

EXCEEDING A NATION'S EXPECTATIONS

Ceylinco Insurance PLC | Annual Report 2018





The Sri Lankan tradition of boiling milk, or 'kiri ithiraweema' symbolizes abundance, prosperity and good fortune. At Ceylinco Insurance PLC, we promise our stakeholders a future that's overflowing with wealth and plenty, generating a profusion of value that exceeds every expectation.

EXCEEDING A NATION'S EXPECTATIONS

At Ceylinco Insurance PLC, we measure our success by more than just numbers. To us, our true triumph lies in satisfying the needs of our stakeholders, and in adding value to their lives. This is our greatest achievement, and that is why we do our utmost to serve the people day after day.

As a diversified conglomerate with interests in insurance, education, hydropower, healthcare and financial services, we are present in all walks of life, steadfastly serving millions of Sri Lankans every day.

Today, as we fuel the success of a nation and its people, we are creating an abundance of wealth for those we serve, prioritising their needs above all else. This is our pledge both now and into the future – to empower lives and dedicate our every effort to ensure the country's well-being in all we do, as we achieve our goal to exceed a nation's expectations.

CONTENT

01	Corporate Information	3
	Vision & Mission	4
	Financial Highlights	5
	Chairman's Review	8
	Managing Director/Chief Executive Officer's Review	11
	Board of Directors	16

02	Management Discussion & Analysis	
	Sector Review - General Insurance	24
	Sector Review - Life Insurance	27
	Sector Review - Power	30
	Sector Review - Education	32
	Share Information	36
	Sustainability Report	37
	Events of the year	44
	Awards & Accolades	52
	Corporate Governance	53
	Board Audit Committee Report	59
	Remuneration Committee Report	61
	Report of the Related Party Transactions Review Committee	62
	Statement of Directors' Responsibility	63
	Financial Calendar 2019	64

03	Financial Statements	
	Report of the Directors	66
	Independent Auditor's Report	75
	Statement of Financial Position	78
	Income Statement	79
	Statement of Comprehensive Income	80
	Statement of Changes in Equity	81
	Statement of Cash Flows	83
	Insurance Revenue Account	84
	Notes to the Financial Statements	85
	Quarterly Analysis 2018	175
	Quarterly Analysis 2017	176
	Ten Year Summary	177
	Glossary of Financial & Insurance Terms	180
	Notice of Meeting	183
Notes	184	

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 Places 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@ceyliflife.lk
Website : www.ceylincolife.com

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 India Private Limited
Unitech Business Park, 2nd floor,
Tower - B, South City - 1, Sector 41
Gurgaon-122002, India.

General Insurance

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

Board of Directors

Mr. J.G.P. Perera Pg. Dip. M.CIM. (U.K.), F.C.I.M.(U.K.)
- Chairman
(*"Independent" Non-Executive Director*)

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

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

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

Mr. E.T.L. Ranasinghe M.B.A., (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*)
- resigned with effect from 29th May 2018

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.
(*"Independent" Non-Executive Director*)

Mr. Yu Kitai
(*Non-Executive Director*)
- appointed with effect from 30th May 2018

Company Secretary

Mrs. Nilika Abhayawardhana A.C.I.S. (U.K.)
A.C.C.S (S.L.)

Bankers

Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
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.

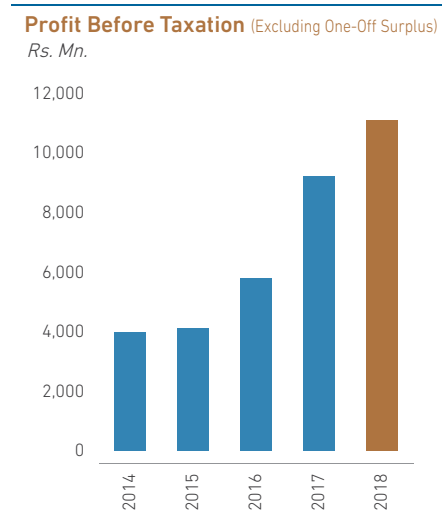
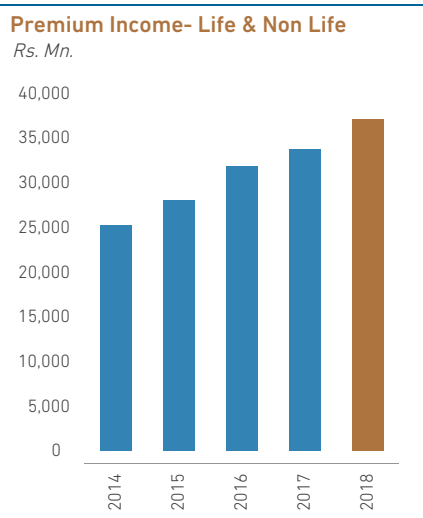
MISSION

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 %
	2018 Rs.'000	2017 Rs.'000	
Gross Written Premium	38,161,544	34,662,431	10.09
Net Earned Premium	31,689,100	28,651,040	10.60
Investments and Other Income	14,273,683	12,822,721	11.32
Revenue from Non-insurance Subsidiaries	3,462,653	2,914,867	18.79
Net Income	49,425,436	44,388,628	11.35
Benefits /Claims Operating Admin & Other Expenses	(39,007,036)	(35,586,888)	9.61
One off Surplus *	-	3,456,184	(100.00)
Profit Before share of Associates	10,418,400	12,257,924	(15.01)
Share of Profit of Associates	646,371	393,414	64.30
Profit Before Taxation (Including One-Off Surplus)	11,064,771	12,651,338	(12.54)
Profit Before Taxation (Excluding One-Off Surplus)	11,064,771	9,195,154	20.23
Profit After Taxation (Including One-Off Surplus)	8,665,452	11,782,587	(26.46)
Profit After Taxation (Excluding One-Off Surplus)	8,665,452	8,326,403	4.07
Position at the Year End			
Shareholders' Funds	45,758,990	37,744,483	21.23
Life Insurance Contract Liabilities	87,194,850	80,869,407	7.82
Non - Life Insurance Contract Liabilities	12,353,210	11,887,150	3.92
Investments	120,240,010	107,801,759	11.54
Total Assets	160,932,459	144,544,327	11.34
Market Capitalisation (Rs. Mn)	45,894	37,233	23.26

* One-Off Surplus which arose from Life insurance business in 2017 is shown in income statement and kept as Restrictive Regulatory Reserve in Statement of Changes in Equity.

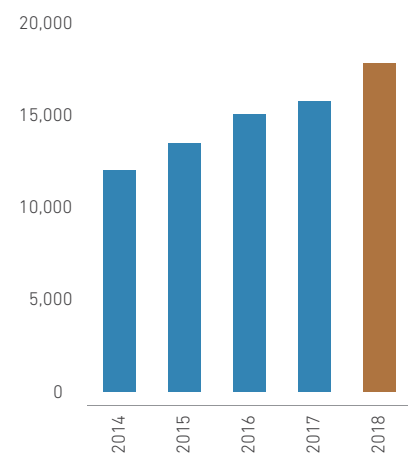


FINANCIAL HIGHLIGHTS

	Group	
	2018 Rs.	2017 Rs.
Per Ordinary Share		
Earnings (Basic)	317.8	306.2
Dividend - Proposed	35.0	31.5
Net Assets (Shareholders' Equity)	1,732.3	1,428.9
Market Value at the Year End - Voting	1,990.0	1,597.0
Market Value at the Year End - Non Voting	950.0	825.1
Ratios		
Return on Equity %	16.93	21.43
Dividend Cover (Times)	9.08	9.7
Price Earning (Times) - Voting	6.3	5.2
Price Earning (Times) - Non Voting	3.0	2.7

Premium Income - Life

Rs. Mn.



GROSS WRITTEN PREMIUM

Rs. 38.1 Bn. 10%↑

PROFIT AFTER TAXATION

Rs. 8.7 Bn. 4%↑

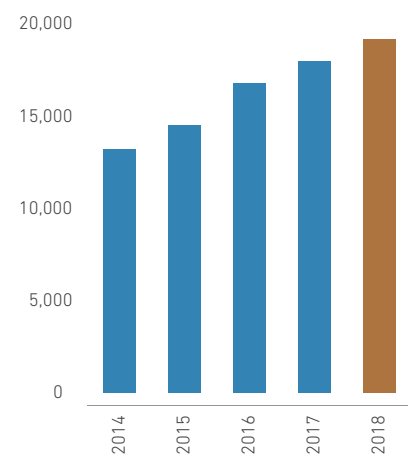
NET INCOME

Rs. 49.4 Bn. 11%↑

Results for the Year	Non - Life Insurance			Life Insurance		
	2018 Rs.'000	2017 Rs.'000	Change %	2018 Rs.'000	2017 Rs.'000	Change %
Gross Written Premium	19,186,707	17,976,991	6.73	17,812,774	15,765,484	12.99
Net Claims / Net Benefits	(7,523,261)	(7,371,429)	2.06	(9,803,550)	(6,686,980)	46.61
Increase in Long Term Insurance Funds	-	-	-	(6,457,292)	(7,258,502)	(11.04)
Investments and Other Income	2,367,828	2,029,509	16.67	11,394,234	10,280,547	10.83
Profit Before Taxation	2,335,822	1,702,651	37.19	7,157,388	6,351,352	12.69
Profit After Taxation	1,784,880	1,406,751	26.88	5,794,288	6,011,243	(3.61)
Profit After Taxation (including one-off surplus)	-	-	-	-	9,467,427	-

Premium Income - Non Life

Rs. Mn.



PROFIT BEFORE TAXATION

Rs. 11 Bn. 20% ↑

DIVIDEND PER SHARE

Rs. 35

SHAREHOLDERS' FUNDS

Rs. 45.8 Bn. 21% ↑

CHAIRMAN'S REVIEW



“Opportunities don’t happen. You create them”

- Chris Grosser

(American entrepreneur and international marketing consultant on brand equity).

As I review the annual performance of this company and, indeed, its performance over the past many years, I recall how the company has overcome many challenges, reached unprecedented heights of success, and efficiently adjusted itself to a new corporate structure consequent to segregation. I realize that the secret of its resilience, versatility, and success has always been the decisive ability to create opportunities instead of the conventional method of waiting for opportunities to appear on the horizon. This dynamic attitude has filtered through to all the subsidiaries - resulting in the most commendable performance by the Group in the year under review.

A dynamic holding company

It is my privilege as Chairman to inform you and undoubtedly it is your privilege as shareholders to know that in mid-2018, the Colombo Stock Exchange (CSE) announced that Ceylinco Insurance PLC is one of the top 20 companies on the internationally recognized S&P Sri Lanka Index. The main criterion for this selection is market capitalization. The other criteria includes liquidity and financial viability thresholds. Earning this distinction as one of the top 20 companies is a reflection of the confidence investors have in the company, which in turn is a reflection of the performance of the company. I need to point out that this confidence is based not only on the profitability of the company but also on the strict observance of the principles of good governance, transparency, and efficient leadership. In recognition of this honour, the company was invited by the CSE to open market trading on the 26th June

2018 by ringing of the ceremonial bell on the trading floor. Mr Ajith Gunawardena MD/CEO of this company performed this prestigious assignment.

Gaining another jewel in the crown was the selection of this company as one of the Top Ten Companies by the prestigious business magazine – Business Today. Most importantly, ours was the only insurance company in this highly ranked group.

The paramount responsibility vested in the private sector is to be the engine of economic growth of the country. The latter half of the year under review was a challenging year with a steadily depreciating Rupee compounded by an unprecedented constitutional crisis. However, the private sector sailed through these turbulent waters at a slower speed than anticipated, but nevertheless moving forward. As shareholders, you will agree that ever since its incorporation in 1987, Ceylinco Insurance PLC has fulfilled this responsibility of being a vital component of the engine of growth in an exemplary manner through the insurance business. This responsibility continued to be fulfilled after segregation by the two main subsidiary companies, namely, General Insurance and Life Insurance. One may well ask how does insurance contribute materially to the economic growth of a country? The fact is that insurance, by providing a portfolio of risk management instruments, significantly improves the investment climate. Thereby, investors can engage in a mix of more efficient projects with high profit potential even though there may be an element of high risk. If not for the protective cover of insurance there would be much hesitation to undertake such projects. This protection against uncertain but potentially severe losses helps to avoid excessive and costly bankruptcies and facilitates lending to businesses. At the same time insurance providers, especially life insurance providers, serve an important function as institutional investors providing capital

to infrastructure and other long term investments. For the country as a whole, this promotes higher productivity and higher growth. It must be remembered that the management of risk is a fundamental aspect of entrepreneurial activity. At a micro level, General insurance through its claim settlement helps individuals to recover losses incurred through natural disasters, accidents and hospitalization. Life insurance through its claim settlement on the death of a customer becomes a safety net for the family to continue a normal life style without being financially devastated by the death of the family bread-winner.

Today Ceylinco Insurance PLC is playing an even more significant role in contributing towards the economic growth of our country by having under its wing not only the two leading companies in General Insurance and Life Insurance but also companies in the sectors of Power, Education, Health Care and Financial Services. This role was fulfilled in the year under review in an exemplary manner despite the negative factors in the macro environment I described earlier. This makes each and every shareholder a partner in the socio-economic growth of our country.

Members of the Board of Directors of Ceylinco Insurance PLC also serve on the boards of subsidiary companies and thereby through their experience and diverse expertise, actively participate in the successful performance of each one of the subsidiaries. Besides this, there is active day-to-day involvement by individual Directors. The Board of this holding company being conscious of its wider responsibilities appointed a Corporate Strategies Committee and a Strategic Implementation Committee two years ago. The responsibility of the former has been to explore new windows of opportunity to increase shareholder wealth through projects covering expansion, diversification, acquisition and restructuring. These

CHAIRMAN'S REVIEW

Gaining another jewel in the crown was the selection of this company as one of the Top Ten Companies by the prestigious business magazine – Business Today.

proposals have then to be submitted to this Board of Directors for approval prior to implementation. The responsibility of the latter Committee is to take on the approved projects, map out implementation plans, and ensure that these plans are indeed successfully carried out. In other words, it is a case of creating opportunities rather than waiting for opportunities to happen. As the Chairman, I highly commend these two committees for the very conscientious manner in which they have fulfilled their responsibilities through which performance-driven, financially tangible results have accrued to the holding company.

Distributing the highest dividend

Every year, it has been my privilege to propose on behalf of the Board of Directors a first and final dividend which has been the highest-ever paid. This year is no exception. The proposed dividend is Rs. 35 per share. Therefore, in addition to fulfilling that part of our Mission Statement which states "adding to shareholder wealth" - this company has also fulfilled the first part of our Mission Statement, namely "to contribute to the socio-economic development of our country." I am confident that you as shareholders will feel most privileged to be a vital stakeholder of this company. The dividend paid to you, dear shareholders, was made possible by the outstanding performance of every subsidiary comprising different sectors.

A multiple award-winning company

As in every year in the past, our subsidiaries have been recipients of many prestigious international and national awards. These have been adequately described in the Sector Reviews that follow. My duty is to place on record my most sincere congratulations to each and every sector head and their teams for their excellent performance due to which such recognition was won.

People behind our success

I offer my most sincere thanks to Mr. Ajith Gunawardena - Managing Director of this Holding Company and CEO of Ceylinco General Insurance Ltd; Mr. Patrick Alwis - Managing Director of Ceylinco General Insurance Ltd; Mr. Rajkumar Renganathan - Executive Chairman of Ceylinco Life Insurance Ltd; Mr. Upali Witharana - Director/CEO of the Power Sector Companies; and Dr. Jagath Alwis – Chairman of CEG Education Holdings. I would also like to thank my colleagues on the Board of Directors for their professionalism and commitment to this company. Their teamwork has been a hallmark of our success.

A tribute to our shareholders

This Annual Report is presented for you to read and get an insight of the performance of this company. As Chairman, I also have a duty to perform and I do so with the greatest of pleasure and that is to thank you for your loyalty and trust which this company will always uphold. I am confident that this company will grow from great to greater in the years ahead.



