakeholders we serve across the island.

Our performance-driven attitude is combined with our commitment to maintaining sustainable growth and the creation of long-term shareholder value. At Ceylinco Insurance, we are pledged to keep our company ahead. We work tirelessly to ensure we've performed beyond what's expected of us, infusing value across the range of products and services we offer. That's how we have achieved the integration of value, and will continue to do so in the future.

Content

Overview - General Insurance Industry

pg 25 - pg 28

“Ceylinco Insurance PLC recorded a mammoth consolidated Profit After Tax (excluding one-off surplus) of Rs. 8.3 billion, an increase of 72% year-on-year.”

pg 14

1

Management Information

Corporate Information	3
Vision & Mission	4
Financial Highlights	5
Chairman's Review	8
Managing Director/Chief Executive Officer's Review	12
Board of Directors	18
Stakeholder Engagement and Relationships	24

2

Management Discussion & Analysis

Sector Review - General Insurance	25
Sector Review - Life Insurance	29
Sector Review - Power	34
Sector Review - Education	36
Share Information	40
Sustainability Report	41
Corporate Social Responsibility	44
Events of the year	50
Accolades	59
Corporate Governance	61
Board Audit Committee Report	67
Remuneration Committee Report	69
Report of the Related Party Transactions Review Committee	70
Statement of Directors' Responsibility	71
Financial Calendar 2018	72

3

Financial Information

Report of the Directors	74
Report of the Auditors	83
Consolidated Statement of Financial Position	84
Consolidated Income Statement	85
Consolidated Statement of Comprehensive Income	86
Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	89
Insurance Revenue Account	90
Notes to the Consolidated Financial Statements	91
Quarterly Analysis 2017	167
Quarterly Analysis 2016	168
Ten Year Summary	169
Glossary of Financial & Insurance Terms	172
Notice of Meeting	175

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.

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 College 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. (Sri J.), F.C.I.M. (U.K.),
Director/Chief Operations Officer
(*Executive Director*)

Dr. W.C.J. Alwis B.Sc., F.I.I.I., 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. Nilika Abhayawardhana A.C.I.S. (U.K.)
A.C.C.S. (S.L.)

Bankers

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

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

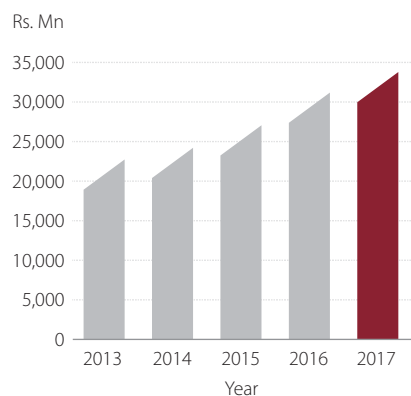
Results for the Year	Group		Change %
	2017 Rs.'000	2016 Rs.'000	
Gross Written Premium	34,662,431	31,818,590	8.94
Net Earned Premium	28,651,040	26,551,980	7.91
Investments and Other Income	12,822,721	10,419,186	23.07
Revenue from Non Insurance Subsidiaries	2,914,867	2,853,557	2.15
Net Income	44,388,628	39,824,723	11.46
Benefits /Claims Operating Admin & Other Expenses	(35,586,888)	(34,312,882)	3.71
One off Surplus *	3,456,184	-	-
Profit Before Share of Associates	12,257,924	5,511,841	122.39
Share of Profit of Associates	393,414	288,518	36.36
Profit Before Taxation (Including One-off Surplus)	12,651,338	5,800,359	118.11
Profit Before Taxation (Excluding One-off Surplus)	9,195,154	5,800,359	58.53
Profit After Taxation (Including One-off Surplus)	11,782,587	4,846,618	143.11
Profit After Taxation (Excluding One-off Surplus)	8,326,403	4,846,618	71.80

Position at the Year End

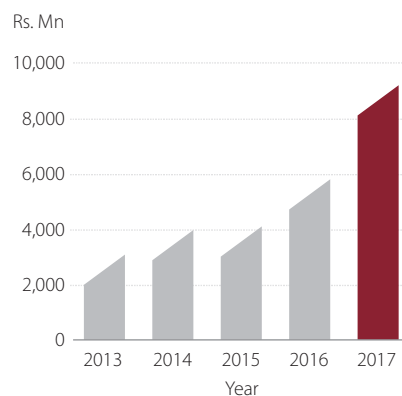
Shareholders' Funds	37,744,483	27,070,515	39.43
Life Insurance Contract Liabilities	80,869,407	77,070,762	4.93
Non - Life Insurance Contract Liabilities	11,887,150	11,660,029	1.95
Investments	107,727,548	97,387,970	10.62
Total Assets	144,544,327	130,764,524	10.54
Market Capitalisation	37,232,590	34,482,570	7.98

* One off Surplus arising from Life insurance business is shown in income statement and kept as Restricted Regulatory Reserve in Statement of Changes in Equity.

Premium Income - Life & Non Life



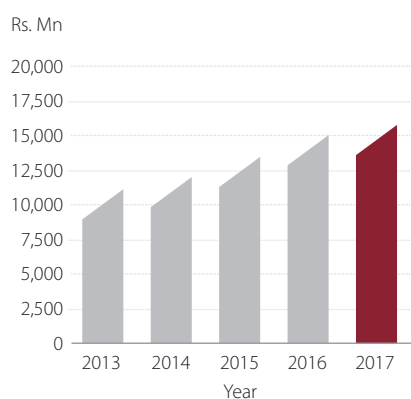
Profit Before Taxation (excluding one-off surplus)



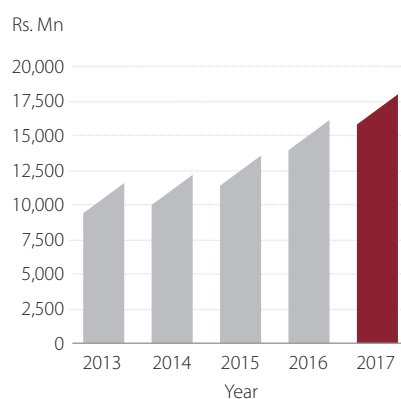
Financial Highlights

Results for the Year	Non - Life Insurance			Life Insurance (Excluding One off Surplus)		
	2017	2016	Change	2017	2016	Change
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Gross Written Premium	17,976,991	16,116,889	11.54	15,765,484	15,027,600	4.91
Net Claims / Net Benefits	(7,371,429)	(6,699,268)	10.03	(6,686,980)	(6,651,682)	0.53
Increase in Long Term Insurance Funds	-	-	-	(7,258,502)	(8,397,889)	(13.57)
Investments and Other Income (including reinsurance commission)	2,029,509	1,573,435	28.99	10,280,547	8,780,688	17.08
Profit Before Taxation	1,702,651	1,381,125	23.28	6,351,352	3,743,726	69.65
Profit After Taxation	1,406,751	1,309,020	7.47	6,011,243	3,079,040	95.23

Premium Income - Life



Premium Income - Non Life



Rs. **34.7** Bn.
Gross Written Premium

Rs. **8.3** Bn.
Profit After Taxation
(excluding one-off surplus)

Per Ordinary Share	Group	
	2017 Rs.	2016 Rs.
Earnings (excluding one-off surplus) (Basic)	306.2	176.0
Dividends - Proposed	31.5	27.5
Net Assets (Shareholders' Equity)	1,428.9	1,024.8
Market Value at the Year End - Voting	1,597.0	1,490.0
Market Value at the Year End - Non Voting	825.1	730.0
Ratios		
Return on Equity %	21.4	16.9
Dividend Cover (Times)	9.7	6.4
Price Earning (Times) - Voting	5.2	8.5
Price Earning (Times) -Non Voting	2.7	4.1

Rs. **44.4** Bn.
Net Income

Rs. **9.2** Bn.
Profit Before Taxation
(excluding one-off surplus)

Rs. **31.50**
Dividend Per Share

Rs. **37.7** Bn.
Shareholders' Funds

Chairman's Review



“The best way to predict the future is to create it.”

Peter Drucker – Management Consultant and Author.

Our 30 year history – 28 years as an Insurance company and 2 years as a Holding company

To most people contemplating the future is like gazing through a mist covered glass. Thoughts become a blend of aspirations and anxiety, hopes and doubts, wishful thinking and the starkness of reality.

Astrological predictions, auspicious colours, numbers, dates and times can give confidence and optimism to face the future. But here is a powerful self – empowering alternative. To predict our future by creating it. Because our future is in our hands. We have the ability to create it and craft it, to design it and determine it, just the way we would want it to be. Against this back drop when we examine our company's history we realize that this had been our guiding principle in all our strategic planning during the pre-segregation years and will continue to be so in the post- segregation years. As we climbed from success to success, as we overcame challenges and threats it now becomes clear that during those 28 years in insurance, both Mr Ajith Gunawardena and Mr Rajkumar Renganathan who first as Chief Executive Directors and later as Managing Directors of Ceylinco General and Ceylinco Life respectively, predicted the future of our company by creating it.

May I remind you dear Shareholders that both Mr Ajith Gunawardena and Mr Rajkumar Renganathan are the longest serving Managing Directors of all the listed companies in Sri Lanka .

In their new positions on the Board of the Holding company and on the Boards of the fully owned insurance subsidiaries they continue to follow the same principle.

In the enthusiasm of fulfilling our role as a Holding company the victories and achievements of the pre-segregation 28 years could fade away and get obscured as the past steadily recedes away from us. Hence it will be appropriate to reminisce in this Review some of the highlights of the past which have a direct bearing on the present and the future.

- We were the first insurance company in Sri Lanka to win the internationally acclaimed Asian Insurance Industry Award. This was in 2003 by the General Insurance Division. The Award was for Innovation of the Year – VIP On-the-Spot, which the media described as a 'revolution in the worldwide field of motor insurance.' A second award was won in 2005. This time by the Life Division, for Corporate Social Responsibility (CSR). Incidentally this was the very first CSR Award made by the Asian Insurance Industry Awards Committee. A third award was won in 2006 again by the General Division for Innovation of the Year – 'One and Only'. We are the only company in Sri Lanka to win three such coveted awards. It must be mentioned that both Innovation of the Year products were the brainchild of Mr Ajith Gunawardena. A clear example of predicting the future by creating it.
- In 2004 we toppled the self proclaimed 'giant' in the field of insurance, namely the Insurance Corporation of Sri Lanka and gained market leadership. From that year onwards market leadership has been ours. After segregation the two companies Ceylinco General Insurance

Ltd and Ceylinco Life Insurance Ltd have become market leaders in their respective fields of insurance.

- In the SLIM- Nielsen island wide research our company has been selected by the people as the 'People's Insurance Brand of the Year' for the 11th consecutive year. (This includes the 2 post segregation years)
- In December 2015 the Colombo Stock Exchange included this company in the S & P Sri Lanka Index as one of the country's top 20 blue chip companies. This had to do with the worth of a company's shares. The criteria for selection being based on S & P's global index methodology which included market capitalization, liquidity and financial viability.
- The two leading business magazines – Business Today and LMD have each year, using strict financial standards to evaluate performance levels , recognized our company as being amongst the best in the corporate sector. After segregation this recognition continued to be bestowed on both Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd.

Even when our company faced severe threats to usurp the leadership of this company they never made us cower in a corner. On the contrary they empowered us with courage and capability to withstand and finally incapacitate those threats and rise to higher and higher levels of success.

As the years rolled by Ceylinco Insurance PLC became the industry's icon for innovative value-added products, expanding branch networks, use of state-of-the-art IT, and ever increasing service excellence. That iconic image continues to shine after segregation with Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd.

Chairman's Review

Yes indeed, these two leaders Mr Ajith Gunawardena and Mr Rajkumar Renganathan have always predicted our company's future by creating it.

As a holding company, I together with my colleagues on the Board of Directors now have a duty to regularly monitor the performance of the diverse sectors under our wing and ensure that we too predict a progressive and sustainable future by creating it from within.

You as shareholders are well aware that these sectors namely, Insurance, Education, Power, Health Care and Investment Management are amongst the main socio-economic pivots on which the developmental growth of our country has to depend upon. Therefore in monitoring the performance of these sectors, our company has a duty by the customers of these sectors, the employees of these sectors and collectively under the umbrella of Ceylinco Insurance PLC a duty by you our shareholders and a wider duty by our country to predict our future by creating it and thereby contributing positively towards the implementation of the Government's Vision 25 Development Plan.

The instruments for this monitoring process are the Corporate Strategies Committee and the Strategic Implementation Committee which I described in my review in last year's Annual Report. I must compliment these two Committees for the very professional manner in which they have fulfilled their responsibilities through regular meetings including 'brain storming' sessions and periodic reviews.

A separate section in this Report under 'Sector Reviews' provides you with a very comprehensive description of the performances of all our sectors. Hence I will refrain from being repetitive. But do permit me to highlight the performance of our main sector, namely insurance.

First and final Dividend of Rs. 31.50 per share be paid to you our shareholders. This is the highest dividend we have ever paid.

Insurance Sector (General)

In what can be best described as the second revolution in the motor insurance industry (The first as mentioned earlier being the introduction of VIP On-the-Spot), Ceylinco General Insurance Ltd added an unmatched and unmatchable benefit to its already unique portfolio of benefits. This was a Rs. 1 Million benefit towards covering medical expenses for twenty critical illnesses including cancer, stroke and those affecting the heart, kidneys, liver and lungs. Another landmark new product was Suwa Sampatha International 2 which offers a local and international health insurance cover of up to US \$ 50,000 approximately equivalent to Rs. 7,500,000/- This includes a Rs. 1,000,000 cover for hospitalization expenses in Sri Lanka.

Ceylinco General Insurance Ltd has spread its wings across every town and suburb with branches and sales outlets referred to as VIP counters thus making it the most accessible and business-friendly general insurance company.

Its product range covers every conceivable risk and they are tailor made to suit variables such as occupation, income, family size and life style.

With a Gross Written Premium of Rs. 17.98 Billion, reflecting a phenomenal growth of 11.5%. Profit Before Tax reached the highest ever level of Rs. 1.7 billion

Insurance Sector (Life)

A unique feature is the company's product portfolio which is wide, inclusive and flexible. There are in fact policies catering to the long term insurance needs of varied socio-economic sectors of the population. A customer can decide to include added benefits ranging from hospitalization cover to education to retirement plans to his or her existing life policy. There is even a policy which assists the customer to undertake a spiritual pilgrimage to Mecca. The theme 'A relationship for Life' introduced in 2016 has during the year under review been made realistic and tangible with every encounter with a customer.

The Life Fund is the fastest growing in the industry and has now reached a staggering Rs. 80.8 billion

Despite aggressive competition which at times has skimmed the borderline between what is ethical and what is professional Ceylinco Life Insurance Ltd has once again secured market leadership with an outstanding Gross Written Premium of Rs. 15.77 Billion, reflecting an equally remarkable growth of 4.9%. Profit Before Tax reached a remarkable Rs. 6.3 billion (Excluding one-off surplus).

Amongst the many awards won I am duty bound to mention that Ceylinco Life has for the 4th consecutive year been honoured as the Best Life Insurer in Sri Lanka at the World Finance Global Insurance Awards 2017.

I must now introduce you to the first Sri Lankan Grand Master in Insurance – Mr Rajkumar Renganathan, Managing Director /CEO. This honour was conferred by the Foundation for the Advancement of Life Insurance Around the World. It is an institution which was formed in 1970 which was even before our own company was incorporated.

Proposed Dividend

I find myself in the very privileged position of proposing on behalf of the Board of Directors that a first and final Dividend of Rs. 31.50 per share be paid to you our shareholders. This is the highest dividend we have ever paid. It has been made possible because on the one hand this the holding company has throughout the year played a very catalytic and motivating role and on the other hand due to the dynamic determination of the two insurance companies which have recorded remarkable and outstanding performances. Plus the excellent contribution of the other sector companies.

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 Sector 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 the Holding Company and CEO of Ceylinco General Insurance Ltd, Mr Patrick Alwis Managing Director of Ceylinco General Insurance Ltd, Mr Rajkumar Renganathan Managing Director / CEO of Ceylinco Life Insurance Ltd, Mr Upali Witharana Director/ CEO of the Power Sector Companies and Dr Jagath Alwis Chairman of CEG Education Holdings .

Their dynamic leadership and unquestionable integrity have been pillars of strength to all the sectors under them. I am inspired by the increasing levels of professionalism and commitment of my colleagues on the Board of Directors who are determined to make our company a leader in the private sector and contribute to making the private sector the engine of growth for our country. Yes, they are also predicting the future by creating it within the parameters of their responsibility. 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. This loyalty and trust will always be valued by us and will never be betrayed.



J.G.P. Perera
Chairman

25th April 2018

Managing Director/Chief Executive Officer's Review



“Whatever you do, do it well. Do it so well that when people see you do it, they will want to come back and see you do it again, and they will want to bring others and show them how well you do what you do.”

- Walt Disney, Founder of Disney.

Customer experience is the sum total of all the experiences our customers have with our company and therefore we work hard to ensure that their every interaction is pleasant and memorable. We understand that a positive customer experience will create customer loyalty, which is why we remain committed to adding value to our services in a myriad ways. Service excellence is key to us. It is of paramount importance because this and only this will sustain our brand.

Value creation for our stakeholders remains our primary objective and this annual report is evidence that we are achieving this goal as we continue in the service of our diverse stakeholders: customers, partners, communities and investors whose confidence in our ability to consistently deliver on our promises has brought us to where we are today.

Exponential Growth Momentum

As Ceylinco Insurance PLC proudly completes three decades of service, achieving a strong progressive growth, we can now proudly state that our passionate and aggressive approach in reaching further and higher in providing best quality solutions through each of our diverse business sectors: Insurance, Hydro Power, Healthcare, Education and Development Banking has resulted in our most remarkable success. This success that we humbly claim has spurred us throughout the year to develop more successful work models, empowered us to create the perfect synergy of innovative solutions and personalised customer service that has helped us reach beyond our expectations.

Macro-Economic Outlook

Year 2017 was one of mixed fortunes in the economic realm, with one of the positive developments being Sri Lanka regaining the GSP-plus facility from Europe to benefit garments and other exports to the EU region. However, unfavourable climatic conditions consisting of a drought during the first part of the year and the floods in May/June followed by a cyclone in December were negative events during the year which hampered projected economic growth. Sri Lanka was hit with the worst drought in four decades the previous year that continued into 2017. In May 2017, Sri Lanka experienced one of the worst floods in 14 years. As a result, the GDP growth projections for the year were lowered from 4.5% to around 4%. On the external front, the benefit of low oil prices was offset by greater imports of food and petroleum due to the drought, while the impact on agricultural exports was eased by increased tea prices. Weak external liquidity was mitigated by the sale of sovereign bonds and by syndicated loans, as well as purchases by the monetary authority in the foreign exchange market. Sri Lanka still faces critical challenges as it strives to become an upper middle-income country.

Ceylinco Insurance PLC

Success has indeed been noteworthy for the Group as we recorded a year of remarkable growth in each of our business sectors and with every step taken towards a stronger and brighter future.

It is with humble pride I mention that during the past 30 years of operations,

we have added much value to the lives of the people of Sri Lanka and have been instrumental in transforming the entire insurance industry to a much vibrant and a dynamic industry. We have been fortunate to lead from the front as a trendsetter in the industry.

During the year under review, Ceylinco Insurance PLC recorded a mammoth consolidated Profit After Tax (excluding one-off surplus) of Rs. 8.3 billion, an increase of 72% year-on-year, while the Profit Before Tax (excluding one-off surplus) stood at Rs. 9.2 billion which records an increase of 59%. These achievements are remarkable by any standard and leave no doubt that the company's growth strategy is delivering results. In the wake of the acquisition of two general insurance companies by foreign insurers, one might speculate whether Ceylinco Insurance PLC is also considering such a move. We wish to reiterate to our shareholders, customers and all other stakeholders that we will never resort to this measure and that both the wholly-owned subsidiaries of Ceylinco Insurance PLC, Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd will remain well into the future. As in operation for the past 30 years, we can proudly state, backed by sound financial fundamentals, that no such change in ownership will take place.

Overview of Sectors

Insurance Sector

The Insurance industry was able to achieve a growth of 14.6% in 2017 in terms of Gross Written Premium which amounted to Rs. 160.5 Billion. This is an increase of Rs. 20.4 Billion when compared with 2016. Gross written premium of General Insurance for the year under review was Rs. 88.9 billion recording a growth of 15.8% while the GWP of Life Insurance reached Rs. 71.6 billion, which marks a growth of 12.8% over 2016.

2017 was another remarkable year for Ceylinco General Insurance as it recorded one of the best years in recent times, registering a premium income of Rs. 18

Managing Director/Chief Executive Officer's Review

billion (Rs. 17,977 million), marking a growth of 11.5%, which amounted to a significant increase of Rs. 1.9 billion over 2016. The Profit After Tax of Ceylinco General Insurance stood at Rs. 1.4 billion, an increase of 7.5% over 2016.

During the year under review, Ceylinco General Insurance paid claims to the value of Rs. 9 billion, primarily driven by claims after the flooding disaster and the cyclone which ravaged the country. While as a company we have no control over the prevention of these national disasters, we did what was in our control - to pay compensation to the victims speedily for them to return to their normal lives within the shortest possible time. As an insurance company, we have our objectives as well as our responsibilities. Whenever our customers are affected, we always compensate them within the shortest possible time. For us, this is in line with our values - to stand by our customers in their time of need. Also, as the industry leader, we were able to enhance the goodwill of the industry through our actions.

In another ground-breaking move in August 2017, Ceylinco General Insurance elevated its flagship brand Ceylinco VIP On The Spot to a new paradigm with the announcement of yet another breakthrough in Motor Insurance a Rs. One Million cover that reimburses medical costs incurred in the treatment of heart disease, cancer, kidney failure, stroke and several other serious illnesses, including heart attack and open heart surgery, major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Introduced as an exclusive benefit for Ceylinco VIP On The Spot policy holders, the new cover was extended for new policies, while existing policyholders were entitled to the new benefit from their renewal date. Comprehensive motorcycle and Three Wheeler policyholders will be entitled to a cover of Rs. 100,000/- and third party customers too will benefit with a cover of Rs. 100,000/-. This is the first of its kind and the only vehicle insurance policy that

Ceylinco Insurance PLC recorded a mammoth consolidated Profit After Tax (excluding one-off surplus) of Rs. 8.3 billion, an increase of 72% year-on-year.

offers cover for serious illnesses of this magnitude.

With the overwhelming success of the revamped 'Suwa Sampatha International' introduced a year ago with a million-dollar benefit across the globe, a second tier product was introduced to the market also under the 'Suwa Sampatha International' brand. This product is targeted at those who seek medical treatment in state-of-the-art hospitals across the globe at a lower premium with relatively less benefits. Under the new product, a cover of US dollars 50,000/- is at your disposal in the event of an illness to get hospitalised anywhere in the world. This is an ideal product for those who want this added protection for their family. The premium for each individual is Rs. 50,000/- and could be paid in Sri Lankan Rupees, although the benefits are given in US dollars.

The widened geographic reach of Ceylinco General Insurance empowers millions to access our General Insurance solutions across the country. During the year under review, our branch network expanded to 470 branches and sales outlets islandwide, making it the largest branch network by far. The expansion of our branch network was paralleled by that of our sales cadre, which surpassed 1,975. This large sales team enables us to reach customers in far-flung areas of the country in a speedy manner.

Reinsurance Arrangements

Natural catastrophes are increasing world over and Sri Lanka is not an exception. During the year 2017, the Sri Lankan insurance industry was badly affected by

such risks. The insured losses globally from catastrophes in 2017 are estimated to be around US \$ 136 Billion. In the wake of this scenario, the reinsurance industry too was badly hit. In spite of this situation, we still managed to obtain very favourable terms to protect our portfolio with the highest rated reinsurers. This is an era where prudent underwriting and risk assessment plays a major role to maintain growth of both top line as well as bottom line and we have proved our expertise in this vital area over the years.

Overseas Insurance Operations

Ceylinco General Insurance has sustained its strategic alliances in several countries in the Middle East, namely, the United Arab Emirates, Bahrain, Oman, Qatar and Saudi Arabia with encouraging results. Its associate company in Nepal and the subsidiary in Maldives have also shown exceptional growth during the year under review as in the recent past.

Hydro Power Sector

Total cumulative small hydro power capacity in Sri Lanka as at end 2017 is estimated to be 350MW, scattered mainly over the mountainous regions, with 190 individual power plants. This industry, which began 20 years ago, generates a cumulative energy of 1,100 units annually.

The small hydro power sector of the Group comprise of four hydro power plants, namely Rajjamma (6 MW), Belihul Oya (2.4MW), Loggal Oya Phase 1 (4MW) and Loggal Oya Phase 2 (1.6 MW) being the most recent addition to the sector which commenced commercial operations in

Nov 2017. Commissioning of Loggal Oya Phase-2 with a capacity of 1.6MW was another milestone the hydro power sector reached during the year 2017.

The hydro power sector did not perform as expected mainly due to lack of rainfall in the country during 2017. All major national reservoirs had low water levels and the CEB hydro power stations too had low performances due to the dry weather conditions that prevailed in the country. Belihul Oya, Loggal Oya Phase 1 and Phase 2, which rely on rainfall, performed below projected targets. However, the Rajjammanna plant performed well despite the drought conditions by achieving performance levels of over 85%. This is due to the regulated nature of the flow regime of the river. Other projects fared marginally well with achievements against the forecast averaging around 45%.

The total revenue of the Power sector companies stands at Rs. 545.4 million while the Sector recorded a Profit After Tax of Rs. 142.4 million.

According to projections by the Sri Lanka Sustainable Energy Authority, another 200MW of small hydro power could be readily developed in Sri Lanka, though this has not materialised due to administrative and regulatory issues.

It is encouraging to note the government's initiative to commence a plan to install one million rooftop solar power plants covering houses. Our company and a few associate companies too installed rooftop solar power plants which will generate green energy in the years to come. Another notable factor is the large scale solar and wind power projects being developed. With abundant resources, especially in the northern and eastern provinces, we believe this a prudent initiative which will benefit the country immensely.

Education Sector

The private higher education industry has seen a significant growth during the past two decades with more and more institutions entering the market each year. The main reason for this is the inability of state institutions to absorb the large number of students gaining minimum qualifications required for university entrance. State Universities currently can only accommodate up to 30,000 new students per year. This leaves a significant demand supply gap in higher education.

Both state and private higher education institutes compete in the market for postgraduate qualifications. This is due to the fact that the postgraduate qualifications are not offered free of charge in state universities either. Private sector offers a wide variety of qualifications in different disciplines at attractive prices with flexible study options for young professionals.

With the government's objective of making Sri Lanka a knowledge hub, the industry has a significant market potential in attracting large numbers of foreign students, especially to pursue international degree programmes in Sri Lanka at a fraction of a cost, compared to travelling to the country of the parent universities.

It is against this backdrop that Ceylinco Insurance PLC has taken a significant step through its education subsidiary,

CEG Education Holdings (Pvt) Ltd., to offer wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicine and Business. 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 ANC Omega (Pvt) Ltd. The total revenue of the Group's Education Sector companies stands at Rs. 2.5 billion with a Profit After Tax of Rs. 457 million contributing to the Group profit.

ANC Education lead as the largest US education provider in Sri Lanka, for students transferring mainly to American universities as well as universities in other countries such as UK, Germany, Canada, Australia and Malaysia. The medical students placement arm, ANC Pathe Study Medicine, has become the most preferred medical students placement entity in Sri Lanka.

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

While as a company we have no control over the prevention of these national disasters, we did what was in our control - to pay compensation to the victims speedily for them to return to their normal lives within the shortest possible time.

Managing Director/Chief Executive Officer's Review

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 (MMI) 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. Currently, the Institute operates from 3 locations, namely Colombo 5, Mt Lavinia and Nugegoda. Plans are underway to expand the network to other major towns in the island.

Wycherley International School, founded in 1985, is one of the pioneering international schools in the country. 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.

International College of Business and Technology (ICBT), established in 1999 to provide affordable and internationally recognized educational qualifications in Sri Lanka, offers Diplomas, Higher National Diplomas, Bachelor Degrees and Masters Degrees in association with leading British universities. In order to cater to the needs of students living in the provinces, ICBT has established branch campuses in Kandy, Kurunegala, Galle, Matara, Jaffna and Batticaloa.

Accolades

Our list of accolades grew even longer during the year as Ceylinco Insurance once again won recognition across the board. Ceylinco Insurance PLC was chosen as Sri Lanka's best insurer by not only one - but several key business ranking indices during the year.

Ceylinco Insurance was chosen among Sri Lanka's Best 20 Brands and is incidentally the only insurance company selected amongst the elite list of brands by Interbrands

Ceylinco Insurance was chosen among Sri Lanka's Best 20 Brands and is incidentally the only insurance company selected amongst the elite list of brands by Interbrands, the world's leading brand listing agency. Having pioneered brand valuation in 1988, Interbrands has a deep understanding of the impact that a strong brand has on key stakeholder groups to influence the growth of a business, namely, current and prospective customers, employees and investors.

For the fifth consecutive year, Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. As announced in its edition for 2016/17, Ceylinco Insurance moved up the corporate ladder to the 12th position, achieving a truly unique feat.

Ceylinco Insurance echoed its standing as the highest ranked insurance company in Sri Lanka for the 23rd consecutive year. The LMD 100 listing announced in December 2017 placed Ceylinco Insurance in the 25th position among all listed companies in the island. Since the inception of the LMD ranking, Ceylinco Insurance has maintained its supremacy by occupying the top position among insurance companies.

Appreciation

I wish to express my gratitude to Their Excellencies The President and Prime Minister of Sri Lanka and to the Government of Sri Lanka for the positive steps taken to place the nation on a path of

economic growth and social progress. The atmosphere created for the private sector to operate was positive and helped us stay focused on our corporate objectives.

I am grateful to the Chairperson, the Director General and officials of the Insurance Regulatory Commission Sri Lanka for their wise counsel through the year. The Insurance Ombudsman needs to be thanked for his ability to remain unbiased and for being the moral conscience of the industry.

The strong ties we have forged with our valued reinsurers and reinsurance brokers help us sustain our business and we are grateful to them for our success and would like to in turn assure them of our fullest cooperation.

Our success in the realm of education can be partly attributed to the unstinted support of our partner universities and institutions, who share our passion for imparting knowledge in a nurturing environment.