J.G.P. Perera
Chairman

PROPOSED DIVIDEND (PER SHARE)

Rs. 35

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

“Human relationships are at the core of our operations, day in and day out, serving to forge inalienable bonds with our customers and other stakeholders. It is important that we live by every promise we make without which we would not have such strong relationships. For bonds to last, our customers need to know that our support is always guaranteed.”

Echoing these sentiments, our passion to serve our customers to the best of our ability and our commitment to keep customers at the front and centre of our operations inspires us to keep adding value to the customer experience. In a fiercely competitive market, it is imperative that growth be sustainable. Globally, companies are moving towards avenues that infuse sustainable growth in the longer run, just as customers are embracing products and services that add constant value. We are proud to be that company which customers seek - the one that adds immeasurable value to products and services through our own dynamism. We believe this is where sustainable growth lies. It is the value that Ceylinco Insurance PLC adds that makes it simple to distinguish our company from the rest.

Our proactive customer-centric approach has been our key performance indicator and has placed us on a strong footing to forge ahead as a leading corporate entity. Our very existence is geared towards doing our best to add value to our stakeholders, whilst increasing our service standards be it in insurance, hydropower, education, healthcare or development banking. We want our customers to understand that we are 'exceeding the expectations' to ensure they have a rewarding experience when interacting with the company.

During the year under review, we operated in the midst of volatile macro conditions both political and economic. The uncertain political climate saw the country plunge into chaos towards the latter part of the year, which adversely impacted the country on many fronts. The depreciation of the Sri Lankan Rupee further compounded the situation. Meanwhile, climate change continued to create havoc in the island. Sri Lanka experienced floods during the month of May for the third year in a row. The increasing occurrence and impact of natural disasters could have an adverse impact on national growth in the long run, hindering economic progress. Already, GDP growth for the first nine months of the year under review was determined to be at a low of 3.3 %, much below earlier forecasts due a combination of many reasons.

Exponential Group Performance

Notwithstanding the volatile nature of the economy, your Company recorded excellent results in each and every area of its business, which is an extremely encouraging achievement on every front. Our diverse business sectors: Insurance, Hydro Power, Healthcare, Education and Development Banking all performed remarkably well - offering solutions and services exceeding expectations and on par with the developed markets, which lends our companies first-mover status in their respective sectors.

Success has indeed been noteworthy for the group taking us towards a stronger and brighter future. During the year under review, Ceylinco Insurance PLC recorded a mammoth consolidated Profit After Tax of Rs. 8.7 billion, which indicates an increase of 4% year-on-year, while the Profit Before Tax stood at Rs. 11 billion, which records an increase of 20% (excluding one-off surplus). Considering the tough operating conditions in the market, recording a profit of this magnitude is admirable.

Sector Performance

Insurance

Before I embark on communicating the performance of our insurance arm, I need to congratulate both Ceylinco General Insurance and Ceylinco Life Insurance for retaining market leadership in the General Insurance and Life Insurance industries respectively. This is no mean feat in the highly competitive market segments, but the staff of Ceylinco General Insurance and the Life Insurance team worked relentlessly through the year under review, encouraged by the strategic direction laid down by the respective company boards.

Sri Lanka's insurance industry, both Life and General, recorded a Gross Written Premium of Rs 175.7 billion in 2018,

GROSS WRITTEN PREMIUM (RS. BN)

38.1

PROFIT AFTER TAX (RS. BN)

8.7

MANAGING DIRECTOR/CHIEF EXECUTIVE
OFFICER'S REVIEW



Ceylinco Insurance PLC recorded a mammoth consolidated Profit After Tax of Rs. 8.7 billion, while the Profit Before Tax stood at Rs. 11.1 billion.

which resulted in a year-on-year growth of 9.5% over 2017. Gross Written Premium of General insurance for the year under review was Rs. 95.6 billion, which reflects a growth of 7.9% whilst the GWP of Life Insurance reached Rs. 80.1 billion, which marks a growth of 11.9% over 2017.

Ceylinco General Insurance recorded a premium income of Rs. 19.2 billion (Rs. 19,187 million), marking a growth of 6.7%, which amounted to a significant increase of Rs. 1.2 billion over 2017. Profit After Tax of Ceylinco General Insurance was even more encouraging, as it stood at Rs. 1.8 billion, an increase of 27% over 2017.

Registering yet another industry-first, Ceylinco General Insurance became the first insurance company in Sri Lanka to use drone technology to inspect claims. As an insurance company, we are driven by the notion that 'We are in the business of paying claims'. During the year under review, claims were paid amounting to Rs. 9.4 billion, a majority of them settled within a few days.

Ceylinco General Insurance extended yet another benefit to all non motor policy holders offering a cover of up to Rs. One Million 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. Cover will commence with Rs 100,000/- and will accumulate up to Rs. One Million depending on the premium paid and on purchase of a cross section of policies. This cover will ease the financial burden on the policy holder to a great extent in the event of an illness.

Yet another innovative cover was introduced for students wanting to pursue higher education, covering serious illnesses, accidents, death or disablement of parent or guardians etc., which enables them to continue with their higher studies unhindered, even if an unforeseen event occurs. Introduced along with three plans, with affordable premiums, the Ceylinco Higher Education Policy will benefit a large number of students pursuing degree programmes, those reading for their Masters, as well as other professional and vocational study programmes.

The widened footprint 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 over 525 outlets. The expansion of the branch network was supported by a similar drive to strengthen the sales cadre.

Moving on to reinsurance activities, we have considered the increase in natural catastrophes in the country over the years very seriously and have strengthened our treaties covering catastrophic events. As always, we sustained enduring re-insurance arrangements with the world's best reinsurers. By partnering with only the best in this specialized area, we successfully limited our exposure in accordance with our risk appetite.

Overseas Insurance Operations

Having grown beyond the shores of Sri Lanka, we have established strong partnerships in global markets, taking

our expertise and industry innovations and adapting them to specific customer needs in each country. Ceylinco General Insurance has continued to strengthen its credentials in overseas markets through strategic alliances in United Arab Emirates, Bahrain, Oman, Qatar and Saudi Arabia. I am pleased to report that our associate company in Nepal as well as the Maldivian subsidiary are making rapid strides ahead and have posted a strong performance in the period under review.

Regulatory Developments

The insurance industry has witnessed many regulatory changes in the last couple of years, however, these have been aimed at strengthening the industry and thus have been welcomed by your Company. The insurance industry focused on adherence to the corporate governance framework issued by Insurance Regulatory Commission of Sri Lanka (IRC SL) which is effective 1st July 2019. The new framework is expected to enhance entrepreneurial and prudent management amongst the insurance companies while ensuring corporate fairness, transparency and accountability. Fairness, accountability and transparency are values that are part and parcel of every level of our business model and operations and thus your Company has quickly adopted the recommended corporate governance framework to be in full compliance of this regulation.

Hydro Power

The Hydropower sector ended the year under review on a resounding note, mainly due to continuous rainfall experienced throughout the year in the upper catchment areas where our projects are located. The total revenue of the Power sector companies stands at Rs 834.4 million while Profit After Tax of Rs. 270.1 million contributed to overall Group profit.

It is encouraging to note the initiatives taken by the Government to develop large scale solar and wind power projects up to

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



Colombo Stock Exchange announced the inclusion of Ceylinco Insurance PLC in its S&P SL 20 index

10MW capacity under a very transparent tendering process. We firmly believe that this is a move towards the right direction which will generate green energy in the years to come. We are well placed to develop the renewable power sector of the company to be a larger player in Sri Lanka in the years to come. The company is also exploring the opportunities in the Sub-Saharan Africa in the hydro power sector. Initial discussions are underway and further decisions with regard to investment planning will be held once the initial studies are completed.

Education

Despite the entry of new institutions and affiliations in the field of education every year, the knowledge industry is ever-expanding and further growth is envisaged in the years ahead. The differentiating factor is the quality of education offered by these institutions, as more regulation is required to enhance the level of quality, as this is critical to an industry which shapes the future leaders. With limited capacity in state universities, an increasing number of students opt to go overseas for higher studies, thus, enhancing the quality of

higher education here itself, could convince them to pursue higher studies back home at a much reasonable package.

Our education arm, CEG Education Holdings (Pvt) Ltd., has taken many noteworthy steps to expand services offered to Sri Lankan students both in Sri Lanka and overseas in order to acquire the right qualifications in Technology, Engineering, Science, Medicine and Business, hospitality etc. In addition, we also provide pre-school, primary as well as secondary education to Sri Lankan children, which includes internationally-recognized affiliations in pre-school management. The total revenue of the Education sector companies stands at Rs 2,866.1 million while Profit After Tax of Rs 509.5 million contributed to overall Group profit.

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.

Looking ahead

The businesses we operate in constitute the bedrock of people's lives, as these are services that human beings definitely need to enjoy a secure and prosperous future. Our strategic presence in these sectors not only makes a contribution to national growth but it also ensures that by maintaining world-class standards in all our businesses, we have remained a pioneering presence in the corporate sphere.

Humbling Accolades

Your Company is perhaps one of the most awarded organizations in the country, being bestowed with recognition from major awards bodies every year. The December 2018 issue of LMD 100 placed Ceylinco Insurance in the 23rd position among all listed companies in the island and the first insurance company to lead the sector. Ceylinco Insurance has featured repeatedly in the LMD 100 hall of fame, entrenching its position in the ranking for the last 25th consecutive years.

This year marks the sixth consecutive year that Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. Ceylinco Insurance improved its position by moving up five places to the seventh position.

Ceylinco General Insurance and Ceylinco Life Insurance were once again selected as the preferred choice for one of the most prized awards as they reflect public perception - at the SLIM Nielson People's Awards, winning 'People's Insurance Brand of The Year' awards 2018 for an emphatic 12th consecutive year.

In yet another affirmation of our standing in the industry and our financial strength, in June 2018, the Colombo Stock Exchange announced the inclusion of Ceylinco

Insurance PLC in its prestigious S&P SL20 index, which includes the 20 largest companies by total market capitalization listed on the Colombo Stock Exchange, that meet minimum size, liquidity and financial viability thresholds.

Further, our education sector company, International College of Business & Technology Ltd., (ICBT Campus), again won the Gold Award for the fourth time in the education service sector at the National Business Excellence Awards 2018 which is organized by National Chamber of Commerce.

Acknowledgements

I take this opportunity to thank Their Excellencies, The President and Prime Minister of Sri Lanka, and to the Government of Sri Lanka for timely measures taken to accelerate economic and social stability so that we could revert to business as usual after a particularly volatile period during the end of the year under review.

My gratitude goes out to the Chairman, the Director General and officials of the Insurance Regulatory Commission Sri Lanka for their unwavering support and cooperation.

Moreover, it is with great sorrow that I condole the demise of Dr. Wickreme Wirasooriya and express my regrets to his bereaved family. The yeoman service he extended to the insurance industry will remain imprinted in our minds for generations to come.

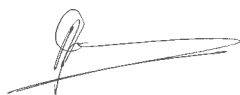
On a more positive note, I welcome the new insurance ombudsman, Dr. Ranjith Ranarajah, and assure him of our corporation and support in the years to come.

Our valued reinsurers and reinsurance brokers have supported us strongly through a challenging year and I reiterate the value they add to our business. Our shareholders deserve our deepest gratitude for placing their trust in our stability and performance.

Our customers are the lifeblood of the company and we remain dedicated to innovating and adding value to their experience as a reward for their loyalty.

Finally, our employees, who are the cornerstone of our success and are part of the Ceylinco family, need to be commended for their tireless contribution to achieving our corporate goals. It is their passion for delighting customers that has taken us to the top of the industry.

As we acknowledge having 'exceeded the nation's expectations' in the period under review, we look ahead with a sense of confidence and optimism, for we are secure in the knowledge that we have the building blocks mapped and marked out. The only task at hand is to execute and for this we have the will and the passion of all our stakeholders.



A.R. Gunawardena
Managing Director / Chief Executive Officer

BOARD OF DIRECTORS



Seated (L to R)

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

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

Standing (L to R)

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

Mr. Yu Kitai
(Non-Executive Director)

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

Mr. U. Witharana
(Non-Executive Director)

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

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



Seated (L to R)

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

Mr. R. Renganathan
(Non-Executive Director)

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

Standing (L to R)

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

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

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

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

Mr. P.A. Jayawardena
(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 was Chairman of Ceylinco Life Insurance Limited and retired from this post in mid - November 2018.

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 College of Cardiff Metropolitan University, U.K. in 2016.

Mr. R. Renganathan

Director

Mr. Rajkumar Renganathan is a Fellow of the Institute of the Chartered Accountants of Sri Lanka and Fellow of the Institute of Certified Management Accountants of Sri Lanka.

He was the Managing Director / CEO of Ceylinco Life insurance Ltd till 14 November 2018 and presently serves as Executive Chairman of Ceylinco Life insurance Ltd. He together with his Management Team produced commendable results in the Company's Life Insurance Business and has won many accolades locally and internationally.

The Company has been the Market Leader in the Life Insurance Industry for the past 15 years.

In addition to his role at Ceylinco Life, he is the Chairman of Ceylinco Healthcare Services Ltd., and Serene Resorts Ltd.

The Healthcare Company is a Centre of excellence in cancer treatment. The Company has expanded its Iodine Treatment capacity and has also replaced the Varian Linear Accelerator with a Clinac ix Machine with a view to providing improved Radiation Therapy to its patients.

He has been instrumental in installing High Dependency Units at the Lady Ridgeway Hospital, the National Hospital in Colombo, the Jaffna Hospital and the Kalubowila Hospital. A further High Dependency Unit is planned for the current year.

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.

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 40 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 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.

He currently serves as Managing Director/ Chief Executive Officer of Ceylinco Life Insurance Limited and also a Director of Ceylinco Healthcare Services Limited and a Director Serene Resorts 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.

BOARD OF DIRECTORS

He is presently heading the Education Sector of Ceylinco Insurance PLC in addition to his responsibilities as Director (Technical) / Chief Technical Officer of Ceylinco General Insurance Limited.

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.

Dr. Alwis has also presented Technical Papers at many International Insurance / Reinsurance Conferences and is a regular contributor to the International Insurance / Reinsurance press.

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 Lanka Air Force as a Commissioned Officer. His career at Ceylinco Insurance commenced as an Assistant Manager (Training), and in January, 1990 he was promoted as Manager (Human Resources), thereafter he held the posts of Assistant General Manager (Administration and Human Resources) 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 and a Director of Serene Resorts Limited.

Mr. Cooray is a Fellow of the Life Underwriters' Training Council (LUTCF) U.S.A., a Chartered Insurance Agency Manager (CIAM) and Certified Manager of Financial Advisor (CMFA) 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 five 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 Non-Executive Chairman of Citizens Development Business Finance PLC and Techinc Global (Pvt) Ltd. 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 Jayawardena counts over 28 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 and a Director Serene Resorts 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.

He served as Director/Chief Operations Officer of Ceylinco General Insurance Limited and retired from the post w.e.f. 31st December 2017.

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 an Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He also holds a Master of Business Administration Degree from the University of Colombo. Mr. Witharana has over 30 years of management experience in the Insurance industry both in Sri Lanka and overseas.

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

BOARD OF DIRECTORS

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.

Mr. S.R. Abeynayake *Director*

Mr. Ranga Abeynayake counts over 20 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. He also serves as Non-Executive Director of Citizen Development Business Finance PLC and a Director of Serene Resort 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.

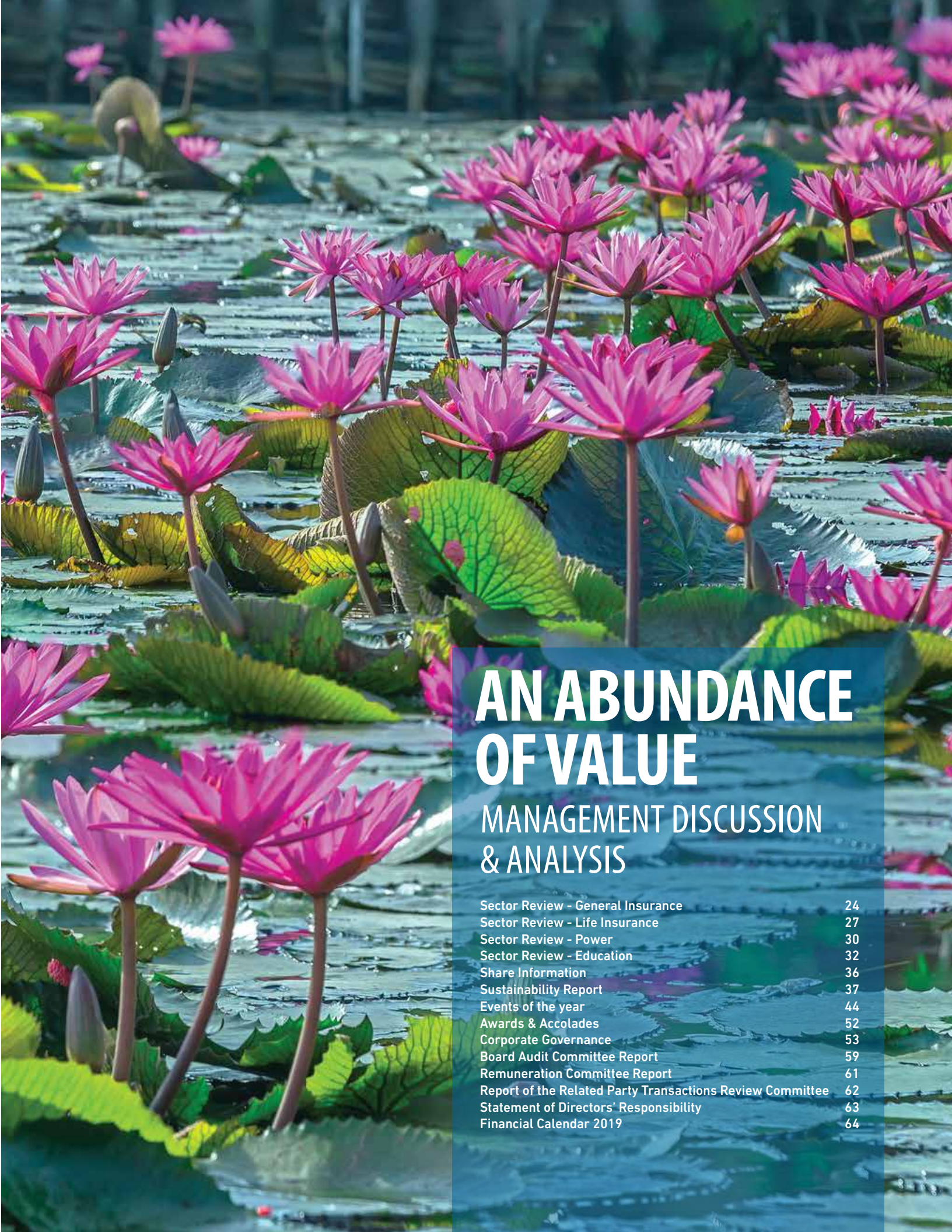
Mr. Weerasuriya is the Proprietor of Saro Weerasuriya Associates.

Mr. Yu Kitai *Director*

Mr. Yu Kitai holds a bachelor's degree in Economics from RIKKYO (St. Paul's) University in Japan.

Mr. Kitai joined Mitsui Sumitomo Insurance Company Limited in 1976 immediately after graduating from RIKKYO University. For 12 years in Tokyo Commercial Business Division, he was a specialist of Commercial business, especially in Plant engineering business which actively pursued in South East Asia and Middle East Countries at that time. In 1988, Mr. Kitai was posted to Former Mitsui Marine Indonesia, and appointed as the youngest Board Director. He endeavored to reform the

old fashioned organization to modernize and achieve its revitalization. Through services in Osaka and Nagoya Commercial Business Departments in the year 2001, Mr. Kitai was deployed to Mitsui Sumitomo Seguros (Brazil) and appointed as Director Executive Vice President. Even under the stiff regulation of Insurance Authority, he tried to establish a new reinsurance scheme to expand underwriting capacity and saved the flagging operating performance. In 2004, he was seconded to the American Appraisal Japan Inc. as a Director and made an effort to have high profile of the company as an independent neutral valuation company in M & A Business. In 2007, he was appointed as full-time Director of Cholamandaram MS General Insurance (India) to enhance the Japanese accounts market share, and led to become No. 1 market share. Year 2010, he was assigned M & A head of India and Indonesia Life Insurance business, and successfully established a joint venture life insurance company in Indonesia in a year and was appointed Director directly of PT. Asuransi Jiwa Sinarmas MSIG. From 2014, he was assigned as an advisor of Mitsui Sumitomo Insurance to develop South Asian countries market and started feasibility studies. He visited Ceylinco Insurance PLC in April 2015 to conduct a feasibility study and review the long years' relationship between Ceylinco Insurance and Mitsui Sumitomo Insurance. He represented Mitsui Sumitomo Insurance had a rare opportunity to acquire a 5% stake in Ceylinco Insurance. It took 4 years of twists and turns to become true to our name as partners. In 2018, MSI's ownership reached to 15%, and Mr. Kitai was appointed Director of both Ceylinco Insurance PLC and Ceylinco General Insurance Ltd to serve as a bridge for the successful partnership and harmonious growth between Ceylinco Insurance and Mitsui Sumitomo Insurance.



AN ABUNDANCE OF VALUE

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review - General Insurance	24
Sector Review - Life Insurance	27
Sector Review - Power	30
Sector Review - Education	32
Share Information	36
Sustainability Report	37
Events of the year	44
Awards & Accolades	52
Corporate Governance	53
Board Audit Committee Report	59
Remuneration Committee Report	61
Report of the Related Party Transactions Review Committee	62
Statement of Directors' Responsibility	63
Financial Calendar 2019	64

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review



GENERAL INSURANCE

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

Ceylinco General Insurance Ltd



Operational Structure



In January 2018 the IMF projected that Sri Lanka's real GDP growth would increase to 4.6%, as the agriculture sector was expected to recover from drought and flood, with the construction sector leading the robust growth of the service sector. However, towards the end of 2018, the projected economic growth for 2018 remained subdued at below 4 per cent in the backdrop of an expansion of 3.6 per cent in the first half of the year.

Industry Overview

The General insurance industry too showed a similar stride as of the country's economy, in year-on-year growth, recording an increase of 7.9% in 2018 compared with the growth of 15.8% in 2017. By the end of 2018, the general insurance industry comprised of 13 companies, where 11 were engaged in General insurance and the other two being composite companies.

In 2018, Sri Lanka's insurance industry recorded Gross Written Premium valued at Rs. 175.7 billion, an increase of 9.5% year-on-year, while General Insurance accounted

for 55.4% of total premiums recording Rs. 95.6 billion in value. 65.8% of General insurance premiums were generated through Motor insurance, followed by Fire and Engineering (12.6%), Health products (10.6%), General Accident (8.5%) and Marine (2.5%) as at end 2018.

We welcome the move by The Insurance Regulatory Commission of Sri Lanka (IRCSL) in issuing a corporate governance framework for the industry with effect from 1st July 2019 in order to facilitate effective entrepreneurial and prudent management within the insurance companies and to promote corporate fairness, transparency and accountability.

As an industry, there is growing concern about a player in the insurance sphere who does not fall within the purview of the Insurance Regulatory Commission of Sri Lanka and Insurance Industry Act no. 43 of 2000 and yet is involved in selling a category of insurance products in several parts of the country. Since it is not an insurance company regulated by the IRCSL, it is therefore not geared to accept liabilities of mass scale.

Company Performance

Ceylinco General Insurance posted another outstanding year with an impressive performance and recorded excellent results and retained its market leadership in the general insurance industry. During the period under review, the company recorded a premium income of Rs.19.1 billion coupled with an impressive growth of 6.7%, which marks an increase of Rs. 1.2 billion over the previous year. The company's Profit After Tax stands at Rs. 1.8 billion, indicating an increase of 27% over 2017, while Profit Before Tax achieved was Rs. 2.3 billion – reflecting an increase of 37% YoY. During the year under review, claims were paid amounting to Rs. 9.3 billion.

Ceylinco General Insurance posted another outstanding year with an impressive performance and recorded excellent results and retained its market leadership in the general insurance industry.



Highlights of the Year

Our branch network expanded to over 525 branches and sales outlets island-wide during the year, resulting in the largest branch network by far, enabling easy access to our insurance solutions. 41 "VIP Counters" were opened in 2018, with 19 of them under the City Office and the remaining 22 under the branch network.

In order to further strengthen our position in the insurance industry and to expand our reach we have engaged in a continuous drive of developing and managing our Channel network. Understanding the emerging trends of the market we have partnered with several leading banks of the country to offer their customers our insurance services through the respective bancassurance platforms. Through these partnerships, we have introduced many customized products.

Adding to the longstanding partnerships we have with many of our corporate clients, we have tied up with many Mobile, Utility, Service and Transport providers to offer their customers with simple and affordable insurance products. By offering this, our

Channel Partners are able to gain more loyalty to their respective organizations whilst we have extended our reach to a great extent.

Due to our market strength and service capacity, we were honoured to be selected the Local Partner of American Insurance Group (AIG) for Sri Lanka. AIG amongst the top 10 insurance companies in the world, has insured some of the world's leading companies and through this partnership we have been able to provide our services and insure these multinational companies established in Sri Lanka.

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.

Product Innovation

In 2018, Ceylinco General Insurance announced yet another breakthrough in general insurance by extending its serious illness benefit offered to Ceylinco VIP policy holders to all non motor policy holders as well. Hence, they are entitled to a cover up to Rs. One Million 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.

A comprehensive cover was also introduced for students wanting to pursue higher education, covering serious illnesses, accidents, death or disablement of parent or guardians etc., which enables them to continue with their higher studies unhindered, even if an unforeseen event

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

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.

occurs. Introduced with three plans, with affordable premiums, Ceylinco Higher Education Policy will benefit a large number of students pursuing degree programmes, those reading for their Masters as well as other professional and vocational study programmes.

To capture an untapped market, Ceylinco General Insurance introduced On The Spot claim settlement to Buyer's Title Insurance policies up to a purchase price of Rs. 15 million. Under this new benefit Buyer's policy holders will have the option of obtaining company services to defend their title in the event of a litigation or to get compensation by transferring the ownership of the property to the company.

A Customer Relationship Management System will be in place in the near future, which will further enhance the quality of the professional customer service we provide and strengthen our customer relationship management.

Nurturing Human Capital

Whilst expanding the network, a similar expansion drive was undertaken in terms of recruitment of sales staff. Our rapidly increasing sales team enables us to reach customers in the most rural areas of the country thus penetrating into untapped markets with suitable insurance solutions.

Our emphasis on career development and enhancement of skills and professionalism of our staff has become more important than ever before. As a proactive approach to this important element, towards latter part of 2018, we initiated the introduction of a Performance Management System and once this is in place in the near future, performance and contribution of each and every staff member can be monitored in a fair and a systematic manner leaving out any biasness and personal preferences.

Once again the annual overseas tour was arranged for the 15th consecutive year and a contingent of 250 deserving staff members took wings to Jakarta, Indonesia for a five-day-long holiday and a half-day "Brain storming" session. This gesture by the company recognizes and rewards their outstanding contribution to the company and has also become a key motivational factor. The desire of every staff member is to be a part of the tour group jetting off for an all-expenses paid overseas holiday.

The much-awaited Annual Sales Conference and Awards Ceremony for 2017 attended by over 1,150 members of the sales force was held in April 2018 under the theme: "A Great Company Then, Now and Always, Constantly Delighting Customers Through Service Excellence And Ground Breaking Innovations". The glittering event rewarded top performers in the sales team with outstanding performance awards. The selection process for the awards is a highly stringent, with candidates being evaluated against various performance criteria. Over 700 members of the sales force received awards, reflecting their hard work and commitment.

Rapid Strides in Technology Adoption

In order to be on par with the developments in the IT spectrum, we continue to provide specialised training and exposure to our IT staff at all levels including overseas training where necessary, virtual lab environments etc and in various areas such as

programming languages, new development tools, databases, cloud applications, firewalls and operating systems etc.

As a part of our business continuity plan, we have designed our DR site with servers that are connected to Oracle Cloud, which aids fast connection to the system in less than 15 minutes in the event of a disaster at the head-office. This will enable us to run our entire operation without any kind of interruption in case of a serious disaster.

Moreover, we have moved towards pathways such as mobile applications that help customers, end users and the sales team to regulate the necessary services without any extra help. The applications (Apps) that we are currently utilizing are ME's Onsite Image Upload App, Marine Online App, Assessor Tracking App. etc. Meanwhile several business platforms are being utilised with a proactive approach to the technology based sales approaches taking place in the market dynamics.

We are also in the process of introducing Business Intelligence tools in order to streamline our services further and to enhance the accuracy of our claim settlement to the point of eliminating mistakes entirely.

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.



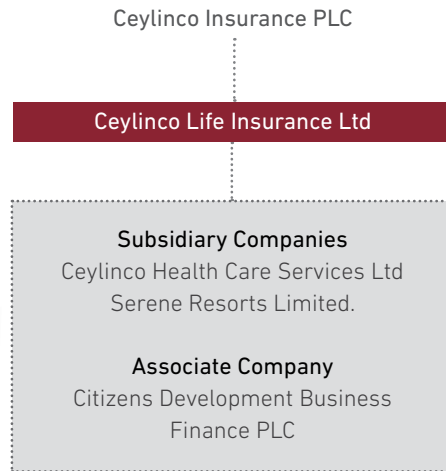
LIFE INSURANCE

Review by the Executive Chairman
Mr. R. Renganathan

Ceylinco Life Insurance Ltd



Operational Structure



The year 2018 was an important milestone for Ceylinco Life Insurance Ltd., as the company completed 31 years and the 15th consecutive year of market leadership in the long term insurance market. The company outperformed the industry yet again by achieving a total income of Rs 29.2 billion for the year ending 31st December 2018, outperforming industry averages in its core business to record premium income of Rs 17.8 billion, an improvement of 13 per cent over the previous year.

Profit before tax of Rs 7.2 billion marked an increase of 12.7 per cent over 2017 after discounting a one-off surplus of Rs 3.4 billion that boosted the profits of the preceding year, following a regulatory change in the basis of the valuation of life funds. Meanwhile, profit after tax for the year totalled Rs 5.8 billion, a material reduction consequent to the Company's tax provision increasing four fold in the year under review, from Rs 340 million in 2017 to Rs 1.36 billion in 2018, under the new life insurance tax regime introduced by the government.

The Company's Life Fund grew to Rs 88 billion following a transfer of Rs 6.5 billion during the year. Shareholders' funds increased by Rs 5.8 billion or 28 per cent to Rs 26.4 billion. The company sold 123,273 new life policies in the year reviewed at an average of 10,272 per month and paid out Rs 10 billion in gross claims and benefits to policyholders, an increase of 45.2 per cent over 2017.

Regulatory Environment

After nearly 20 years of discussion, the International Accounting Standards Board (IASB) published IFRS 17 which is intended to achieve the goal of consistent, principle-based accounting for insurance contracts. The new Standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. In compliance with the adoption of the standard, all insurance companies are required to adopt IFRS 17 on or after 1st January 2022.

The company has already set up a team of professionals comprising accountants, actuaries and auditors for this purpose and have retained local and foreign professionals who are experts in implementation of IFRS 17. In consultation with the Insurance Regulatory Commission of Sri Lanka (IRCSL) and in line with directions provided by CA Sri Lanka, the company is making satisfactory progress in its preparations for the implementation of IFRS 17. A dedicated team is currently conducting a gap analysis to identify the compliances required in the products and software systems relating to actuarial and finance.