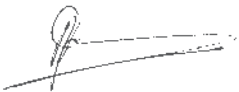
Our shareholders deserve our deepest respect for being our pillars of support at all times, undaunted by challenging circumstances. It is their faith that drives us to add immeasurable value to their investment and to make them proud of being associated with us.

The Ceylinco Group's employee base is a close-knit circle, our extended family, which works selflessly for the sustainability of the company. It is their hard work,

dedication and pursuit of the corporate vision that have brought us to an industry leadership position. Kudos team, for your exceptional effort this year!

Our customers remain the essence of our being, the sole reason we innovate and strive to serve. It is their loyalty and confidence in our abilities that gives us the encouragement to keep adding value. They walk tall beside us in our journey which is what makes us pledge to achieve even greater success for the group in the year ahead.

As we put our best foot forward into the new financial year, we remain optimistic and confident of our capability to remain agile and responsive to evolving market realities, all the while keeping our focus on the well-being and sustainability of our stakeholders. Our insurance solutions have the ability to create a brighter future for all Sri Lankans and we are committed to ensure greater inclusion for every fellow citizen – “In Sri Lanka, We Believe”!



A.R. Gunawardena

Managing Director/Chief Executive Officer

25th April 2018

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

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

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

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

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

Gen. C.S. Weerasooriya (Retd.)
(“Independent” Non-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. He is also Chairman of Ceylinco Life Insurance Limited.

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/ Director – 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.

His interest in healthcare continues to provide affordable facilities to our citizens at the Ceylinco Healthcare Centre and the Radiation Treatment Centre which has the latest cancer treatment equipment.

He has been instrumental in helping four leading government hospitals in setting up High Dependency Units as a part of Ceylinco Life's CSR initiative. This has resulted in saving lives of many Sri Lankans who use government hospital facilities.

His foresight to provide a high quality of life to the ageing population evolved in the development of the company's fully owned subsidiary, Serene Resorts Ltd at Uswetakeiyawa which now has 44 chalets very well equipped with all modern amenities, recreation and entertainment facilities, a gymnasium etc. These are being marketed to active retirees living in Sri Lanka and abroad.

He serves as the Managing Director/CEO of Ceylinco Life Insurance Ltd and also serves on the Board of Ceylinco Healthcare Services Ltd, as Chairman.

Mr. H.D.K.P. Alwis

Director

Commencing his association with Ceylinco Insurance -General Division - on 15th May 1990 as Regional Manager, Mr. Patrick Alwis blazed a dynamic career, rapidly rising to the position of Deputy General Manager by 1998. He was subsequently appointed to the board on 10th January 2001 and currently serves as Director of Ceylinco Insurance PLC and Managing Director of Ceylinco General Insurance Limited.

He was instrumental in spearheading strategic alliances with leading insurance companies in the Middle East (United Arab Emirates, Bahrain, Oman, Qatar and Saudi Arabia), providing valuable management expertise in promoting unique Ceylinco Insurance solutions to migrant workers of all nationalities residing in the Gulf.

Also, he is credited with setting up the branch network for Ceylinco Insurance in Sri Lanka, which has become one of the key factors in the company's exponential growth in a fast-paced economy. Today, Ceylinco General Insurance can claim the largest branch network in the industry.

His initiative and drive resulted in the successful implementation of a unique system for the sales force to accurately prospect for clients. His 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. The system in question has also paved the way to monitor and manage the direct sales force of Ceylinco General Insurance efficiently.

He also spearheaded the setting-up of a 24-hour call centre which facilitates the on-the-spot claims settlement process of the company. The nerve centre, which has become the nucleus of the company's claim settlement providing speedy

solutions, is another concept initiated by Mr. Alwis. He was also responsible for the setting-up an island-wide network of Automobile Engineers and Assessors who play a major role in on-the-spot inspections. To-date, he personally monitors the operations of this unit. His hands-on involvement and able leadership has become the key strength of Ceylinco General Insurance Ltd.

Prior to joining the company, he began his illustrious career in 1978 at M/s.Hatton National Bank and subsequently served at Lever Brothers (Ceylon) Limited and Richard Peiris & Company in the field of Sales and Marketing.

Mr. E.T.L. Ranasinghe

Director/Chief Operations Officer

Mr. Ranasinghe has 38 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 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 an Executive Director / Deputy Chief Executive Officer of Ceylinco Life Insurance Limited and also a Director of Ceylinco Healthcare Services Limited.

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, UK.

Dr. Alwis joined Ceylinco Insurance Company in March 1988 as the Reinsurance Manager and appointed to the Board as the Director (Technical) in January 1993.

He is presently heading 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 presently a member of the Board of Trustees.

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

Dr. Alwis won the Award for the 'Personality of the Year' at the 18th Asia Insurance Industry Awards Ceremony held in Taipei in November 2014 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) USA 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 its inception. He started his career in the Sri Lankan Air Force as a Commissioned Officer. His career at Ceylinco Insurance commenced

Board of Directors

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) 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 also has an Executive Diploma in Business Administration from the University of Colombo and CII(Award) on Financial Planning from the Chartered Insurance Institute, London. 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 over 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 serves 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 1½ 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 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 a 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 deadline 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	<ul style="list-style-type: none"> • Corporate Strategies Committee which identifies opportunities for diversification, acquisition and re-structuring and seek Board approval for same. • Strategy Implementation Committee –In co-ordination with the relevant subsidiary or associate company set up plans for the implementation of projects approved by the Board 	To maximize shareholder wealth by adding to the value and sustainability of the subsidiary and associate companies.

Management Discussion & Analysis

Sector Review - General Insurance

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

Ceylinco General Insurance Ltd



General Insurance

The company's profit after tax stands at Rs. 1.4 billion, indicating an increase of 7.5% over 2016 while profit before tax achieved was Rs. 1.7 billion – reflecting an increase of 23.3%.



Operational Structure

Ceylinco Insurance PLC

Ceylinco General Insurance Ltd



Overview - General Insurance Industry

The Sri Lankan economy has shown a moderate growth during the past two years and achieved a GDP growth of around 4% in 2017. A continuing drought during the first few months in 2017 and the floods towards the latter part of the year caused a decline in agriculture sector and was a major contributing factor towards reducing the expected growth in GDP.

It is reasonable to say that the general insurance industry too have grown with the same pace as the economic activities of the country. As in the past few years, the economy is on a growth mode and the general insurance industry is a definite beneficiary where industry growth is

concerned. This is quite evident as, in 2016, the general insurance industry grew by 13.7% and in 2017 it recorded a growth of 15.8%. Looking at the composition in the general insurance industry shows us that there were 13 General Insurance companies and two composite companies operating in the island by end-2017. The number of general insurance companies will be reduced to 12 very soon with the recent announcement of the merger between two general insurance companies.

During the year under review, Sri Lanka's insurance industry recorded Gross Written Premiums valued at Rs. 160.5 billion, an increase of 14.6% year-on-year while

Management Discussion & Analysis

Sector Review - General Insurance



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

General Insurance accounted for 55.4% of total premiums recording Rs. 88.9 billion in value. This 15.8% impressive growth bettered the performance of the industry in the previous year. Further, Motor Premiums accounted for 63.4% of all General Gross Written Premiums followed by Fire and Engineering (12.5%), Medical products (13.2%), General Accident (8.3%) and Marine (2.5%) as at end 2017.

Challenges of the Industry

The general insurance industry continued to be plagued by the unhealthy practice of price under-cutting. As a result of the fierce price competition, a decline in premium rates was evident, most notably in the Motor Insurance segment. Price under-cutting has resulted in eroding the underwriting profits of some industry players significantly. Industry players should realize the danger posed by the “price war” sooner than later as its effects will be multipronged.

Company Performance

Nevertheless, despite existing and new challenges in the industry, the company's performance during the year under review is deemed “outstanding” and reflects the best results recorded in the recent past. During this period, the company recorded a premium income of Rs.18 billion (Rs.17,977 million) coupled with an impressive growth of 11.5%, which marks an increase of Rs. 1.9 billion over the previous year. The company's profit after tax stands at Rs. 1.4 billion, indicating an increase of 7.5% over 2016 while profit before tax achieved was Rs. 1.7 billion – reflecting an increase of 23.3%.

Extending Greater Benefits

Continuing on its path to forge industry breakthroughs, Ceylinco General Insurance announced yet another breakthrough in Motor Insurance segment in August 2017 a Rs. One Million cover that reimburses medical costs incurred in the treatment of heart disease, cancer, kidney failure, stroke and several other serious illnesses, including heart attack and open heart surgery, major organ transplants, chronic

lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Introduced as an exclusive benefit for Ceylinco VIP On The Spot policy holders, the new cover was extended for new policies, while existing policyholders were entitled to the new benefits from their renewal date.

As for individual customers, the insured is entitled to this revolutionary benefit, while corporate customers or fleet owners were requested to name an individual (user or driver) as the beneficiary. For individual customers with more than one vehicle, the spouse or immediate family members could be nominated as beneficiaries.

Similarly, comprehensive motorcycle and Three Wheeler policyholders will be entitled to a cover of Rs.100,000/- while third party customers will benefit with a cover of Rs.100,000/-. This is an industry-first and the only vehicle insurance policy that offers cover for serious illnesses of this scope..

Product Innovation

Fast on the heels of the highly successful ‘Suwa Sampatha International’ introduced a year ago with a million-dollar coverage across the globe, a second-tier product was introduced to the market under the same brand. This product is targeted at those who seek medical treatment in state-of-the-art hospitals across the globe at a lower premium, with relatively less benefits.

This product extends a cover of US dollars 50,000/- in the event of an illness to get hospitalized anywhere in the world. This is an ideal product for those who want this added protection for their family. The premium for each individual is Rs. 50,000/- and could be paid in Sri Lankan Rupees although the benefits are given in US dollars. Solutions such as these reflect the company's customer centric and innovative approach.

Speedy Settlement of claims

During the year under review, the company can be proud of its swift settlement of flood and cyclone claims which

empowered thousands of our customers to revert to normalcy in the least possible time. Credit goes to the staff of Ceylinco General Insurance, who were proactive in paying compensation to all of our policy holders holding flood and cyclone cover, who were affected by the extreme weather conditions. In May, June and December 2017. During the year under review, claims were paid amounting to Rs. 9 Billion, majority of them within 14 days.

Expanding Footprint

Our branch network expanded to 470 branches and sales outlets island-wide during the year, resulting in the largest branch network by far, enabling easy access to our insurance solutions. 40 "VIP Counters" were opened in 2017, with 9 of them under the City Office and the remaining 31 under the branch network. A similar expansion drive was undertaken in terms of recruitment of sales staff, which surpassed 1,975. Our burgeoning sales team enables us to reach customers in far-flung areas of the country without wasting valuable time.

Channel Development

Also we have partnered with several corporate entities such as banks, finance companies, mobile service providers etc to explore new distribution channels and offer the insuring public to obtain our products and services at their convenience. In the time to come these channels will be a key growth area and these products come in handy to the public as value additions thro' the partner organizations.

Reinsurance Relationships

Our partnerships and collaborations have strengthened our brand over the years. This year too, we collaborated with the world's leading Reinsurers, ensuring greater financial stability and reinforcing our position to honour claims for any emergency or catastrophe.

As a major player in the Sri Lankan insurance industry, we are proud that the world's best rated reinsurance companies continue to work with us. We maintained

the highest reinsurance coverage during the year, even beyond the norms stipulated by the regulator. Also, due to the ever-increasing natural disasters, our catastrophic risks are comprehensively covered through Natural Catastrophic reinsurance from world-renowned 'A' rated reinsurers. In order to minimize the impact, due to recurrent natural catastrophes, our underwriting team has mapped out the flood prone areas and carried out loss prevention surveys on behalf of our clients in flood prone areas to offer them advice to take additional precautions.

Human Resources and Staff Training

Learning and development are the cornerstones of the company's success through which we have built up a skilled and professional team of employees who work as one to achieve our corporate goals and maintain our high service levels. During the year under review, we conducted 60 soft skill development training programmes, spanning customer care, communications, team work, personal development, salesmanship etc, for our automobile engineers, call centre, underwriting and sales staff.

A series of "Management Learning Programmes" were conducted for branch managers covering a wide array of topics whilst several outbound training programmes were conducted for the senior sales staff and the staff of the IT department. Accordingly, 20 individuals were sent for overseas training during 2017, while the total staff that underwent training in Sri Lanka exceeded 700.

Furthermore, 14 induction training programmes were conducted for new recruits, exposing them to our business environment and to the corporate world. The programmes had a profound impact retention of talent by providing the initial impetus needed to commence their careers.

The annual overseas tour saw a record number of 240 of our dedicated staff enjoying a five-day-long holiday and a workshop in Jakarta, Indonesia, a new

destination which was selected through a survey conducted amongst participants. This trip was arranged for 14th consecutive year, becoming an eagerly anticipated event, as the aspiration of every staff member is to be a part of this team. This incentive has also become a key motivational factor for employees. A half-day "Brain storming session" was also held with the participation of the entire group and valuable ideas were generated to increase our service levels, many of which have already been implemented.

Rapid Strides in IT

Our innovative technology-backed insurance solutions reflect the extent to which we leverage on advanced technology platforms. During the year, we effected improvements to our core ERP solution which is developed and maintained by our in-house IT team. By having sophisticated state-of-the-art hardware, namely, Oracle Exadata X5-2, we are empowered to serve customers in a much more efficient and effective manner, especially considering that our branches are located island wide. All branches are connected to the central data center and to the Disaster recovery site through VPN (virtual private network) and APN (Access Point Name).

We have also set up a DR site with servers placed at Sri Lanka Telecom as a part of our business continuity plan which will enable us to connect to the system in less than 30 minutes and be in full operation without any interruption to our day-to-day activities in the event of an unfortunate incident at our head office. We are also in the process of enhancing virtual server utilization in order to increase the efficiency, capacity and security for better performance.

Our IT staff had adopted the Rapid Application Development methodology to deliver new developments to cater to the competitive insurance market requirements. Further, our IT staff has ventured into mobile application development to enable Customers, End users and the Sales staff to conduct the required services by themselves.

Management Discussion & Analysis

Sector Review - General Insurance

The customer app has facilities such as online policy issuance, online claim intimation, Premium payments using credit cards and USSD (Unstructured Supplementary Service Data) with facility to upload the accident images onsite to make the accident inspection process much faster.

A Mobile application has been developed for sales staff to carry out customer servicing, prospecting and other sales related activities to make the customer follow-up much easier. This app also has rendered the claim inspection and underwriting inspection process more efficient without burdening the customer. We have also initiated a document management system to make the entire process paperless in order to minimize delays and human errors in handling manual files.

The Company is continuously providing overseas training to the IT staff on various areas such as New development tools, Programming languages, Databases, Business Analytics using big data, Cloud applications, Firewalls and Operating systems etc, to match technological developments in developed countries. We have also signed service agreements with various reputed service providers to obtain expert advice and support as a secondary measure.

Corporate Social Responsibility

Tacit in our success has been our dedication to ensure that our valued stakeholders too are benefitted by interacting with us. Our impressive growth encompasses financial and operational success coupled with valuable contributions to the society at large with a special focus on the economically underprivileged sections of society.

In 2017, we introduced a programme to benefit thousands of Sri Lankans living under difficult circumstances. Paving the way for 1,000 poor children to dream of a proper education and a brighter future, we granted 1,000 children with Rs. 1,500/- every month until they complete

their Advanced Level (A/L) examinations, thereby easing the burden on their parents and giving them a solid platform to remain in school till they complete their A/Ls. Moneragala District was selected as the first location where the first phase of the programme was launched and plans are underway to extend the scheme to other districts as well.

During the months of May and June of 2017, children of flood victims were provided with school books, stationery and other study material by our staff in person, with dozens of them travelling to the affected areas of the country to ensure that the items were distributed fairly to all affected children.

Our staff was actively involved in various religious ceremonies across the island, providing devotees with much-needed refreshments at places of worship. Some of the key religious events visited by our employees include the Nawam Perahara, Midnight Mass at St. Anne's Cathedral, Kurunegala, Annual Theru Festival in Matale, Water Cutting Festival in Nallur, and several Wesak Dansala's.

Future Outlook

We are optimistic about the company's future prospects with the immediate future expected to bring about rapid change and significant growth to Sri Lanka's insurance sector. The impact of recent regulatory changes as well as an increase in demand for insurance products is expected to drive expansion of the General Insurance industry. We foresee an era of rapid evolution of the industry. The regulator has been proactive in initiating enhancements to the framework which have strengthened the industry and lay a strong foundation for growth.

Appreciations

At the outset, I would like to express my appreciation to His Excellency, the President, the Prime Minister and the Government of Sri Lanka, for all their outstanding efforts in taking the Sri Lankan economy on a new path through a novel

approach and visionary leadership. It is encouraging to note the courageous steps taken by the Government towards enhancing the country's perception abroad and this fuels hope amongst the business community.

My gratitude to the Chairperson, Director General, members of the commission and officials of the Insurance Regulatory Commission of Sri Lanka, for their continued co-operation. Their steadfast support has rendered the journey smooth for the industry. I would also like to make special mention of the Insurance Ombudsman for yeoman services rendered.

My special thanks to all our Reinsurers and Reinsurance Brokers of worldwide fame and repute. They are a pillar of support for us and reinforce our position in the industry. I wish to thank all our insurance agents and brokers, whose integrity has helped us achieve amazing things over the years.

I extend my humble gratitude to all my colleagues on the Board, the Chief Executive Officer and the Head of Finance. It gives me immense pride to be a part of such an eminent group of professionals as we navigate challenging times towards a future of even greater prosperity.

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

And 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 Review - Life Insurance

Review by the Managing Director / CEO – Mr. R. Renganathan

Ceylinco Life Insurance Ltd



Life Insurance

Ceylinco Life Insurance posted net profit of Rs. 9.4 billion (including one-off surplus) for the year reviewed while reaffirming its market leadership with premium income of Rs. 15.7 billion.



Operational Structure

Ceylinco Insurance PLC

Ceylinco Life Insurance Ltd

Subsidiary Companies

Serene Resorts Ltd
Ceylinco Seraka Ltd
Ceylinco Health Care Services Ltd

Associate Company

Citizens Development Business
Finance PLC



A Relationship For Life™

The concluded year was the 14th successive year of market leadership in the life insurance industry of Sri Lanka for Ceylinco Life Insurance, and it gives me great pleasure to present to you the highlights of the company's performance in the pages that follow.

Performance

I am proud to report that Ceylinco Life Insurance posted net profit of Rs. 9.4 billion (including one-off surplus) for the year reviewed while reaffirming its market leadership with premium income of Rs. 15.7 billion.

Our net profit figure reflects very healthy growth of 207% and reached Rs. 9.4 billion. Further the Company recognised

Management Discussion & Analysis

Sector Review - Life Insurance

a one off surplus of Rs. 3.46 billion as per the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The company posted profit before tax of Rs. 9.8 billion, an improvement of 162%. Total income, comprising of premium income and investment and other income, grew by 9% to Rs. 25.6 billion.

Investment and other income improved by 17% to Rs. 10.3 billion, underlining the success of the investment strategies deployed by your company. Ceylinco Life's investment portfolio grew by 9.5% to Rs. 92.2 billion as at 31st December 2017.

At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (53%); Fixed Deposits (12%); Real Estate (7%); Corporate Debt (26%) and Others (3%). These investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act No 43 of 2000 and amendments thereto, and are subject to regular monitoring by the Insurance Regulatory Commission of Sri Lanka (IRCSL), formerly known as the Insurance Board of Sri Lanka (IBSL).

In our core business of life insurance, we sold 126,838 new life policies in the year reviewed at an average of 10,570 per month and paid out Rs. 6.7 billion in net claims and benefits to policyholders.

Our Life Fund recorded growth of 4.9% to reach Rs. 81.7 billion at the end of 2017, following a transfer of Rs. 7.3 billion to the fund after the final shareholder transfer and one off surplus.

Total assets grew by a noteworthy 10% to Rs. 106 billion in 2017 and the company's net assets value per share stood at Rs. 412.94 at the end of the year, an improvement of Rs. 174.70 or 73.3%. Earnings per share for the review period totalled Rs. 189.35, an increase of Rs. 127.77 or 207%.

Our Capital Adequacy Ratio, a key indicator of the company's financial strength and ability to meet its financial obligations in respect of its insurance contracts stood at 376% at the end of 2017, more than 3 times the statutory requirement of 120%.

As I have noted in many previous reports as well, our financial performance demonstrates the importance of concentrating on the core elements of the business: selling the most appropriate and effective life insurance products, and prudent management of investments in the interest of all stakeholders. Everything we do is inspired by our credo that life insurance is 'A Relationship for Life.' The commitment this demands, in every aspect of our operation and at every level in the company, is the foundation of our continuing leadership in the sector.

Most importantly, our policyholders know that profit is not the sole objective of the company. Ceylinco Life has the most generous policyholder rewards programme in the industry and our commitments to community welfare are substantial and long term. In that context, our financial performance assumes even greater significance, because it is not detrimental to any stakeholders.

Highlights of the year

Our shareholders and policyholders are fully cognisant of the fact that Ceylinco Life has a full annual calendar of activities that range from interactive promotions, network expansion, product development, process improvement, staff training, market expansion, community projects, exploration of new business opportunities and motivation and recognition of staff. The concluded year was no less busy than any of its predecessors, but in the interest of brevity, I will touch on just a few key activities in this report.

Branch network

We laid the foundation stones for two purpose-designed eco-friendly buildings to accommodate our branches in Chilaw and Kadawatha in 2017 and opened a new



Mr R. Renganathan
Managing Director/CEO

branch in Hettipola in the Matale District. The new Chilaw branch was ceremonially inaugurated in January 2018 as part of our 30th anniversary celebrations.

Your company operates the largest network of 260 branches in Sri Lanka's life insurance industry, giving it a physical presence in 142 cities, towns and villages in every one of the island's 25 districts. New branches built on company-owned land are designed for optimal use of natural light, are solar powered, minimise use of timber, are equipped with the latest energy-efficient lighting and air conditioning systems and have a facility for rainwater harvesting where possible. Conforming to the 'Go Green' programme of Ceylinco Life, as many trees on the property as possible are preserved during construction.

New product development

Promoting, facilitating and supporting education has always been a focus area for your company in terms of its engagements with policyholders and the community. We have now taken this concern into our product portfolio with a new life policy launched in 2017. Combining the features of a life insurance policy and a savings scheme, 'Degree Saver' is structured to create an education fund based on an agreed premium and policy term, while offering life cover for the duration. It is intended to help parents save for the higher education of their children, in recognition of the ever-escalating costs of overseas university education. Policyholders may also purchase additional benefits such as cover for critical illness, major surgery, hospitalisation and accidental death or disability, expanding the scope of the protection offered by the Degree Saver policy. We believe this new product was one of the contributors to our growth in the year reviewed.

Policyholder engagement

Your company paid mammoth Rs. 3.8 billion in annual bonuses, the highest bonus pay-out in the history of Ceylinco Life, to some 300,000 policyholders in

April and May 2017. This represented an increase of Rs. 900 million or 31% over that of 2016. Recipients of annual bonuses who were under the age of 55 were also made a limited-time offer – an opportunity to invest in a 'Platinum Plan' that combines a new life cover and a fund, offering policyholders extra protection through a life cover as well as an attractive savings fund.

Additionally, we helped enhance the 'Avurudu' cheer of more than 15,000 policyholders with cash bonuses totalling Rs. 92 million, taking the cumulative value of cash bonuses paid to more than Rs. 500 million.

Our 'Pranama' scholarships programme, which does not require elaboration, celebrated its 16th year in 2017 with the presentation of another 160 scholarships to high-achieving students and young people, taking your company's cumulative investment in the future leaders of Sri Lanka to Rs. 120 million.

The 'Family Savari' programme, another initiative with which our shareholders are familiar, marked its 10th edition in the year reviewed, and benefitted another 2,260 people from 565 policyholder families, who were rewarded with fully-paid visits to England, Dubai and Singapore, and a day's outing at the Leisure World theme park. It is noteworthy to mention that about 20,000 people, representing 4,000 policyholder families have now enjoyed the Ceylinco Life Family Savari experience.

Support to the Community

We believe that when it comes to corporate citizenship, actions must speak louder than words, but in the interest of all-encompassing and complete disclosure, devote some space every year to report on our community initiatives across Sri Lanka. One of these is the 'Waidya Hamuwa' or 'Meet the doctor' programme comprising of a series of free health camps held in towns and villages across the country, to provide free medical examinations by a team of travelling doctors, ophthalmic

technicians and nurses. Necessary diagnostic tests such as random blood sugar, ECG and blood pressure and optical check-ups are provided free. In 2017, more than 3,000 people benefitted from this programme, taking the number of people assisted over nearly one and a half decades, to approximately 138,000.

Using the expertise and facilities accumulated through the 'Waidya Hamuwa' programme, your company also conducted three special medical camps for flood victims in the Southern Province, to assist 356 residents of Akuressa, 368 residents of Neluwa and 256 people from Kamburupitiya. They were screened for possible infections and diseases which are common after such natural disasters and were educated on how to protect themselves from such infections in addition to being provided with the medications they needed.

Our initiative to build classrooms for underprivileged schools resulted in the Kuda Oya Primary School in Wellawaya and the Werodogama Primary School in Kariyamadiththa, Talawa, in the Moneragala and Hambantota districts respectively, each receiving a classroom. These buildings were the 67th and 68th classrooms projects donated by your company.

Responding to appeals from three other schools we donated furniture, clothing and equipment to St Joseph's College and Sri Koneswara Hindu College in Trincomalee and to St. Cecilia's Girls College, Batticaloa.

Awards & recognition

It gives me great pleasure to report that Ceylinco Life Insurance was crowned the 'Best Life Insurer in Sri Lanka' by World Finance for the fourth consecutive year in 2017, on the basis of the company's performance in 2016. This authoritative UK-based global magazine scrutinises multiple aspects of operational and financial performance before awarding this coveted accolade. The assessment for the award was by a judging panel representing 230 years of cumulative financial and

Management Discussion & Analysis

Sector Review - Life Insurance

business journalism. It covered the company's underwriting processes and process efficiency; policy maintenance – the process of reviewing clients' policies, appropriateness of coverage and cost per policy; exposure to risk; customer retention rate; time taken to settle claims; new customer acquisition rate and financial stability – Premium Income, Market share, Life fund and company profits.

We were also adjudged the Peoples Life Insurance Brand of the Year at the 2017 SLIM-Nielsen Peoples Awards, reaffirming our status as the most popular insurer in the country for the 11th consecutive year. The SLIM-Nielsen Peoples Awards recognise brands and personalities that have made a profound impression in the minds of the people of Sri Lanka and are one of the most awaited marketing events in the corporate calendar as the nominees and awardees are chosen by the people, through a comprehensive nationwide research conducted by Nielsen Sri Lanka.

Shareholders would also appreciate the fact that our 2016 Annual Report won three awards at the ARC Awards in Tokyo, one of the largest and most prestigious competitions in the world honouring excellence in annual reports. Your company won the Silver award for 'Financial Data' and two Honours awards for 'Written Text' and 'Interactive Annual Report' improving on its showing at the ARC Awards last year, when the company won two awards. The ARC Awards are based on the values of creativity, clarity, effectiveness and excellence as represented by elements such as cover design, chairman's letter, interior design, clarity of written text, photography, presentation of corporate information, expression of financial data and how well the spirit of the organisation is communicated.

It is also my duty to record our congratulations to Our Chief Digital Officer, Mrs Upamali Ratnayake who was named Chief Information Officer (CIO) of the Year at the first ever Women in IT Awards (WITA) organised by the Women in IT Association in Sri Lanka in 2017. The

award was presented after an assessment of projects and achievements of exemplary female CIOs who have demonstrated innovation, leadership and IT excellence. Their achievements were judged on industry best practices, alignment with organisational goals, leadership and ROI generation.

I am pleased too, to report that five of our sales personnel won awards at the 2017 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM). The haul of awards included two awards in the 'Frontliner' category and awards in the Sales Executive category and Territory Manager category, all in the life insurance sector.

The policy & regulatory environment

We welcome a move by the Department of Inland Revenue to tax the surplus from life insurance businesses effective 1st April 2018. It is now proposed to tax the surplus transferred from the Life fund to shareholders at 28%. However, the industry as a whole is unhappy with a proposal to tax bonuses declared by life insurance companies at 14% for three years and at 28% thereafter. This would make life insurance less attractive as an investment. It also conflicts with the provision in the Inland Revenue Act which makes the proceeds of an insurance policy tax exempt. We hope to continue to make representations to the authorities on this matter.

We also commend the IRCSL for passing a regulation preventing insurance companies employing sales agents terminated by a competitor for fraud. This is in the interest of the companies and the industry as a whole.

The future

Digitisation, we believe, is the way forward for most businesses, and life insurance is no exception. The company intends to work towards ensuring that every member of our sales force will have a smartphone or a tab in the near future. All the information, templates and guidelines required by the

sales team is already in the system, and means that a sales agent can service the needs of a potential customer or existing policyholder without generating paper. Digitising information and processes will make our sales agents more productive, will enhance their image as professionals, offer greater convenience and speed to customers and aid supervision.

We are also increasingly using Big Data Analytics to assess our products and processes. Big Data Analytics is the process of examining large and varied data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organisations make more informed business decisions.

Ceylinco Life Insurance set up a Data Analytics Department in 2017 under our Chief Digital Officer. Insights in trends and patterns related to policyholders and data pertaining to Sales Officers are provided to the management by this department for necessary action and for business process improvements.

We continue to explore opportunities to augment convenience in premium payments for our policyholders as well. One such example is our partnership with the Postal Department to enable the payment of premiums at about 4,000 post offices across Sri Lanka. I am happy to report that already 10% of premium collections are via this new channel, and we hope to increase this figure to 20% by the end of 2018. This would result in saving time spent by sales agents in premium collection, enabling them to increase productivity.

Another area that we hope to focus attention on in the year ahead is developing Bancassurance. Ceylinco Life was the pioneer of this channel, but we feel it has not been tapped adequately. More resources are to be allocated to increase the channel's contribution to our premium income.

The company is also looking at a model where it can work with the government to provide the infrastructure and facilities that a large number of schools in our country lack. Given the shortage of funds faced by the authorities to fulfil these needs, we are hopeful that the government would see the merit of using the funds at our disposal to provide the needed infrastructure, and repay the company with government securities.