Expanding geographical footprint

New branches of Ceylinco Life have been converted to eco-friendly operations to reduce the company's carbon footprint. Three new branches were inaugurated

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

in Chilaw, Kadawatha and Wellawatte respectively during the year under review. Construction of a new building for our main branch in Jaffna continued apace.

Product Innovation

An exclusive retirement plan branded 'Guru Abhiman' was launched specifically to enable teachers to save for their retirement. The plan provides a means for teachers to receive monthly payments or a lump sum within 10 years of commencement or at the time of their retirement. Starting at just Rs 1,500 a month, the Guru Abhiman Retirement Plan offers teachers the option of saving monthly, quarterly, half-yearly or annually for an agreed period. It offers tax-free returns unlike other savings plans in the market, and provides adequate savings to experience a comfortable and independent retirement in the midst of rising living costs. The plan also offers higher returns at maturity by calculating interest on the accumulated account balance on a monthly basis.

Benefits to policyholders

Ceylinco Life Insurance set a record Rs 4.4 billion in annual bonuses to 300,000 policyholders in the year reviewed, adding substantial value to their policies through the surplus generated in 2017 by our Life Fund. Among the beneficiaries were 15,000 policyholders who also received a special 'Avurudu' windfall totalling Rs 74.9 million in the form of immediately-encashable cheques as a reward for their loyalty. The annual bonus pay-out of Rs 4.4 billion was the highest in the company's history and represented an increase of 16 per cent over that of 2017.

'Pranama' scholarships scheme continues to grow in stature and societal impact with each year. Scholarships were presented to another 168 young Sri Lankans at the 17th edition of this programme in 2018.



The Rs 11.8 million committed at this event increased the company's cumulative investment in rewarding academic and extra-curricular achievement through the Pranama scholarships programme to Rs 131.8 million.

The 'Family Savari' programme completed its 11th edition during the year under review, and benefitted more than 4,000 people from over 1,000 policyholder families, who were rewarded with fully-paid visits to Rome, China and Singapore, and a day's outing at the Leisure World theme park. About 24,000 people, representing 6,000 policyholder families, have now enjoyed the Ceylinco Life Family Savari experience.

Rewards & Recognition

Ceylinco Life Insurance was declared the 'Best Life Insurer in Sri Lanka' yet again by the prestigious World Finance magazine in 2018 – the fifth consecutive year that your company has been honoured with this accolade. The award is based on Ceylinco Life's performance in the financial year

2017, and follows an in-depth assessment of key performance indicators by World Finance, a UK-based international magazine that analyses the financial industry, international business and the global economy.

Ceylinco Life Insurance was also declared the Peoples Life Insurance Service Provider of the Year at the 2018 SLIM-Nielsen Peoples Awards. Ceylinco Insurance is the only company in its sector to win this prestigious accolade every year since the inception of the awards. This was the second year that the Peoples Insurance Service Provider of the Year was awarded separately to Life and General Insurance companies, following the segregation of these segments of insurance by law in 2015.

It also gives me pleasure to record that Ceylinco Life was ranked among the 50 most valuable brands in Sri Lanka by Brand Finance Lanka in 2018, and was the highest-ranked life insurance brand in the country. Brand Finance assigned Ceylinco Life a brand value of Rs 3,680 million for 2018, moving it up two places from last year.

The year 2018 was an important milestone for Ceylinco Life Insurance Ltd., as the company completed 31 years and the 15th consecutive year of market leadership in the long term insurance market.

Sales personnel of Ceylinco Life Insurance won three Golds and a Bronze at the 2018 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM), once again emphasising the company's prowess in professional salesmanship.

Community Engagement

The company remains closely engaged with local communities. The community initiative to build classrooms for needy schools around the country helped move scores of students from temporary shelters to purpose-built classrooms in 2018. Buildings were donated to five rural schools, including the presentation of classrooms to schools in five districts in a single week. The Sampur Sri Murugan Vidyalayam in Muttur, Trincomalee, received the 70th classroom donated by Ceylinco Life under the programme, while the Welideniya Kanishta Vidyalaya in Wanduramba (Galle District), the Kirinda Vidyalaya, Nikaweratiya (Kurunegala District), the Hulandawa Dakuna Maha Vidyalaya in Hulandawa (Moneragala District) and the Konketiyawa Vidyalaya, Bogahawewa (Anuradhapura District) were the recipients of the 71st, 72nd, 73rd and 74th school buildings donated by Ceylinco Life in the course of a single week.

In the sphere of healthcare, the Colombo South Teaching Hospital, Kalubowila, the second largest government hospital in the Colombo District, was presented a fully-equipped High Dependency Unit (HDU) to provide intensive post-surgery care for recuperating patients before they are transferred to regular wards. Located in Ward 24 of the hospital, the HDU has four ICU beds, six syringe pumps, two infusion pumps, a patient warmer, a blood or fluid warmer, two DVT pumps, a piped medical gas system for the four beds, two portable ventilators, four cardiac monitors, and a central monitoring station. Constructed and equipped at a cost of Rs 11.75 million, this is the fourth such unit donated by Ceylinco Life to a government hospital.

During the year, Ceylinco Life continued on its mission to engage in impactful projects related to health care which benefitted communities. Two of our the most far-reaching projects are:

Waidya Hamuwa

Insufficient healthcare in rural Sri Lanka is a prime concern of Ceylinco Life. Waidya Hamuwa or "Meet the Doctor" is a programme conducted in rural areas of the country to facilitate them to meet a doctor, undergo health screening tests (BMI, Blood sugar, Pressure, eye check and etc) and receive advice on further treatments. This Medical camp is led by a team of qualified and experienced doctors and nursing staff who are attached to the state health sector and private laboratories. In 2018, 24 Waidya Hamuwa programmes were conducted to celebrate the company's 30th anniversary.

Raising Awareness about Non Communicable Diseases (NCDs)

In Sri Lanka, Non-Communicable Diseases (NCDs) cause more than three-quarters of all deaths and nearly 1 in 5 people die prematurely from NCDs. Ceylinco Life

tackled this issue head-on by facilitating 'Talk to Your Neighbour, an awareness and behaviour change education campaign for a healthier life, piloted through 10 schools in the Western Province.

Performance of Subsidiaries

Fully-owned subsidiary Ceylinco Healthcare Services Limited (CHSL) continued to make steady progress in the year and achieved a 55 per cent improvement in profit before tax. 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, 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. A new linear accelerator for the Radiation Treatment Unit was acquired in 2018, replacing the first machine with a state-of-the-art Clinac iX from Varian Medical Systems. The unit's capacity for Radioactive Iodine treatment was doubled.

The company continued to market Serene Resorts in the local market and will expand its marketing efforts overseas as well. The project was developed in light of Sri Lanka's rapidly ageing population for retirement living.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

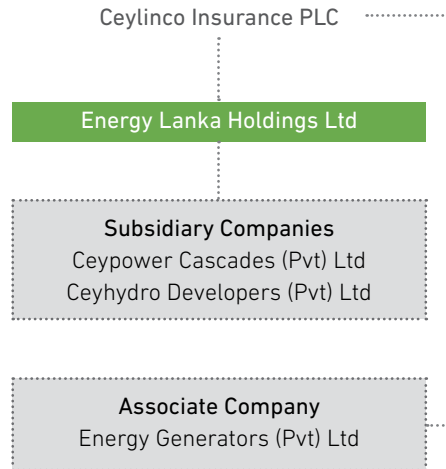


POWER

Review by Director/CEO
Mr. Upali Witharana



Operational Structure



Sri Lanka's total electricity generation grew by 3.7 per cent to 8,800 GWh during the first seven months of 2018 compared to 8,488 GWh generated in the corresponding period of 2017. Heavy rains received during May 2018 and the prevalence of favourable weather conditions in the catchment areas thereafter supported higher hydropower generation and eased the dependence on thermal power generation to some extent. Accordingly, hydropower generation, excluding mini hydro, increased by 99.5 per cent in the first seven months of 2018 in comparison to the same period of 2017. Meanwhile, power generation through Non-Conventional Renewable Energy (NCRE) sources increased by 37.2 per cent in the first seven months of 2018, in comparison to the same period of 2017, due to increased mini hydro and solar power generation. The Ceylon Electricity Board (CEB) accounted for 75.6 per cent of the total energy generation in the country, while the Independent Power Producers (IPPs) generated the remainder.

Ceylinco PLC's hydro power sector too recorded a strong performance during the year under consideration as a result of the heavy rainfall experienced through 2018 in the upper catchment areas where

its projects are strategically located. The hydro power sector of the group comprises of 4 hydro power plants, namely, Rajjammanna, Kumburuthaniwala, 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, Kumburuthaniwala, Loggal Oya Phase 1 & Phase 2, which rely mainly on rainfall, performed above forecasts. The Rajjammanna plant performed well by achieving performance levels of over 100%. High level of maintenance ensured at all the plants resulted in above average plant efficiency. Further, the company ensured the availability of spare parts and related technical services for uninterrupted operations of the plants.

The company is also exploring the opportunities opening up in the Sub-Saharan Africa, specifically in the hydro power sector. Initial discussions are being held and major decisions with regard to investment planning will be taken once the initial studies are completed.

The sector development is mainly driven by the government initiatives. However, if the government once again considers issuing licenses for small hydro projects, it would help CEB to reduce its average cost of power purchases. The delay in developing 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 will be felt this year, if the rainfall falls short in the hydro catchments. The recent tender for emergency power requirement of 100MW, which was awarded during year 2018, has an impact on the consumer tariffs and profitability of the CEB due to very high tariffs.

From the national point of view, out of the annual total generation for Sri Lanka which is close to 15 TWh in the year 2018

Ceylinco PLC's hydro power sector too recorded a strong performance during the year under consideration as a result of the heavy rainfall experienced in the areas where its projects are strategically located.



by CEB, more than 66% came from fossil fuel based power plants. Fuel cost for this fossil fuel based power plants is directly linked with the US dollar. This fact together with the depreciated rupee, aggravated the financial issues CEB is faced with. The impact of US dollar appreciation by more than 15% within the year 2018 came as a result of the Government of United States Federal Reserve's decision to raise interest rates which resulted in the USD's rise against all major currencies in the world which neither, the developers nor the Sri Lanka government has control over.

The attempts by the Government of Sri Lanka towards the development of low cost firm energy power plants (LNG combined cycle power plant for a capacity of 300MW) presently has run into a dispute, as two major bidders sought court intervention to resolve certain issues with regard to the tender guidelines. The delay in implementation of this project will also have a significant negative financial impact in the coming year to CEB since emergency power at a very high cost will be the only available option.

We welcome the Government of Sri Lanka's proposal for further sector development in the North and East along with large scale solar and wind power projects up to 10MW capacity. Our strong performance in the sector in the period under review firms our resolve to be a major player in Sri Lanka's renewable power industry in the years ahead.

	Ceyhydro Developers (Pvt) Ltd.	Ceypower Developers (Pvt) Ltd.	Energy Generators (Pvt) Ltd.
Capacity	5.6 MW	2.4 MW	6 MW
Revenue -2018	Rs. 283,639,921	Rs. 139,602,293	Rs. 414,896,573
Profit After Tax -2018	Rs. 71,909,345	Rs. 56,076,921	Rs. 167,385,090
Total Assets	Rs. 1,364,734,950	Rs. 481,330,476	Rs. 2,169,579,605

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

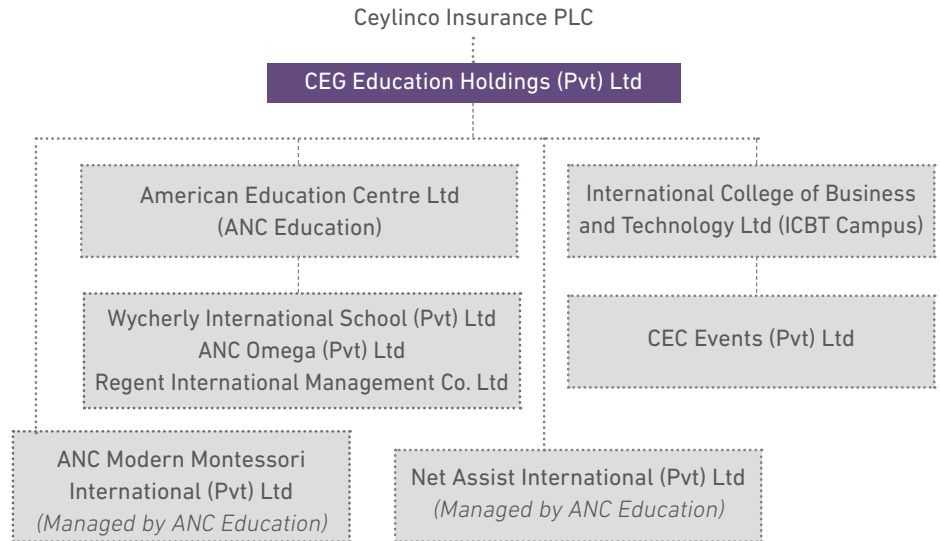


EDUCATION

Review by the Chairman
Dr. Jagath Alwis
 CEG Education Holdings (Pvt) Ltd



Operational Structure



The outlook of the education industry remained positive through the year under review due to the growing demand for higher education. The existing 15 state universities are unable to accommodate the large number of students passing the GCE Advanced Level Examination, even though they might obtain the minimum qualification to gain entry. The demand for international schools too is also increasing every year due to the fact that the government schools do not have enough capacity and with parents preferring their children to study international curricular in the English medium.

The educationists in the country have predicted that this trend will continue in spite of politicians expressing different views on this matter based on their political agendas. Sri Lanka has around 10,000 state schools and over 100 recognized private international schools and the country maintains the highest youth literacy rates in the South Asian Region which is about 98.5%.

The private international schools prepare students for international qualifications

such as Edexcel, Cambridge examinations which allow students to continue their higher education in foreign universities. Some international schools also deliver the local curriculum in the English medium where students could enter local universities also dependent on their Z score. It is most worthy to mention that a student who sat for GCE A/L examination in August 2018 became the all-island first in the Arts stream.

Each year, over 300,000 students sit for the GCE Advanced Level examination in Sri Lanka, of which around 150,000 students pass the GCE Advanced Level examination, gaining UGC recognized minimum qualifications required for university entrance. However, 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 choose 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

Ceylinco Insurance PLC has taken very significant steps through its Education Subsidiary, to offer a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicine and Business.



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.

It is against this backdrop that Ceylinco Insurance PLC has taken very significant steps through its Education Subsidiary, CEG Education Holdings (Pvt) Ltd., to offer

a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicine and Business. It is an investment for the future of our country furthermore in order to provide the proper foundation for Graduates and Postgraduate courses. The Ceylinco Education Sector also owns and manages internationally recognized pre-schools and primary and secondary schools.

During the year under review, the total revenue of the Education sector stands at Rs 2,866 million while Profit After Tax of Rs 509.5 million contributed to the overall Group profit. The industry has a significant market potential in attracting large numbers of foreign students to pursue international degree programs in Sri Lanka at a fraction of a cost compared to travelling to the country of the respective partner universities. However, current Sri Lankan immigration policies need to be improved to facilitate inbound student mobility in this segment. The industry players believe that the present government will take the necessary steps towards promoting Sri Lanka as an

“education hub” to attract foreign students to study in Sri Lanka which could be a major foreign exchange earner.

This year, one of the group companies, namely International College of Business & Technology Ltd., (ICBT Campus) again won the Gold Award for the fourth time in the education service sector of National Business Excellence Awards 2018 which is organized by National Chamber of Commerce. ICBT has also opened a seven-storey state of art building in the city of Kandy during the year under review.

Further, Wycherley International School acquired 94.6% of Regent International College Gampaha. Moreover, American Education Centre (ANC) has opened two branches in Kandy and Maya Avenue, Colombo 05, and opened 10 student recruiting centres in major cities outside Colombo.

Educational institutes under our Education arm are:

ANC Education: ANC Education, the largest US education provider in Sri Lanka, offers the widest range of opportunities for

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

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

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.

Their medical students' placement arm, ANC Medical Placement of ANC Future Centre, 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 Australian Foundation Programme has been specially designed for those who wish to complete their undergraduate studies in Australia. The Diploma Programme enables students to enter the second year of Degree Programmes in selected Australian universities.

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

ANC Omega (Pvt) Ltd: Recognizing the urgent and growing demands for 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, 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. The Montessori method is a unique educational approach which nurtures a child's intrinsic desire to learn by focusing on the child's cognitive, social, emotional and physical development. Educationists have accepted that the Montessori method puts a child on the right path to become a confident and self-motivated learner. Currently, the Institute is operating from 3 locations, namely Colombo 05, Dehiwala and Kotte, with plans to expand this network to other major towns in the island.

Net Assist International: Established in 2002 as a BOI-approved joint venture between Singapore Net Assist Services and CEG for providing IT training and professional certification, Net Assist International is currently managed by the American Education Centre, thereby bringing advanced IT training and internationally accredited certifications within the reach of Sri Lankan students at an affordable cost. Net Assist, through its affiliation with VUE Authorised Test Centre, offers online examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA

Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion. Microsoft recognized Net Assist International as a Gold Certified Partner for learning solutions and for many successive years received the award as Best Learning Partner. In 2007, Oracle appointed Net Assist as its Authorised Education Centre for Sri Lanka and Maldives. Net Assist also provides valuable IT consultancy services such as software development, network designing, network security, data storage, communication servers and all Microsoft certification and project management certification products.

Regent International School: This is the newest addition to ANC Education and is located in Gampaha. 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. 94.6% of the entity was acquired by Wycherley International School in December 2018.

Wycherley International School: Founded in 1985, this was 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 & Technology Ltd (ICBT Campus)

Established in 1999 to provide affordable and internationally recognized educational qualifications in Sri Lanka, ICBT 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, 2016 and 2018. 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 Master's Degrees in association with 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. The second building owned by the ICBT was declared opened in March 2018 in Kandy. In order to cater to the needs of students living in the other provinces, ICBT has established branch campuses in Kandy, Kurunegala, Galle, Matara, Jaffna and Batticaloa.

CEC Events (Pvt) Ltd

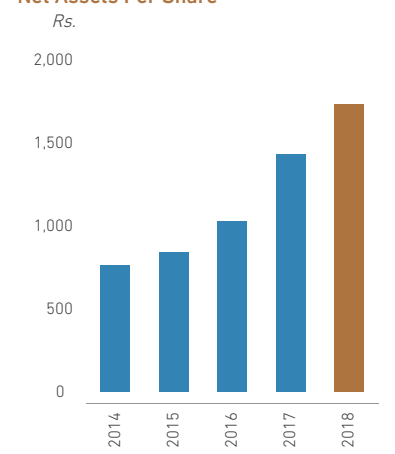
This is an event management company which has organized a wide range of mega events in Colombo and in major cities Island-wide. The company has organized an event in Dubai successfully just recently, making this its first overseas foray. In addition, it provides key services such as research, planning, marketing, promoting, stall constructing, photography and all other pre and post-event activities.

MANAGEMENT DISCUSSION & ANALYSIS

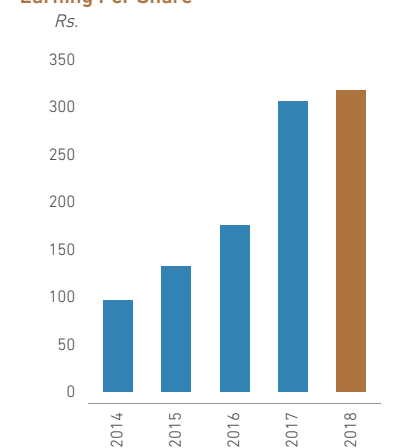
Share Information

		Year ended 31-Dec-2018	Year ended 31-Dec-2017
Net Assets Per Share			
Book value	Rs.	1,732.30	1,428.90
Earnings			
Basic Earnings Per Share	Rs.	317.80	306.26
Price Earnings Ratio (times) – Voting		6.30	5.20
Price Earnings Ratio (times) - Non Voting		3.00	2.70
Dividends			
Final Dividend	Rs.	35.00	31.50
Share Price - Voting			
High	Rs.	2,100.00	1,720.00
Low	Rs.	1,400.10	1,200.00
Last transaction	Rs.	1,990.00	1,597.00
Share Price - Non - Voting			
High	Rs.	1,078.80	950.00
Low	Rs.	825.00	720.00
Last transaction	Rs.	950.00	825.10
Share trading - Voting			
No. of transactions		1,625	954
No. of Shares traded		2,603,646	159,015
Value of shares traded	Rs. Mn.	4,816.00	222.00
Share trading - Non - Voting			
No. of transactions		839	670
No. of Shares traded		534,842	72,718
Value of shares traded	Rs. Mn.	509.00	61.00
Days traded - Voting			
No. of days traded		142	155
Total no. of market days		240	241
Market days traded	%	59.17	64.32
Days traded - Non - Voting			
No. of days traded		153	139
Total no. of market days		240	241
Market days traded	%	63.75	57.68
Market capitalisation - Voting			
Value	Rs. Mn.	39,800	31,940
Market	%	1.40	1.10
Market capitalisation - Non - Voting			
Value	Rs. Mn.	6,093.76	5,292.59
Market	%	0.21	0.18
Price movements			
CSE All Share Price Index		6,052.37	6,369.26
S&P SL20 Index		3,135.18	3,671.72
Ceylinco Insurance PLC share price - Voting	Rs.	1,990.00	1,597.00
Ceylinco Insurance PLC share price - Non-Voting	Rs.	950.00	825.10

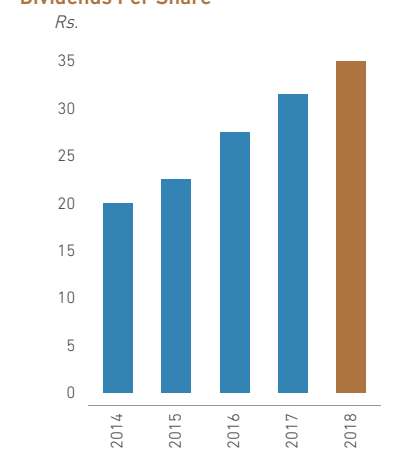
Net Assets Per Share



Earning Per Share



Dividends Per Share



MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

Ceylinco General Insurance Limited

Akurata Sawiya – Scholarship Programme

During 2018, we continued our programme introduced in the Moneragala district in 2017, to provide relief to school children of families 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. Plans are underway to extend the scheme to other districts.



Safe Drinking Water Project

The company has embarked on another ambitious programme to provide drinking water to train commuters as well as pilgrims at places of worship. Several heavy duty water filters were installed at the Fort Railway Station, Munneswaran Kovil etc, with a capacity to cater to over 3,000 people a day. Committed to maintain them as well, these filters will provide the commuters and pilgrims with purified water safe to drink and iced water. Similar machines will be installed at several other locations in time to come.



Annual Blood Donation

Ceylinco General Insurance staff joined hands with The Employees Union to host a Blood Donation Camp at its Head Office premises in February 2018. 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. It was a huge success - with over 175 pints of blood collected.



Refreshments for pilgrims

As in the past, 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 Dansalas. These refreshment programmes were held for the 10th consecutive year.

MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

Ceylinco Life Insurance Limited

Our Philosophy

'The continuing commitment of the company to create a sustainable business environment, even in the remotest areas of the country, through meaningful interventions in areas such as healthcare and education for needy people while providing protection and financial security of the highest quality.'

As an organization that is closely engaged with its stakeholders, Ceylinco Life has woven itself into the fabric of people's lives. Through our 30 years of operations, we have understood and responded to community needs in myriad ways. However, our experience has shown that the two key areas of Health and Education are vital to create a thriving community and to build a sustainable future for the nation. As a Life insurer, we have insights into how enhanced healthcare and access to quality education is one of the key factors requirements of such rural underprivileged communities.

As a result, we took a strategic decision to focus our CSR efforts in Health and Education to have the maximum positive impact in the community. Ceylinco Life has embarked on a journey to support rural communities with construction of classrooms and health screening programmes under Education and Health pillars of our CSR projects. The company allocated a budget of Rs. 23.1 million for projects in the areas of Health & Education during 2018.

Waidya Hamuwa

Insufficient healthcare in rural Sri Lanka is a prime concern of Ceylinco Life. The company has taken impactful steps to rectify this situation and promote good health in rural areas through the Waidya Hamuwa programme, which provides the country's neediest with access to free medical camps. Waidya Hamuwa or "Meet the Doctor" is programme conducted in rural areas of the country to facilitate them to meet a doctor, undergo health screening tests (BMI, Blood sugar, Pressure, eye check and etc) and receive advice on further treatments. This Medical camp is led by a team of qualified and experienced doctors and nursing staff who are attached to the state health sector and private laboratories

In 2018, 24 Waidya Hamuwa programmes were conducted to celebrate the company's 30th anniversary. Presently, we have helped over 142,000 people through these medical camps, which were held in more than 375 locations across the country, including 24 programmes conducted in 2018, which benefited above 5,400 beneficiaries.

Coordinated Branch	Programme Date	Waidya Hamuwa Location	No. of Participants
Anuradhapura	18.2.2018	Wilachchiya	235
Kadawatha	11.3.2018	Waboda	210
Ambalangoda	24.3.2018	Aluthwala	295
Galle	25.3.2018	Pilana	228
Mediwachiya	19.5.2018	Wahalkada	213
Padaviya	20.5.2018	Poonawa	193
Rikillagasgoda	10.5.2018	Mandaram Nuwara	298
Narammala	7.7.2018	Halwella	208
Mount Lavinia	14.7.2018	Moratuwa	120
Pelmadulla	18.8.2018	Ganegama Temple	241
Matugama	19.8.2018	Baduraliya Temple	160
Welimada	11.8.2018	Welimada	245
Bandarawela	12.8.2018	Soragune Primary School	220
Nugegoda	1.9.2018	Public library Colombo	400
Norachcholai	8.9.2018	Talawa	212
Nikaweratiya 01	12.12.2018	Nikaweariya	205
Middeniya	15.9.2018	Madamullana	225
Sooriyawewa	16.9.2018	Mahamevnawa Asappuwa	260
Balangoda	18.11.2018	Kaluthota	200
Monaragala	8.12.2018	Siyambanduwa	165
Anuradhapura	26.11.2018	Anuradhapura Town	238
Dankotuwa	17.11.2018	Dankotuwa	210
Dheyatakandiya	15.12.2018	Dheyatakandiya	150
Ambalantota	9.12.2018	Ranna	280

Donation of Surgical High Dependency Unit to Colombo South Teaching Hospital, Kalubowila

A four-bed High Dependency Unit (HDU) was handed over to the Colombo South Teaching Hospital in February 2018. A HDU is used to upgrade a patient from normal care and as a step down from intensive care, helping release beds in the intensive care units. This is used for post-surgery care, before transferring the patients to the wards, or to treat an intensive disease.

Ceylinco Life also has taken initiatives to set up and donate High Dependency units (HDU) to the main government hospitals in Sri Lanka. The company purchased beds and required equipment, in a location provided by the hospital. Ceylinco Life is also responsible for the maintenance of the HDU, including the upkeep of the ward and equipment. This particular HDU is located in Ward 24.

At the opening ceremony of the latest Surgical HDU to The Colombo South Teaching Hospital, Kalubowila, Dr Asela Gunawardene, Director of the Colombo South Teaching Hospital said: "This unit serves a long-felt need at this hospital. It will significantly increase the quality of post-operative care given to patients, without compromising on the attention needed by patients in the Surgical Intensive Care Unit."

"Since the commissioning of the HDU, our ward nurses have shown a keen interest in improving their skills in managing critically ill patients and even the junior doctors have had an opportunity to get involved in managing these patients. The workload of the SICU has lessened, and unnecessary postponing of major operations does not happen. Therefore, the quality of management and the number of patients managed (critically ill) has improved significantly since this unit was opened."

Aloka Pathirana, Professor in Surgery, University Surgical Unit



Raising Awareness about Non Communicable Diseases (NCDs)

In Sri Lanka, non-communicable diseases (NCDs) cause more than three-quarters of all deaths and nearly 1 in 5 people die prematurely from NCDs. One out of 3 people have raised blood pressure, while obesity among adults is a growing concern. Consumption of salt and sugar remains high.

World Health Organization (WHO) statistics for Sri Lanka reveal that cardiovascular deaths account for 40% among all ages, cancers 10%, chronic respiratory diseases 8%, diabetes 8% and other NCDs 10%. About 100,000 deaths per year are recorded because of diabetes related complications in our country as per 'Country Statistics and global health estimates' – WHO & UN partners.)

Ceylinco Life collaborated with College of General Practitioners – Sri Lanka, Diabetes and Cardiovascular Disease Initiative, community development services, Health & Education Ministry and Ada Derana 24 for this programme by sponsoring the implementation of an awareness and

MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

behaviour change education campaign for a healthier life titled, 'Talk to your neighbour' on NCDs, piloted through 10 schools in the Western Province. The schools in the province that showed interest in learning more about NCDs were selected. The 'Talk to your neighbour' team developed a set of 10 evidence and research-based health tips in consultation with the relevant medical technical bodies for school and public education and knowledge. The innovative programme encouraged selected schools to use their student talents, co-curricular strengths and capacities (drama, art, music, debating skills) to creatively and innovatively develop message discriminating platforms to their school peers and communities.

Objectives of the project

The primary objective of this pilot CSR project is to address the emerging NCDs in Sri Lanka through the next generation of leaders, namely students by developing effective IEC materials and thereby generating awareness and behaviour change among the population through the 'Talk to your neighbour' project in the school, community and primary care settings.

Impact of Project

Ceylinco Life is pleased with the visible impact of the project as school children expressed greater knowledge and awareness about NCD health messages. This information was further shared with parents the neighbourhood, community. In the course of the project, students were empowered to leverage their drama skills and leadership qualities to use innovative ideas and plan out acts in each school depicting the health message and behaviour change and how to successfully sustain life style modifications for a healthier lifestyle. Media sponsor TV Derana helped convey the health messages to a wider audience.



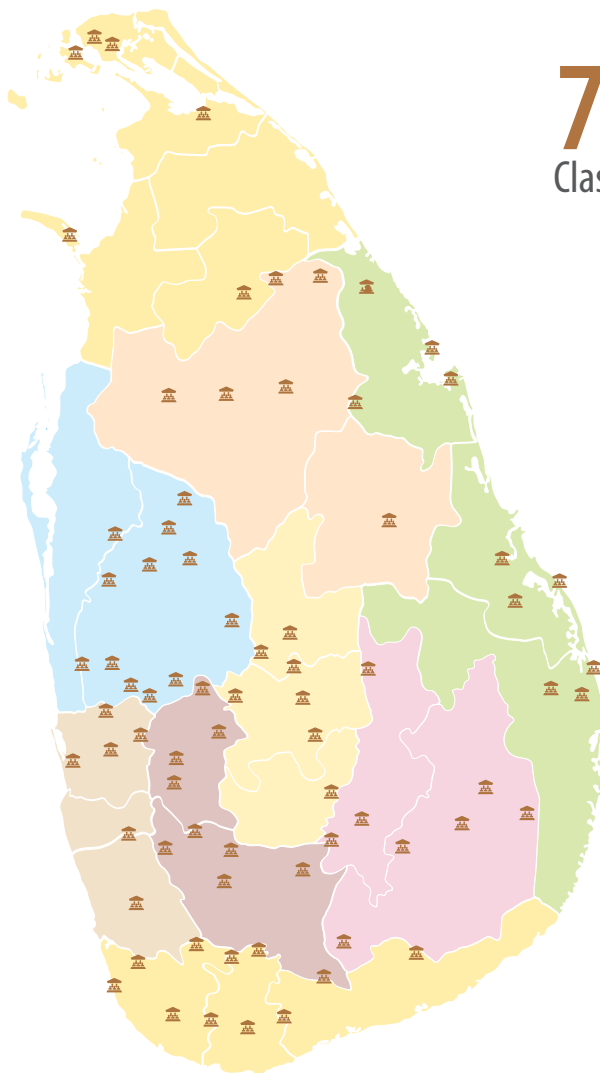
In Sri Lanka, a vast majority of children are dependent on free education provided by state schools. In spite of this, Ceylinco Life has found that in many remote areas, schools are struggling to survive and that they are in desperate need of basic infrastructure and facilities. Ceylinco Life's Classroom Development Program addresses these issues by identifying deserving schools and providing them free infrastructure, such as classrooms.