Healthcare

Our fully-owned subsidiary Ceylinco Healthcare Services Limited (CHSL) continued to make satisfactory progress in the year reviewed. 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

As reported last year, your company's beachside property in Hendala was refurbished, re-furnished and soft-launched in 2017 as Sri Lanka's first retirement resort for active retirees. We are now in the process of promoting the property to prospective tenants and hope to look at select overseas markets too. As explained in my review for 2016, 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.

Thank you

My sincere gratitude to my colleagues on the Board of Directors, the staff, policyholders, shareholders and regulators for their guidance and support in what has been a busy year. I look forward to their continued assistance in 2018.

Management Discussion & Analysis

Sector Review - Power

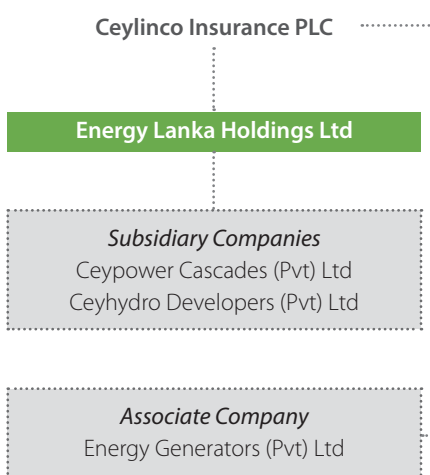
Review by Director / CEO – Mr. Upali Witharana



During year 2016/2017 was the construction and commissioning of the Loggal Oya Phase-2. The 1.6MW hydro power project came in to operation in November 2017.



Operational Structure



The small hydro power sector of the group comprises of 4 hydro power plants, namely Rajjammana, Belihul Oya, Loggal Oya Phase 1 & Phase 2. Loggal Oya Phase 2 being the most recent addition to the sector which commenced commercial operations in Nov 2017.

As an overview, the sector didn't perform as projected mainly due to the lack of rainfall in the country in 2016 and 2017. All major national reservoirs had low water levels and the CEB hydro power stations too had low performances due to the dry weather conditions that prevailed in the country. Belihul Oya, Loggal Oya Phase 1 & Phase 2 which rely on rain fall performed below projected targets. However, the

Rajjammana plant, performed well despite the drought conditions by achieving performance levels of over 85%. This is due to the regulated nature of the flow regime of the river. Other projects fared marginally well with achievements against the forecast between 50% to 40%.

A major milestone which the hydro power sector reached during year 2016/2017 was the construction and commissioning of the Loggal Oya Phase-2. The 1.6MW hydro power project came in to operation in November 2017.

According to the Sources of the Sri Lanka Sustainable Energy Authority, another 200MW of small hydro power could be

easily developed in Sri Lanka. However, this has not been harnessed so far due to administrative and approval delays.

The total cumulative small hydro power capacity in Sri Lanka as at end 2017 is 350MW scattered mainly over the mountainous regions with 190 individual plants. This industry, which is currently 20 years old provides app. 3000 permanent jobs and app 100 temporary employment every year. The annual cumulative energy generation is approximately 1,100 Million units.

The privately owned wind power capacity in Sri Lanka is app. 130MW mainly in the regions of Puttalam and Kalpitiya, and Jaffna peninsula. The recent developments in solar ground mounted sector too showed considerable growth in the years 2016 to 2017 and presently there are 5 nos of each 10MW solar ground mounted projects in the areas of Hambantota, Vavuniya and Walikanda.

The government is ambitious to develop a firm energy power plant, preferably a coal fired power plant, to meet the increasing demand of the country amidst the strong pressure from non-governmental organizations and environmental movements. However, adding a firm energy power plant to the system is a must in the years to come. The impacts of delaying such power plants is already felt by the recent tender for emergency power requirement of 100MW.

We also welcome the government initiative to commence a very strong and ambitious plan towards achieving roof top solar power plants on the roofs of one million houses. Our company and other few associate companies too installed roof top solar power which will generate

green energy for years to come. The commemoration of the achievement of 100MW of roof top solar in a short period of time boosts the investor confidence to infuse more capital to this sector. It's the duty of the Government as well as CEB to have constant policy frame work to further develop this sector. Especially the tariffs offered needs to be continued if the ultimate goal is to be achieved.

The recent national level strong developments in the power and energy sector is commendable to be noted. Few large scale power plants including a LNG combined cycle power plant for a capacity of 300MW is under discussion to be built near the west coast in Kerawalapitiya. To meet the short term demand for power, emergency power plants are scheduled to be implemented.

The large scale solar and wind power project up to 10MW capacity are now being developed under a very transparent tendering process. Having abundant resources especially in the northern & eastern provinces,, we are impressed of this decision from Government taken for the sector development. We are committed to develop the renewable sector of the company to be a major player in the group in the years to come. We participated in the recent 10MW ground mounted Solar power tender in Vavunathivu, Eastern Province. Plans are also being prepared to participate in the upcoming 1 X 90MW Solar ground mounted tender with reverse bidding.

Financial Highlights

The Power Sector Companies' performance was affected by the drought during the year and results are given below.

	Ceyhydro Developers (Pvt) Ltd.	Ceypower Developers (Pvt) Ltd.	Energy Generators (Pvt) Ltd.
Capacity	5.6 MW	2.4 MW	6 MW
Revenue -2017	Rs. 166,817,804	Rs. 70,093,730	Rs. 316,332,508
Profit After Tax -2017	Rs. 36,653,910	Rs. 6,915,177	Rs. 117,318,199
Total Assets	Rs. 1,347,179,945	Rs. 494,813,805	Rs.1,382,277,441



Mr Upali Witharana
Director/Chief Executive Officer

Management Discussion & Analysis

Sector Review - Education

Review by the Chairman – Dr. Jagath Alwis

CEG Education Holdings (Pvt) Ltd

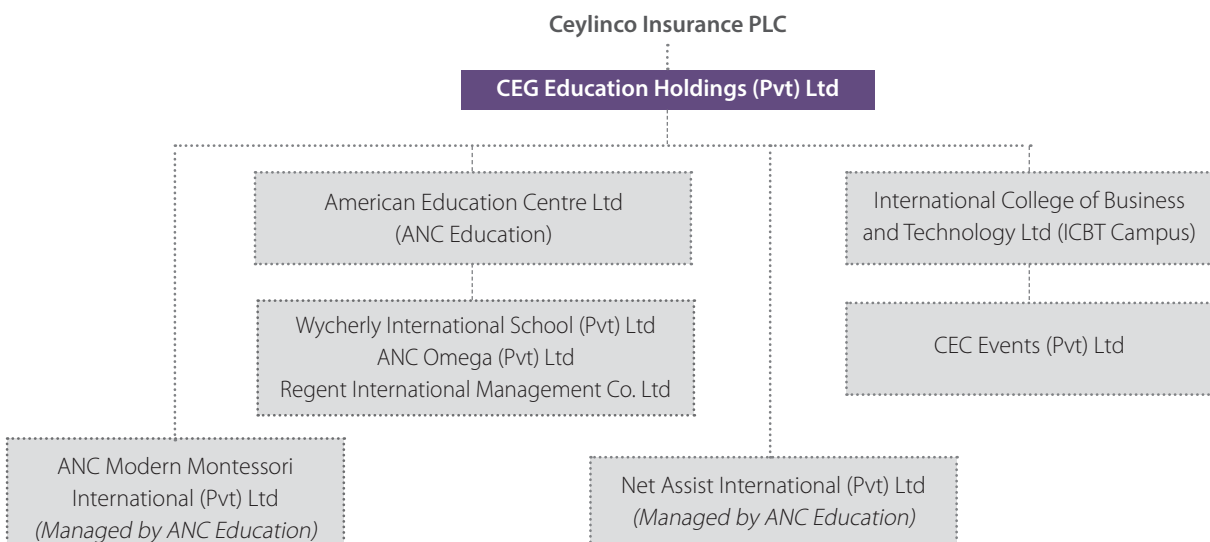


Education

The industry has a significant market potential in attracting large numbers of foreign students, especially to pursue international degree programs in Sri Lanka at a fraction of the cost.



Operational Structure



Industry Review

Sri Lanka has the highest youth literacy rate in South Asian region at 98.77%. Sri Lanka has around 10,000 state schools and over 100 recognized private schools. For students who complete primary and secondary education, number of both state and private higher education institutes offer a wide range of higher education and professional qualifications in Sri Lanka. The private higher education industry has seen a significant growth during past two decades with more and more institutions entering in to the market each year.

The state higher education institutes are governed by the Ministry of Higher Education and the University Grants Commission (UGC) of Sri Lanka. The UGC oversees 15 Universities, and 18 Higher Education Institutes, and recognizes degree programs at a number of public and private institutions. It also sets minimum admission requirements for students. In addition, there are nearly 100 private higher education institutes offering international franchised university degree programs in Sri Lanka.

Each year, over 300,000 students sit for GCE Advance Level examination in Sri Lanka. Out of which, around 150,000 students pass the GCE Advance Level examination gaining UGC recognized minimum qualifications required for University entrance. However, the state Universities currently can only accommodate up to 30,000 new students per year. This leaves a significant demand supply gap in higher education. Within this gap, about 12,000 students chose to pursue their higher studies abroad each year. Popular study abroad destinations include, Australia, New Zealand, USA, United Kingdom, Russia, East European countries, East Asia and China. Other students have the opportunity to enrol into recognized foreign university and locally approved degree programs offered in Sri Lanka by private higher education institutes. In addition, there are a number of entry routes for university degree completion through local and international higher National Diploma

programs and other professional qualifications, offered by both state and private higher education institutions.

Both state and private higher education institutes compete in the market for postgraduate qualifications. This is due to the fact that the postgraduate qualifications are not offered free of charge in state universities. Also, the private sector offers a wide variety of qualifications in different disciplines at attractive prices with flexible study options for young professionals. Almost all postgraduate studies are pursued by young working professionals in part-time mode with classes conducted during evenings and weekends.

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 for their children primary and secondary education.

The industry has a significant market potential in attracting large numbers of foreign students, especially to pursue international degree programs in Sri Lanka at a fraction of a cost compared to travelling to the country of the parent universities. However, current Sri Lankan immigration policies need to be improved to facilitate inbound student mobility in this segment.

The industry outlook remains to be positive due to the growth in demand for higher education. Despite the number of new entrants to the market, the demand, especially for established higher education institutes continues to grow as the state universities do not have the capacity to effectively fulfil the increasing demand. Further growth can be achieved through government policy improvements facilitating inward foreign student mobility, placing Sri Lanka as one of the Asia's education hubs.

It is against this backdrop that Ceylinco Insurance PLC has taken very significant



Dr Jagath Alwis
Chairman

Management Discussion & Analysis

Sector Review - Education

steps through its Education Subsidiary/ CEG Education Holdings (Pvt) Ltd., to offer wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines and Business. It is an investment for the future of our country furthermore in order to provide the proper foundation for Graduates and Post-graduates courses. The Ceylinco Education Sector also owns and manages internationally recognized pre-schools and primary and secondary schools also.

The following institutes are under the group:

ANC Education

ANC Education is the largest US education provider in Sri Lanka, 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.

Their 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

ANC Omega (Pvt) Ltd

Recognizing the urgent and growing demands for 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 (MMI)

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. 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

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.

Regent International School

Is an associate company of ANC Education located in Gampaha and was established in 2001. The school 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

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.

International College of Business and Technology (ICBT) Campus

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.

ICBT Campus offers Diplomas, Higher National Diplomas, Bachelor Degrees and Masters Degrees in association with the leading British Universities. The ICBT Higher National Diploma (HND) is 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, Jaffna and Batticaloa.

CEC Events (Pvt) Ltd

This is an event management company which has organized a wide range of mega events in Colombo and in major cities Island-wide. This year for the first time they have organized an event in Dubai successfully.

In addition, it provides key services such as research, planning, marketing, promoting, stall constructing, photography and all other pre and post event activities.

Operational Risks

Some of the operational risks faced by companies in the education sector and the actions taken to minimise these risks are listed below.

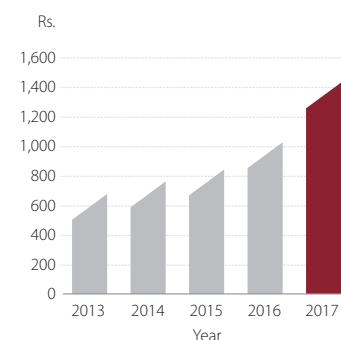
Operational risks	Mitigation action
Shortage of qualified academic staff members in specialist areas.	<p>Institutions are seeking to recruit suitably qualified academic staff from neighbouring countries.</p> <p>Companies have recruited staff development programs to retrain suitable existing staff members in specialised areas.</p> <p>Special course fees and staff support policies are in place to encourage junior academic staff members to pursue masters and PhD programs in specialist areas.</p>
Possible changes in government legislation related to internationally franchised private higher education provision	Member companies are in the process of obtaining degree awarding status under the Ministry of Higher Education.
Member companies are currently offering franchised degree programs. There is a risk of partner university policy and strategic direction changes affecting ongoing partnerships.	<p>This risk is mitigated by maintaining multiple university partnerships and having a good rapport with the top management of partner universities.</p> <p>Member organizations are in the process of obtaining degree awarding status under the Ministry of Higher Education</p>
Financial risks associated with exchange rate fluctuations in relation to partner university payments	Students are encouraged to pay the University payments direct to the respective Universities as far as possible to limit our exposure to exchange fluctuations.

Management Discussion & Analysis

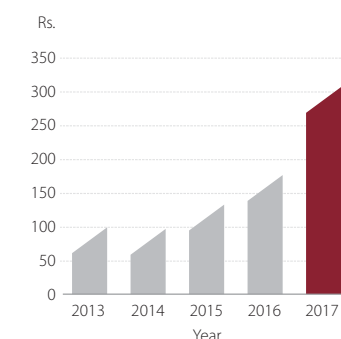
Share Information

		Year ended 31-Dec-2017	Year ended 31-Dec-2016
Net Assets Per Share			
Book value	Rs.	1,428.93	1,024.80
Earnings			
Basic Earnings Per Share	Rs.	306.21	176.00
Price Earnings Ratio (times) – Voting		5.22	8.50
Price Earnings Ratio (times) - Non Voting		2.69	4.10
Dividends			
Final Dividend	Rs.	31.50	27.50
Share Price - Voting			
High	Rs.	1,720.00	1,650.00
Low	Rs.	1,200.00	1,200.00
Last transaction	Rs.	1,597.00	1,490.00
Share Price - Non - Voting			
High	Rs.	950.00	998.00
Low	Rs.	720.00	700.00
Last transaction	Rs.	825.10	730.00
Share trading - Voting			
No. of transactions		954	390
No. of Shares traded		159,015	138,495
Value of shares traded	Rs. Mn.	222.00	193.00
Share trading - Non - Voting			
No. of transactions		670	516
No. of Shares traded		72,718	129,989
Value of shares traded	Rs. Mn.	61.00	96.00
Days traded - Voting			
No. of days traded		155	119
Total no. of market days		241	240
Market days traded	%	64.32	49.58
Days traded - Non - Voting			
No. of days traded		139	126
Total no. of market days		241	240
Market days traded	%	57.68	52.50
Market capitalisation - Voting			
Value	Rs. Mn.	31,940	29,800
Market	%	1.10	1.09
Market capitalisation - Non - Voting			
Value	Rs. Mn.	5,293	4,683
Market	%	0.18	0.17
Price movements			
CSE All Share Price Index		6,369.26	6,228.26
S&P SL 20 Index		3,671.72	3,496.44
Ceylinco Insurance Share price - Voting	Rs.	1,597.00	1,490.00
Ceylinco Insurance Share price - Non - Voting	Rs.	825.10	730.00

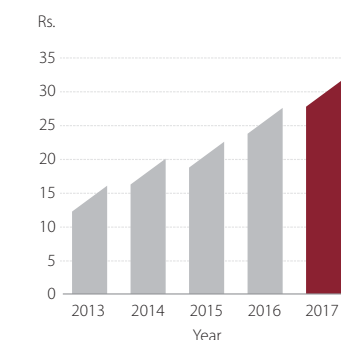
Net Assets Per Share



Earning Per Share



Dividends Per Share



Sustainability Report

This report is in accordance with Global Reporting Initiative 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 organization is in agreement about the relevance of sustainability and the organization's strategy for addressing sustainability	The MD/CEO is in agreement with the importance of Sustainability and committed to the organization's strategy for addressing sustainability.
ORGANISATIONAL PROFILE		
G4-3	Report the name of the organization	Refer Corporate Information page 3.
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 organization's Head Offices	Refer Corporate Information page 3.
G4-6	Report the number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in this report	As mentioned in 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 page 3.
G4-8	Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries)	The subsidiary 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 pages 25 to 36.
G4-9	Report the scale of the organization, including <ul style="list-style-type: none"> • Total No. of employees • Total No. of operations • Gross Written Premiums • Total capitalization 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.

Management Discussion & Analysis

GENERAL STANDARD DISCLOSURES		
	STRATEGY AND ANALYSIS	REMARKS / PAGE REFERENCE
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 organization'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 organization'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	Is not applicable
G4 -15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	The subsidiary and associate companies have embarked on numerous environmental and socio-economic community projects. 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 organizations in which the organization views membership as strategic	(a) Ceylon Chamber of Commerce (b) National Chamber of Commerce
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 -17	List all entities included in the organizations consolidated financial statements or equivalent documents	Refer 'Operational Structure' and 'Sector Reviews' for more details pages 25 to 36.
STAKEHOLDER ENGAGEMENT		
G4 -24	Provide a list of stakeholder groups engaged by the organization	Refer 'Stakeholder Engagements and Relationships' page 24.
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

GENERAL STANDARD DISCLOSURES		
	STRATEGY AND ANALYSIS	REMARKS / PAGE REFERENCE
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' page 24.
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' page 24.
REPORT PROFILE		
G4 -28	Reporting period	Calendar year
G4 -29	Date of the most recent previous report	2016
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' page 61.
ETHICS AND INTEGRITY		
G4 -56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Refer 'Corporate Governance' page 61.
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 behavior, anti-trust and monopoly practices	None
	Monetary value of significant fines / non-monetary sanctions for non-compliance of above	None
G4 -PR9	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type and outcomes	None
	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type and outcomes	None
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Management Discussion & Analysis

Corporate Social Responsibility

Ceylinco General Insurance Limited

'Ceylinco VIP Akurata Saviya'



As a company that values people, many of our social responsibility projects are targeted at uplifting lives in a sustainable manner. A strong focus on supporting education and the youth, inspired Ceylinco General Insurance to introduce a programme specifically targeting economically underprivileged communities in which students have odds stacked against them when it comes to pursuing their academic aspirations. The Company has established a trust to provide scholarships to school-going children in underdeveloped parts of the country.

As a result, the programme was launched in Monaragala District 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. Performance of the scholarship recipients are monitored regularly through the respective schools and the parents and the principals are updated regularly on corrective action where necessary.

This project has proved an ideal conduit through which to engage employees of Ceylinco General Insurance courtesy of monthly voluntary contributions, special contributions and child sponsorships. We believe that this programme will have a far-reaching impact on keeping children in school until they complete their schooling. This will not only enhance their employability but will also improve the quality of their lives in the long run.

School Books and Stationery for Children in flood affected areas



The Employees Union of Ceylinco General Insurance carried out several flood relief programmes in selected areas of the country. School books and stationery for children in Galle, Matara, Ratnapura and Kalutara districts were distributed with the help of the staff to these schools faced with one of the worst flooding disasters in recent times where almost all belongings got washed away. Dozens of Ceylinco General Insurance staff travelled to the affected areas of the country with parcels of schools books and stationery packs and stayed back for several days in order to ensure that the items were distributed fairly to all affected children.

Flood Relief



During the months of May and June of 2017, 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 Ceylinco General Insurance staff travelled to the affected areas of the country with the much-needed items and stayed back for several days even under trying conditions, to handle the distribution process. Our staff were the first to reach most of these devastated areas and in some instances they even went by boats to provide relief measures as well as to evacuate people who were stranded.

Refreshment Centres for Pilgrims



Ceylinco General Insurance staff took part actively in several religious ceremonies across the island by providing devotees with much-needed refreshments at Buddhist, Christian, Muslim and Hindu places of worship. Some of the key religious events served by our employees included Nawam Perahera of Gangarama Temple, Water cutting festival in Nallur Kovil etc. Specially devotees who travel from far away places to attend these religious ceremony's appreciate our efforts greatly.

Annual Blood Donation Camp



Ceylinco General Insurance staff joined hands with The Employees Union to host a Blood Donation Camp in its Head Office premises in February 2017. The camp witnessed participation from employees and customers, as well as people from surrounding offices, who volunteered to donate blood. The Blood Donation Camp was conducted under the supervision of the doctors of the Blood Bank, with many doctors and nurses in attendance.

Management Discussion & Analysis

Corporate Social Responsibility

Ceylinco Life Insurance Limited

Class room Projects

Ceylinco Life as part of their CSR initiative has been supporting rural schools around the country to build classrooms.

Three of the Classrooms which were initiated in year 2016 were opened in this year under this project.

Mo/Kudaoya Primary School Wellawaya



- 67th Class Room of Ceylinco Life
- Class room opened on – 19th April 2017
- This school has classes from Grade 01 to Grade 05
- 250 Students to 8 teachers
- Prior to this class room they have conducted classes in temporary shelters
- Parents, teachers and the students of this School had organized a grand opening ceremony for this class room opening ceremony.
- Principals of the schools around this area were present for this opening ceremony along with the parents.

Werodogama Primary School – Talawa, Kariyamadiththa

- 68th Class Room of Ceylinco Life
- Class room opened in – 30th June 2017
- Classes room from Grade 01 to Grade 05
- 450 Students to 12 teachers

- Prior to this class room they have conducted class under the tree
- Parents, teachers and the students of this School had organized a grand opening ceremony for this class room.
- Zonal Education Officer was present for the opening ceremony

CH/ Narawila Muslim Vidyalaya Narawila - Koswaththa



- 69th Class Room of Ceylinco Life
- Class room opened in – 7th December 2017
- This school has classes from Grade 01 to Grade 05
- 152 Students and 8 teachers
- Prior to this class room they have conducted classes in temporary shelters
- Parents, teachers and the students of this School had organized a grand opening ceremony for this class room opening ceremony.

Waidya Hamuwa - Nearly 3,000 people see doctors free of charge

Nearly 3,200 people received free medical checks in 2017 under our 'Waidya Hamuwa' (Meet the doctor) community programme, which has benefited some 138,000 people in 14 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 2017 were Akuressa (350), Neluwa (370) and Kamburupitiya (276) were conducted for those who were severely affected for by the Floods in June 2017.

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.

Education

ANC HR Department and several student clubs and organizations, under the patronage of Student Affairs Office and Internal Marketing team, have joined hands for a number of worthy causes this year:

Participation in Women Build 2017 organized by Habitat for Humanity



ANC students and staff members joined Women Build volunteers in building houses for families who were affected by land slide in 2016. This project was carried out in Yatiyanthota in April.

“Project Paws” organized by Charity Club



It was organized to help the less fortunate animals sheltered at the animal SOS foundation.

Visit to Menhandy School, Kalubowila organised by Psychology Society

Students of ANC visited Menhandy School for the exceptional children on Valentines day and spent time with them besides invaluable gifts given to make them feel that they too are important in society.



Dhiriyata Athwalak programme organized by Rotaract Club



The Rotaract Club of ANC, together with Sasnaka Sansada joined hands in supporting Dudley Senanayake School in Pitabaddara.. This school was adversely affected by floods that hit the country in May. The students of grade 10 and 11 were given 70 pairs of school shoes.

Contribution to the project “Let’s Stand as One Nation”

ANC HR department took the initiative in donating water, dry rations, clothes, sanitary items, and kids’ items to people affected by floods Island wide during May 2017. All the items were handed over to the collection unit organized by Hiru FM in Nugegoda.

Management Discussion & Analysis

Corporate Social Responsibility

Jeewithayata Jeewayak organized by Rotaract Club



This was to uplift the standard of living of students of Holbrook Sinhala College, a rural school in Agarapatha in Nuwaraeliya district. ANC students were involved in donating computers to school in addition to replacing the damaged volleyball court and donating everything it needs for the students to become better players. This is a worthy cause, for all the students of this school are children of the laborers working in the adjoining tea estates.

Visit to Sacred Heart Church, Rajagiriya by Charity Club



For Children's day, our ANC students had a celebration with some less fortunate kids. Our students organized several fun activities for them such as musical chairs, pictionary, and scavenger hunt and did some craftwork with the kids. All the kids were given chocolates and cupcakes. Gifts were given to the winners of the activities as well.

Corporate Social Responsibility is considered as part and parcel of academic activities of students. Fund raising and CSR projects are included in the curriculum of ICBT HND programs. ICBT staff and students carried out a number of CSR projects during the past year. Some of them are listed below.

Lumbini Vidyalaya, Ihala Yaagoda, Gampaha

Donated a sound system for Lumbini Vidyalaya to start a media unit for the students. Also donated school shoes for selected number of under privileged students in the school.

Mathugama Central College



Renovated library tables and donated a library cupboard for the school.

Meerahawatta, Bandarawela

Provided stationery and other necessary school items to three underprivileged students at Bandarawela.

Cancer Hospital, Maharagama

Donating milk powder and other necessary requirements for cancer patients at ward 03 of the cancer hospital.

Science College, Mount Lavinia

Donation of a printer and renovation of the computer lab at Science college, Mount Lavinia.

Thalpitiya Junior College (March 2017) – Donated 7 computers and renovated the entire IT lab of the school.

Thalpitiya Junior College



Donated 7 computers and renovated the entire IT lab of the school.

Gunananda Primary School, Galle

Renovation of the library at Gunananda Primary School. Provided tables, chairs, books and book cupboards. Further, ICBT students have done a colour wash of the entire library.

Anandapura village and farm, Katana



Donated 3 months' worth of dry rations and medicines to the villagers.

Helping flood victims at Aguruwathota

Provided food packs, water bottles and other sanitary items for the flood victims in "Aguruwathota" area.

Helping hands for the needy people, Kalutara.



Conducted a medical camp at Bulathsinhala with free medicine in for the flood affected people with the participation of a team of Doctors from Colombo.

Kithulawila maternity clinic

Donated a Television, a DVD player and a laptop computer to conduct parental responsibility sessions for the pregnant women and their families.

St. Joseph Girls orphanage, Gampola

Renovation of the girl's home, including colour wash of the study hall, main hall and the office.

Management Discussion & Analysis

Events of the year

Ceylinco General Insurance Ltd

Ceylinco VIP On The Spot announces Rs. One Million cover for medical costs



Upholding its track record in pioneering insurance solutions, Ceylinco General Insurance unveiled a novel Motor Insurance solution - a Rs. One Million cover that will reimburse medical costs incurred in the treatment of heart disease, cancer, kidney failure, stroke and several other serious illnesses including heart attack and open heart surgery, major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Ceylinco VIP On The Spot policy holders can avail of this landmark health insurance solution to eliminate their worries about incurring expenses on serious illnesses.

In the case of individual customers, the insured will be entitled to this revolutionary benefit, while corporate customers or fleet owners must name an individual (user or driver) as beneficiary. For individual customers with more than one vehicle, the spouse or immediate family members could be named as beneficiaries. Similarly, comprehensive motorcycle and three wheeler policyholders will be entitled to a cover of Rs.100,000/- and third party customers too will benefit with a cover of Rs.100,000/-.

High Flyers of Ceylinco General Insurance rewarded with Mercedes Benz Cars



Eight new entrants were ushered into the prestigious Hall of Fame in the 'Ten Million Circle' rewards programme and received a brand new Mercedes Benz each as a token of recognition from the company for their exceptional contribution. The first time entrants to the Hall of Fame are entitled to a Brand new BMW or a Mercedes Benz car. In 2017, eight new entrants were conferred to Hall of Fame, the highest in any given year. The Ceylinco General Insurance team, widely recognized as the largest sales force in the Sri Lankan insurance arena, has consistently earned a reputation for its motivated dynamism and is renowned for delivering exceptional service levels.

Suwa Sampatha International

Introduced a year ago, the re-launched 'Suwa Sampatha International' wowed customers with a million-dollar benefit valid across the globe. Following on its heels, a second tier 'Suwa Sampatha International' was introduced under by leveraging on the popular brand. This product is targeted at customers who aim to receive medical treatment in state-of-the-art hospitals internationally for a lesser premium with relatively reduced benefits.

The new product extends a cover of 50,000 US dollars in the event of an illness, facilitating hospitalization anywhere in the world, making it an ideal choice for those who value the extra protection for their family. The premium for each individual is Rs. 50,000/- and while it could be paid in Sri Lankan Rupees, the benefits are accorded in US dollars. This is how we deliver superior care and convenience to customers.

Ceylinco VIP Family Carnival



The annual employee family get-together this year consisted of a gala musical show. It was held for the fifth consecutive year in November 2017 at the Havelock Grounds. Organised by the Employees' Union of Ceylinco General Insurance, the show was a grand success. A young musical band, 'Glory' and other guest artistes performed at the 'Ceylinco VIP Family Carnival', complete with food stalls and games for the children in a carnival like atmosphere. A fun time was had by all present, making it a memory to cherish.

Inter-Department Cricket Tournament



Staff of Ceylinco General Insurance showcased their sporting prowess at the Annual Inter-Department / Region Cricket Tournament and Annual Family Get-together organised by the Sports Club which was held in September 2017 at the CH&FC Grounds amidst a large crowd of colleagues and families. 24 teams representing the Branches/Regions and City Office departments participated in the cricket tournament whilst staff members and their families made full use of the recreational activities and atmosphere of gaiety. The City Office Team emerged triumphant as the winner of the overall championship whilst the Sabaragamuwa Region was the runners-up.

Management Discussion & Analysis

Events of the year

Ceylinco General Insurance handsomely rewards Top Performers



The much-awaited Annual Sales Conference and Awards Ceremony for 2016 was held on 6th April 2017. The event featured music, entertainment, fellowship and award winners taking the stage in the presence of their peers. The glittering event rewarded top performers for rising to every challenge, feting them with outstanding performance awards. The Ceylinco General Insurance team, widely recognized as the largest sales force in the Sri Lankan insurance arena, has consistently earned a reputation for its motivated dynamism and is renowned for delivering exceptional service levels.

The event, attended by over 1,150 members of the sales force, was held under the theme: "A Great Company dedicated to delighting customers through team work".

Ceylinco General Insurance Partners Major Events

Ceylinco General Insurance supports many corporate bodies in the country to hold their events and this year too, the Company stepped forward as Strategic Partner for leading corporate events:

CNCI Awards of the Ceylon National Chamber of Industries

One of the events supported during 2017 was the Annual Awards Ceremony organised by the Ceylon National Chamber of Industries (CNCI) for the micro, small & medium, as well as the large and extra-large categories of manufacturers and service sector organisations. Ceylinco General Insurance has been associated with this prestigious awards event for seven years in a row.

National Business Excellence Awards



Yet another event partnered by the Company during 2017 was The National Business Excellence Awards organised by The National Chamber of Commerce of Sri Lanka. This event is widely acknowledged as the premier awards held for corporates in the country and includes a number of categories that celebrate the pinnacle of corporate achievement. Our partnership with the NBEA Awards is now in its sixth year and ensures our brand retains high visibility amongst Sri Lanka's corporate corridors.

Overseas Trip



Sustaining the growth momentum of the company by keeping staff motivated, Ceylinco General Insurance rewarded its deserving staff with an overseas tour for the 14th consecutive year. This gesture by the company recognizes and rewards their outstanding contribution to the company in 2017.

A record number of employees were taken on the Annual Overseas tour which consisted of a five-day holiday in Jakarta, Indonesia, a destination selected via a survey conducted amongst the eligible participants.

The Annual Overseas tour is eagerly anticipated by our employees and is proving to be a prime motivational tool as every team member aspires to be amongst those jetting off on an all-expenses paid overseas holiday. A brainstorming session was also held with the participation of the entire tour group and valuable ideas were generated to increase our service levels.

Network Expansion



Our branch network continues to flourish and in the year 2017, it expanded to 470 branches and sales outlets strategically located to capitalize on emerging opportunities. As a company with perhaps the largest branch network in the island, we are able to fulfill our role as a key player in driving the General Insurance industry. 40 "VIP Counters" were opened in 2017 with City Office opening 9 of

them in the suburbs of Colombo and 31 under the branch network in locations spread all over the country.

There was an aggressive recruitment drive during the year, with the sales force exceeding 1,950, thereby supporting the company's pledge to serve customers efficiently.

Ceylinco General Insurance partners with mCash to offer 3rd Party policies via mobile Customer App



Ceylinco General Insurance partnered with mCash to offer 'Ceylinco VIP 3rd Party' insurance policies via the new Ceylinco Customer App. With this facility, mCash customers too can simply download the Ceylinco Customer App to pay third party insurance premiums. Ceylinco VIP 3rd Party customers can also enjoy this service by registering for mCash by dialing #111#. This service includes all third party policies offered for motor cycles, three wheelers, hand tractors and motor vehicles through Ceylinco General Insurance. By leveraging on mCash to pay premiums via mobile devices, customers can conduct their insurance transactions anywhere and at any time. mCash is the first to integrate as a mobile payment solution to power the newly-launched Ceylinco Customer App.

Management Discussion & Analysis

Events of the year

Ambitious project to install LED screens island wide



In 2017, Ceylinco General Insurance embarked on an ambitious project to install LED screens in major cities to advertise its products. These LED screens enable Ceylinco General Insurance to deliver targeted messages with high impact to thousands of people when they are on the move. Unlike static hoardings hired through third parties, these LED screens are located at the right location for maximum effectiveness in reaching the targeted audiences. About 30 such screens have been installed up to now, covering the entire island.

Ceylinco Life Insurance Ltd

New Building Foundation Stone



Ceylinco Life marks 29 years with laying a foundation stone for Green branch in Kadawatha

Located at 15A Jaya Mawatha Kadawatha, the new branch building will on completion have two-floors offering 5,870 square feet of space, with provision to expand upwards to four storeys, the company said.

The new building is designed for optimal use of natural light and will be entirely solar powered. It will also be equipped with the latest energy efficient lighting and air conditioning systems, will have a facility for rainwater harvesting and its own car park with space for 10 vehicles at a time.

Ceylinco Life begins work on Green building for its Chilaw branch



Ceylinco Life has commenced construction of a new eco-friendly building to house its branch in Chilaw, continuing efforts to reduce the company's carbon footprint.

The two-storey, 6,000 square-foot building took place recently at No 90 A, Kurunegala Road, Chilaw on land owned by the life insurance leader.

The new building is designed for optimal use of natural light and will be entirely solar powered. It will also be equipped with the latest energy-efficient lighting and air conditioning systems, will have a facility for rainwater harvesting and its own car park.

Ceylinco Life opens branch in Hettipola



Life insurance leader Ceylinco Life has opened a branch in Hettipola to better serve its customer base in the Matale district. Located on the first floor of Kandegedara House of Fashion, No 152/A, Hettipola – Wilgamuwa, the branch has ample parking facilities and is easily accessible.

Ceylinco Life honours 247 trailblazers of 2016



The life insurance leader honoured 247 members of its sales and non-sales teams with performance awards in 20 categories at the company's annual awards.

A total of 395 awards, which included certificates, medals, trophies and air tickets to Singapore, Malaysia, Thailand, Dubai and the UK for the winners and their family members, were presented at this gala event at the BMICH.

Staff members, sales consultants, unit heads and branch heads from the Ceylinco Life head office and more than 250 branches in every district of the country were recognised for their contribution to the company's stellar results last year, with top performers winning multiple awards.

Management Discussion & Analysis

Events of the year

Among those honoured were 44 of members of Ceylinco Life’s sales force who qualified for the Million Dollar Round Table (MDRT) in 2016, two MDRT members among them who achieved Court Of Table status, and 91 sales officers inducted into the company’s own High Flyers’ Club in 2016

The Chief Guest for the event was Prof. Sampath Amaratunge, Vice Chancellor of the University of Sri Jayewardenepura.

Rome announced as Grand Prize in ‘Family Savari 11’



Family Savari, the biggest consumer promotion campaign in the life insurance sector, has launched the 11th edition of the campaign with the main destination being Rome for 5 lucky policyholders and their families. The second prize in Ceylinco Life’s Family Savari 11 will be a holiday in China for 10 policyholders and their families. Another 50 policyholder families will be chosen for a holiday in Singapore, and a further 1,000 families will spend a full day at Leisure World courtesy of Ceylinco Life.

Family Savari 11 will benefit 4,260 people from 1,065 policyholder families, an increase of 2,000 over the 2,260 rewarded annually at previous Family Savari promotions.

Over the past five years, Ceylinco Life has presented winners of the grand prize at the Family Savari with holidays in Japan (2013), Paris (2014), Switzerland (2015) Germany (2016) and UK (2017).

Family Savari 10 Dubai Tour



40 people comprising of 10 policyholders and their spouses and children was treated to an all-expenses-paid holiday in Dubai.

The tour centred on the city’s most iconic attractions, including a desert safari, dhow cruise and visits to the Palm Jumeirah, Burj al Arab, Zabeel Palace, Gold Souk, Al Fahidi Fort and Dubai Museum, and a full day of shopping.

The group was provided accommodation at one of Dubai’s leading four-star hotels and was accompanied by the popular actor Roshan Ranawana and his wife Kushlani, who are Brand Ambassadors for the Family Savari programme.

Family Savari 10 Singapore Tour



50 policyholders and their families were rewarded a three-day, all-expenses-paid visit to Singapore.

They were treated to visits to the sea aquarium, Fountain of Wealth, China Town and Garden by the bay, and spent a full day shopping.

The group was accommodated at one of Singapore’s best four-star hotels and was accompanied by the popular actress and television personality Sanjeevani Weerasinghe, one of the Brand Ambassadors for the Family Savari programme.

Family Savari 10 Leisure World Tour



Approximately 2000 people took part in the Family Savari 10 Leisure World event which took place in Kaluaggala.

The winners comprised of 500 policyholders and members of their families.

The winners were treated to a day of fun and frolic which included various rides and water slides. 5 Helicopter rides were also given to 5 lucky customers from Galle, Aralaganwila, Kamburupitiya, Kaduruwela and Maho.

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.

Management Discussion & Analysis

Events of the year

Education Sector



Graduation



ANC - Exhibition



ANC - Modern Montessori International Concert 2017

Management Discussion & Analysis

Accolades

Only Insurer among Business Today Top 30



Once again, for the fifth consecutive year, Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. As announced in its edition for 2016/17, Ceylinco Insurance moved up the corporate ladder to the 12th position, achieving a truly unique feat. According to Business Today, financial information 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 capitalization, value of shares transacted and value additions.

Chosen among Sri Lanka's Best 20 Brands



Ceylinco Insurance was chosen amongst Sri Lanka's Best 20 Brands and is incidentally the only insurance company selected amongst the elite list of brands by Interbrands, the world's leading brand listing agency. Having pioneered brand valuation in 1988, Interbrand has a deep understanding of the impact that a strong brand has on key stakeholder groups to influence the growth of a business, namely, both current and prospective customers, employees and investors.

Highest Ranked Insurance Company in LMD 100

Ceylinco Insurance reiterated its position as the highest ranked insurance company in Sri Lanka for the 23rd consecutive year. The LMD 100 listing announced in December 2017 placed Ceylinco Insurance in the 25th position among all listed companies in the island. Since the inception of the LMD ranking, Ceylinco Insurance has maintained its supremacy by occupying the top position among insurance companies.



Ceylinco General Insurance - The Undisputed Choice of Sri Lankans for the 11th Consecutive year



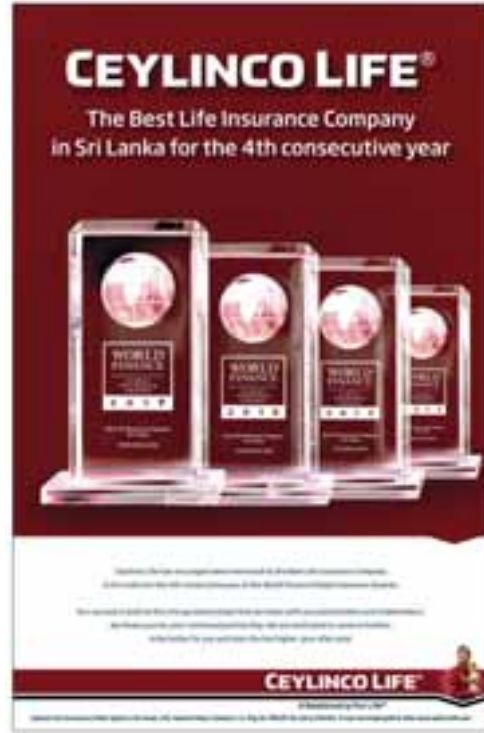
Sri Lankans young and old voted for Ceylinco General Insurance as their undisputed choice yet again, by selecting them as the 'People's Insurance Brand Of The Year', at the People's Awards 2017 for an unprecedented 11th consecutive time. Bestowed with the honour of being the distinct leader in the Insurance Industry in Sri Lanka once again, Ceylinco Insurance has not missed a beat since the commencement of the POP Award, as it is popularly called, winning every time, thereby confirming its position at the very zenith as the most preferred insurer, in the sphere of insurance in Sri Lanka. The Sri Lanka Institute of Marketing (SLIM), in association with Nielsen Lanka (Pvt) Ltd., recognise and honour brands that are closest to the hearts and minds of the Sri Lankan people based on a nationwide research.

Management Discussion & Analysis

Accolades

11th Peoples Award as country's favourite insurance brand

Ceylinco Life Insurance won its 11th consecutive Peoples Award in the insurance category at the 2017 '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.



2016 Annual Report of Ceylinco Life Insurance Ltd. wins two ARC Awards



Best Life Insurer in Sri Lanka for 4th year running

The company was declared the 'Best Life Insurer in Sri Lanka' for a Fourth 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 2016 before naming its country winners for 2017. 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.

Ceylinco Life wins 5 awards at NASCO 2017



Ceylinco Life's winners at the 2017 NASCO Awards.

Awards were won by Ceylinco life at the Annual National Sales Congress Awards 2018 (NASCO)

The winners from Ceylinco Life at this year's awards were Ms N. L. Fernando who won the Gold award in the 'Frontliner' category in the Life Insurance sector; Ms K. S. Priyanthi who won the Silver award in the same category; Ms T. C. G. Rajapaksha who won the Bronze award in the Sales Executive Category in the Life Insurance sector; Mr S. Dharshan who won the Silver award in the Territory Manager Category in the Life Insurance sector and Mr R. A. D. U. Kumara who won the Bronze award in the same category.

Ceylinco Life's Managing Director Mr R. Renganathan was the Chief Guest at the 2017 awards ceremony.

Ceylinco Life has been taking part in the NASCO Awards since 2011.

Corporate Governance

The Company's corporate governance framework which is constructed with the bricks of collaborative culture, independent structure, ethical behaviour and the focused approach continues to ensure good governance within the Company with the strong foundation laid down by the Board through its governance philosophy. As per the concept of corporate governance which has been defined as a system by which companies are directed, managed and controlled; the effective, transparent and accountable governance of affairs of a Company by its management, including the conduct of the Board, ensures good corporate governance.

We at Ceylinco Insurance PLC, place a strong emphasis on adopting and implementing sound principles and practices of good corporate governance derived over its foundation. The Company's policy of employing principles and practices of good governance ensures that its affairs are conducted in an effective and transparent manner. The overall responsibility for governing the Company has been initiated by the Board of Directors who takes leadership and a supervisory role in ensuring that the business is conducted in a transparent, sound and prudent manner.

In governing the operations of the Company, the Board ascertains its core objectives and devises strategic plans in keeping with its corporate vision, mission and corporate values. The Board as part of its duties establishes policies, procedures and practices for smooth conduct of operations while providing financial, human and other resources for the attainment of its corporate objectives.

The Board comprises of highly respected individuals who have reached the pinnacle of their chosen fields often displaying multidisciplinary competencies. The Board represents a cross section from the Finance, Insurance, Corporate and Professional spheres, who together contribute a wealth of practical insight and business acumen.

Operations of the Ceylinco Insurance PLC is governed by the Companies Act No.7 of 2007, Regulation of Insurance Industry Act No 43 of 2000 and subsequent amendments thereto, 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 Board is the custodian of the Company's values and of its long-term vision, and provides strategic direction and guidance to the Company. Therefore the Company's commitment to uphold the highest standards of corporate governance is driven by the Board of Directors which, led by the Chairman, assumes overall responsibility for the governance of the Company. Each Director identifies himself with a duty to act in good faith and in the best interest of the Company.

The key 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 Board has appointed several Committees to assist in the discharge of their collective responsibilities. 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 in to 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 recognizes 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.

Corporate Governance

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 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 2017. 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 2017, the Board has maintained an excellent record of attendance to the meetings. The number of Board meetings and Sub-Committee meetings held during 2017, together with individual attendance, is given on page 75 and 77.

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 pages 65 to 66 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 164. The Board on the recommendation of the Remuneration Committee approved the remuneration paid to the Executive Directors during the year 2017. 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 76 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 analyzed below.

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 one third 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 3.
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 page 20-23.
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 69.
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 69.
7.10.5 (c)	The annual report should set out:		
	The names of Directors comprising the Remuneration Committee	Complied	Please refer page 65.
	A statement of remuneration policy	Complied	Please refer page 69.
	The aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 164.
7.10.6	A listed Company shall have an Audit Committee	Complied	Please refer page 67.

Corporate Governance

Rule No:	Rule of Corporate Governance	Status of Details Compliance	
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors or a Non-Executive Directors 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).
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings	Complied	Please refer Page 65.
7.10.6 (b)	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied	Please refer page 67.
7.10.6 (c)	The annual report should set out:		
	The names of the Directors who comprise the Audit committee	Complied	Please refer page 65.
	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 67.
	A report by the Audit Committee setting out the manner of compliance of the functions during the period.	Complied	Please refer page 67.
7.10.7	In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance.	Not Applicable	
9.2.1 & 9.2.3	Related Party Transactions Review Committee	Complied	The functions of the Committee are stated in Related Party Transactions Review Committee report in page 70.
9.2.2	Composition of the Related Party Transactions Review Committee	Complied	Please refer page 65.
9.2.4	Related Party Transactions Review Committee Meetings	Complied	Please refer page 77.
9.3.1	Immediate Disclosures	Complied	Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange.

Rule No:	Rule of Corporate Governance	Status of Details Compliance	
9.3.2 (a)	Disclosure- Non-recurrent Related Party Transactions	Complied	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 164, 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 70.
9.3.2 (d)	A declaration by the Board of Directors	Complied	Please refer page 81.

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. Nilika Abhayawardhana	Mrs. Nilika Abhayawardhana	Mrs. Nilika Abhayawardhana
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

Corporate Governance

	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
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 Regulatory Commission 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

Composition of the committee

The Audit Committee is appointed by the Board of Directors of the company. It comprises of the following Directors;

Name of the members	Directorship Status	Membership Status
Mr D.H.J. Gunawardena	Independent Non-Executive	Chairman
Mr K.I. Dharmawardena	Independent Non-Executive	Member

The Chairman of the Committee, Mr. D.H.J. Gunawardena who is a Fellow Member of a recognized professional accounting body has over 40 years of post-qualification experience. The biographical details of the members of the Board Audit Committee are given on page 65.

The Company Secretary acts as the secretary to the Audit Committee. The Director Finance of the Company and respective officers of subsidiary Companies attend meetings of the Committee by invitation. The External Auditors, Messrs Ernst & Young, were provided adequate access to ensure that they had no cause to compromise their independence and objectivity. Proceedings of the Audit Committee meetings are reported regularly to the board of directors.

Role of Audit Committee

The operation of the Audit Committee is guided by the mandate set out and approved by the Board of Directors of the company. The Committee provides oversight over;

- preparation, presentation and inclusion of disclosures in financial statements in accordance with Sri Lanka Accounting Standards.
- compliance with the applicable laws and regulations of the country and policies and procedures of the company.
- adequacy of internal controls and risk management processes.

- assessment of the company's ability to continue as a going concern in the foreseeable future.
- independence and performance of the External and Internal Auditors

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 77 of the Annual Report.

Agendas of the meetings were prepared and distributed to the committee in advance of the meetings.

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 Regulatory Compliance Reports submitted to the Committee and observes that the Company'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 & performance of the internal audit function of subsidiary companies and the adequacy of its resources. Internal audit reports submitted to the committee and audit findings presented in the reports were prioritized 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.

Board Audit Committee Report

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 is also 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 2018, subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena
Chairman, Audit Committee

28th March 2018

Remuneration Committee Report

The Remuneration Committee was formed by the Board in compliance with Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange and its composition and functions are in conformity with the provisions of the Listing Rules.

Composition of the Committee

The Remuneration Committee appointed by the Board of Directors comprised the following members;

Mr. K.I. Dharmawardena (Independent Non-Executive Director) – Chairman of the Committee

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

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

Meetings

The Committee meets as regularly as necessary to make recommendations on compensation structures, bonuses and increments of Executive Directors and also on matters that may involve human resource administration of the Company and the Group.

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 Committee met twice during the year.

The Functions of the Committee

The functions of the Committee include making recommendations to the Board on the compensation and benefits of the Executive Directors of the Group and specially include;

- Reviewing and making recommendations to the Board on the remuneration of the Chairman, Chief Executive Officers and Executive Directors.
- Consider targets and benchmark principles for any performance related pay schemes.
- Maintaining and developing competitive and attractive remuneration packages for employees at all levels keeping in view;
 - Performance
 - Industry trends
 - Past remuneration
- Succession planning for Key Management personnel.
- Approving the Remuneration Policy of the Company.

Remuneration Policy

The primary objective of the remuneration policy is to attract and retain a highly qualified and experienced workforce and reward their 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.

Directors' Remuneration

The total of Directors' remuneration paid during the year under review is set out in note 46 to the Financial Statements.

On behalf of the Remuneration Committee.



K.I. Dharmawardena

Chairman – Remuneration Committee

28th March 2018

Report of the Related Party Transactions Review Committee

The Board Related Party Transactions Review Committee comprises of five Non Executive Directors, three of whom are Independent and one Executive Director. The following Directors served as members of the Committee during the financial year.

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

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

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

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

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

Mr. Upali Witharana - *Non Executive Director*

The Company Secretary functions as the Secretary to the Committee.

Brief profiles of the above Directors are given on pages 20 to 23 of this Annual Report.

The objective of the Committee is to exercise oversight on behalf of the Board of Ceylinco Insurance PLC and its Subsidiaries, to ensure compliance with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and CSE.

Responsibilities 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 scrutinize 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.

The Committee, in discharging its functions primarily relied on the various processes that were validated from time to time and the periodic reporting by the relevant entities and Key Management Personnel, to ensure that there is compliance with the code, that shareholders are protected and that there is adequate transparency of financial transactions.

Meetings

The Committee held four meetings during the year under review. Information on the attendance of these meetings by the members of the Committee is given in page 77 of this Annual Report.

Declaration

The Committee is of the view that there were no non-recurrent or recurrent related party transactions that fell within the domain of the Listing Rules, requiring prior approval of shareholders or immediate announcement to the Colombo Stock Exchange.

A declaration by the Board of Directors in the Annual report as a negative statement that no related party transactions falling within the ambit of the Listing Rules was entered into by the Company during the financial year 2017, is given on page 81 of the Annual Report.



Mr. D.H.J. Gunawardena
Chairman

Related Party Transactions Review
Committee

28th March 2018

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 83.

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 2018 to 2019 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

05th April 2018

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2017 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

05th April 2018

Financial Calendar 2018

Annual Report 2017	05th April, 2018
Annual General Meeting	25th May, 2018
Final Dividend Proposed	25th May, 2018
Ex-Dividend From	28th May, 2018
Final Dividend Payable	05th June, 2018
Interim Report - 1st Quarter	15th May, 2018
Interim Report - 2nd Quarter	15th August, 2018
Interim Report - 3rd Quarter	15th November, 2018
Interim Report - 4th Quarter	28th February, 2019

Financial Information

Report of the Directors	74
Report of the Auditors	83
Consolidated Statement of Financial Position	84
Consolidated Income Statement	85
Consolidated Statement of Comprehensive Income	86
Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	89
Insurance Revenue Account	90
Notes to the Consolidated Financial Statements	91

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, 2017, and the Report of the Auditors thereon.

Review of Operations

The Chairman's and the Managing Directors' Reviews on pages 8 to 17 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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Profit After Taxation (After Non - Controlling Interest)	8,088,369	4,648,741	1,072,534	1,042,302
Add : Balance Brought Forward	19,630,683	16,185,402	13,538,912	13,090,936
Changes in Ownership in Group Companies	-	2,650	-	-
Other Comprehensive Income for the Period	(369,130)	(611,784)	-	-
Funds Available for Appropriation	27,349,922	20,225,009	14,611,446	14,133,238
Appropriation : Dividend Paid - Final	(726,398)	(594,326)	(726,398)	(594,326)
Unappropriated Profit Carried Forward	26,623,524	19,630,683	13,885,048	13,538,912

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, 2017 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. 31.50 per share for the year ended 31st December, 2017, payable on 05th June, 2018.

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, 2017.

In accordance with the Articles of Association of the Company, Messrs. R. Renganathan, T.N.M. Peiris, and N.D. Nugawela 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 21st April, 2017 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.

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 80 years of age in December, 2017, 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 74 years of age in December, 2017, 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	07
Mr. R. Renganathan	06
Mr. H.D.K.P. Alwis	07
Mr. E.T.L. Ranasinghe	06
Dr. W.C.J. Alwis	05
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	06
Gen. C.S. Weerasooriya (Retd.)	06
Mr. S.R. Abeynayake	07
Mr. S.H.J. Weerasuriya	04

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:
(including 'Close Family Members')

	Voting Shares		Non Voting Shares	
	as at 31.12.2017	as at 31.12.2016	as at 31.12.2017	as at 31.12.2016
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 Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis	3,200 NIL	3,200 NIL	NIL 2,000	NIL 2,000
Mr. E.T.L. Ranasinghe	9,245	9,245	NIL	NIL
Dr. W.C.J. Alwis Waldock Mackenzie Limited / Dr. W.C.J. Alwis	526,692 2,339	526,692 2,339	219,041 NIL	219,041 NIL
Mr. P.D.M. Cooray	9,629	8,341	NIL	NIL
Mr. K.I. Dharmawardena People's Leasing & Finance PLC / 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

* Waldock Mackenzie Ltd./ Mr. K.I. Dharmawardana

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 two meetings during the year 2017.

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

Name of Committee Member	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. D.H.J. Gunawardena	04	02	04
Mr. K.I. Dharmawardena	03	02	03
Gen.C.S. Weerasooriya	Non Member	Non Member	03
Mr. T.N.M. Peiris	Non Member	Non Member	04
Mr. P.A. Jayawardena	Non Member	Non Member	03
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	2,479	725,811	3.62
1,001 to 5,000	713	1,274,748	6.37
5,001 to 10,000	50	371,013	1.86
10,001 to 50,000	33	626,499	3.13
50,001 to 100,000	3	274,000	1.37
100,001 to 500,000	5	785,340	3.93
500,001 to 1,000,000	7	4,617,181	23.09
Over 1,000,000	5	11,325,408	56.63
Total as at 31st Dec. 2017	3,295	20,000,000	100.00

Analysis of Shareholders

(Non Voting) Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1 to 1,000	1,178	257,149	4.01
1,001 to 5,000	91	216,286	3.37
5,001 to 10,000	18	147,129	2.29
10,001 to 50,000	15	428,217	6.68
50,001 to 100,000	4	309,925	4.83
100,001 to 500,000	9	1,531,264	23.87
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. 2017	1,317	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 75.31% of the issued voting share capital (represented by 3,274 shareholders).

Float adjusted market capitalisation as at 31st December 2017 : Rs. 24,054,014 (Rs. '000)

Report of the Directors

Analysis of Shareholdings

Institutional / Non – Institutional

(Voting) Shareholder Category	Number of Shareholders	Total Shareholdings	Holdings %
Individuals	3,143	4,387,596	21.94
Institutions	152	15,612,404	78.06
	3,295	20,000,000	100.00

Institutional / Non – Institutional

(Non Voting) Shareholder Category	Number of Shareholders	Total Shareholdings	Holdings %
Individuals	1,250	1,294,073	20.17
Institutions	67	5,120,407	79.83
	1,317	6,414,480	100.00

Share Ownership Distribution Analysis as at 31.12.2017

Local Companies %		Local Individuals %		Foreign Companies %		Foreign Individuals %	
Voting	Non Voting	Voting	Non Voting	Voting	Non Voting	Voting	Non Voting
52.63	25.57	22.31	20.01	25.05	53.77	0.01	0.65

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 Expense of the Company for the year amounted to Rs. 6.4 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 31.12.2017**(Voting)**

Shareholder	Holding as at 31/12/2017 No. of Shares	% of the Issued Share Capital as at 31/12/2017	Holding as at 31/12/2016 No. of Shares
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	663,624	3.32	638,012
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
People's Leasing & Finance PLC / C.D. Kohombanwickramage	158,758	0.79	101,441
Mr. Rajkumar Renganathan (Mr. R. Renganathan 123,271 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares)	126,897	0.63	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
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	75,000

Report of the Directors

The 20 major shareholders as at 31.12.2017

(Non Voting)

Shareholder	Holding as at 31/12/2017 No. of Shares	% of the issued share Capital as at 31/12/2017	Holding as at 31/12/2016 No. of Shares
Pershing LLC S/A Averbach Grauson & Co.	2,833,653	44.18	2,833,653
J.B. Cocoshell (Pvt.) Ltd.	690,857	10.77	690,857
Bharath Investments (Pte.) Ltd.	269,200	4.20	269,200
Dr. Watuthantrige 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	199,830
Mr. Piyadasa Rathnayaka	175,000	2.73	175,000
The Ceylon Investment PLC A/C # 02	126,010	1.96	126,010
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
Gold Investment Limited	113,081	1.76	118,500
Mrs. M.T. Moosajee	99,778	1.56	* 99,778
Askold (Private) Limited	92,700	1.45	92,700
The Ceylon Chamber of Commerce Account No. 02	62,274	0.97	62,274
Miss. Rukaiya Husseinally Abdulhussein	55,173	0.86	17,000
Mr. Husein Nuruddain Esufally	50,000	0.78	50,000
Mr. Murtaza Ali Jafferjee	46,000	0.72	46,000
Mr. Gulzar Hussein Ibrahim Jafferjee (Deceased)	45,000	0.70	45,000
People's Leasing & Finance PLC / Mr. M.Z.M. Wafik	44,652	0.70	** 43,011
Mr. Yusuf Husseinally Abdulhussein	41,835	0.65	31,390

* Waldock Mackenzie Ltd./ M.T. Moosajee

** Waldock Mackenzie Ltd. / Mr. M.Z.M. Wafik

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements". (Pages 114 to 121)

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. 3.22 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.

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.

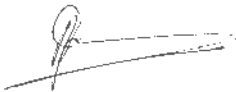
Auditors

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 150 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

25th April 2018

Report of the Directors

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 01.01.2017 to 31.12.2017 in which this company has had transactions during the year 2017.

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. Nugawela	Mr. T.N.M. Peiris	Mr. Upali 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 2017, 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 91 to 166)

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard, and for such internal control 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 2017, 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, 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,
 - the financial statements of the Company give a true and fair view of its financial position as at 31 December 2017 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.