Through the vast network of the island-wide branches, the company identified deserving schools and supported them to build classrooms by fully funding the project. The company monitors the progress of the construction of the classrooms and disburses funds at the completion of each stage. Apart from the classrooms listed below, 7 more classrooms are to be opened in 2019. The cost of building five classrooms listed in the table was more than Rs. 2.5 Mn.

Classrooms opened in 2018

Ceylinco Life Donated classroom number	School & Region	District	Coordinated branch	Opening Date
70th Classroom	Sampoor Sri Murugan Vidyalayam Sampoor Mutur	Trincomalee	Trincomalee Branch	02.02.2018
71st Classroom	Ga/ Welideniya Kanishta Vidyalaya, Welideniya Wanduramba	Galle	Baddegama Branch	27.11.2018
72nd Classroom	NK /Kirinda Vidyalaya , Nikaweratiya	Kurunegala	Nikawartiya Branch	28.11.2018
73rd Classroom	Hulandawa Dakuna Maha Vidyalaya, Hulandawa , Monaragala	Monaragala	Monaragala Branch	29.11.2018
74th Classroom	A/Konketiyawa Vidyalaya, Bogahawawa	Anuradhapura	Padaviya Branch	30.11.2018

CSR map showing 74 Classrooms built and donated by Ceylinco Life



Maintaining Classrooms

In order to commemorate its 30th anniversary, the company took on the task of painting classrooms donated in the past. By the beginning of year 2018, the company had donated about 70 classrooms. Branch staff in the vicinity of the identified schools, were in charge of visiting the schools and initiating the painting. The staff of each branch participated in the shramadana project. By end 2018, 38 classrooms were painted along with additional attention being paid to roof repairs etc, cost which was also borne by the company. The project was entirely driven through employee volunteerism.

Future

Our effort to build classrooms in schools for economically underprivileged children in rural areas is enhancing opportunities for them to pursue an education. We will continue with this project and plan to revamp classroom designs while conducting extensive research to identify schools that are in dire need of having classrooms built. As an indelible part of the lives of Sri Lankans island-wide, Ceylinco PLC will continue to demonstrate its commitment to the long-term sustainability of local communities by engaging in impactful CSR projects.

MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

Education

Dhiriya Athwalak



The first aspect for the Final phase of 'Dhiriya Athwalak' took place at The Rajagiriya Tamil Vidyalam. The project titled 'Think Green' is a Public Relations initiative, which focused on creating environmental awareness amongst the students.

The Rotaract Club of ANC together with The Charity Club of ANC donated plants, pots, seeds, water cans, fertilizer and soil to the school in order to continue to motivate these students to plant various vegetables within their school garden and create a sustainable environment.

Donation of Chemotherapy Ports to Cancer Care Association (Poson Charity Project – Phase 1)



As part of Poson celebrations, ANC students, staff and well-wishers teamed up and donated chemotherapy ports worth of Rs.400,000/ to the Cancer Care Association.

Visit to Chandrasekera Home, Moratuwa



As a part of Children's day celebrations, the students of ANC Psychology Club visited Chandrasekera Home and they gave gift packs and evening snacks to the children. Also, they had fun activities with the children that made the event a memorable one.

Visit to Mother Theresa Children's Home in Moratuwa



The Rotaract Club of American National College proudly conducted the project "Kinder Hearts" to provide essentials and other necessary equipment to the kids in an under privileged Children's Orphanage.

They spent the day with children who were affected by Autism and Down syndrome in Mother Theresa Children's Home in Moratuwa. They donated dry rations, milk powder and stationery sufficient for three months and other necessary equipment such as feeding chairs with the contributions and donations of the members of Rotaract club.

Visit to the Prithipura Community in Wattala



The Hospitality Club and Charity Club of ANC collaborated to donate a list of items such as milk powder, rice, dhal and other dry rations to the disabled children and elderly people in Prithipura Community.

Visit to Daddy Lanka Autism Center



Rotaractors from Rotaract Club of ANC visited the Daddy Lanka Autism Center and spent the day, played fun games and activities with the young children with autism. These children are very young and so much thought had been put into how to spend time with them and make the day as fun as well as safe as possible for everyone. Some of these activities included finger painting, face painting and simple origami. The aim of this phase was to brighten the children's day and provide the club members with a first-hand glimpse into the life of these autistic children.

Medical Camp at Tissamaharama



The students of ICBT also successfully completed a medical camp at Kavantissa Maha Vidyalaya, Tissamaharama. As an agricultural rural community affected by the recent drought, the students teamed up to assist the people at the request of Dr. Lakshman Weeresena and his medical crew. Providing medicine, free spectacles, sanitary packages, children's items, school shoes and various food items to the participants, the medical crew and students served over 800 persons, using the profit of Rs. 250,000/- collected by the students through various projects organized during the year.

Water Project



In order to contribute towards the health and well-being of the community, the students of ICBT Colombo campus carried out a water project at the Ritigahawatta Primary School at Buddama in the Moneragala district. A dedicated fund of Rs. 296,000 was raised by the students through various events and business activities throughout the year, together with

the partnership and financial assistance of the ICBT campus. The project impacted a total of 125 students and 15 staff members, and served to improve drinking water conditions through the donation of water filtration systems, bringing down the PH levels from critical levels to a safe, consumable status.

Medical Camp at Kabithigollawa



Upon the request of Dr. Lakshman Weerasena and the MOH of the Anuradhapura Division, the ICBT students organized a medical camp at Halmillawa, Kabithigollawa, in the North Central Province. The students raised funds of Rs. 300,000/- through various business activities, and managed to serve approximately 1200 persons badly affected by the mid-year drought, providing them with free medicine, spectacles, footwear and sanitary packs in partnership with 15 doctors and 20 support crew members.

Power



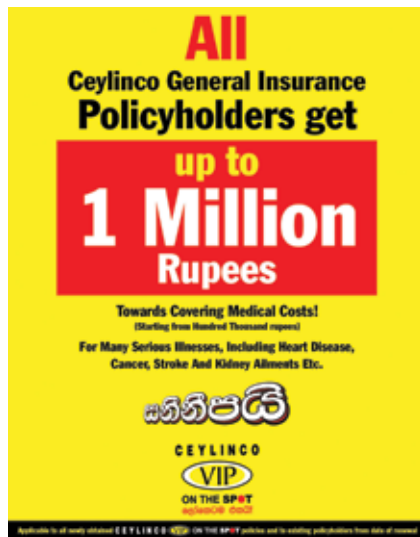
During the year, the sector contributed towards the furtherance of our future generation's education through an annual book donation that impacted two village schools. Books valued at a total of Rs. 500,000/- were donated at these events.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

Ceylinco General Insurance Limited

Ceylinco General Insurance Announces Rs. 1 Million Cover For Serious illness for all its policy holders



Ceylinco General Insurance introduced yet another unique benefit for all its policy holders in 2018 - offering a cover of up to Rs. 1 Million that reimburses medical costs incurred in the treatment of serious illnesses including heart disease, cancer, kidney failure, stroke and several other serious illnesses (open heart surgery, major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc). Introduced as an exclusive benefit for all its non-motor policy holders which includes fire and engineering, general accident, health, marine etc, the cover will vary depending on the premium paid and will commence with Rs 100,000/- and will accumulate up to Rs. 1 Million. On purchase of a cross-section of policies, a customer will be entitled to an enhanced cover. The cover will be valid for new policies, while existing policyholders will be entitled to this benefit from the date of their next renewal.

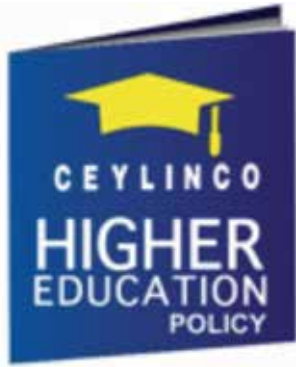
Showing you the right way on the highway

As a responsible corporate citizen and in order to educate people and road users on deteriorating civic values, Ceylinco General Insurance conducted a series of awareness programmes island-wide. Deterioration of moral values in our society are reflected daily on our roads, where people are not concerned about maintaining civil behaviour or even basic manners whether driving, riding or even as pedestrians.

It was our belief that conventional advertising will not be very effective in communicating this message. Therefore, we developed an innovative method of communicating these messages to the public in the form of a peaceful demonstration, holding placards. Another reason for using this method is to give each and every member of our staff the opportunity to participate in this worthy cause. The first programme was held in Colombo covering, Galle Face, Lipton Circus and Rajagiriya, with the participation of over 1,700 staff members followed by similar events in Kandy, Galle, Matara, Kurunegala, Negombo, Anuradhapura and Dambulla.



Ceylinco Higher Education Policy



A comprehensive cover was also introduced for students wanting to pursue higher education, covering serious illnesses, accidents, death or disablement of parent or guardians etc., which enables them to continue with their higher studies unhindered, even if an unforeseen event occurs. Introduced with three plans, with affordable premiums, Ceylinco Higher Education Policy will benefit a large number of students pursuing degree programmes, those reading for their Masters as well as other professional and vocational study programmes.

Felicitating Sales Staff

The much-awaited Annual Sales Conference and Awards Ceremony for 2017 was attended by over 1,150 members of the sales force in April 2018 under the theme: "A Great Company Then, Now and Always, Constantly Delighting Customers Through Service Excellence And Ground Breaking Innovations!" The glittering event rewarded top performers in the sales team with outstanding performance awards. The selection process for the awards is highly stringent, with candidates being evaluated against various performance criteria. Over 700 members of the sales force received awards, reflecting their hard work and commitment. The new entrants to the celebrated 'Hall of Fame' category received brand new Mercedes Benz cars as a token of recognition from the company for their exceptional contribution.



Ceylinco General Insurance uses drone technology to inspect flood claims on the spot



Registering another industry first, Ceylinco General Insurance became the first insurance company in Sri Lanka to use drone technology to inspect claims. During the floods in May 2018, drones were used to inspect locations submerged under water in order to settle claims speedily. Staff members promptly visited each and every location affected by the floods and locations they could not reach due to flood waters, were inspected by drones.

Accordingly, claims were paid within 10 days to flood-damaged Vehicles, Warehouses, Go-downs, Shops, Offices, Factories, Construction sites and to Home Owners numbering several hundreds.

Inter-Department Cricket Tournament



Staff of Ceylinco General Insurance gathered in large numbers together with family members and displayed their sporting skills at the Annual Inter-Department / Region Cricket Tournament and Annual Family Get-together organised by the Sports Club which was held in October 2018 at the CH&FC Grounds. 24

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

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 festive atmosphere to make it another memorable day. The City Office Team emerged triumphant as the winner of the overall championship whilst the Sabaragamuwa Region was the runners-up.

Ceylinco General Insurance partners major events

Ceylinco General Insurance supports many corporate 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 2018 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 2018 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.

Ironman



The company supported one of the country's biggest international sporting events, IRONMAN 70.3 Colombo, which saw the participation of over 739 athletes from 58 countries, with another 899 friends and family accompanying the foreign participants to Colombo. Parallel to the event, an Expo was also held to showcase local and international sports, health and wellness products and services for the IRONMAN 70.3 participants as well as the general public. The goals in bringing the IRONMAN franchise to Sri Lanka last year were to establish the country as a viable destination for sports tourism and outdoor recreation, while encouraging Sri Lankans to get more involved in physically challenging activities.

Ceylinco VIP Family Carnival

The annual employee family get-together this year consisted of a gala musical show. It was held for the sixth consecutive year in October 2018 at the Havelock Grounds. Organised by the Employees Union of Ceylinco General Insurance, the show was a grand success. The famous band, 'Sohan and the Experiments' and several guest artistes played electrifying music at the 'Ceylinco VIP Family Carnival 2018', complete with food stalls and games for the children in a carnival like atmosphere.



Annual Overseas Tour

Once again, the annual overseas tour was arranged for the 15th consecutive year. A contingent of 250 deserving staff members took wing to Jakarta, Indonesia, for a five-day-long holiday and a half-day "Brain storming" session. Staff members were treated in a five star facility, Le Grandeur Hotel in the heart of Jakarta. This gesture by the company recognizes and rewards their outstanding contribution to the company and has also become a key motivational factor. Every staff member desires to a part of the tour group jetting off for an all-expenses paid overseas holiday, which works as a key incentive.



Ceylinco Life Insurance Limited

Family Savari 11 Grand Draw



Five policyholder families won an all-expenses-paid holiday in Rome at the Family Savari grand draw. They were joined by 20 families to China, 50 families to Singapore and 1,000 families to Leisure world.

Opening of Chilaw Branch



Ceylinco Life commenced the new year on a Green note, declaring open a new purpose-built eco-friendly building for its branch in Chilaw. The two-storey, 6,000 square foot building at No 90 A, Kurunegala Road, Chilaw, was declared open on 16th January to mark the life insurance leader's 30th anniversary which fell on 14th January. It stands on land owned by the company.

Ceylinco Life Pranam Awards Ceremony



The power of recognition to inspire and motivate further achievement was the central theme when Ceylinco Life presented scholarships to another 168 young Sri Lankans at the 17th edition of the life insurance leader's 'Pranam' scholarships programme.

Children First Education Next Campaign



Ceylinco Life's continuing emphasis on the importance of families spending quality time together found new expression in the Children First, Education Next campaign. The two-month long campaign sought to create awareness of the harmful effects of parents and children being obsessed with education to the extent where the well-being of the children becomes secondary.

Annual Awards ceremony



The champions of Ceylinco Life's remarkable growth in 2017 were recognised at a gala awards ceremony and the 30th anniversary celebration at which the Life insurance leader honoured 261 members of its sales and non-sales teams with 457 performance awards.

Jaffna New Building Foundation Ceremony



Ceylinco Life commenced the construction of a new building for the company's main branch in Jaffna. A five-storey edifice with 20,000 square feet of purpose-designed office space will be the second branch building at No 37, Kanathiddy Road, Jaffna.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

Opening of Kadawath Branch



Ceylinco Life declared open an eco-friendly branch in Kadawatha on Company owned land, forging ahead with the company's Green agenda. Located at 15A Jaya Mawatha Kadawatha, the new branch building stands on three floors offering 6,000 square feet of space, with provision to expand upwards to four storeys.

Annual Bonus and Cash Bonus

Ceylinco Life declared a record Rs 4.4 billion in annual bonuses to 300,000 policyholders, adding substantial value to their policies through the surplus generated in 2017 by the Life Fund of the life insurance market leader.

Family Savari 11 Leisure World Event



The precincts of Leisure World reverberated to the sounds of unbridled fun and frolic recently when thousands of Ceylinco Life policyholder families from every district of the country descended on the theme park to celebrate the first phase of the Life insurance leader's Family Savari mega promotion.

Retirement Planning month

Ceylinco Life launched a retirement campaign themed 'The 30 day plan for 30 years of serenity' promoting retirement planning schemes and offering a chance to win overseas and local vacations

Family Savari 11 tour to Singapore



50 policyholders of Ceylinco Life and their families were treated to an all-expenses-paid holiday in Singapore.