05 April 2018

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 Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA S 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	Page No.	Note	Group		Company	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Assets						
Goodwill	112	6	181,304	181,304	-	-
Other Intangible Assets	112	7	164,643	135,257	-	-
Deferred Expenses	113	8	957,884	880,521	-	-
Property, Plant and Equipment	114	9	17,546,527	15,996,496	3,226	3,284
Investment Properties	121	10	1,124,061	1,152,061	153,332	153,332
Lease Hold Right	112	7	978	1,604	-	-
Investment in Subsidiaries	124	11(a)	-	-	15,965,563	15,965,563
Investment in Associates	124	11(b)	2,787,750	2,294,307	92,514	92,514
Financial Instruments						
Held to Maturity Financial Assets	126	12(a)	65,556,414	66,860,452	-	-
Loans and Receivables	126	12(b)	22,709,265	16,468,327	1,066,605	642,500
Available-For-Sale Financial Assets	126	12(c)	13,200,451	10,447,261	51,928	98,774
Financial Assets at Fair Value Through Profit or Loss	127	12(d)	2,349,607	165,562	-	-
Employee Gratuity Benefit Asset	132	13	1,735,480	1,407,940	-	-
Employee Pension Benefit Asset	135	14	1,999,060	1,665,840	-	-
Reinsurance Receivables	136	15	3,458,119	4,055,498	-	-
Loans to Life Policyholders	136	15(a)	1,630,346	1,378,954	-	-
Income Tax Receivable	137	16(a)	811,147	1,082,927	-	20,130
Deferred Tax Assets	137	16(b)	192,771	122,402	-	-
Insurance Receivables/Trade Debtors	139	17	5,287,571	4,262,399	-	-
Accrued Income	139	18	74,211	51,700	7,251	2,000
Other Assets	139	19	1,243,949	1,247,530	38,165	38,609
Cash and Cash Equivalents	139	20	1,532,789	906,182	2,489	4,404
Total Assets			144,544,327	130,764,524	17,381,073	17,021,110
Equity & Liabilities						
Equity Attributable to Equity Holders of Parent						
Stated Capital	140	21(a)	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings			26,623,524	19,630,683	13,885,048	13,538,912
Other Reserves	140	21(b)	2,974,247	2,703,501	2,041,261	2,041,107
Revaluation Reserves			3,365,706	3,411,509	-	-
Restricted Regulatory Reserve	140	21(c)	3,456,184	-	-	-
Total Ordinary Shareholders' Equity			37,744,483	27,070,515	17,251,131	16,904,841
Non-Controlling Interests	153	38(a)	1,658,418	1,551,468	-	-
Total Equity			39,402,900	28,621,983	17,251,131	16,904,841
Liabilities						
Life Insurance Contract Liabilities	142	22(a)	80,869,407	77,070,762	-	-
Unit Linked Fund & Other Funds-Life			427,146	333,129	-	-
Non Life Insurance Contract Liabilities	142	22(b)	11,887,150	11,660,029	-	-
Employee Gratuity Benefit Liability	132	13	191,972	221,856	-	-
Deferred Revenue	143	23	274,445	241,957	-	-
Interest Bearing Loans & Borrowings	144	24	2,524,880	1,963,560	3,496	5,296
Other Financial Liabilities	145	25	-	3,980,013	-	-
Deferred Tax Liabilities	138	16(c)	386,629	444,032	-	-
Reinsurance Payables	145	26	2,166,547	977,117	-	-
Trade and Other Payables	145	27	6,413,251	5,250,086	126,446	110,973
Total Liabilities			105,141,427	102,142,541	129,942	116,269
Total Equity and Liabilities			144,544,327	130,764,524	17,381,073	17,021,110

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

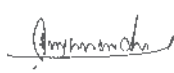
The Notes on pages 91 through 166 form an integral part of the Financial Statements.

The Board of Directors is responsible for 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

5th April 2018
Colombo

Consolidated Income Statement

For the Year Ended 31 December	Page No.	Note	Group			Company		
			2017 Rs. '000	2016 Rs. '000	Change %	2017 Rs. '000	2016 Rs. '000	Change %
Net Income	147	28(c)	44,388,628	39,824,723	11	1,116,663	1,093,984	2
Gross Written Premium	145	28(a)	34,662,431	31,818,590	9	-	-	-
Premium Ceded to Reinsurers	146	28(b)	(5,489,177)	(4,447,099)	23	-	-	-
Net Written Premium			29,173,254	27,371,491	7	-	-	-
Net Change in Reserve for Unearned Premium			(522,214)	(819,511)	(36)	-	-	-
Net Earned Premium			28,651,040	26,551,980	8	-	-	-
Revenue from Non Insurance Subsidiaries	108	5	2,914,867	2,853,557	2	-	-	-
			31,565,907	29,405,537		-	-	
Fees and Commission Income	147	29	728,508	674,762	8	-	-	-
Investment Income	148	30	11,689,422	9,486,278	23	1,116,663	1,093,984	2
Net Realised Gains	148	31	189,696	28,196	573	-	-	-
Net Fair Value Gains and Losses	148	32	215,095	229,950	(6)	-	-	-
Other Revenue			12,822,721	10,419,186		1,116,663	1,093,984	
Gross Benefits and Claims Paid	149	33(a)	(16,311,892)	(16,051,953)	2	-	-	-
Claims Ceded to Reinsurers	149	33(b)	2,797,553	1,852,037	51	-	-	-
Gross Change in Contract Liabilities	149	33(c)	(6,972,301)	(9,667,526)	(28)	-	-	-
Change in Contract Liabilities Ceded to Reinsurers	149	33(d)	(851,393)	2,129,524	(140)	-	-	-
Change in Contract Liabilities due to transfer of One off Surplus	149	33(e)	3,456,184	-	-	-	-	-
Net Benefits and Claims			(17,881,849)	(21,737,918)		-	-	
Cost of Sales - Non Insurance Subsidiaries	108	5	(846,993)	(765,204)	11	-	-	-
Acquisition Cost	150	34	(3,454,914)	(3,088,130)	12	-	-	-
Other Operating and Administrative Expenses	150	35	(9,793,836)	(8,577,777)	14	(36,079)	(44,701)	(19)
Finance Cost	151	36	(153,112)	(143,853)	6	(1,582)	(199)	695
Total Benefits, Claims and Other Expenses			(32,130,704)	(34,312,882)		(37,661)	(44,900)	
Profit Before Share of Associates			12,257,924	5,511,841	122	1,079,002	1,049,084	3
Share of Profit of Associates	124	11(b)	393,414	288,518	36	-	-	-
Profit Before Tax			12,651,338	5,800,359	118	1,079,002	1,049,084	3
Income Tax Expense	151	37	(868,751)	(953,741)	(9)	(6,468)	(6,782)	(5)
Profit for the Year			11,782,587	4,846,618	143	1,072,534	1,042,302	3
Profit Attributable to:								
Equity Holders of the Parent			11,544,553	4,648,741	248	1,072,534	1,042,302	3
Non-Controlling Interests	153	38(b)	238,034	197,877	20	-	-	3
			11,782,587	4,846,618		1,072,534	1,042,302	
Basic/Diluted Earnings Per Share								
- Excluding One off Surplus	153	39	306.21	176.00		40.60	39.46	
- Including One off Surplus	153	39	437.06	176.00		40.60	39.46	

The Notes on pages 91 through 166 form an integral part of the Financial Statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Profit for the Year		11,782,587	4,846,618	1,072,534	1,042,302
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Income Statement in subsequent period					
Net Gain/(Loss) on Available-for-Sale Assets	41	295,008	52,798	154	1,019
Exchange Differences on Translating Foreign Operations	41	8,562	(4,841)	-	-
Income Tax relating to Components of Other Comprehensive Income	41	(28,986)	55,233	-	-
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period		274,584	103,190	154	1,019
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period					
Revaluation Surplus/ (Deficit) During the Year	41	110,448	3,558,943	-	-
Actuarial Gain/(Loss) on Defined Benefit Plans	41	(410,472)	(613,601)	-	-
Transfer to Long Term Insurance Fund		-	(1,614,219)	-	-
Income Tax relating to Components of Other Comprehensive Income	41	(166,930)	(178,947)	-	-
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		(466,954)	1,152,176	-	-
Other Comprehensive Income for the Year, Net of Tax		(192,370)	1,255,366	154	1,019
Total Comprehensive Income for the Year, Net of Tax		11,590,217	6,101,984	1,072,688	1,043,321
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		11,396,691	5,336,745	1,072,688	1,043,321
Non-Controlling Interests		193,526	765,239	-	-
		11,590,217	6,101,984	1,072,688	1,043,321

The Notes on pages 91 through 166 form an integral part of the Financial Statements.

Statement of Changes in Equity

Group	Attributable to Equityholders of the Parent										Total Equity
	Stated Capital	Revaluation Reserves	Restricted Regulatory Reserve	Other Retained Reserves	Retained Earnings	Available-for-Sale Reserve	Foreign Currency Translation Reserve	Ordinary Share-Holders' Equity	Non-Controlling Interests	Total Equity	
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance As at 1st January 2016	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	-	-	-	-	(594,326)	-	-	(594,326)	-	(594,326)	
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	(70,950)	(70,950)	
Changes in Control in Subsidiaries	-	2,686	-	-	2,650	11,600	-	16,936	(3,199)	13,737	
Transfer to Long Term 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	
Profit for the Year	-	-	3,456,184	-	8,088,369	-	-	11,544,553	238,034	11,782,587	
Other Comprehensive Income for the Year	-	(45,803)	-	-	(369,130)	261,934	5,137	(147,862)	(44,508)	(192,370)	
Total Comprehensive Income for the Year	-	(45,803)	3,456,184	-	7,719,239	261,934	5,137	11,396,691	193,526	11,590,217	
Final Dividend of Parent Company	-	-	-	-	(726,398)	-	-	(726,398)	-	(726,398)	
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	(91,576)	(91,576)	
Changes in Control in Subsidiaries	-	-	-	-	-	-	-	-	5,000	5,000	
Transfer to Long Term Fund	-	-	-	-	-	3,674	-	3,674	-	3,674	
Balance As At 31st December 2017	1,324,822	3,365,706	3,456,184	2,057,437	26,623,524	916,947	(137)	37,744,483	1,658,418	39,402,900	

The Notes on pages 91 through 166 form an integral part of the Financial Statements.

Statement of Changes in Equity

Company	Note	Stated Capital Rs. '000	Other Retained Reserves Rs. '000	Retained Earnings Rs. '000	Available- for-Sale Reserve Rs. '000	Total Ordinary Share- Holders' Equity Rs. '000
Balance As At 1st January 2016		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		-	-	(594,326)	-	(594,326)
Balance As At 31st December 2016		1,324,822	2,057,437	13,538,912	(16,330)	16,904,841
Profit for the Year		-	-	1,072,534	-	1,072,534
Other Comprehensive Income for the Year		-	-	-	154	154
Total Comprehensive Income for the Year		-	-	1,072,534	154	1,072,688
Final Dividend Paid	40	-	-	(726,398)	-	(726,398)
Balance As At 31st December 2017		1,324,822	2,057,437	13,885,048	(16,176)	17,251,131

The Notes on pages 91 through 166 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cash Flows from Operating Activities					
Premiums/Revenue received from Customers		36,795,380	34,018,322	-	-
Reinsurance Premiums (Net of Commission) Paid		(3,751,774)	(4,169,472)	-	-
Commission Paid		(3,609,188)	(3,289,859)	-	-
Claims and Benefits Paid		(16,034,072)	(15,472,523)	-	-
Reinsurance Receipts in respect of Claims & Benefits		2,626,078	2,348,690	-	-
Interest and Dividends Received		11,894,469	8,260,461	1,116,663	1,090,743
Other Operating Cash Payments		(9,907,117)	(8,299,918)	(34,431)	(44,805)
Other Income		469,040	356,635	-	-
Contributions to Gratuity Fund/Gratuity payments		(303,346)	(241,632)	-	-
Income Taxes Paid		(181,348)	(205,068)	21,156	(38,919)
Interest Paid		(150,291)	(143,516)	-	(3)
Net Cash Flows from Operating Activities (Note A)		17,847,831	13,162,120	1,103,388	1,007,016
Cash Flows from Investing Activities					
Investments in/Proceeds from Subsidiaries/Associates		39,221	(72,441)	-	-
Acquisition of Financial Investments	12 (e)	(457,616,301)	(375,476,059)	(2,790,918)	(4,453,600)
Proceeds from Sale of Investment Property		29,425	231,130	-	-
Proceeds from Sale of Financial Investments	12 (e)	446,857,460	359,622,162	2,413,813	4,028,854
Acquisition of Property, Plant & Equipment		(2,408,527)	(1,236,885)	-	-
Acquisition of Intangible Assets	7	(105,872)	(87,911)	-	-
REREPO Borrowings (Net)		(2,980,014)	2,680,202	-	-
Proceeds from Disposal of Property, Plant & Equipment		220,039	245,522	-	-
Net Cash Flows from Investing Activities		(15,964,569)	(14,094,280)	(377,105)	(424,746)
Cash Flows from Financing Activities					
Short/Term Loan		(795,249)	1,632,073	-	-
Dividends Paid to Equity Holders		(817,974)	(658,123)	(726,398)	(587,173)
Net Cash Flows from Financing Activities		(1,613,223)	973,950	(726,398)	(587,173)
Increase / (Decrease) in Cash & Cash Equivalents (Note B)		270,039	41,790	(115)	(4,903)
Note A					
Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities					
Profit Before Tax		12,651,338	5,800,360	1,079,002	1,049,084
Adjustments for:					
Depreciation	9	774,455	719,369	58	58
Amortisation of Intangible Assets	7	77,112	40,055	-	-
Change in Trade and Other Receivables		(2,015,193)	(2,343,363)	(4,804)	3,208
Change in Reinsurance Receivable		724,168	(1,329,155)	-	-
Increase in Life Insurance Funds		7,258,502	8,397,889	-	-
Increase in Non - Life Insurance Provisions		147,997	1,992,341	-	-
Changes in Contract Liabilities due to transfer of One off Surplus		(3,456,184)	-	-	-
Change in Trade and Other Payables		2,629,704	689,715	7,976	(6,415)
Realised Gain		(144,907)	(73,070)	-	-
Fair value Gain recorded in Income Statement		(215,095)	(229,950)	-	-
Foreign Exchange Gain/Loss		(9,304)	(8,485)	-	-
Income Tax Paid		(181,348)	(205,068)	21,156	(38,919)
Share of Associate Profits		(393,414)	(288,518)	-	-
Net Cash Flows from Operating Activities		17,847,831	13,162,120	1,103,388	1,007,016
Note B					
Cash and Cash Equivalents at 1st January		558,467	516,677	(892)	4,011
Cash and Cash Equivalents at 31st December	Note C	828,506	558,467	(1,007)	(892)
Increase / (Decrease) in Cash and Cash Equivalents		270,039	41,790	(115)	(4,903)
Note C					
Cash in Hand & Cash at Bank	20	1,532,789	906,182	2,489	4,404
Bank Overdraft	24	(704,283)	(347,715)	(3,496)	(5,296)
		828,506	558,467	(1,007)	(892)

The Notes on pages 91 through 166 form an integral part of the Financial Statements.

Insurance Revenue Account

For the Year Ended 31 December	Glossary Item	2017 Rs. '000	2016 Rs. '000	Change %
Non - Life Insurance				
Gross Written Premium	20	17,976,991	16,116,889	11.54
Net Earned Premium	31	13,209,435	11,783,117	12.10
Net Claims Incurred	36	(7,371,429)	(6,699,268)	10.03
Underwriting and Net Acquisition Costs (Including Reinsurance)	2 & 43	(1,123,388)	(883,178)	27.20
Underwriting Result	54	4,714,618	4,200,671	12.23
Other Operating, Investments Related and Administrative Expenses		(4,474,776)	(3,856,112)	16.04
Investment and Other Income		1,509,953	1,099,638	37.31
Interest Expense		(47,144)	(63,072)	(25.25)
Profits From Operations After Interest Expense		1,702,651	1,381,125	23.28
Key Ratios Non - Life Insurance				
Net Loss Ratio	33	55.80	56.85	(1.85)
Net Expense Ratio	32	42.74	40.76	4.86
Net Combined Ratio	30	98.54	97.61	0.95
Life Insurance				
Gross Written Premium	19	15,765,484	15,027,600	4.91
Net Written Premium (Net of Reinsurance Premium and Commission)	35	15,343,267	14,653,771	4.71
Investment and Other Income Attributable to Policyholders		9,459,168	7,975,299	18.61
Net Benefits Payable		(6,686,980)	(6,651,682)	0.53
Increase in Long Term Insurance Fund		(7,258,502)	(8,397,889)	(13.57)
Commissions	13	(1,782,481)	(1,693,985)	5.22
Operating and Administrative Expenses Attributable to Policyholders		(4,194,810)	(2,969,190)	41.28
Interest Expense		(10,531)	(8,984)	17.22
Tax expenses		(369,131)	(607,340)	(39.22)
Surplus from Life Insurance Business	25	4,500,000	2,300,000	245.92
Changes in Contract Liabilities due to transfer of One off Surplus		3,456,184	-	-
Surplus From Life Insurance Business		4,500,000	2,300,000	245.92
Investment & Other Income not Attributable to Policyholders		821,379	805,389	1.99
Operating and Administrative Expenses not Attributable to Policyholders		662,315	31,929	1,974.34
Interest Expenses		(1,474)	(932)	(58.15)
Tax expenses		29,022	(57,346)	150.61
Profits From Operations After Interest Expense		9,467,426	3,079,040	207.48

The Notes on pages 91 through 166 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 and the main place of business of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. Additional corporate information is given on page 3.

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 for 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 the 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 non life 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 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 5th of April 2018.

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 financial assets at fair value through profit or loss are 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
- The ultimate cost of outstanding claims (IBNR) of General Insurance business is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-ferguson methods.

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 Materiality & aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.4 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.

Notes to the Consolidated Financial Statements

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 the Maldivian rufiyaa and the Nepalese rupee respectively.

2.5 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.

2.6 Comparative information

The accounting policies have been consistently applied by the Group and, are consistent with those used in previous year. Previous year's figures and phrases have been rearranged whenever necessary to confirm to the current presentation.

The details given in note no 48 of financial statements.

2.7 Basis of Consolidation

2.7.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Consolidated Financial Statements comprise the financial statement of the company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed or has the 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, non-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.

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 profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS. Contingent consideration that is classified as equity is not re-measured 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.

2.7.2 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 of the associate 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.

Notes to the Consolidated Financial Statements

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 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

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 Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 that are attributable to the acquisition of the financial asset.

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

Notes to the Consolidated Financial Statements

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 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

Notes to the Consolidated Financial Statements

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.

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 exempted 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.

Notes to the Consolidated Financial Statements

(l) 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.

(m) Investment in Subsidiaries

Investments in Subsidiaries are treated as long - term investments and carried 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. Fair values are reviewed at each reporting date to ensure that carrying amount does not differ materially from fair value.

The revaluation surplus is recognized on the net carrying value of the asset and is transferred to the 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
Course Materials
Books

} - First in First out Basis

(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.

Notes to the Consolidated Financial Statements

(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.

(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

Notes to the Consolidated Financial Statements

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 1983, 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 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

Gross reinsurance premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

(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 except for the marine and title policies are calculated on the 1/24th basis until 30 June 2017 and there after calculated on 1/365 basis for better presentation.

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

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses. Death claims and surrenders are recorded on the basis of notifications 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.

(II) 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.

Notes to the Consolidated Financial Statements

(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.

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
Deferred acquisition cost and Unearned premium	8 & 22 (b)(ii)	113 & 143
Insurance provision - Life	22 (a)	142
Reserve for gross outstanding claims	22 (b) (i)	143
Valuation of investment property	10	121
losses Measurement of defined benefit obligation	13	132

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of financial statements of the Group are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Either a full retrospective application or a modified retrospective application is required for 1 January 2018. Contracts within the scope of SLFRS 4 Insurance Contracts are scope out according to scope (paragraph 5 (b)) of SLFRS 15. The Group has evaluated the impact of other revenue contracts and considered it as not significant.

SLFRS 16 – Leases

SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 – ‘Leases’, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under SLFRS 16 is substantially unchanged from today’s accounting under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, Lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The impact on the implementation of the above Standard has not been quantified yet.

SLFRS 9 Financial Instruments

SLFRS 9 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 derecognition 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.

The Group meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2021.

5. SEGMENT INFORMATION

The Group’s internal organization and management are 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 organized 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 products, endowment products, term products, universal life products and mortgage protection 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, second- ary, 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 2017	Life Insurance Rs. '000	Non-life Insurance		Healthcare Rs. '000	Education Rs. '000	Power Generation Rs. '000	Other Operations Rs. '000	Adjustments and Eliminations Rs. '000	Total Rs. '000
		Domestic Rs. '000	Foreign Rs. '000						
Gross Premium	15,765,484	17,976,991	919,956	-	-	-	-	-	34,662,431
Premium Ceded to Reinsurers	(422,217)	(4,266,264)	(800,696)	-	-	-	-	-	(5,489,177)
Change in Reserve for Unearned Premium	-	(501,292)	(20,922)	-	-	-	-	-	(522,214)
Net Premium	15,343,267	13,209,435	98,338	-	-	-	-	-	28,651,040
Revenue from Non Insurance Subsidiaries	-	-	-	341,195	2,234,085	206,068	149,250	(15,731)	2,914,867
Fees and Commission Income	127,129	519,556	90,229	-	-	-	1,887	(10,293)	728,508
Investment Income	9,898,902	1,377,818	40,091	57,703	218,667	10,822	1,148,316	(1,062,897)	11,689,422
Realised Gains	39,421	132,135	-	-	4,253	12,197	1,690	-	189,696
Fair Value Gains and Losses	215,095	-	-	-	-	-	-	-	215,095
Other Revenue & Revenue from Non Insurance Subsidiaries	10,280,547	2,029,509	130,320	398,898	2,457,005	229,087	1,301,143	(1,088,921)	15,737,588
Segment Revenue	25,623,814	15,238,944	228,658	398,898	2,457,005	229,087	1,301,143	(1,088,921)	44,388,628
Gross Benefits and Claims Paid	(6,884,013)	(9,237,721)	(190,158)	-	-	-	-	-	(16,311,892)
Claims Ceded to Reinsurers	197,033	2,420,445	180,075	-	-	-	-	-	2,797,553
Gross Change in Contract Liabilities	(7,258,502)	281,483	4,718	-	-	-	-	-	(6,972,301)
Change in Contract Liabilities Ceded to Reinsurers	-	(835,636)	(15,757)	-	-	-	-	-	(851,393)
Changes in Contract Liabilities due to transfer of One off Surplus	3,456,184	-	-	-	-	-	-	-	3,456,184
Cost of Sales - Non Insurance Subsidiaries	-	-	-	(115,733)	(579,588)	(49,330)	(102,342)	-	(846,993)
Net Benefits and Claims & Cost of Sales - Non Insurance Subsidiaries	(10,489,298)	(7,371,429)	(21,122)	(115,733)	(579,588)	(49,330)	(102,342)	-	(18,728,842)
Acquisition Cost	(1,782,479)	(1,642,944)	(29,491)	-	-	-	-	-	(3,454,914)
Other Operating and Administrative Expenses	(3,532,496)	(4,474,776)	(133,093)	(200,672)	(1,289,946)	(110,087)	(73,420)	20,654	(9,793,836)
Finance Costs	(12,005)	(47,144)	-	-	(74,432)	(16,710)	(2,821)	-	(153,112)
Other Expenses	(5,326,980)	(6,164,864)	(162,584)	(200,672)	(1,364,378)	(126,797)	(76,241)	20,654	(13,401,862)
Segment Benefits, Claims and Other Expenses	(15,816,278)	(13,536,293)	(183,706)	(316,405)	(1,943,966)	(176,127)	(178,583)	20,654	(32,130,704)
Share of Profit of Associates	-	-	-	-	-	-	393,414	-	393,414
Profit Before Taxation	9,807,536	1,702,651	44,952	82,493	513,039	52,960	1,515,974	(1,068,267)	12,651,338
Taxation	(340,109)	(295,900)	(8,859)	(11,113)	(55,638)	(27,854)	(24,012)	(105,266)	(868,751)
Profit After Taxation	9,467,427	1,406,751	36,093	71,380	457,401	25,106	1,491,962	(1,173,533)	11,782,587

5. SEGMENT INFORMATION (Contd.)

Segment Income Statement For The Year Ended 31 December 2016	Life Insurance Rs. '000		Non-life Insurance		Healthcare Rs. '000	Education Rs. '000	Power Generation Rs. '000	Other Operations Rs. '000	Adjustments and Eliminations Rs. '000	Total Rs. '000
	Rs. '000	Rs. '000	Domestic Rs. '000	Foreign 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)	(1,384,995)	2,853,557
Fees and Commission Income	120,399	473,797	97,857	-	-	-	8,828	(26,119)	(1,098,479)	674,762
Investment Income	8,195,549	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)	229,950
Other Revenue & Revenue from Non Insurance Subsidiaries	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	23,434,459	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 & Cost of Sales - Non Insurance Subsidiaries	(15,049,571)	(6,699,268)	(18,689)	(77,768)	(546,705)	(59,315)	(81,416)	29,610	(22,503,122)	(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	(8,577,777)	(8,577,777)
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	(11,809,760)	(11,809,760)
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	(34,312,882)	(34,312,882)
Share of Profit of Associates	-	-	-	-	-	-	288,518	-	-	288,518
Profit Before Taxation	3,743,726	1,381,125	61,117	83,759	421,001	28,420	1,362,657	(1,281,444)	5,800,359	5,800,359
Taxation	(664,686)	(72,105)	(10,926)	(14,488)	(60,263)	(22,063)	(13,074)	(96,136)	(953,741)	(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)	4,846,618	4,846,618

Segments of Life Insurance and Non-Life reflects Financial information in a consistent manner in 2016 & 2017.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Contd.)

Segment Statement of Financial Position at 31 December 2017	Life Insurance Rs. '000		Non-life Insurance Rs. '000		Healthcare Rs. '000	Education Rs. '000	Power Generation Rs. '000	Other Operations Rs. '000	Adjustments and Eliminations Rs. '000	Total Rs. '000
	Domestic Rs. '000	Foreign Rs. '000	Domestic Rs. '000	Foreign Rs. '000						
Intangible Assets (Incl. Goodwill)	56,950	-	86,913	-	387	201,697	-	-	-	345,947
Property, Plant & Equipment	7,371,482	2,008	3,400,637	2,008	414,419	3,457,892	1,558,419	31,418	1,310,252	17,546,527
Investment Property	2,160,906	-	133,000	-	-	-	-	153,332	(1,323,177)	1,124,061
Investment in Associates	437,994	-	-	-	-	-	-	2,276,450	73,306	2,787,750
Investments in Subsidiaries	1,036,000	-	-	-	-	-	-	16,011,202	(17,047,202)	-
Financial Instruments	88,629,156	-	11,218,686	386,367	542,567	298,195	30,086	2,999,494	(288,814)	103,815,737
Reinsurance Assets	115,010	-	3,176,207	166,902	-	-	-	-	-	3,458,119
Insurance/Trade Receivables	1,877,739	-	4,371,770	369,020	3,975	220,975	74,438	-	-	6,917,917
Other Assets	4,409,258	-	3,164,432	285,902	21,364	478,960	107,003	92,751	(11,401)	8,548,269
Total Assets	106,094,495	2,008	25,551,645	1,210,199	982,712	4,657,719	1,769,946	21,564,647	(17,287,036)	144,544,327
Insurance Contract Liabilities	82,150,905	-	11,646,247	293,440	-	-	-	-	(906,889)	93,183,703
Other Liabilities	3,296,692	-	4,130,943	561,484	79,705	1,715,536	500,960	1,747,297	(74,893)	11,957,724
Total Liabilities	85,447,597	-	15,777,190	854,924	79,705	1,715,536	500,960	1,747,297	(981,782)	105,141,427
Segment Statement of Financial Position at 31 December 2016	Life Insurance Rs. '000	Non-life Insurance Rs. '000		Healthcare Rs. '000	Education Rs. '000	Power Generation Rs. '000	Other Operations Rs. '000	Adjustments and Eliminations Rs. '000	Total 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	478,272	3,358,965	1,281,818	10,442	952,262	15,996,496	
Investment Property	1,796,000	155,000	-	-	-	-	153,332	(952,262)	1,152,061	
Investment in an Associate	437,994	-	-	-	-	26,147	1,756,861	73,306	2,294,307	
Investments in Subsidiaries	1,021,000	-	-	-	-	-	15,966,553	(16,987,553)	-	
Financial Instruments	80,965,636	9,852,650	374,720	414,968	337,956	30,814	2,221,264	(256,406)	93,941,602	
Reinsurance Assets	41,298	3,831,541	182,659	-	-	-	-	-	4,055,498	
Insurance/Trade Receivables	1,593,558	3,598,682	177,125	5,612	249,434	16,942	-	-	5,641,353	
Other Assets	3,531,210	3,036,663	181,357	22,315	318,669	179,645	106,582	(11,401)	7,365,042	
Total Assets	96,458,089	23,443,363	919,050	921,658	4,452,414	1,536,970	20,215,034	(17,182,054)	130,764,524	
Insurance Contract Liabilities	78,258,243	11,435,157	277,409	-	-	-	-	(906,889)	89,063,920	
Other Liabilities	6,288,017	3,207,070	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	82,277	1,704,312	212,259	1,342,899	(964,764)	102,142,541	

Segments of Life Insurance and Non-Life Insurance reflect financial information in a consistent manner in 2016 & 2017.

5 (a) 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 2017		
Revenue	206,068	2,234,085
Cost of Sale	(49,330)	(579,588)
Administrative Expenses	(110,087)	(1,289,946)
Finance Cost	(16,710)	(74,432)
Profit Before Tax	52,960	513,039
Profit for the year from Continuing Operation		
Total Comprehensive Income	20,940	361,293
Attributable to Non-Controlling Interests	770	163,501
Dividends paid to Non-Controlling Interests	(2,356)	(79,624)
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 Interests	(4,771)	(48,821)
Summarized Statement of Financial Position as at 31 December 2017		
Current Assets	210,549	998,130
Non-Current Assets	1,559,397	3,659,589
Current Liabilities	201,072	1,102,089
Non-Current Liabilities	299,888	613,447
Total Equity	1,246,314	2,381,374
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
Please refer Note 38 for details of Non-Controlling Interest		
Summarized Statement of Cash Flows information for the year ended 31 December 2017		
Operating Cash Flow	165,409	620,471
Investing Cash Flow	(286,199)	(245,364)
Financing Cash Flow	97,673	(264,770)
Net Increase / (Decrease) In Cash and Cash Equivalents	(23,117)	110,337
Summarized Statement of Cash Flows information for the year ended 31 December 2016		
Operating Cash Flow	141,786	510,131
Investing Cash Flow	(26,498)	(770,018)
Financing Cash Flow	(121,394)	213,467
Net Increase / (Decrease) In Cash and Cash Equivalents	(6,106)	(46,420)

Segments of Life Insurance and Non-Life reflects Financial information in a consistent manner in 2016 & 2017.

Notes to the Consolidated Financial Statements

6. GOODWILL

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Cost		
At 1 January	188,057	188,057
At 31 December	188,057	188,057
Accumulated Impairment		
At 1 January	6,753	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 31 December of each financial year. The Group considers the net assets position and future cashflows of each operating segment when assessing the recoverable amount. As at 31 December 2017, there were no potential impairment of goodwill except Net Assist International (Pvt) Ltd for which provision has been made in 2015.

Accounting Judgements, 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/LEASEHOLD RIGHT

	Note	Group		
		Lease Hold Right Rs. '000	Computer Software & License Rs. '000	Total Rs. '000
Cost				
At 1 January 2017		9,250	515,986	525,236
Cost Capitalised		-	105,872	105,872
At 31 December 2017		9,250	621,858	631,108
Accumulated Amortisation and Impairment				
At 1 January 2017		7,646	380,729	388,375
Amortisation During the Period	35	626	76,486	77,112
At 31 December 2017		8,272	457,215	465,487
Carrying Amount				
At 1 January 2017		1,604	135,257	136,861
At 31 December 2017		978	164,643	165,621

7 (a) 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. 105,872,000 (2016 - 87,911,000). Cash payments amounting to Rs. 105,872,000 (2016 - 87,911,000) were made during the year for purchase of Intangible assets (Computer Software & License).

7 (b) 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 (c) Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at 31st December 2017. Based on the assessment, no impairment indicators were identified.

7 (d) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2016 - Nil)

8. DEFERRED EXPENSES

	Group	
	Deferred Acquisition Costs on Insurance Contracts	
	2017 Rs. '000	2016 Rs. '000
At 1 January 2017	880,521	778,442
Expenses Deferred	1,720,307	1,632,332
Amortisation	(1,642,944)	(1,530,253)
At 31 December 2017	957,884	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

Property, Plant and Equipment

9. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold Land Rs. '000	Building Rs. '000	Plant & Machinery Rs. '000	Motor Vehicles Rs. '000	Office Equipment Rs. '000	Computer Equipment Rs. '000	Furniture & Fittings Rs. '000	Capital WIP Rs. '000	Total Rs. '000
At Cost/Valuation										
At 1 January 2017		7,053,883	5,578,562	1,759,470	1,874,475	1,123,529	907,993	796,233	171,272	19,265,417
Additions/Transfers		627,977	552,732	155,337	911,903	238,654	104,157	82,909	250,778	2,924,447
Disposals		(144,000)	(167,916)	(616)	(169,839)	(164,835)	(5,404)	(30,718)	-	(683,328)
At 31 December 2017		7,537,860	5,963,378	1,914,191	2,616,539	1,197,348	1,006,746	848,424	422,050	21,506,536
Group	Note	Freehold Land Rs. '000	Building Rs. '000	Plant & Machinery Rs. '000	Motor Vehicles Rs. '000	Office Equipment Rs. '000	Computer Equipment Rs. '000	Furniture & Fittings Rs. '000	Capital WIP Rs. '000	Total Rs. '000
Accumulated Depreciation										
At 1 January 2017		-	142,654	646,239	610,532	714,936	650,283	504,277	-	3,268,921
Depreciation	35	-	141,394	70,182	281,294	131,009	85,954	64,622	-	774,455
Disposals		-	(2,190)	(621)	(64,622)	(6,950)	(5,068)	(3,916)	-	(83,367)
At 31 December 2017		-	281,858	715,800	827,204	838,995	731,169	564,983	-	3,960,009
Group	Note	Freehold Land Rs. '000	Building Rs. '000	Plant & Machinery Rs. '000	Motor Vehicles Rs. '000	Office Equipment Rs. '000	Computer Equipment Rs. '000	Furniture & Fittings Rs. '000	Capital WIP Rs. '000	Total Rs. '000
Carrying Amount at Cost/valuation										
At 1 January 2017		7,053,883	5,435,908	1,113,231	1,263,943	408,593	257,710	291,956	171,272	15,996,496
At 31 December 2017		7,537,860	5,681,520	1,198,391	1,789,335	358,353	275,577	283,441	422,050	17,546,527

Movement of Revalued Free Hold Land and Building if accounted on Cost basis

Group	Freehold Land Rs. '000	Building Rs. '000
At Cost		
At 1 January 2017	4,479,762	4,053,821
Additions/Transfers	497,663	331,433
Disposals	(3,000)	-
At 31 December 2017	4,974,425	4,385,254

Group	Note	Freehold Land Rs. '000	Building Rs. '000
Accumulated Depreciation			
At 1 January 2017		-	219,677
Depreciation	35	-	125,402
At 31 December 2017		-	345,079

Group	Freehold Land Rs. '000	Building Rs. '000
Carrying Amount at cost		
At 1 January 2017	4,479,762	3,834,144
At 31 December 2017	4,974,425	4,040,175

Property, Plant and Equipment - Company

Company	Freehold Land Rs. '000	Building Rs. '000	Total Rs. '000
At Cost			
At 1 January 2017	500	2,900	3,400
Additions/Transfers	-	-	-
At 31 December 2017	500	2,900	3,400

Company	Note	Freehold Land Rs. '000	Building Rs. '000	Total Rs. '000
Accumulated Depreciation				
At 1 January 2017		-	116	116
Depreciation	35	-	58	58
At 31 December 2017		-	174	174

Company	Freehold Land Rs. '000	Building Rs. '000	Total Rs. '000
Carrying Amount at Cost			
At 1 January 2017	500	2,784	3,284
At 31 December 2017	500	2,726	3,226

Notes to the Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT (Contd.) 9 (a) Details of Freehold Land & Building Group Non Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Total Rs.'000	Date of the Valuation
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, Baudhaloka Mawatha, Gampaha	8360	A-0-R-0-P 16.50	Market Comparable Method	Price per perch Price per Sq ft	Rs. 2,750,000 Rs. 6500	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 perch Price per Sq ft	Rs. 5,000,000 Rs. 8000	41,000	55,000	96,000	31/12/2016
583/63 Lijanagemulla, Seeduwa	43080	A-3-R-1-P .3.6	Market Comparable Method	Price per perch Price per Sq ft	Rs. 250,000 Rs 660 - 4000	131,000	39,000	170,000	31/12/2016
60, Yovumpitiya Watte, Gnanawimala Mawatha, Kosgoda, Balapitiya	11282	A-0-R-1-P 29	Market Comparable Method	Price per perch Price per Sq ft	Rs. 300,000 Rs. 5500	20,700	50,300	71,000	31/12/2016
63, Janadhipathi Mawatha, Colombo 1.	-	A-0-R-0-P 13.84	Market Comparable Method	Price per perch	Rs. 10,000,000	138,500	-	138,500	31/12/2016
3rd, 4 th, 7 th & 11 th Floors of Ceylinco House Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.	31332	-	Investment basis	Rent per Sq.ft per month	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 Price per Sq ft	Rs. 10,000,000 Rs. 7500	190,000	174,000	364,000	31/12/2016
Madabawita, Warakapola	608	A-0-R-0-P 16.25	Market Comparable Method	Price per perch Price per Sq ft	Rs. 460,000 Rs. 4000	6,900	2,100	9,000	31/12/2016
Malangama, Kuruwita	650	A-0-R-0-P 15.00	Market Comparable Method	Price per perch Price per Sq ft	Rs. 450,000 Rs. 4000	6,750	2,250	9,000	31/12/2016
Induruwa, Kosgoda	856	A-0-R-0-P 24.30	Market Comparable Method	Price per perch Price per Sq ft	Rs. 400,000 Rs. 4500	9,720	3,080	12,800	31/12/2016
Ibbagamuwa, Meisiripura	620	A-0-R-1-P 00.00	Market Comparable Method	Price per perch Price per Sq ft	Rs. 200,000 Rs. 4000	8,000	2,000	10,000	31/12/2016
Unakuruwa, Tangalle	798	A-0-R-1-P 20.00	Market Comparable Method	Price per perch Price per Sq ft	Rs. 250,000 Rs. 4000	5,000	2,800	7,800	31/12/2016
Bibilioya, Kithulgala	5326	A-0-R-2-P 00.07	Market Comparable Method	Price per perch Price per Sq ft	Rs. 200,000 Rs. 4000 - 4500	17,400	19,600	37,000	31/12/2016
Puttalam -South, Mundel	705	A-0-R-0-P-20.0	Market Comparable Method	Price per perch Price per Sq ft	Rs. 100,000 Rs. 4000	2,000	2,840	4,840	31/12/2016
Total						626,045	1,070,895	1,696,940	

9 (a) Details of Freehold Land & Building (Contd.)
Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000	Date of the Valuation
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 5,000	30,000	46,000	76,000	31/12/2016
No.63, Janadhipathi Mawatha, Colombo 1	-	A-0-R-0-P-13.84	Residual Method	Price per perch	Rs. 10,000,000	138,500	-	138,500	31/12/2016
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,500,000 Rs. 6,500	37,000	59,000	96,000	31/12/2016
No.54, Dharmapala Mawatha, Anuradhapura	23,100	A-0-R-1-P-10.68	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,200,000 Rs. 6,500	61,000	114,000	175,000	31/12/2016
No.144, Hambanthota Road, Kacheriyagama, Tissamaharama	8,130	A-0-R-1-P-01.00	Replacement Cost Method	Price per perch Price per Sq ft	Rs. 738,000 Rs. 6,000	30,000	41,000	71,000	31/12/2016
No.45, Dharmapala Mawatha, Rathnapura	2,560	A-0-R-0-P-35.50	Investment Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 4,5000	71,000	9,200	80,200	31/12/2016
No.45, Dharmapala Mawatha, Rathnapura (New Building)	8,102	-	Investment Method	Price per Sq ft	Rs. 8,5000	-	72,420	72,420	31/12/2016
No.401, Main street, Panadura	7,116	A-0-R-1-P-4.12	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 3,500,000 Rs. 7,200	154,000	60,689	214,689	31/12/2016
No.423, Main Street, Kalutara	12,000	A-0-R-0-P-32.75	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,500,000 Rs. 8,000	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 Price per Sq ft	Rs. 900,000 Rs. 9,800	15,000	88,000	103,000	31/12/2016
No.106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 10,000,000 Rs. 11,500	353,000	673,000	1,026,000	31/12/2016
No.32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch Price per Sq ft	Rs. 450,000 Rs. 2,000 - 5,000	12,000	22,000	34,000	31/12/2016
No.15, Rexdias Mawatha, Wennappuwa	9,114	A-0-R-0-P-37.40	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 750,000 Rs. 6,500	28,000	60,797	88,797	31/12/2016
No.91, Bauddhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,750,000 Rs. 8,000	89,000	68,000	157,000	31/12/2016
No.40, Rajapiphila Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 9,000	31,000	89,000	120,000	31/12/2016
No.90/4, Kurunegala Road, Chilaw	6,150	A-0-R-0-P-30.0	Direct Comparison Method	Price per perch	Rs. 600,000	18,000	23,764	41,764	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	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,500,000 Rs. 4,000 - 4,500	99,000	16,000	115,000	31/12/2016

Notes to the Consolidated Financial Statements

9 (a) Details of Freehold Land & Building (Contd.) Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000	Date of the Valuation
No. 37,39 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-7.9	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,800,000 Rs. 4,500	86,000	12,000	98,000	31/12/2016
No.22 (New 32), Lloyd's Avenue, Batticaloa	11,690	A-0-R-0-P-23.83	Market Comparable Method	Price per perch Price per Sq ft	Rs. 1,500,000 Rs. 7,000	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 Price per Sq ft	Rs. 10,000,000 Rs. 5,000	672,500	14,500	687,000	31/12/2016
No. 20 & 22/3 Kandy Road, Trincomalee	11,340	A-0-R-1-P-20	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 750,000 Rs. 8,000	40,000	90,000	130,000	31/12/2016
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 Jampettah Street, Colombo - 13	19,470	A-0-R-1-P-11.22	Market Comparable Method	Price per perch Price per Sq ft	Rs. 3,000,000 Rs. 5,000 - Rs. 6,000	146,000	71,000	217,000	31/12/2016
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch Price per Sq ft	Rs.10,000,000 Rs. 27,000	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 Price per Sq ft	Rs. 3,000,000 Rs. 5,000	157,500	19,500	177,000	31/12/2016
No.274, Panadura Road, Horana	5,670	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,800,000 Rs. 7,000	46,000	41,802	87,802	31/12/2016
No.65, King Street, Kandy	14,650	A-0-R-1-P-1.25	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 5,000,000 Rs. 5,000	227,000	49,000	276,000	31/12/2016
No.45, Anagarika Dharmapala Mawatha, Matara	7,232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch Price per Sq ft	Rs. 4,250,000 Rs. 4,500	112,500	19,500	132,000	31/12/2016
No.213, Highlevel Road, Nuwegoda	-	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
No.26 Gammedda Road, Jaala	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,500,000	50,000	-	50,000	
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs. 2,500,000	66,517	-	66,517	
No 43 & 45, Galle Road, Wellawatta, Colombo 6	12,676	A-0-R-0-P-25.31	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 15,000,000 Rs. 6,500	370,460	30,831	401,292	
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	Rent per Sq.ft per month	Rs. 125 - Rs. 160	-	62,722	62,722	31/12/2016
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs. 300,000	141,000	229,914	370,914	31/12/2016

9 (a) Details of Freehold Land & Building (Contd.)
Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000	Date of the Valuation
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
Total						5,107,977	2,828,179	7,936,157	
Sub Total						5,734,022	3,899,074	9,633,097	
Land & Buildings - Ceylinco Insurance PLC and Other Subsidiaries						1,803,838	2,064,304	3,868,141	
Group -Total						7,537,860	5,963,378	13,501,238	

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	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000
Panagoda	2,500	A-0-R-0-P 203	Market Comparable Method	Rent per Sq. ft Per Month or Price per perch Price per sq ft	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 (b) Acquisition of Property, Plant and Equipment during the year

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 2,924,447,000, (2016 - 1,137,039,000). Cash payments amounting to Rs. 2,408,527,000, (2016 - 1,137,039,000) were made during the year to purchase of PPE.

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 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

9 (c) 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	
	2017 Rs. '000	2016 Rs. '000
Plant and Machinery	352,414	22,030
Computer Equipment	269,099	275,571
Office Equipments	418,986	292,378
Furniture and Fittings	232,751	128,740
Motor Vehicles	258,790	130,090
	1,532,040	848,809

9 (d) Capital Commitments

There were capital commitments relating to the acquisition of Property, Plant and Equipment during the year. Refer Note 44 (b).

9 (e) Property, Plant and Equipment 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.

9 (f) Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

9 (g) Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of Property, Plant and Equipment as at 31st December 2017. Based on the assessment, no impairment indicators were identified.

9 (h) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2016 - Nil)

9 (i) Temporarily idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the year ended 31st December 2017. (2016 - Nil)

10. INVESTMENT PROPERTIES

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
At 1 January	1,152,061	1,205,105	153,332	153,332
Disposal/Transfers	(28,000)	(209,800)	-	-
Fair Value Gains	-	156,756	-	-
At 31 December	1,124,061	1,152,061	153,332	153,332

As at 31st December 2016, investment properties were valued by qualified valuer Mr. W.M. Chandrasena.

Notes to the Consolidated Financial Statements

10 (a) Details of Investment Property Group

Non Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000	Date of the Valuation Rs. '000
No.34, Muhandiram ED Dabare Mawatha, Colombo-05 (1 Apartment)	2663	-	Investment Method	Rent per Sq.ft per month	Rs.85/-	-	42,000	42,000	31/12/2016
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	31/12/2016
Total						91,000	42,000	133,000	

Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000	Date of the Valuation Rs. '000
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	31/12/2016
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	31/12/2016
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	31/12/2016
No.428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.120 - Rs. 160	-	125,000	125,000	31/12/2016
No. 70, Park Street, Colombo 02	4,510	-	Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	63,278	63,278	31/12/2016
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	31/12/2016
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	10,023	-	Investment Method	Rent per Sq.ft per month	Rs. 165	-	207,451	207,451	31/12/2016
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	31/12/2016
Total						291,000	546,729	837,729	
Investment Property - Ceylinco Insurance PLC						104,288	49,044	153,332	
Group Total						486,288	637,773	1,124,061	

The fair value of Investment Property reflects the actual market value as at reporting date.

10 (b)**Company****Non Life Insurance Business**

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs. '000	Value of Buildings Rs. '000	Total Rs. '000
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

10.(c)

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.

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 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

Notes to the Consolidated Financial Statements

11 (a) Investment in Subsidiaries

As at 31 December	% of Direct/Indirect Holding		Company Number of Shares		Cost	
	2017	2016	2017	2016	2017 Rs. '000	2016 Rs. '000
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 material Partly-Owned Subsidiaries are set out in note 5(a)

11 (b) Investment in Associates

Company / Group Investments in Associates

As at 31 December	% of Direct/Indirect Holding		Company Number of Shares		Value	
	2017	2016	2017	2016	2017 Rs. '000	2016 Rs. '000
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	1,076,388	18,557	18,557
Energy Generators (Pvt)Ltd.	23	23	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	39			470,954	470,954
Negative Goodwill on Acquisition Over Consideration						
Ceylinco Homes International Ltd.					13,218	13,218
Citizens Development Business Finance PLC					14,485	14,485
Group's Share of Associates Companies Retained Assets						
Ceylinco Homes International Ltd.					20,531	20,749
Sagaramatha Insurance Ltd					210,224	147,327
Citizens Development Business Finance PLC					1,826,596	1,354,392
Energy Generators (Pvt)Ltd.					139,228	154,521
Investment in Energy Generators (Pvt) Ltd by Subsidiary					-	26,147
					2,695,236	2,201,793
Group Investments in Associates (Equity Basis)					2,787,750	2,294,307

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Share of Associates' Statement of Financial Position		
Total Assets	24,016,554	18,519,957
Total Liabilities	(21,228,804)	(16,225,650)
Net Assets	2,787,750	2,294,307
Share of Associates' Revenue and Profit		
Revenue	3,825,509	3,029,902
Profit	413,557	288,518
Effect of % change in Associate Ownership	(20,143)	-
Profit attributable to Ordinary Shareholders	393,414	288,518
Share of Associate ownership in Other Comprehensive income	126,174	30,755

Principal place of business of 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. 1,159,104,350 as at 31st December 2017 (2016 - Rs. 1,279,768,210)

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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Held to Maturity Financial Assets	65,556,414	66,860,452	-	-
Loans and Receivables	22,709,265	16,468,327	1,066,605	642,500
Available-for-Sale Financial Assets	13,200,451	10,447,261	51,928	98,774
Financial Assets at Fair Value Through Profit or Loss	2,349,607	165,562	-	-
Total Financial Instruments	103,815,737	93,941,602	1,118,533	741,274

Held to Maturity Financial Assets measured at amortized cost

Loans and Receivables (L&R) are valued at amortized cost

Available-for-Sale Financial Assets (AFS) have been valued at fair value

Financial Assets at Fair Value Through Profit or Loss have been measured at Fair Value

The following table compares the fair values of the Financial Instruments to their carrying values:

	Group				Company			
	2017		2016		2017		2016	
	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	65,556,414	66,069,651	66,860,452	63,304,735	-	-	-	-
Loans and Receivables	22,709,265	22,709,265	16,468,327	16,468,327	1,066,605	1,066,605	642,500	642,500
Available-for-Sale Financial Assets	13,200,451	13,200,451	10,447,261	10,447,261	51,928	51,928	98,774	98,774
Financial Assets at Fair Value Through Profit or Loss	2,349,607	2,349,607	165,562	165,562	-	-	-	-
Total Financial Instruments	103,815,737	104,328,974	93,941,602	90,385,885	1,118,533	1,118,533	741,274	741,274

Notes to the Consolidated Financial Statements

12 (a) Held to Maturity Financial Assets

As at 31 December	Note	Group	
		2017 Rs. '000	2016 Rs. '000
Amortised Cost			
Treasury Bills		283,686	278,523
Treasury Bonds		41,750,734	43,473,354
Debentures - Quoted	12(a).i	23,521,994	23,108,575
Total Held to Maturity Financial Assets at Amortised Cost		65,556,414	66,860,452

As at 31 December	Note	Group	
		2017 Rs. '000	2016 Rs. '000
Fair value			
Treasury Bills		283,686	278,523
Treasury Bonds		42,577,694	39,627,302
Debentures - Quoted		23,208,271	23,398,910
Total Held to Maturity Financial Assets at Fair Value		66,069,651	63,304,735

12 (b) Loans and Receivables

As at 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Receivables from Related Parties		35,918	39,780	-	-
Staff Vehicle Loans		399,284	369,157	-	-
Staff Loans other than Vehicle Loans		521,177	407,843	-	-
Repo Investment		276,200	3,107,788	35,000	32,500
Debentures - Unquoted	12(b).i	1,301,203	1,231,072	-	-
Term Deposits		20,175,483	11,312,687	1,031,605	610,000
Total Loans and Receivables at Amortised Cost		22,709,265	16,468,327	1,066,605	642,500

12 (c) Available-For-Sale Financial Assets

As at 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Treasury Bonds & Bills		9,532,725	7,031,033	-	47,000
Unquoted Share Investment	12(c).i.	872,934	699,638	18,328	18,174
Unquoted Preference Share Investment	12(c).ii.	161,886	161,886	30,000	30,000
Quoted Debentures	12(c).iii.	1,811,655	1,761,934	-	-
Quoted Share Investment		383,640	417,915	3,600	3,600
Unit Trust Investments	12(c).iv.	437,611	374,855	-	-
Total Available-for-Sale Financial Assets at Fair Value		13,200,451	10,447,261	51,928	98,774

12 (d) Financial Assets at Fair Value Through Profit or Loss

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Fair value		
Treasury Bonds	2,336,205	148,331
Short Term Investment - Quoted	13,402	17,231
Total Financial Assets at Fair Value Through Profit or Loss	2,349,607	165,562

Held to Maturity Financial Assets

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000

12 (a) i Debentures Quoted

Hatton National Bank PLC	4,612,188	5,143,461
Bank of Ceylon	2,829,938	2,830,793
National Development Bank PLC	1,829,636	1,771,516
Sampath Bank PLC	5,161,228	4,185,578
Seylan Bank PLC	1,562,040	1,562,995
Commercial Bank of Ceylon PLC	1,371,753	1,201,698
Peoples' Leasing & Finance PLC	749,363	990,033
DFCC Bank PLC	4,474,600	4,501,564
Commercial Credit & Finance PLC	14,226	14,226
Central Finance PLC	320,739	320,480
Nations Trust Bank PLC	496,437	485,890
Citizens Development Business Finance PLC	99,846	100,341
	23,521,994	23,108,575

Loans and Receivables

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000

12 (b) i Debentures - Unquoted

LB Finance PLC	-	230,000
National Savings Bank	1,001,072	1,001,072
Regional Development Bank	300,131	-
	1,301,203	1,231,072

Notes to the Consolidated Financial Statements

Available for Sales Financial Assets

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
12 (c) i Unquoted Share Investment				
Ultratech Cement Lanka (Pvt) Ltd.	732,820	638,853	-	-
ANC Education (Pvt) Ltd	946	946	-	-
Regent International School	32,478	29,652	-	-
Modern Montessorie (Pvt) Ltd	14,832	12,013	-	-
St. Nicholas Education Services Ltd	3,000	3,000	3,000	3,000
Asset Trust Management (Pvt) Ltd	5,083	5,546	5,083	5,546
Asian Reinsurance Corporation	10,245	9,628	10,245	9,628
Invest Trust Holdings Ltd.	43,530	-	-	-
Kenaga Capital Ltd.	30,000	-	-	-
	872,934	699,638	18,328	18,174

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
12 (c) ii Unquoted preference share investment				
Castle Realty Pvt Ltd	131,886	131,886	-	-
Ceylinco Homes International (Lotus Tower) 10%	30,000	30,000	30,000	30,000
	161,886	161,886	30,000	30,000

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
12 (c) iii Quoted debentures				
Sampath Bank PLC	178,220	87,173	-	-
Alliance Finance Co. PLC	-	10,935	-	-
Seylan Bank PLC	188,164	192,680	-	-
People's Leasing & Finance PLC	272,704	264,544	-	-
Commercial Bank of Ceylon	337,730	331,520	-	-
Bank of Ceylon	327,584	312,390	-	-
Hatton National Bank PLC	54,205	54,156	-	-
National Development Bank PLC	125,870	137,717	-	-
DFCC Bank PLC	50,926	86,305	-	-
Central Finance PLC	25,123	25,121	-	-
Nations Trust Bank PLC	126,124	134,388	-	-
Siyapatha Finance PLC	125,005	125,005	-	-
	1,811,655	1,761,934	-	-

As at 31 December	Group				Company			
	2017 No. of Units	2016 No. of Units	2017 Rs. '000	2016 Rs. '000	2017 No. of Units	2016 No. of Units	2017 Rs. '000	2016 Rs. '000
12 (c) iv Unit Trust Investments								
ASTRUE Gilt-Edged Fund	28,522,099	20,000,000	349,313	223,235	-	-	-	-
ASTRUE Money Market Fund	995,314	995,314	11,944	10,630	-	-	-	-
Guardian Acuity Fixed Income Fund	415,083	6,810,345	51,762	93,509	-	-	-	-
Investrust Money Market Fund	-	3,500,000	-	43,164	-	-	-	-
ASTRUE Alpha Fund	2,753,698	-	24,592	4,317	-	-	-	-
			437,611	374,855	-	-	-	-

12 (e) Carrying Values of Financial Instruments

Company	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 2017	-	642,500	98,774	-	741,274
Purchases	-	2,790,918	-	-	2,790,918
Maturities	-	(2,366,813)	(47,000)	-	(2,413,813)
Fair Value Gains Recorded in Other Comprehensive Income	-	-	154	-	154
At 31 December 2017	-	1,066,605	51,928	-	1,118,533

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 2017	66,860,452	16,468,327	10,447,261	165,562	93,941,602
Purchases	2,819,562	346,753,106	83,278,355	24,765,278	457,616,301
Maturities	(3,224,095)	(329,552,374)	-	-	(332,776,469)
Disposals	(278,523)	(10,163,159)	(80,920,202)	(22,719,107)	(114,080,991)
Fair Value Gains Recorded in the Income Statement	-	-	-	215,095	215,095
Fair Value Gains Recorded in Other Comprehensive Income	-	-	270,552	-	270,552
Interest Accrual Adjustment	(39,541)	(860,443)	102,796	65,557	(731,631)
Amortisation Adjustment	(581,441)	63,808	21,689	(142,778)	(638,722)
At 31 December 2017	65,556,414	22,709,265	13,200,451	2,349,607	103,815,737

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for 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 to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed Rate Financial Instruments

The fair value 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.

Notes to the Consolidated Financial Statements

12 (f) Determination of Fair Value and Fair Values 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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2017			2016			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							
Equity Securities	13,402	-	-	17,231	-	-	17,231
Debt Securities	2,336,205	-	-	148,331	-	-	148,331
	2,349,607	-	-	165,562	-	-	165,562
Available-For-Sale Financial Assets:							
Equity Securities	366,564	-	864,706	398,520	-	770,739	1,169,259
Debt Securities	10,216,220	-	-	6,647,306	1,044,606	-	7,691,912
Unit Trust	-	437,611	-	-	370,538	-	370,538
	10,582,784	437,611	864,706	7,045,826	1,415,144	770,739	9,231,709
Total Financial Assets (Insurance Business)	12,932,391	437,611	864,706	7,211,388	1,415,144	770,739	9,397,271
Financial Instruments at Fair Value -Other Businesses & Ceylinco Insurance PLC	1,145,237	-	170,114	1,120,450	4,317	90,785	1,215,552
Total Financial Assets (Group)	14,077,628	437,611	1,034,820	8,331,838	1,419,461	861,524	10,612,823
Financial Liabilities							
Repo Borrowings/Lease Creditors	-	-	-	3,980,013	-	-	3,980,013
Total Financial Liabilities (Group)	-	-	-	3,980,013	-	-	3,980,013

	2017				2016				Total Fair Value Rs. '000
	Level 1	Level 2	Level 3	Total Fair Value Rs. '000	Level 1	Level 2	Level 3	Total Fair Value Rs. '000	
	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	-	-	7,537,860	7,537,860	-	-	7,053,883	7,053,883	
Building	-	-	5,963,378	5,963,378	-	-	5,578,562	5,578,562	
	-	-	13,501,238	13,501,238	-	-	12,632,445	12,632,445	
Investment Property									
Land	-	-	486,288	486,288	-	-	502,438	502,438	
Building	-	-	637,773	637,773	-	-	649,623	649,623	
	-	-	1,124,061	1,124,061	-	-	1,152,061	1,152,061	
Total Non Financial Assets	-	-	14,625,299	14,625,299	-	-	13,784,506	13,784,506	

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 January 2017 Rs. '000	Total Gains/(Loss) Recorded in Other Comprehensive Income Rs. '000	Additions/Settlements Rs. '000	At 31 December 2017 Rs. '000
Financial Assets				
Available-For-Sale Financial Assets:				
Debt securities	-	-	-	-
Equities	770,739	93,967	-	864,706
Total Level 3 Financial Assets	770,739	93,967	-	864,706

In case of change in assumptions having 10% variation, the effect to Other Comprehensive Income could be as follows:

Insurance Business	Carrying Amount 31/12/2017 Rs. '000	Effect of Possible Alternate Assumptions Rs. '000	Carrying Amount 31/12/2016 Rs. '000	Effect of Possible Alternate Assumptions Rs. '000
Debt Securities	-	-	-	-
Equity Securities	864,706	86,471	770,739	77,074
	864,706	86,471	770,739	77,074

Notes to the Consolidated Financial Statements

13. GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the Employee Benefit Plan. As at 31 December 2017 the Gratuity Liability was actuarially valued under the Projected Unit Credit Method (PUC) by M/S.K.A.Pandit Actuarial valuer. The valuation performed annually.