Family Savari tour to Rome



Ceylinco Life policyholders and their families spent four days in Rome courtesy of the life insurance leader. The group, comprising of the grand prize winners in the 11th edition of Ceylinco Life's Family Savari promotion, undertook a city tour, visited the Vatican Museum, the Sistine Chapel, St Peter's Basilica, the Colosseum, Piazza Navona and the Pantheon and enjoyed a grand farewell dinner and get-together on the last day of the tour.

Family Savari tour to China



A group of policyholders of Ceylinco Life and their families were treated to the majesty and mystique of the Orient during a four-day visit to China courtesy of the Life insurance leader.

Opening of Wellawatta branch



The largest branch office of Ceylinco Life was declared open in Wellawatte to better serve policyholders in Colombo South and its suburbs.

The new branch is located in a building acquired by Ceylinco Life at 43 – 45 Galle Road Colombo 06 and has 12,675 square feet of space, with a fully-equipped training facility that can accommodate 65 people at a time.

Long service Awards



Ceylinco Life felicitated 537 employees with Long Service Awards, recognising the loyalty of permanent employees that have served the Company for 10 years or more, at a gala celebration.

Mid year Awards

The company held its mid-year awards at a gala event at Amaya Hotel Kandy where it recognised 232 sales individuals for their exceptional performance.

Children First Family Fun day



A 1,000 people comprising of 300 Ceylinco Life policyholders and their family members were treated to a day of fun at Saniro Dream Paradise, Veyangoda, courtesy of the Life insurance leader's 'Children First, Education Next' campaign.

Pranama Relaunch

Ceylinco Life launched the 2019 'Pranama' Scholarships programme where more than Rs. 11 million in new scholarships will be awarded to 160 young Sri Lankans in February 2019 under the 18th edition of the Ceylinco Life 'Pranama' Scholarships programme.

Family Savari 12 launch



Ceylinco Life announced Sydney as the grand prize for 5 policyholder families; 10 families to China, 50 families to Singapore and 500 families to Leisure World in the 12th edition of the Family Savari consumer promotion.

Launch of Smart Protection

Ceylinco Life launched a new product to the market where for the first time a life insurance product paid back all premiums paid and the Basic sum assured at the maturity of the policy.

Ceylinco Life Sports Festival



Life insurance promoters demonstrated their skills in sports at the 12th annual sports festival of Ceylinco Life concluded at the Mahinda Rajapaksa International Stadium in Diyagama, Homagama.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

Education



Awards Night & Graduation Ceremony – ANC Education



Australian Fair – ANC Education



Winners of Annual Engineering Exhibition EXITO



Year end student party - Fire and Ice Fashion Show



Independence Day Celebration – Wycherley International



Prize Giving 2018 - Wycherley International



Regent International School



Annual Interhouse Athletic Meet - Wycherley International

MANAGEMENT DISCUSSION & ANALYSIS

Awards & Accolades

Ceylinco Insurance PLC continued its legacy of being recognized and rewarded for its achievements across various prestigious platforms in 2018. These awards reflect the company's commitment to setting industry benchmarks while delivering best-in-class products and solutions to its customers. Some of the accolades during 2018 were:

Highest Ranked Insurance Company in LMD 100



The LMD 100 listing for 2018 placed Ceylinco Insurance in the 23rd position among all listed companies in the island and the highest ranked insurance company in Sri Lanka for the 25th consecutive year. Since the inception of the LMD ranking, Ceylinco Insurance has maintained its supremacy by occupying the top position among insurance companies.

Only Insurer among Business Today Top 30



Once again, for the sixth consecutive year, Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. Ceylinco Insurance moved up the corporate ladder to the 7th position in the listing, achieving a truly unique feat.

SLIM-Nielsen 'People's General Insurance Brand' award for 12th consecutive year



Ceylinco General Insurance was the undisputed choice as the 'People's Insurance Brand of The Year', at the SLIM Nielson People's Awards – 2018, for an unprecedented 12th year in a row. 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 and poll by end users.

Listed in S&P Sri Lanka 20 Index on the Colombo Stock Exchange (CSE)

In June 2018, the Colombo Stock Exchange announced the inclusion of Ceylinco Insurance PLC in its S&P SL 20 index, which includes the 20 largest companies by total market capitalization, listed on the Colombo Stock Exchange that meet minimum size, liquidity and financial viability thresholds.

Awarded People's Awards Best Life Insurer for the 12th year



Ceylinco Life was declared the Peoples Life Insurance Service Provider of the Year at the 2018 SLIM-Nielsen Peoples Awards, making the Life insurance market leader the only company in its sector to win this prestigious accolade every year since the inception of the awards 12 years ago.

Awarded world finance for the 5th year



Ceylinco Life was declared the 'Best Life Insurer in Sri Lanka' by the prestigious World Finance magazine for the fifth consecutive year.

CORPORATE GOVERNANCE

Our Corporate Governance practices are built on making a positive and sustainable impact in the lives of our customers, suppliers, employees, communities and on the environment in which we operate.

We believe that good governance contributes to the long-term success of a company, creating trust and engagement between the company and its stakeholders. Our Corporate Governance practices are built on making a positive and sustainable impact in the lives of our customers, suppliers, employees, communities and on the environment in which we operate. In this regard we are proud to state that your Company and the Group were able to successfully meet the challenges in relation to all aspects of governance in 2018 as well.

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

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 Board of Ceylinco Insurance PLC appointed by the shareholders is the highest decision making authority and has overall responsibility for determining the strategic direction of the Group, adopting sound governance framework and setting in place robust risk management and internal control systems.

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.

Operations of the Ceylinco Insurance PLC is governed by the Companies Act No.7 of 2007, the Continuing Listing Requirements of the Colombo Stock Exchange, 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.

The following sections of the Annual Report depicts the Corporate Governance compliance details

At Ceylinco Insurance PLC and its adherence to the 'Code of Best practice on corporate governance'

Board of Directors

The Board provides guidance for the formulation of the Group's long term strategic plans and approves the same at meetings convened specifically for this purpose. It also monitors performance against agreed Key Performance Indicators at regular meetings of the Board whilst specialized areas are identified for oversight by Board Committees to report on progress and concerns to the Board. 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. Hence we always ensure that the Directors are persons of repute who would be able to contribute significantly towards the benefit of the Company and Group to achieve its strategies, objectives and goals.

CORPORATE GOVERNANCE

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.

Role of the Chairman

The Company's leadership model promotes a clear division of responsibilities between the Chairman and the Chief Executive Officer (CEO) which ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making process.

The Chairman provides clear and distinct leadership to the Board with respect to the Group's strategic growth while ensuring guaranteed effectiveness and securing the best interests of the Company's stakeholders and promoting high standards of corporate governance.

The Chairman is responsible for the efficient conduct of Board meetings and ensures the effective participation of both Executive and Non-Executive Directors. He encourages all Directors to make an effective contribution for the benefit of the Company and maintains a balance of power between Executive and Non-Executive Directors.

Role of Chief Executive Officer

Authority is delegated by the Board to the Chief Executive Officer (CEO), who is responsible for the management of the Company's diverse businesses. The CEO further delegates authority to The Leadership Team and management committees who are empowered to make

decisions to specified levels, beyond which they are escalated to the CEO or Board (as prescribed by the Board).

Board meetings and attendance

During the financial year under review the Board has held six scheduled meetings. 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.

The attendance at the Board meetings and Sub-Committee meetings held during 2018, together with individual attendance, is given on pages 67 to 69.

Board Committees

Certain functions of the Board have been delegated to Board Committees, enabling Directors forming part of respective committees to focus on their designated areas of responsibility and impart knowledge in areas where they have the greatest expertise. This allows the Board to provide effective oversight and leadership focus on key issues and prioritize its time and resources.

Appointment of the members to Board Committees is decided by the Board. Each Board Committee has direct access to the management. Therefore, this framework provides the Board with a structured way to collaborate with management on specific issues.

The committees, the structure and composition, frequency of meetings and other details are set out on pages 57 to 58 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 Annual General Meeting is used for constructive engagement with shareholders. 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 172. The Board on the recommendation of the Remuneration Committee approved the remuneration paid to the Executive Directors during the year 2018. 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.

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 Details Compliance	
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 pages 18 to 22.
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 61.
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 61.
7.10.5 (c)	The annual report should set out:		
	The names of Directors comprising the Remuneration Committee	Complied	Please refer page 57.
	A statement of remuneration policy	Complied	Please refer page 61.
	The aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 172.
7.10.6	A listed Company shall have an Audit Committee	Complied	Please refer page 59.
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

CORPORATE GOVERNANCE

Rule No:	Rule of Corporate Governance	Status of Details Compliance	
	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 57.
7.10.6 (b)	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied	Please refer page 59.
7.10.6 (c)	The annual report should set out:		
	The names of the Directors who comprise the Audit committee	Complied	Please refer page 57.
	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 59.
	A report by the Audit Committee setting out the manner of compliance of the functions during the period.	Complied	Please refer page 59.
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 62.
9.2.2	Composition of the Related Party Transactions Review Committee	Complied	Please refer page 57.
9.2.4	Related Party Transactions Review Committee Meetings	Complied	Please refer page 69.
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.
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 172, 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 62.
9.3.2 (d)	A declaration by the Board of Directors	Complied	Please refer page 73.

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 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
Terms of Reference	Available	Available	Available

CORPORATE GOVERNANCE

	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
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

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

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

The Chairman of the committee, Mr. D.H.J. Gunawardena who is a Fellow Member of a recognized professional accounting body with over 45 years of post qualifying experience. The biographical details of the members of the Board Audit Committee are given on page 57.

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 the Sri Lanka Accounting Standards.
- ⊙ compliance with the applicable laws and regulations of the country and policies and procedure 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 69 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 clearly defines the Terms of Reference of the committee and is reviewed periodically, to ensure the committee functions in accordance with statutory requirements and best practices.

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 (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS). 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

BOARD AUDIT COMMITTEE REPORT

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.

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-appointment as Statutory Auditors of the Company for the financial year ending 31st December 2019, subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena
Chairman, Audit Committee

1 March 2019

REMUNERATION COMMITTEE REPORT

Composition of the Committee

The Board appointed Remuneration Committee comprised of two (2) Independent Non-Executive Directors as members and the Chairman of the Committee is an Independent Director as set out below. The Chief Executive Officer (CEO) has been present at meetings subsequent to being invited by the Committee, other than in instances where matters relating to the CEO have being discussed.

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

The Committee held two (2) meetings during the year under review. The attendance of committee members at meetings is stated in the table on page 69.

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;

- ⊙ Determining and periodically reviewing the Remuneration Policy (salaries, allowances and other financial payments and perquisites) and remuneration payable relating to Executive Directors, the CEO and Key Management Personnel of the Company and Group.
- ⊙ Consider targets and benchmark principles for any performance related pay schemes.
- ⊙ Maintaining and developing competitive and attractive remuneration packages for employees.
- ⊙ 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

1 March 2019

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following Directors served as members of the Committee during the financial year 2018.

Mr. Herschel Gunawardena (*Chairman*) – *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.

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 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

- ⊙ Approving or rejecting the Related Party Transaction upon the required internal approval being obtained.
- ⊙ Obtaining any information that the Committee needs from management with regard to any related party transaction.

- ⊙ Seeking expert knowledge on any matters pertaining to related party transactions, where necessary.
- ⊙ Examining and approving the acquisition or disposal of substantial assets between related parties.
- ⊙ Ascertaining whether all related party transactions of the entity are transacted on normal commercial terms.

The Committee, in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel, to ensure;

- ⊙ that there is 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.
- ⊙ that the shareholders of the company are protected and
- ⊙ that fairness and transparency are maintained.

Meetings

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given in page 69 of this Annual Report.

The activities and views of the Committee have been communicated to the Board of Directors, quarterly by tabling the minutes of the Committee's meetings and briefing the Board on pertinent matters.

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 2018, is given in page 73 of the Annual Report.



Mr. D.H.J. Gunawardena
Chairman

Related Party Transactions Review
Committee

1 March 2019

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 75.

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 2019 to 2020 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

19 March 2019

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2018 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

19 March 2019

FINANCIAL CALENDAR 2019

Annual Report 2018	4th March 2019
Annual General Meeting	25th April, 2019
Final Dividend Proposed	25th April, 2019
Ex-Dividend From	26th April, 2019
Final Dividend Payable	07th May, 2019
Interim Report - 1st Quarter	15th May, 2019
Interim Report - 2nd Quarter	15th August, 2019
Interim Report - 3rd Quarter	15th November, 2019
Interim Report - 4th Quarter	28th February, 2020



OVERFLOWING WITH POTENTIAL

FINANCIAL STATEMENTS

Report of the Directors	66
Independent Auditor's Report	75
Statement of Financial Position	78
Income Statement	79
Statement of Comprehensive Income	80
Statement of Changes in Equity	81
Statement of Cash Flows	83
Insurance Revenue Account	84
Notes to the Financial Statements	85

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, 2018, and the Report of the Auditors thereon.

REVIEW OF OPERATIONS

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

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

As at 31 December	Group		Company	
	2018 Rs.'000	2017 Rs. '000	2018 Rs.'000	2017 Rs.'000
Profit After Taxation (After Non - Controlling Interest)	8,393,520	8,088,369	1,179,229	1,072,534
Add : Balance Brought Forward	26,623,524	19,630,683	13,885,048	13,538,912
Changes in Ownership in Group Companies	4,783	-	-	-
Other Comprehensive Income for the Period	813,824	(369,130)	-	-
SLFRS 9 Effect on Associate Investment	170,874	-	-	-
Funds Available for Appropriation	36,006,525	27,349,922	15,064,277	14,611,446
Appropriation : Dividend Paid - Final	(832,057)	(726,398)	(832,057)	(726,398)
Unappropriated Profit Carried Forward	35,174,468	26,623,524	14,232,220	13,885,048

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, 2018 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. 35 per share for the year ended 31st December, 2018, payable on 07th May, 2019.

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 (resigned w.e.f 29th May 2018), S.R. Abeynayake, S.H.J. Weerasuriya and Yu Kitai (appointed w.e.f 30th May 2018) were the Directors of the Company during the financial year ended 31st December, 2018.

In accordance with the Articles of Association of the Company, Messrs. K.I. Dharmawardena, S.H.J. Weerasuriya and Mr. Upali Witharana retire by rotation and being eligible, offer themselves for re-election. In accordance with the Articles of Association of the company Mr. Yu Kitai, Non-Executive Director appointed to the Board on 30th May 2018, seeks re-election.

Ordinary Resolutions were approved by the Shareholders at the last Annual General Meeting of the Company held on 25th May, 2018 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. Gen. C.S. Weerasooriya resigned from the Board w.e.f. 29th May 2018.

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 81 years of age in December, 2018, 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.

DIRECTORS' MEETINGS

The number of Board Meetings held during the financial year under review were six 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	6/6
Mr. A.R. Gunawardena	6/6
Mr. R. Renganathan	5/6
Mr. H.D.K.P. Alwis	6/6
Mr. E.T.L. Ranasinghe	5/6
Dr. W.C.J. Alwis	5/6
Mr. P.D.M. Cooray	5/6
Mr. K.I. Dharmawardena	6/6
Mr. D.H.J. Gunawardena	6/6
Mr. P.A. Jayawardena	5/6
Mr. N.D. Nugawela	6/6
Mr. T.N.M. Peiris	6/6
Mr. U. Witharana	4/6
Gen. C.S. Weerasooriya (Retd.)	2/2
Mr. S.R. Abeynayake	6/6
Mr. S.H.J. Weerasuriya	4/6
Mr. Yu Kitai	3/3

REPORT OF THE DIRECTORS

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.

Directors' Interest in Shares of the Company are as follows:
(including 'Close Family Members')

As at 31 December	Voting Shares		Non Voting Shares	
	as at	as at	as at	as at
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
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	9,629	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
Mr. S.R. Abeynayake	9,790	9,790	200	200
Mr. S.H.J. Weerasuriya	NIL	NIL	600	600
Mr. Yu Kitai	NIL	NIL	NIL	NIL

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 2018.