13 (a) The amounts recognised in the Income Statement are as follows:

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Current Service Cost	106,807	102,974
Interest Cost on Benefit Obligation	287,739	219,788
Expected Return on Plan Assets	(456,692)	(364,745)
	(62,146)	(41,983)
Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income	(449,471)	(189,195)

13 (b) The amounts recognised in the Statement of Financial Position at the reporting date are as follows:

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Present Value of the Defined Benefit Obligation	(2,973,599)	(2,397,904)
Fair Value of Plan Assets	4,709,079	3,805,844
Total Net Defined Benefit Asset	1,735,480	1,407,940

13 (c) The Movement in the Defined Benefit Liability is as follows:

	Group	
	2017 Rs. '000	2016 Rs. '000
At 1 January	2,619,761	2,369,558
Current Service Cost	134,556	128,294
Interest Cost	301,901	238,279
Benefits Paid	(209,202)	(128,643)
Actuarial (Gains)/ Losses	318,556	12,273
At 31 December	3,165,572	2,619,761
Defined Gratuity Benefit Obligation of the Insurance Business	(2,973,599)	(2,397,904)
Gratuity Liability -Other Subsidiaries	191,972	221,856

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:

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
At 1 January	(3,805,844)	(3,647,525)
Expected Return on Plan Assets	(456,692)	(364,745)
Actuarial Gains	98,666	206,426
Benefit Paid	64,828	-
Contribution Paid by Employer	(610,037)	-
At 31 December	(4,709,079)	(3,805,844)

The distribution of the Plan Assets at the reporting date is as follows:

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Treasury Bonds/Bills	482,787	342,170
Investment in Shares	3,769,765	3,050,532
Corporate Debentures	25,000	25,000
Commercial Papers	236,288	181,880
Other Assets	195,239	206,262
Total Plan Assets	4,709,079	3,805,844

Gratuity funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs.3,269,597,000 as at the reporting date.(2016- Rs. 3,050,532,000).

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:

	2017	2016
Future Salary Increases	10.00%	10.00%
Discount Rate	10.50%	12.00%
Expected Rate of Return on Plan Assets	10.00%	12.00%

Notes to the Consolidated Financial Statements

13. GRATUITY BENEFIT LIABILITY/(ASSET) (Contd.) Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

Group	Amount Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income																	
	1-Jan-17	Rs. '000	Service Cost	Rs. '000	Net Interest	Rs. '000	Subtotal 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 Demographic Assumptions	Rs. '000	Actuarial Changes Arising from Financial Assumptions	Rs. '000	Experience Adjustments	Rs. '000	Subtotal included in OCI	Rs. '000	Contribution by Employers	Rs. '000
Defined Benefit Obligation	(2,397,904)	(106,807)	(287,739)	(394,546)	169,656	(64,828)	456,692	(129,770)	(221,035)	(98,666)	(350,805)	610,038	(2,973,599)									
Fair Value of Plan Assets	3,805,844	-	-	-	(64,828)	456,692	-	(98,666)	-	(98,666)	(98,666)	610,038	4,709,080									
Benefit Assets/(Liability)	1,407,940	(106,807)	(287,739)	(394,546)	104,828	456,692	(129,770)	(221,035)	(98,666)	(449,471)	610,038	1,735,480										

Group	Amount Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income																	
	1-Jan-16	Rs. '000	Service Cost	Rs. '000	Net Interest	Rs. '000	Subtotal 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 Demographic Assumptions	Rs. '000	Actuarial Changes Arising from Financial Assumptions	Rs. '000	Experience Adjustments	Rs. '000	Subtotal included in OCI	Rs. '000	Contribution by Employers	Rs. '000
Defined Benefit Obligation	(2,197,955)	(102,974)	(219,788)	(322,762)	105,581	-	364,745	-	10,699	6,532	17,231	-	(2,397,904)									
Fair Value of Plan Assets	3,647,525	-	-	-	-	364,745	-	(206,426)	-	(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										

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is shown below:

Sensitivity Analysis	Discount Rate		Future Salary Incensement Rate	
	Increase 1% Rs. '000	Decrease 1% Rs. '000	Increase 1% Rs. '000	Decrease 1% Rs. '000
Impact on Defined Benefit Obligation	(140,781)	161,665	161,589	(143,151)

Following payments are expected contributions to the Defined Benefit Plan Obligation in the future years.

	2017 Rs. '000	2016 Rs. '000
Within the next 12 Months	1,177,924	948,335
Between 2 and 5 Years	638,150	509,993
Between 6 and 10 Years	1,530,477	986,977

The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 9 years. (2016: 9 years)

14. PENSION BENEFIT OBLIGATION

The Group 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.

2017 changes in the Defined Benefit Obligation, Fair Value of Plan Assets and unrecognised past service costs :

Group	Amount Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income									
	1-Jan-17 Rs. '000	Service Cost Rs. '000	Net Interest Rs. '000	Sub Total Included in Profit/Loss Rs. '000	Benefit Paid Rs. '000	Return on Plan Assets (Excluding amounts included in Net Interest Expenses) Rs. '000	Recognised in Income Statement 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	Sub total Included in OCI Rs. '000	Contribution by Employers Rs. '000	31-Dec-17 Rs. '000
Defined Benefit Obligation	(1,605,149)	(3,144)	(192,618)	(195,762)	37,259	-	(60,650)	-	(3,022)	84,409	81,387	-	(1,682,265)
Fair Value of Plan Assets	3,270,989	216,337	-	216,337	(32,681)	176,182	171,907	(52,068)	(20,190)	-	(72,258)	122,756	3,681,325
Total Recognised Benefit (Liability) / Asset	1,665,840	213,193	(192,618)	20,575	4,578	176,182	111,257	(52,068)	(23,212)	84,409	9,129	122,756	1,999,060

Group	Amount Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income									
	1-Jan-16 Rs. '000	Service Cost Rs. '000	Net Interest Rs. '000	Sub Total Included in Profit/Loss Rs. '000	Benefit Paid Rs. '000	Return on Plan Assets (Excluding amounts included in Net Interest Expenses) Rs. '000	Recognised in Income Statement 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	Sub total Included in OCI Rs. '000	Contribution by Employers Rs. '000	31-Dec-16 Rs. '000
Defined Benefit Obligation	(1,268,917)	(4,024)	(126,892)	(130,916)	27,140	-	(103,776)	(27,660)	(134,185)	(70,611)	(232,456)	-	(1,605,149)
Fair Value of Plan Assets	3,032,303	-	-	-	(27,140)	303,230	276,090	-	-	(161,078)	(161,078)	123,674	3,270,989
Total Recognised Benefit (Liability) / Asset	1,763,386	(4,024)	(126,892)	(130,916)	-	303,230	172,314	(27,660)	(134,185)	(231,689)	(393,534)	123,674	1,665,840

Pension Benefit Obligation is valued by M/s KA Pandith Actuarial Valuers .

Notes to the Consolidated Financial Statements

14. PENSION BENEFIT OBLIGATION (Contd.)

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

		2017	2016
Discount Rate		8-10-10.5%	8-10-12%
Rate of Return on Plan Assets		8-10-10.5%	8-10-12%
Salary Escalation Rate	Scheme A,B &D	0%	0%
	Scheme C	10%	10%
Attrition Rate		1%	1%
Retirement Age	Scheme A	60 Yrs	60 Yrs
	Scheme B, C &D	55Yrs	55Yrs
Mortality Table		IALM2006/08	IALM2006/08

Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs 2,166,129,278/- at the Reporting date. (2016 - Rs. 2,020,997,259/-)

15. REINSURANCE RECEIVABLES

As at 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Reinsurance of Insurance Contracts	3,458,119	4,055,498
Total Reinsurance Receivables	3,458,119	4,055,498

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

15 (a) LOANS TO 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 the 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 receivable as at reporting date as follows.

	Group	
	2017 Rs. '000	2016 Rs. '000
At 1 January	1,378,954	1,335,634
Loans Granted During the Period	1,037,829	883,372
Repayment During the Period	(786,437)	(840,052)
At 31 December	1,630,346	1,378,954

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 Group 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 Group has a first lien on all policies which are subject to policy loans. This mitigates the Group'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 2017.

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 2017 was 43,159 (2016 - 43,715)

15 (a) v Collateral Details

The Group does not hold any collateral as security against potential default by policyholders other than surrender value.

16. TAXATION

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
16 (a) Tax Receivable				
At 1 January	939,690	1,027,004	20,130	(14,786)
Amounts recorded in the Income Statement	(1,182,672)	(856,289)	(6,468)	(6,782)
Notional Tax Recognised	505,563	518,983	1,180	1,358
Payments made on-account during the year	351,456	249,992	(22,335)	40,340
At 31 December	614,037	939,690	-	20,130
Payable balance included under Other payable	197,109	143,237	7,493	-
At 31 December	811,146	1,082,927	7,493	20,130

Included in the Income Tax Recoverable is an amount of Rs. 787,539,483 recognised as Notional Tax Credit available in the Life business.

There is a tax appeal relating on 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		Income Statement		Statement of Financial Position	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Temporary Difference from Retirement Benefit Liability	(12,665)	8,571	(324,716)	(37,676)	741,069	403,688
Temporary Difference from Property Plant and Equipment	1,022	68,304	156,909	(34,720)	(462,209)	(304,278)
Revaluation Reserve	61,487	-	-	-	(61,487)	-
Available For Sale Financial Assets	45,997	(8,126)	8,101	-	(45,997)	8,101
Temporary Difference from allowance for Impairment	-	-	966	(11,249)	10,283	11,249
Temporary Difference from Intangible Assets	-	-	(7,470)	(3,642)	11,112	3,642
Deferred Tax Expense/(Income)	95,841	68,749	(166,210)	(87,287)	192,771	122,402
Deferred Tax Asset					192,771	122,402

Notes to the Consolidated Financial Statements

16 (b) Deferred Tax Asset- Group (Contd.)

Total Deferred Tax Assets

	Group	
	2017 Rs. '000	2016 Rs. '000
At 1 January	122,402	103,863
Amounts recorded in the Income Statement	166,210	87,287
Amounts recorded in Other Comprehensive Income	(95,841)	(68,749)
At 31 December	192,771	122,402

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 (c) Deferred Tax Liabilities- Group

As at 31 December	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Losses Carried Forward	57,859	-	(5,643)	28,690	(771)	51,445
Temporary Difference from Retirement Benefit Obligation	36,517	872	(291,420)	(33,751)	545,854	290,951
Temporary Difference from Property Plant and Equipment	5,058	33,485	122,430	168,093	(738,929)	(611,441)
Revaluation Reserve	(9,158)	67,715	-	-	(82,315)	(91,473)
Available For Sale Financial Assets	-	(47,107)	-	-	-	-
Temporary Difference from Retained Reserves of Associates	-	-	26,954	21,698	(110,468)	(83,514)
Deferred Tax Expense/(Income)	90,276	54,966	(147,679)	184,730		
Deferred Tax Liability					(386,629)	(444,032)

Total Deferred Tax Liability

	Group	
	2017 Rs. '000	2016 Rs. '000
At 1 January	444,032	204,336
Amounts recorded in the Income Statement	(147,679)	184,730
Amounts recorded in Other Comprehensive Income	90,276	54,966
At 31 December	386,629	444,032

The Inland Revenue Act No 24 of 2017 applied in determining the Deferred Tax Asset/Liabilities of the Group.

17. INSURANCE RECEIVABLES/TRADE DEBTORS

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Premium Receivables	4,988,183	3,990,411	-	-
Due from Trade Debtors	299,388	271,988	-	-
	5,287,571	4,262,399	-	-

17 (a) Credit Quality of Premium Receivables/Trade Debtors that are neither past due nor impaired is explained below;

As at 31 December	Group		
	Below 60 days Rs. '000	Above 60 days Rs. '000	Total Rs. '000
2017	4,110,100	1,177,471	5,287,571
2016	3,477,106	785,293	4,262,399

18. ACCRUED INCOME

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Loans & Receivables	74,211	51,700	7,251	2,000
	74,211	51,700	7,251	2,000

19. OTHER ASSETS

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Advances, Deposits & Prepayments	670,617	621,842	37,141	37,563
Inventories	100,192	99,795	-	-
Gold	216	2,706	-	-
Deferred Staff Benefits	181,101	177,420	-	-
Other Receivables	291,823	345,767	1,024	1,046
	1,243,949	1,247,530	38,165	38,609

20. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cash in Hand and at Bank	1,532,789	906,182	2,489	4,404
Total Cash and Cash Equivalents	1,532,789	906,182	2,489	4,404

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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 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(a) i)	200,000	200,000	200,000	200,000
Ordinary shares - Non Voting (21(a) ii)	1,122,534	1,122,534	1,122,534	1,122,534
Share Premium (21 (a) iii)	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.

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
21 (a) i 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 (a) ii Ordinary Shares - Non - Voting				
6,414,480 Ordinary shares - Non - Voting	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 (a) iii 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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Other Retained Reserves	2,057,437	2,057,437	2,057,437	2,057,437
Available for Sale Reserve	916,947	651,339	(16,176)	(16,330)
Foreign Currency Translation Reserve	(137)	(5,275)	-	-
	2,974,247	2,703,501	2,041,261	2,041,107

Other Retained Reserves represent General Reserves.

21 (c) Restricted Regulatory Reserve

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Restricted Regulatory Reserve	3,456,184	-	-	-
	3,456,184	-	-	-

Restricted Regulatory reserve is created as result of One-Off Surplus generated due to change in valuation method from 'Net Premium Valuation' to 'Gross Premium Valuation' as specified in Direction 16, issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) on 20th March 2018, for identification and treatment of One-Off Surplus. Complying with the same, the transfer made from policyholders' to Shareholders' fund is limited to surplus generated from other than participating business, whereas the surplus generated from the participating business will be maintained within the participating fund.

The basis for computation of one-off surplus is in line with the Direction issued by IRCSL titled "Directions on the Identification and Treatment of One-off Surplus" dated 20th March 2018.

The Company's One-off Surplus is equal to the minimum One-off Surplus prescribed in the recommendations in the Direction issued by the IRCSL. The basis is same for both participating business and other than participating business.

The One-Off Surpluses in amounts, created for participating business and other than participating business are as follows:

Line item	One-off Surplus Rs. '000
Participating Business	2,736,685
Other than Participating Business	3,456,184
Tabarru Reserve	1,920
Total	6,194,789

Distribution of One-Off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from IRCSL. The One-Off Surplus in the Shareholders Funds will remain invested in assets in below note as per directions of IRCSL.

The composition of the assets, which will be held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) are disclosed below at their market values:

Asset	Market Value Rs. '000
Government Debt Securities	2,761,756
Deposits with a licensed commercial bank (Peoples Bank and DFCC Vardhana Bank PLC)	694,428
Total	3,456,184

22. INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	Group	
		2017 Rs. '000	2016 Rs. '000
Life Insurance Contract	22(a)	80,869,407	77,070,762
Non-life Insurance Contract	22(b)	11,887,150	11,660,029
Total Insurance Contract Liabilities		92,756,557	88,730,791

Unearned premium reserve included in non-life insurance contract liabilities had been presented on net basis.

The actuaries have performed Liability Adequacy Test in accordance with SLFRS -4 Insurance Contracts requirements.

Notes to the Consolidated Financial Statements

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 2017	41,277,544	35,793,219	77,070,762
Gross Premium Income	6,390,098	9,352,874	15,742,972
Premiums Ceded to Reinsurers	(17,123)	(404,930)	(422,053)
Liabilities Paid for Death, Maturities, Surrenders, Benefits and Claims	(3,053,219)	(3,633,761)	(6,686,980)
Investment Return	4,909,644	4,471,213	9,380,857
Reinsurance Commission Income	4,689	73,621	78,310
Other Operating and Admin Expenses	(2,057,350)	(2,494,775)	(4,552,125)
Underwriting and Net Acquisition Cost	(864,329)	(918,150)	(1,782,479)
Revaluation Reserve and AFS Reserve Transfer to Life Fund	(10,847)	7,174	(3,673)
Net Transfer to Shareholder	(204,758)	(4,295,242)	(4,500,000)
Change in Contract Liabilities due to transfer of One off Surplus	-	(3,456,184)	(3,456,184)
At 31 December 2017	46,374,348	34,495,059	80,869,407

Nature and Extent of Risk Arising from Insurance Contracts

Ceylinco Life Insurance Limited determines its capital requirement in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December, 2015. Best estimate assumptions required to be used by the regulation to assess company's capital adequacy have been reviewed by the Appointed Actuary and updated as specified in RBC rules. Mortality, expense and lapse assumptions have been estimated based on company's past experience. Morbidity assumption has been determined based on reinsurance risk premium rates.

According to RBC rules, the concentration risk is considered under risk charges. Company calculates the concentration risk capital charge as specified in the said rules in determining its capital requirement. For contracts where death is the insured risk, the factors that can significantly impact company's expected claim patterns are epidemics, natural disasters and changes in factors affecting life style such as smoking and exercise habits. Company manages its insurance risk mainly through reinsurance and underwriting. The underwriting strategy used by the company is intended to ensure a better selection of risks in terms of level of insured benefit and type of risk. Company maintains a retention limit of LKR 1.5 million on any single life insured. Substandard lives are charged higher insurance premiums based on their health conditions and types of occupation. Further, with regard to computing the total liability, the mortality rates were stressed by 10% upward and as a result, the overall liability was increased by about 1%.

Following the actuarial valuation as at 31 December 2017 the Consulting Actuary has approved a transfer of Rs. 4.5 Bn (2016 - Rs. 2.3 Bn) from the Life Fund to the Shareholder's Account.

The Ceylinco Life Insurance Limited's Capital Adequacy Ratio (CAR) as at 31 December 2017 is 376% and is well above the minimum requirement of 120%.

22 (b) Non-Life Insurance Contract Liabilities

As at 31 December	Note	2017 Insurance Contract Liabilities Rs. '000	2016 Insurance Contract Liabilities Rs. '000
Provision for Reported Claims by Policyholders		4,059,979	4,402,088
Provision for Claims IBNR/IBNER		317,538	270,522
Outstanding Claims Provision	22 (b).i	4,377,517	4,672,610
Provision for Unearned Premiums	22.(b).ii	7,509,633	6,987,419
Total Non Life Insurance Contract Liabilities		11,887,150	11,660,029

22 (b) i Outstanding Claims Provision

Group	2017			2016		
	Insurance Contract Liabilities Rs. '000	Reinsurance of Liabilities Rs. '000	Net Rs. '000	Insurance Contract Liabilities Rs. '000	Reinsurance of Liabilities Rs. '000	Net Rs. '000
At 1 January	4,672,610	4,014,199	658,411	3,408,802	2,668,529	740,273
Claims Incurred in the Current Accident Year	10,116,457	2,597,033	7,519,424	10,543,038	3,819,999	6,723,039
Other Movements in Claims Incurred in Prior Accident Years	(974,951)	(847,904)	(127,047)	(29,902)	33,175	(63,077)
Claims Paid During the year	(9,436,599)	(2,420,219)	(7,016,380)	(9,249,328)	(2,507,504)	(6,741,824)
At 31 December	4,377,517	3,343,109	1,034,408	4,672,610	4,014,199	658,411

Reinsurance Receivable on paid claims are included under above Reinsurance Receivables amounting to Rs. 755,975,000 in 2017 and Rs. 526,355,000 in 2016 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) ii Provision for Unearned Premiums

Group	2017 Insurance Contract Liabilities Rs. '000	2016 Insurance Contract Liabilities Rs. '000
At 1 January	6,987,419	6,167,920
Premiums Written in the Year	13,829,987	16,211,189
Premiums Earned During the Year	(13,307,773)	(15,391,690)
At 31 December	7,509,633	6,987,419

23. DEFERRED REVENUE

This represents entitle Reinsurance Commission on Insurance Business to be recognised in the future periods proportionately.

Group	2017 Insurance Contract Liabilities Rs. '000	2016 Insurance Contract Liabilities Rs. '000
At 1 January	241,957	235,990
Revenue Deferred	613,858	571,654
Amortisation	(581,370)	(565,687)
At 31 December	274,445	241,957

Notes to the Consolidated Financial Statements

24. INTEREST BEARING LOANS & BORROWINGS

As at 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Bank Overdraft		704,283	347,715	3,496	5,296
Borrowings	24 (a)	1,820,597	1,615,845	-	-
Total Borrowings		2,524,880	1,963,560	3,496	5,296

24 (a) Borrowings

As at 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Bank Loans	24 (a) i	602,876	520,435	-	-
Corporate Borrowings		97,957	92,653	-	-
Repo Borrowings		985,880	916,459	-	-
Funds under Management Agreement		118,884	71,298	-	-
Promissory Notes		15,000	15,000	-	-
		1,820,597	1,615,845	-	-

24 (a) i Bank Loans

As at 31 December	As at 01.01.2017 Rs. '000	Loans Obtained Rs. '000	Repayments Rs. '000	As at 31.12.2017 Rs. '000
Sampath Bank PLC	520,435	175,000	(116,394)	579,041
Nation Trust Bank PLC	-	26,000	(2,165)	23,835
	520,435	201,000	(118,559)	602,876

24 (a) ii Bank Loans

As at 31 December	Amount payable within one year Rs. '000	Amount payable after one year Rs. '000	Total Rs. '000
2017	131,296	471,580	602,876
2016	126,100	394,335	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.

25. OTHER FINANCIAL LIABILITIES

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Repo Borrowings	-	3,980,013	-	-
	-	3,980,013	-	-

26. REINSURANCE PAYABLES

As at 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	197,530	181,415	-	-
Domestic Reinsurers - Others	119,254	22,176	-	-
Foreign Reinsurers	1,849,763	773,526	-	-
	2,166,547	977,117	-	-

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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Policyholders Payment in Advance	570,990	486,483	-	-
Agency Commission Payable	845,132	761,561	-	-
Government Levies	282,368	245,940	-	-
Trade Creditors	3,920,311	2,994,507	118,953	110,973
Death Claims Payable	65,157	98,340	-	-
Accrued Expenses	532,184	520,019	-	-
Income Tax Payable	197,109	143,236	7,493	-
	6,413,251	5,250,086	126,446	110,973

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	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Non-Life Insurance	28 (a) i	18,896,947	16,790,990	-	-
Life Insurance	28 (a) ii	15,765,484	15,027,600	-	-
		34,662,431	31,818,590	-	-

Notes to the Consolidated Financial Statements

28 (a) Gross Written Premium (Contd.)

The premium income for the year by major classes of business is as follows;

28 (a) i Non - Life Insurance

Year ended 31 December	Group		
	2017 Rs. '000	2016 Rs. '000	Change %
Fire	2,282,659	1,988,002	15
Motor	11,002,491	9,912,287	11
Marine	845,769	684,844	23
Miscellaneous	3,535,431	2,891,456	22
Engineering	1,045,584	1,133,121	(8)
Employers' Liability	185,013	181,280	2
	18,896,947	16,790,990	13

The Gross written premium of 2017 includes Rs.36,351,499/- and US\$ 131,535 (2016- Rs.50,456,964 and US\$ 141,544) which are collected on behalf of co-insurance partners.

28 (a) ii Life Insurance

Year ended 31 December	Group		
	2017 Rs. '000	2016 Rs. '000	Change %
Life Insurance	15,765,484	15,027,600	5
	15,765,484	15,027,600	5
Annualised New Business Life Premium	4,318,763	3,820,601	13

28 (b) Premiums Ceded to Reinsurers

Year ended 31 December	Note	Group	
		2017 Rs. '000	2016 Rs. '000
Non-Life Insurance	28 (b) i	5,066,960	4,073,270
Life Insurance	28 (b) ii	422,217	373,829
Premiums Ceded to Reinsurers		5,489,177	4,447,099

28 (b) i Non- Life Insurance

Year ended 31 December	Group		
	2017 Rs. '000	2016 Rs. '000	Change %
Fire	1,862,429	1,735,661	7
Motor	826,332	382,791	116
Marine	493,700	379,898	30
Miscellaneous	1,117,446	684,492	63
Engineering	752,167	875,611	(14)
Employers' Liability	14,886	14,817	-
	5,066,960	4,073,270	24
National Insurance Trust Fund			
Compulsory Reinsurance Cessions	584,919	552,736	6
Strike , Riots, Civil Commotion	908,568	780,550	16
Foreign Reinsurers	3,517,316	2,669,076	32
Local Coinsurance Partners	56,157	70,908	(21)
	5,066,960	4,073,270	24
28 (b) ii Life Insurance			
Foreign Reinsurers	422,217	373,829	13
	422,217	373,829	13

28 (c) Net Income

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Net Earned Premium	28,651,040	26,551,980	-	-
Revenue From Subsidiaries	2,914,867	2,853,557	-	-
Other Revenue	12,822,721	10,419,186	1,116,663	1,093,984
	44,388,628	39,824,723	1,116,663	1,093,984

Net Income represents Total Net Earned Premium, Other Revenue and Revenue from Subsidiaries (group).

29. FEES AND COMMISSION INCOME

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Reinsurance Commission Income	688,095	657,016	-	-
Other Fees	40,413	17,746	-	-
Total Fees and Commission Income	728,508	674,762	-	-

Notes to the Consolidated Financial Statements

30. INVESTMENT INCOME

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Rental Income from Investment Properties	53,592	16,491	-	-
Financial Assets at Fair Value through Profit or Loss (Held for Trading Purposes)				
Interest Income	268,986	55,084	-	-
Held to Maturity Financial Assets Interest Income	7,530,630	6,517,562	-	-
Available-For-Sale Financial Assets				
Interest Income	1,159,224	669,098	20,171	1,499
Dividend Income	201,457	175,668	1,069,267	1,069,760
Loans and Receivables Interest Income	1,990,923	1,636,173	26,564	22,725
Interest Income from Staff Loan	21,687	58,946	-	-
Other Operating Revenue	462,923	357,256	661	-
Total Investment Income	11,689,422	9,486,278	1,116,663	1,093,984

31. NET REALISED GAINS

Year ended 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
Property, Plant and Equipment		
Realised Gains	143,128	63,683
Available-For-Sale Financial Assets		
Realised Gains		
Equity Securities	14,180	-
Debt Securities	32,388	4,275
Realised Losses		
Equity Securities	-	(220)
Debt Securities	-	(39,542)
Total Realised Gains for Available-For-Sale Financial Assets	46,568	(35,487)
Total Realised Gains	189,696	28,196

32. NET FAIR VALUE GAINS AND LOSSES

Year ended 31 December	Group	
	2017 Rs. '000	2016 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)	215,095	73,194
Total Fair Value Gains and Losses	215,095	229,950

33. NET BENEFITS AND CLAIMS

Year ended 31 December	Note	Group	
		2017 Rs. '000	2016 Rs. '000
33 (a) Gross Benefits and Claims Paid			
Life Insurance Contracts	33 (f)	6,884,013	6,800,076
Non-Life Insurance Contracts		9,427,879	9,251,877
Total Gross Benefits and Claims Paid		16,311,892	16,051,953
33 (b) Claims Ceded to Reinsurers			
Life Insurance Contracts	33 (f)	(197,033)	(148,394)
Non-Life Insurance Contracts		(2,600,520)	(1,703,643)
Total Claims Ceded to Reinsurers		(2,797,553)	(1,852,037)
33 (c) Gross Change in Contract Liabilities			
Change in Life Insurance Contract Liabilities		7,258,502	8,397,889
Change in Non-Life Insurance Contract Outstanding Claims Provision		(286,201)	1,269,637
Total Gross Change in Contract Liabilities		6,972,301	9,667,526
33 (d) Change in Contract Liabilities Ceded to Reinsurers			
Change in Non-Life Insurance Contract Outstanding Claims Provision		851,393	(2,129,524)
Total Change in Contract Liabilities Ceded to Reinsurers		851,393	(2,129,524)
33 (e) Changes in Contract Liabilities due to Transfer of One off Surplus			
	33 (e) i	(3,456,184)	-
Net Benefits and Claims		17,881,849	21,737,918
Net Benefits and Claims - Non Life Insurance		7,392,551	6,688,347
Net Benefits and Claims - Life Insurance		10,489,298	15,049,571
		17,881,849	21,737,918

33 (e) i

According to Direction No 16 - Identification and Treatment of One-off Surplus, issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), Life Insurance companies were directed to transfer the One-off Surplus attributable to other than participating business to the Shareholders' Fund as at the financial year ending 31st December 2017. This transfer has been presented in the Income Statement as "Change in contract liabilities due to transfer of One-off surplus", which amounts to Rs. 3,456,184,283. As a result of this, the profit for the year increased by the amount of the One-off Surplus and it is accumulated in "Restricted Regulatory Reserve", presented in the Statement of Financial Position.

Year ended 31 December	Group	
	2017 Rs. '000	2016 Rs. '000
33 (f) Gross Claims and Benefits (Excluding Life Fund Increase)		
Claims - Death, Disability and Hospitalisation	783,529	647,858
Policy Maturities	3,900,156	4,220,388
Interim Payments on Anticipated Endowment Plans	783,377	750,286
Surrenders	1,127,385	907,419
Cash Bonus Expenses	266,092	260,584
Annuities	23,474	13,541
	6,884,013	6,800,076
Reinsurance Recoveries	(197,033)	(148,394)
Life Insurance Net Claims and Benefits	6,686,980	6,651,682

Notes to the Consolidated Financial Statements

33. NET BENEFITS AND CLAIMS (Contd.)

Year ended 31 December	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
------------------------	------------------	------------------	------------------	------------------

33 (g) Non - Life Net claims incurred

Gross Claims Incurred	9,141,678	10,521,514	-	-
Reinsurance Recoveries	(1,749,127)	(3,833,167)	-	-
Total Net Claims incurred	7,392,551	6,688,347	-	-

Year ended 31 December	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
------------------------	------------------	------------------	------------------	------------------

33 (g) i The Net Claims Incurred for the year by major classes of business is as follows.

Fire	809,774	390,070	-	-
Motor	4,866,931	4,845,680	-	-
Marine	90,608	74,057	-	-
Miscellaneous	1,325,934	1,201,301	-	-
Engineering	252,942	160,206	-	-
Employer's Liability	46,362	17,033	-	-
	7,392,551	6,688,347	-	-

34. ACQUISITION COSTS

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Fees and Commission Expenses	3,534,032	3,195,512	-	-
Deferred Expenses	(79,118)	(107,382)	-	-
	3,454,914	3,088,130	-	-

35. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Year ended 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Amortisation of Intangible Assets & Goodwill	7	77,112	40,055	-	-
Depreciation on Property, Plant and Equipment	9	774,455	719,369	58	58
Other Operating Expenses	35 (b)	2,490,132	2,314,867	7,776	9,018
Auditors' Remuneration		15,045	14,534	619	1,367
Employee Benefits Expense	35 (a)	4,993,463	4,293,940	3,981	4,520
Selling Expenses		1,372,818	1,125,355	-	-
Legal Expenses		48,000	53,310	23,645	29,738
Donations		22,811	16,347	-	-
Total Other Operating and Administrative Expenses		9,793,836	8,577,777	36,079	44,701

35 (a) Employee Benefits Expense

Year ended 31 December	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Wages and Salaries Including Bonus & Incentives		4,452,755	3,656,011	3,981	4,520
Employees' Provident Fund		325,754	297,653	-	-
Employees' Trust Fund		81,354	74,531	-	-
Defined Gratuity Benefit & Pension Costs	35 (c)	(121,083)	(34,212)	-	-
Other Staff Related Cost		254,683	299,957	-	-
Total Employee Benefits Expense		4,993,463	4,293,940	3,981	4,520

35 (b) Other Operating Expenses

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.4,409,000. (2016 - Rs. 9,610,000/-) The operating expenses incurred in respect of investment property which earns rental income is Rs.1,348,000(2016- Rs.1,439,000)

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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Current Borrowings				
Interest Expense on Bank Overdraft	17,912	14,658	-	3
Interest Expense on Loans	85,066	64,910	-	-
Other Finance Charges	50,134	64,285	1,582	196
Total Finance Cost	153,112	143,853	1,582	199

37. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

37 (a) Current Year Tax Charge

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Current tax				
Income Tax	1,258,883	822,873	13,216	6,782
Over/Under Provision in respect of Previous Year	(76,211)	33,416	(6,748)	-
Total Current Tax	1,182,672	856,289	6,468	6,782
Deferred Tax				
Origination of Temporary Differences (note 16 b,c and d)	(313,921)	97,452	-	-
Total Income Tax Expense	868,751	953,741	6,468	6,782

Notes to the Consolidated Financial Statements

37 (b) Tax recorded in Other Comprehensive income (see Note 41)

Year ended 31 December	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Deferred Tax	195,916	123,714	-	-
Total Tax Charge to Other Comprehensive Income	195,916	123,714	-	-

37 (c) Reconciliation of Tax Charge

Reconciliation of Effective Tax Rate	Company	
	2017 Rs. '000	2016 Rs. '000
Profit Before Tax	1,079,002	1,049,084
Income Tax using the Company's Domestic Tax Rate - 28.00%	302,121	293,743
Tax Exempt Income	(289,318)	(286,961)
Net Non-Deductible/(Deductible) Expenses	413	-
Over / (Under) Provision of Previous Years	(6,748)	-
	6,468	6,782

Reconciliation of Effective Tax Rate	Group	
	2017 Rs. '000	2016 Rs. '000
Profit Before Tax	12,651,338	5,800,359
Income Tax using the Company's Domestic Tax Rate	2,741,437	2,000,942
Tax Exempt Income	(6,855,668)	(5,305,438)
Net Non-Deductible/(Deductible) Expenses	5,395,189	4,234,215
Tax Effect of Loss Claimed for the Year	(6,108)	(126,474)
Over / (Under) Provision of Previous Years	(76,211)	33,416
Deferred Tax Charge/(Reverse)	(313,921)	97,452
Tax Savings on Current Tax Loss	(15,967)	19,628
	868,751	953,741

"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 is computed on investment income less management expenses and allowable expenses.

Ceylinco Health Care Services Ltd is liable to pay 12% on its business income & 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 Company is liable for taxation at the normal rate.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd is liable for 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.

38. NON CONTROLLING INTERESTS (NCI)**38 (a) Accumulated balances of Non-Controlling Interest**

	2017	2016	Effective ownership by NCI %
	Rs. '000	Rs. '000	
Name of Company			
Ceylinco Healthcare (Pvt) Ltd	2,151	1,580	0.80
Ceylinco Insurance (Pvt) Ltd -Maldives	147,085	136,792	40
Ceylinco Investcorp (Pvt) Ltd	17,368	8,551	25
Energy Lanka Holdings Ltd	22,672	24,273	-
CEG Education Holdings Ltd	1,469,142	1,380,272	37.40
	1,658,418	1,551,468	

38 (b) Profit allocated to Non-Controlling Interest

	2017	2016
	Rs. '000	Rs. '000
Name of the Company		
Ceylinco Healthcare (Pvt) Ltd	571	554
Ceylinco Insurance (Pvt) Ltd -Maldives	14,437	20,076
Ceylinco Investcorp (Pvt) Ltd	6,650	3,151
Energy Lanka Holdings Ltd	770	449
CEG Education Holdings Ltd	215,606	173,647
	238,034	197,877

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	
	2017	2016	2017	2016
Profit for the Year (Rs:'000)				
- Excluding One off Surplus	8,088,369	4,648,741	1,072,534	1,042,302
- Including One off Surplus	11,544,553	4,648,741	1,072,534	1,042,302
Weighted Average Number of Ordinary Shares ('000)	26,414	26,414	26,414	26,414
Basic/Diluted Earnings Per Ordinary Share (Rs.)				
- Excluding One off Surplus	306.21	176.00	40.60	39.46
- Including One off Surplus	437.06	176.00	40.60	39.46

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 shown above.

40. DIVIDENDS PAID

Year ended 31 December	Company	
	2017	2016
Final Paid 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

Notes to the Consolidated Financial Statements

41. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

Group	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Exchange Differences on Translating Foreign Operations	8,562	-	8,562	(4,841)	-	(4,841)
Net Gain/(Loss) on Available-for-Sale Financial Assets	295,008	(28,986)	266,022	52,798	55,233	108,031
Actuarial Gain on Defined Benefit Plans	(410,472)	54,142	(356,330)	(613,601)	(9,443)	(623,044)
Revaluation Surplus/(Deficit) During the Year	110,448	(221,072)	(110,624)	3,558,943	(169,504)	3,389,439
Total	3,546	(195,916)	(192,370)	2,993,299	(123,714)	2,869,585

Company	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Gain/(Loss) on Available-for-Sale Financial Assets	154	-	154	1,019	-	1,019
Total	154	-	154	1,019	-	1,019

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

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 Regulatory Commission of Sri Lanka (IRCSL). Further, under the parallel run requirements of IRCSL 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 Group 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 Regulatory Commission 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.

Notes to the Consolidated Financial Statements

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) i 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 different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The Company's underwriting strategy is designed to ensure that risks are properly assessed and correct premium is charged.

The use of scientifically designed proposal forms and medical screening ensures that appropriate data related to the risks to be covered are collected and arrive at a premium which takes into account of current health conditions and additional risks of the 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) ii 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.

43 (a) iii 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 IRCSL 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 IRCSL 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.

Notes to the Consolidated Financial Statements

43 (b) i 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	Note	2017		2016	
		Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000
Financial Instruments					
Held-to-Maturity Financial Assets					
Debt Securities	12(a)	65,556,414	-	66,860,452	-
Loans and Receivables					
Debt Securities	12(b)	21,752,886	1,066,605	15,651,547	642,500
Other		956,379	-	816,780	-
		22,709,265	1,066,605	16,468,327	642,500
Available-for-Sale Financial Assets					
Equity Securities	12(c)	1,256,574	21,928	1,117,553	21,774
Debt Securities		11,943,877	30,000	9,329,708	77,000
		13,200,451	51,928	10,447,261	98,774
Financial Assets at Fair Value through Profit or Loss					
Equity Securities	12(d)	2,336,205	-	148,331	-
Debt Securities		13,402	-	17,231	-
		2,349,607	-	165,562	-
Reinsurance Assets	15	3,458,119	-	4,055,498	-
Insurance Receivables	17	5,287,571	-	4,262,399	-
Cash and Cash Equivalents	20	1,532,789	2,489	906,182	4,404
Total Credit Risk Exposure		114,094,216	1,121,022	103,165,681	745,678

43 (b) ii Industry Analysis

31 December 2017	Financial Services Rs. '000	Government Rs. '000	Services Rs. '000	Manufacturing and Power Rs. '000	Others Rs. '000	Total Rs. '000
Assets						
Held-to-Maturity Financial Assets						
Debt securities	23,521,994	41,750,734	-	-	-	65,272,728
	23,521,994	41,750,734	-	-	-	65,272,728
Loans and Receivables						
Term Deposits	18,026,143	-	-	-	-	18,026,143
Repo Investments	-	-	-	-	236,199	236,199
Unquoted Debentures	1,301,203	-	-	-	-	1,301,203
Staff and Vehicle Loans	-	-	-	-	659,364	659,364
	19,327,346	-	-	-	895,563	20,222,909
Available-for-Sale Financial Assets						
Equity Securities	350,257	-	2,777	744,105	134,130	1,231,269
Debt Securities	1,811,656	8,404,564	-	-	-	10,216,220
Unit Trust	437,611	-	-	-	-	437,611
	2,599,524	8,404,564	2,777	744,105	134,130	11,885,100
Financial Assets at Fair Value through Profit or Loss						
Equity Securities	301	-	430	12,671	-	13,402
Debt Securities	-	2,336,205	-	-	-	2,336,205
	301	2,336,205	430	12,671	-	2,349,607
Sub Total	45,449,165	52,491,503	3,207	756,776	1,029,693	99,730,344

Financial Instruments - Other Subsidiaries &

Ceylinco Insurance PLC

Total Credit Risk Exposure

4,085,393

103,815,737

31 December 2016	Financial Services Rs. '000	Government Rs. '000	Services Rs. '000	Manufacturing and Power Rs. '000	Others Rs. '000	Total Rs. '000
Held-to-Maturity Financial Assets						
Debt Securities	23,108,574	43,473,354	-	-	-	66,581,928
	23,108,574	43,473,354	-	-	-	66,581,928
Loans and Receivables						
Term Deposits	9,716,492	-	-	-	-	9,716,492
Repo Investments	-	-	-	-	2,987,653	2,987,653
Unquoted Debentures	1,231,072	-	-	-	-	1,231,072
Staff and Vehicle Loans	-	-	-	-	774,139	774,139
	10,947,564	-	-	-	3,761,792	14,709,356
Available-for-Sale Financial Assets						
Equity Securities	377,926	-	5,365	652,522	133,446	1,169,259
Debt Securities	1,761,934	5,929,978	-	-	-	7,691,912
Unit Trust	370,538	-	-	-	-	370,538
	2,510,398	5,929,978	5,365	652,522	133,446	9,231,709
Financial Assets at Fair Value through Profit or Loss						
Equity Securities	304	-	412	16,516	-	17,232
Debt Securities	-	148,331	-	-	-	148,331
	304	148,331	412	16,516	-	165,563
Sub Total	36,566,840	49,551,663	5,777	669,038	3,895,238	90,688,555
Financial instruments -Other Subsidiaries & Ceylinco Insurance PLC						3,253,046
Total Credit Risk Exposure						93,941,601

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 Insurance Regulatory Commission of Sri Lanka (IRCSL) 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) i Maturity analysis for Financial Assets and Financial Liabilities

Table below represent the maturity profiles of Financial Assets and Financial Liabilities

Insurance Business

As at December 2017	Up to Three years Rs. '000	Above Three Years Rs. '000	Total Rs. '000
Financial Assets			
Financial Instrument			
Measured at Fair Value	9,542,293	4,809,912	14,352,205
Measured at Amortized Cost	39,712,657	45,782,981	85,495,638
Reinsurance Receivable	3,237,705	-	3,237,705
Insurance Receivable	741,838	-	741,838
Other Assets	4,727,356	-	4,727,356
Cash and Cash Equivalents	1,173,997	-	1,173,997
Total Financial Assets	59,135,846	50,592,893	109,728,739
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	43,768,992	50,592,893	94,361,885

Notes to the Consolidated Financial Statements

43 (c) i Maturity analysis for Financial Assets and Financial Liabilities (Contd.)

As at December 2016	Up to Three years Rs. '000	Above Three Years Rs. '000	Total Rs. '000
Financial Assets			
Financial Instrument			
Measured at Fair Value	6,524,817	3,002,183	9,527,000
Measured at Amortized Cost	33,026,436	48,264,848	81,291,284
Reinsurance Receivable	3,872,839	-	3,872,839
Insurance Receivable	3,813,286	-	3,813,286
Other Assets	659,307	-	659,307
Cash and Cash Equivalents	684,315	-	684,315
Total Financial Assets	48,581,000	51,267,031	99,848,031
Financial Liabilities			
Reinsurance Payable	787,651	-	787,651
Other Liabilities	5,112,687	-	5,112,687
Total Financial Liabilities	5,900,338	-	5,900,338
Total Excess Liquidity	42,680,662	51,267,031	93,947,693

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 Group's interest risk policy identifies the volatile nature of Sri Lankan interest rate environment. Therefore the Group 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. Group 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.

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. However, there is a tax appeal relating on VAT on reinsurance recoveries.

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 favour 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 Ceylinco Life Insurance Ltd. has received a tax Intimation letter on Life Insurance taxation. However, no assessment has been issued yet on this intimation. The Company is of the strong view that no additional tax liability is arising due to this intimation letter and also we have filed a response highlighting our view, which was done in consultation with Tax Consultants. Even if this tax intimation would materialize against the Company, no additional tax liabilities are required for the Company.

44 (b) Capital Commitments

Ceylinco Life Insurance Ltd. has committed to pay an amount of Rs 43,336,727 (2016-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.172,957,660 .(2016- Rs.336,793,337)

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.	64,305	Loans & Receivables
Unquoted shares - Company	Mortgaged to Sampath 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.	155,700	Held to Maturities
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	134,050	Loans & Receivables
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Nation Trust Bank PLC to obtain banking facilities.	100	Loans & Receivables
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	50	Loans & Receivables
Land & Buildings - CEG Education Holdings Ltd Group	Loan facilities from Sampath Bank PLC and Seylan Bank PLC	923,000	Property, Plant & Equipment

Notes to the Consolidated Financial Statements

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 (a) Compensation of Key Management Personnel

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Short-Term Employee Benefits -Company	3,960,622	3,890,622	3,960,622	3,890,622
Short Term & Long Term Employee Benefits Received from the Subsidiaries	967,440,455	930,247,819	-	-
	971,401,077	934,138,441	3,960,622	3,890,622

46 (b) Transaction With Related Parties-Subsidiaries

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	984,384,455	1,013,154,092
	984,384,455	1,013,154,092

46 (c) Transaction With Related Parties-Sub Subsidiaries

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	60,067,404	36,842,942
	60,067,404	36,842,942

46 (d) Transaction With Related Parties -Equity Accounted Investees

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	19,458,871	19,458,871
	19,458,871	19,458,871

Transaction With related Parties - Subsidiaries

46 (b) i Ceylinco Investcorp (pvt) Ltd

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	5,467,500	4,050,000
	5,467,500	4,050,000

46 (b) ii CEG Education Holding (pvt) Ltd

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	38,569,985	26,599,990
	38,569,985	26,599,990

46 (b) iii Energy Lanka Holdings (Pvt)Ltd

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	74,971,547	116,622,406
	74,971,547	116,622,406

46 (b) iv Ceylinco Insurance Company(Pvt) Ltd-Maldives

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	23,790,798	23,090,508
	23,790,798	23,090,508

46 (b) v Ceylinco General Insurance Ltd.

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	346,966,359	312,524,188
	346,966,359	312,524,188

46 (b) vi Ceylinco Life Insurance Ltd.

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	494,618,266	530,267,000
	494,618,266	530,267,000

Transaction With related Parties - Sub Subsidiaries**46 (c) i American Education Centre Ltd**

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	12,037,500	8,025,000
	12,037,500	8,025,000

Notes to the Consolidated Financial Statements

46 (c) ii International College of Business & Technologies Ltd.

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	48,029,904	28,817,942
	48,029,904	28,817,942

Transaction With Related Parties -Equity Accounted Investees

46 (d) i Energy Generators (Pvt)Ltd.

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	19,458,871	19,458,871
	19,458,871	19,458,871

Other Related Parties

46 (e) i Asset Trust Management (Pvt) Ltd.

	2017 Rs.	2016 Rs.
Dividend Received/ (Paid)	66,825	303,757
	66,825	303,757

47. EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues pertaining to Employees & Industrial relations during the year.

48. RECLASSIFICATION OF COMPARATIVES

48 (a) Interest Receivable which was included under Accrued Income has been reclassified under Financial Instruments for better presentation and fair valuation purposes.

Impact on the Statement of Financial Position as at 31 December 2016 (Group)	Previously Reported Rs. '000	Impact of Adjustment Rs. '000	Reclassified Amount Rs. '000
Accrued Income	3,521,225	(3,469,525)	51,700
Financial Instruments			
Held to Maturity Investments	64,831,408	2,029,044	66,860,452
Loans & Receivables	15,050,496	1,417,831	16,468,327
Fair Value through P/L	158,390	7,172	165,562
Available-For-Sale Financial Assets	10,431,783	15,478	10,447,261
	93,993,302	-	93,993,302

49. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustment to, or disclosure in the Financial Statements

Quarterly Analysis 2017

Consolidated Statement of Income

	1st quarter Jan- Mar.17 Rs. '000	2nd quarter Apr- Jun.17 Rs. '000	3rd quarter Jul- Sep.17 Rs. '000	4th quarter Oct- Dec.17 Rs. '000	Total Jan- Dec.17 Rs. '000
Gross Written Premiums	8,373,211	8,284,749	8,727,579	9,276,892	34,662,431
Premiums Ceded to Reinsurers	(1,276,110)	(1,337,929)	(1,166,643)	(1,708,495)	(5,489,177)
Net Written Premiums	7,097,101	6,946,820	7,560,936	7,568,397	29,173,254
Net change in Reserve for Unearned Premium	(406,554)	81,690	(272,630)	75,280	(522,214)
Net Earned Premium	6,690,547	7,028,510	7,288,306	7,643,677	28,651,040
Revenue from Non Insurance Subsidiaries	776,966	748,009	694,005	695,887	2,914,867
	7,467,513	7,776,519	7,982,311	8,339,564	31,565,907
Investment and Other Income	2,881,815	3,019,895	3,423,327	3,497,684	12,822,721
Net Income	10,349,328	10,796,414	11,405,638	11,837,248	44,388,628
Net Benefits and Claims	(3,297,950)	(3,589,982)	(3,665,087)	(70,328)	(10,623,347)
Increase in Life Insurance Fund	(2,052,947)	(2,428,845)	(2,838,937)	62,227	(7,258,502)
Acquisition Cost	(888,174)	(845,703)	(877,778)	(843,259)	(3,454,914)
Cost of sales of Non Insurance Subsidiaries	(199,022)	(194,147)	(179,356)	(274,468)	(846,993)
Other Operating and Administrative Expenses	(2,447,334)	(2,531,748)	(2,510,485)	(2,304,269)	(9,793,836)
Finance Cost	(35,013)	(35,444)	(20,035)	(62,620)	(153,112)
Total Benefits, Claims and Other Expenses	(8,920,440)	(9,625,869)	(10,091,678)	(3,492,717)	(32,130,704)
Profit Before Share of Associates	1,428,888	1,170,545	1,313,960	8,344,531	12,257,924
Share of Profit of Associates	131,305	78,498	50,543	133,068	393,414
Profit Before Tax	1,560,193	1,249,043	1,364,503	8,477,599	12,651,338
Income Tax Expense	(247,977)	(283,687)	(271,626)	(65,461)	(868,751)
Profit For the Year	1,312,216	965,356	1,092,877	8,412,138	11,782,587

Company Statement of Income

	1st quarter Jan- Mar.17 Rs. '000	2nd quarter Apr- Jun.17 Rs. '000	3rd quarter Jul- Sep.17 Rs. '000	4th quarter Oct- Dec.17 Rs. '000	Total Jan- Dec.17 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	50,797	183,778	6,496	875,592	1,116,663
Net Income	50,797	183,778	6,496	875,592	1,116,663
Net Benefits and Claims	-	-	-	-	-
Increase in Life Insurance Fund	-	-	-	-	-
Acquisition Cost	-	-	-	-	-
Other Operating and Administrative Expenses	(7,212)	(14,642)	(8,419)	(5,806)	(36,079)
Finance Cost	-	(5)	(138)	(1,439)	(1,582)
Total Benefits, Claims and Other Expenses	(7,212)	(14,647)	(8,557)	(7,245)	(37,661)
Profit Before Tax	43,585	169,131	(2,061)	868,347	1,079,002
Income Tax Expense	(2,355)	(8,183)	712	3,358	(6,468)
Profit for the Year	41,230	160,948	(1,349)	871,705	1,072,534

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 2016

Consolidated Statement of Income

	1st quarter Jan- Mar.16 Rs. '000	2nd quarter Apr- Jun.16 Rs. '000	3rd quarter Jul- Sep.16 Rs. '000	4th quarter Oct- Dec.16 Rs. '000	Total Jan- Dec.16 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 Non Insurance 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 Non Insurance 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

	1st quarter Jan- Mar.16 Rs. '000	2nd quarter Apr- Jun.16 Rs. '000	3rd quarter Jul- Sep.16 Rs. '000	4th quarter Oct- Dec.16 Rs. '000	Total Jan- Dec.16 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.

Ten Year Summary

Statement of Financial Position

Group	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Intangible Assets	165,621	136,861	89,005	45,170	46,731	76,706	73,827	90,704	135,077	154,284
Property, Plant and Equipment	17,546,527	15,996,496	11,988,889	9,889,427	9,350,410	8,751,457	7,394,394	6,995,865	6,183,990	6,194,867
Investments	107,727,548	97,387,970	78,066,663	66,832,062	59,820,194	52,071,307	47,646,298	34,312,558	26,587,015	24,175,139
Other Assets	19,104,631	17,243,197	18,020,477	19,313,528	18,206,848	12,189,006	10,935,986	10,345,841	10,507,756	9,582,762
Total Assets	144,544,327	130,764,524	108,165,034	96,080,187	87,424,183	73,088,476	66,050,505	51,744,968	43,413,838	40,107,052
Equity and Liabilities										
Issued Share Capital	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings	26,623,524	19,630,683	16,185,402	13,739,147	11,800,609	8,030,833	5,931,099	3,141,183	2,713,687	2,121,641
Retained Reserves	2,974,247	2,703,501	2,560,652	2,892,787	2,602,521	2,375,781	2,506,812	2,364,215	2,007,437	2,007,437
Revaluation Reserve	3,365,706	3,411,509	2,141,754	2,126,854	2,120,849	2,137,318	2,149,541	1,344,336	828,560	828,560
Restricted Regulatory Reserve	3,456,184	-	-	-	-	-	-	-	-	-
Total Capital and Reserve	37,744,483	27,070,515	22,212,630	20,083,610	17,848,801	13,868,754	11,912,274	8,174,556	6,874,506	6,282,460
Minority Interest	1,658,418	1,551,468	860,378	762,469	550,728	564,737	460,473	152,070	85,680	37,713
Liabilities										
Insurance Provision - Life	80,869,407	77,070,762	67,157,184	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141	26,449,967	21,300,965
Unit Linked Fund	427,146	333,129	268,062	228,873	190,452	157,657	146,659	115,269	102,671	101,428
Insurance Provision - Non- Life	11,887,150	11,660,029	9,576,722	9,259,497	8,392,748	7,753,381	7,107,745	6,609,196	6,077,091	6,229,654
Other Liabilities	11,957,724	13,078,621	8,090,057	5,723,859	7,676,044	5,633,158	8,219,881	4,825,736	3,823,922	6,154,833
Total Liabilities	105,141,427	102,142,541	85,092,025	75,234,108	69,024,655	58,654,985	53,677,758	43,418,342	36,453,652	33,786,880
Total Equity and liabilities	144,544,327	130,764,525	108,165,034	96,080,187	87,424,184	73,088,476	66,050,505	51,744,968	43,413,838	40,107,053
Long Term - Supplemental Assets										
Intangible Assets	56,950	2,759	645	2,198	4,609	15,105	42,396	82,695	135,077	154,284
Property, Plant and Equipment	7,371,482	7,068,634	5,343,752	4,760,395	4,596,053	3,906,294	3,396,144	3,090,739	2,763,072	2,414,207
Investments	92,264,056	80,751,105	67,139,575	57,209,653	50,751,773	44,198,752	40,410,190	29,836,507	23,361,974	19,421,328
Other Assets	6,402,007	8,635,591	7,751,193	9,096,076	8,593,577	4,771,500	4,845,898	3,991,859	4,383,642	3,041,298
Total Assets	106,094,495	96,458,089	80,235,165	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117
Liabilities										
Insurance Provision - Life	81,723,759	77,925,114	68,011,535	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141	26,449,967	21,300,965
Unit linked Fund and Other Funds	427,146	333,129	268,062	228,872	190,135	157,657	146,659	115,269	102,671	101,428
Equity and Other Liabilities	23,943,590	18,199,846	11,955,568	10,817,572	10,990,466	7,623,205	10,344,494	5,018,390	4,091,127	3,628,724
Total Liabilities	106,094,495	96,458,089	80,235,165	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117

Ten Year Summary

Statement of Financial Position

As at 31 December	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Investor Information										
Return on Net Assets (%)	24.36	21.43	18.45	19.76	17.26	16.75	14.09	13.76	12.84	10.42
Net Assets Per Share - Group (Rs.)	1,428.90	1,024.84	840.93	760.33	675.72	525.04	450.98	309.47	262.62	237.84
Net Assets Per Share - Company (Rs.)	653.09	639.98	622.99	671.02	601.35	475.60	413.9	285.73	262.62	239.87
Market Price Per Share 31st December										
Voting (Rs.)	1,597.00	1,490.00	1,410.10	1,379.00	1,340.00	855.90	746.70	381.00	220.00	200.00
Non-Voting (Rs.)	825.10	730.00	800.00	550.00	398.00	330.50	343.00	270.00	134.25	145.00
Earnings Per Share - Excluding One off Surplus	306.21	176.00	132.32	96.46	98.78	73.94	57.09	36.41	25.96	21.21
Price Earnings (times) - Voting (Rs.)	5.22	8.47	10.66	14.00	13.00	11.58	13.08	10.47	8.48	9.42
Price Earnings (times) - Non Voting (Rs.)	2.69	4.15	6.05	5.00	4.00	4.47	6.01	7.42	5.17	6.84
Market Capitalisation (Rs. Mn)	37,233	34,483	33,334	31,103	29,358	19,238	17,134	9,352	5,261	4,930
Dividend Per Share (Rs.)	31.50	27.50	22.50	20.00	16.00	12.50	6.50	5.50	5.00	3.00
Employee Information										
Revenue Per Employee (Rs. Mn)	11.942	11.231	14.450	9.100	9.300	8.165	7.478	5.415	5.331	5.514
Net Profit Per Employee (Rs. '000)	3403.64	1,635.75	1,708.41	1,116.00	947.00	699.33	547.11	301.99	241.95	180.00
Number of Employees (Nos)	3,717	3,546	3,336	3,556	3,253	3,321	3,067	3,744	3,649	3,645

Note : Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016 & 2017 are based on LKAS/SLFRS and balance years are based on SLAS.

Investments include Financial Instruments for the years 2011, 2012, 2013 and 2014.

Statement of Financial Position

Year ended 31 December	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Non- Life (Sri Lanka)										
Gross Written Premium	17,976,991	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
Net Earned Premium	13,209,435	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
Investment Income and Other Income	1,509,953	1,099,638	888,870	1,022,541	1,009,183	736,134	674,463	438,080	482,853	606,068
Net Claims	(7,371,429)	(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)
Acquisition Expenses (Net of Reinsurance Commission)	(1,123,388)	(883,178)	(726,892)	(570,376)	(724,493)	(709,502)	(589,533)	(478,770)	(511,595)	(581,211)
Operating & Administrative Expenses	(4,474,776)	(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)
Operating Profit Before Interest Expenses	1,749,795	1,444,197	970,860	867,735	980,525	808,429	679,853	370,341	378,425	337,265
Life										
Gross Written Premium	15,765,484	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
Net Written Premium	15,343,267	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
Investment Income and Other Income	10,153,418	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
Net Claims and Benefit Commission (Net of Reinsurance commission)	(3,230,796)	(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)
Increase in Life Insurance fund	(1,655,350)	(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)
Operating & Administrative Expenses	(7,258,502)	(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)
Operating Profit Before Interest Expenses	(3,532,496)	(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)
Operating Profit Before Interest Expenses	9,819,541	3,753,641	2,191,410	2,327,490	1,290,177	1,003,805	804,080	601,823	495,766	449,613
Total Business (Group)										
Gross Written Premium	34,662,431	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
Revenue	44,388,628	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
Net Earned Premium	28,651,040	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
Benefit Losses and Expenses	(18,728,842)	(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)
Other Revenue	15,737,588	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
Operating and Administrative expenses	(13,248,750)	(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)
Operating Profit Before Interest Expenses	12,411,036	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
Interest Expenses	(153,112)	(143,853)	(124,218)	(167,890)	(127,116)	(55,726)	(42,704)	(92,112)	(93,597)	(99,583)
Income from Associates	393,414	288,518	275,724	150,917	143,421	180,494	111,189	70,945	26,138	11,452
Profit Before Taxation	12,651,338	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
Income Tax Expenses	(868,751)	(953,741)	(448,257)	(1,118,602)	(211,590)	(227,794)	(140,147)	(129,030)	(188,401)	(169,430)
Profit for the Year	11,782,587	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

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016 & 2017 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 - Non Life

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.

18. Gross Claims Reserve - Non Life

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 - Non Life

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 - Non Life

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 - Non Life

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 - Non Life

A formula used by insurance companies to relate to income to acquisition and administrative (e.g. commissions, taxes, staff, selling and operating expenses).

Formula :

$$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical expenses}}{\text{Net Earned Premium}}$$

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:

$$\frac{\text{Net claims incurred}}{\text{Net earned Premium}}$$

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.

Glossary of Financial & Insurance Terms

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 Thirty first Annual General Meeting of the Shareholders of the Company will be held on Friday, 25th, May, 2018 at 10.30 a.m. at the Auditorium - Level 7, ICBT Building, No. 36, De Krester Place, Bambalapitiya, Colombo 04 and the business to be brought before the meeting will be :

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st. December, 2017 and the Report of the Auditors thereon.
3. To declare a Dividend for the year ended 31st. December, 2017.
4. To re-elect Mr. Rajkumar Renganathan, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
5. To re-elect Mr. Telge Nihal Mahinda Peiris, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
6. To re-elect Mr. Nugent Duncan Nugawela, who retires by rotation at the Annual General Meeting, in terms of Article 95, as a Director.
7. 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 81 years in December, 2018 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."
8. 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 75 years in December, 2018 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."
9. To authorise the Directors to determine payments for charitable purposes for the year 2018.
10. To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
11. To transact any other business of which due notice shall be given.

By Order of the Board



Mrs. Nilika Abhayawardhana

Company Secretary

25th of April 2018

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 23rd May, 2018. 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 05th June 2018, and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 28th May, 2018.

Designed & produced by

emagewise

Digital Plates & Printing by Gunaratne Offset Ltd
Photography by Taprobane Street