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	4/4	2/2	4/4
Mr. K.I. Dharmawardena	4/4	2/2	4/4
Gen.C.S. Weerasooriya	Non Member	Non Member	1/2
Mr. T.N.M. Peiris	Non Member	Non Member	4/4
Mr. P.A. Jayawardena	Non Member	Non Member	3/4
Mr. U. Witharana	Non Member	Non Member	1/4
Mr. Yu Kitai	2/2	Non Member	Non Member

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	1,971	438,257	2.19
1,001 to 5,000	481	893,055	4.46
5,001 to 10,000	44	331,752	1.66
10,001 to 50,000	20	362,907	1.81
50,001 to 100,000	1	55,796	0.28
100,001 to 500,000	5	975,644	4.88
500,001 to 1,000,000	7	4,617,181	23.09
Over 1,000,000	5	12,325,408	61.63
Total as at 31st. Dec. 2018	2,534	20,000,000	100

ANALYSIS OF SHAREHOLDERS

(Non Voting) Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1 to 1,000	1,241	261,171	4.07
1,001 to 5,000	92	214,945	3.35
5,001 to 10,000	20	163,044	2.54
10,001 to 50,000	17	448,170	6.99
50,001 to 100,000	3	191,801	2.99
100,001 to 500,000	10	1,824,918	28.45
500,001 to 1,000,000	1	652,357	10.17
Over 1,000,000	1	2,658,074	41.44
Total as at 31st. Dec. 2018	1,385	6,414,480	100

REPORT OF THE DIRECTORS

The percentage of "Public Holding" (as per Circular number 05/2013 of 30/12/2013 of the Colombo Stock Exchange) is 77.31% of the issued voting share capital (represented by 2,515 shareholders).

Float adjusted market capitalisation as at 31st December 2018 : Rs. 29,687,040,000/-

Analysis of Shareholdings

Institutional / Non – Institutional (Voting)

Shareholder Category	Number of Shareholders	Total Shareholdings	Holding %
Individuals	2,387	3,528,867	17.64
Institutions	147	16,471,133	82.36
	2,534	20,000,000	100.00

Institutional / Non – Institutional (Non Voting)

Shareholder Category	Number of Shareholders	Total Shareholdings	Holding %
Individuals	1,308	1,251,570	19.51
Institutions	77	5,162,910	80.49
	1,385	6,414,480	100.00

Share Ownership Distribution Analysis as at 31.12.2018

Local Companies %		Local Individuals %		Foreign Companies %		Foreign Individuals %	
Voting	Non Voting	Voting	Non Voting	Voting	Non Voting	Voting	Non Voting
50.3	26.18	17.58	19.32	32.06	54.31	0.06	0.19

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. 20.4 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 31.12.2018
(Voting)**

Shareholder	Holding as at 31-12-2018 No. of Shares	% of the Issued Share Capital as at 31/12/2018	Holding as at 31-12-2017 No. of Shares
Global Rubber Industries (Private) Limited	4,450,135	22.25	4,450,135
Mitsui Sumitomo Insurance Company Limited	3,000,000	15.00	1,200,000
Banque Pictet & Cie SA	2,145,079	10.73	2,545,079
Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund)	1,465,724	7.33	1,865,724
Shriram City Union Finance Limited	1,264,470	6.32	1,264,470
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	663,624
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
Eurocorp Investments (Pvt) Ltd	400,000	2.00	Nil
Ceylinco Insurance PLC - A/c. No. 07 (Gratuity Trust Fund of Ceylinco Insurance PLC - Life Division)	181,613	0.91	181,613
Praesidium Investments (Pvt) Ltd	149,062	0.75	18,608
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
Lakderana Capital Limited	55,796	0.28	40,734
Mr. Jivaka Lalith Bhupendra Kotelawala (Mr. J.L.B. Kotelawala 36,745 shares and joint with Mrs. S.P.C. Kotelawala 18,141 shares)	54,886	0.27	54,886
The Finance Company Ltd. Employees' Medical Fund	36,284	0.18	36,284

REPORT OF THE DIRECTORS

The 20 Major Shareholders as at 31.12.2018 (Non Voting)

Shareholder	Holding as at 31-12-2018 No. of Shares	% of the Issued Share Capital as at 31/12/2018	Holding as at 31-12-2017 No. of Shares
Pershing LLC S/A Averbach Grauson & Co.	2,658,074	41.44	2,833,653
J.B. Cocoshell (Pvt.) Ltd.	652,357	10.17	690,857
SEB AB-Tundra Frontier Opportunities Fund	289,700	4.52	NIL
Bharath Investments (Pte.) Ltd.	269,200	4.20	269,200
Dr. Watuthanthrige Chakrine Jagath Alwis	219,041	3.41	219,041
Banque Pictet & Cie SA	200,000	3.12	200,000
Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund	199,830	3.12	199,830
Mr. Piyadasa Rathnayaka	175,000	2.73	175,000
Ceylon Investment PLC A/C # 02	140,010	2.18	* 126,010
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
Askold (Private) Limited	103,035	1.61	92,700
Rubber Investment Trust Limited A/C #01	70,000	1.09	NIL
Mr. Yusuf Husseinally Abdulhussein	62,292	0.97	41,835
Miss. Rukaiya Husseinally Abdulhussein	61,259	0.96	55,173
Mr. Murtaza Ali Jafferjee	61,000	0.95	46,000
Mr. Husein Nuruddain Esufally	50,000	0.78	50,000
People's Leasing & Finance PLC / Mr. M.Z.M. Wafik	44,552	0.69	44,652
Hatton National Bank PLC A/C No. 05 (Trading Portfolio)	34,000	0.53	34,000
Guardian Fund Management Limited / The Aitken Spence and Associated Companies Executive Staff Provident Fund	33,000	0.51	33,000

* The Ceylon Investment PLC A/C #02 name change to Ceylon Investment PLC A/C #02.

** The Ceylon Guardian Investment Trust PLC A/C #02 change to Ceylon Guardian Investment Trust PLC A/C #02.

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements". (Pages 110 to 116)

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. 3.17 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.

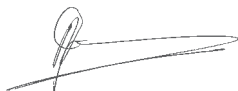
Auditors

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 153 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



Nilika Abhayawardhana

Company Secretary

19 March 2019

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 01.01.2018 to 31.12.2018 in which this company has had transactions during the year 2018

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	Mr. D. H.J. Gunawardena
1 American Education Centre Ltd.		✓	✓	✓		✓	✓						
2 CEG Education Holdings (Pvt.) Ltd.		✓	✓	✓		✓	✓						
3 Ceylinco General Insurance Ltd			✓	✓			✓						
4 Ceylinco Insurance Company (Pvt.) Ltd. (Maldives)		✓	✓	✓	✓	✓	✓						
5 Ceylinco Investcorp (Pvt.) Ltd.		✓	✓	✓	✓	✓	✓						
6 Ceylinco Life Insurance Ltd.**	✓							✓	✓	✓	✓	✓	✓
7 Energy Generators (Pvt.) Ltd.*		✓	✓	✓	✓	✓	✓						
8 Energy Lanka Holdings Ltd.		✓	✓	✓	✓	✓	✓						
9 International College of Business & Technology Ltd.		✓	✓	✓		✓	✓						

* 1. Mr. A.R. Gunawardena, Mr. H.D.K.P. Alwis, Dr. W.C.J. Alwis and Mr. N.D. Nugawela resigned from Energy Generators (Pvt.) Ltd w.e.f. 23/02/2018

2. Mr. U. Witharana and Mr. T.N.M. Peiris resigned from Energy Generators (Pvt.) Ltd w.e.f. 19/04/2018

** 1. Mr. J.G.P. Perera retired from Ceylinco Life Insurance Ltd. w.e.f. 14/11/2018

INDEPENDENT AUDITOR'S REPORT



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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF CEYLINCO INSURANCE PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ceylinco Insurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as

at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial

statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Life Insurance Contract Liabilities

The group has significant life insurance contract liabilities of LKR 87 Billion which represents 77% of Group's total liabilities.

The valuation of the life insurance contract liabilities in relation to the life business require the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus and expenses require the use of significant judgments and estimates.

The estimate of life insurance contract liabilities is sensitive to various factors and uncertainties. Given the magnitude and subjectivity of the assumptions involved in the valuation, we considered this to be a Key Audit Matter.

To assess the reasonableness of the life insurance contract liabilities, our audit procedures (among others) included following;

- Testing the key controls on a sample basis over the process of recognition, measurement and submission of data for estimating the life insurance contract liabilities.
- Engaging Specialized resources to assess the reasonableness of the assumptions used in the valuation of the life insurance contract liabilities with reference to market data and policyholders experience.
- Assessing the adequacy of the disclosures in note 22 and 43 (a) i to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT



KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Non-Life Insurance Contract Liabilities</p> <p>The group has non-life insurance contract liabilities of LKR 12 Billion which represents 11% of Group's total liabilities.</p> <p>Non-life insurance contract liabilities, which include the Group's outstanding claim provision and unexpired risk reserve, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances which require the use of significant judgements and estimates. Estimates have to be made for both the expected ultimate cost of claims reported as at 31 December 2018, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) as at 31 December 2018. Changes in such significant assumptions used in the valuation of the insurance contract liabilities directly impacts the income statement.</p> <p>The estimate of non-life insurance contract liabilities is sensitive to various factors and uncertainties. Given the magnitude and subjectivity of the assumptions involved in the valuation, we considered this to be a Key Audit Matter.</p>	<ul style="list-style-type: none"> ■ To assess the reasonableness of the non-life insurance contract liabilities, our audit procedures (among others) included following; ■ Testing the key controls on a sample basis over the process of recognition, measurement and submission of data for estimating the non-life insurance contract liabilities. ■ Engaging Specialized resources to assess the reasonableness of the assumptions used in the valuation of the non-life insurance contract liabilities with reference to the industry data, and considering the both historical experience and business expectation of the Group. ■ Assessing the adequacy of the disclosures in note 23 and 43(a) ii to the consolidated financial statements.

Other Information included in the 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we

are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have

complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

04 March 2019

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 Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
 Principal: T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December	Page No	Note	Group		Company	
			2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets						
Goodwill	108	6	181,304	181,304	-	-
Other Intangible Assets	108	7	115,856	164,643	-	-
Deferred Expenses	109	8	1,036,571	957,884	-	-
Property, Plant and Equipment	110	9	18,926,835	17,546,527	3,168	3,226
Investment Properties	116	10	1,170,061	1,124,061	153,332	153,332
Lease Hold Right	108	7	352	978	-	-
Investment in Subsidiaries	119	11 (a)	-	-	15,965,563	15,965,563
Investment in Associates	120	11 (b)	3,304,130	2,787,750	92,514	92,514
Financial Instruments						
Held to Maturity Financial Assets	122	12 (a)	60,801,425	65,556,414	-	-
Loans and Receivables	123	12 (b)	45,986,748	22,783,476	1,366,632	1,073,856
Available-For-Sale Financial Assets	124	12 (c)	8,411,817	13,200,451	51,089	51,928
Financial Assets at Fair Value Through Profit or Loss	126	12 (d)	565,829	2,349,607	-	-
Employee Gratuity Benefit Asset	130	13	4,132,329	1,735,480	-	-
Employee Pension Benefit Asset	134	14	1,790,858	1,999,060	-	-
Reinsurance Receivables	135	15	3,675,696	3,458,119	-	-
Loans to Life Policyholders	136	16	1,190,274	1,630,346	-	-
Income Tax Receivable	137	17 (a)	273,900	811,147	-	-
Deferred Tax Assets	137	17 (b)	20,214	192,771	-	-
Insurance Receivables/Trade Debtors	139	18	6,393,475	5,287,571	-	-
Other Assets	140	19	1,595,831	1,243,949	8,928	38,165
Cash and Cash Equivalents	140	20	1,358,954	1,532,789	10,490	2,489
Total Assets			160,932,459	144,544,327	17,651,716	17,381,073
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			35,174,468	26,623,524	14,232,220	13,885,048
Other Reserves	141	21 (b)	2,477,581	2,974,246	2,043,422	2,041,261
Revaluation Reserves			3,325,935	3,365,706	-	-
Restricted Regulatory Reserve	143	22 (b)	3,456,184	3,456,184	-	-
Total Ordinary Shareholders' Equity			45,758,990	37,744,482	17,600,464	17,251,131
Non-Controlling Interests	156	38 (a)	1,890,031	1,658,418	-	-
Total Equity			47,649,021	39,402,900	17,600,464	17,251,131
Liabilities						
Life Insurance Contract Liabilities	142	22	87,194,850	80,869,407	-	-
Unit Linked Fund & Other Funds-Life			519,695	427,146	-	-
Non Life Insurance Contract Liabilities	143	23	12,353,210	11,887,150	-	-
Employee Gratuity Benefit Liability	130	13	219,681	191,972	-	-
Deferred Revenue	145	24	353,737	274,445	-	-
Interest Bearing Loans & Borrowings	145	25	2,196,038	2,524,880	2,157	3,496
Deferred Tax Liabilities	138	17 (c)	592,014	386,629	-	-
Reinsurance Payables	146	26	2,619,587	2,166,547	-	-
Trade and Other Payables	146	27	7,234,626	6,413,251	49,095	126,446
Total Liabilities			113,283,438	105,141,427	51,252	129,942
Total Equity and Liabilities			160,932,459	144,544,327	17,651,716	17,381,073

The Notes on pages 85 through 174 form an integral part of the Financial Statements.

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

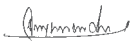


T.N.M. Peiris

Director/Head of Finance


The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board by:



P.A. Jayawardena

Director



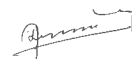
A.R. Gunawardena

Director



R. Renganathan

Director



Upali Witharana

Director

4 March 2019

Colombo

INCOME STATEMENT

For the Year Ended 31 December	Page No	Note	Group			Company		
			2018 Rs.'000	2017 Rs.'000	Change %	2018 Rs.'000	2017 Rs.'000	Change %
Net Income	149	28 (c)	49,425,436	44,388,628	11	1,268,568	1,116,663	14
Gross Written Premium	147	28 (a)	38,161,544	34,662,431	10	-	-	-
Premium Ceded to Reinsurers	148	28 (b)	(6,219,044)	(5,489,177)	13	-	-	-
Net Written Premium			31,942,500	29,173,254	9	-	-	-
Net Change in Reserve for Unearned Premium			(253,400)	(522,214)	(51)	-	-	-
Net Earned Premium			31,689,100	28,651,040	11	-	-	-
Revenue from Non Insurance Subsidiaries	104	5	3,462,653	2,914,867	19	-	-	-
			35,151,753	31,565,907		-	-	-
Fees and Commission Income	149	29	921,311	728,508	26	-	-	-
Investment Income	149	30	12,989,964	11,689,422	11	1,268,568	1,116,663	14
Net Realised Gains	150	31	348,368	189,696	84	-	-	-
Net Fair Value Gains and Losses	150	32	14,040	215,095	(93)	-	-	-
Other Revenue			14,273,683	12,822,721		1,268,568	1,116,663	
Gross Benefits and Claims Paid	151	33 (a)	(19,731,664)	(16,311,892)	21	-	-	-
Claims Ceded to Reinsurers	151	33 (b)	2,487,910	2,797,553	(11)	-	-	-
Gross Change in Contract Liabilities	151	33 (c)	(6,611,224)	(6,972,301)	(5)	-	-	-
Change in Contract Liabilities Ceded to Reinsurers	151	33 (d)	18,084	(851,393)	(102)	-	-	-
Changes in Contract Liabilities due to transfer of One off Surplus	151	33 (e)	-	3,456,184	-	-	-	-
Net Benefits and Claims			(23,836,894)	(17,881,849)		-	-	-
Cost of Sales - Non Insurance Subsidiaries	104	5	(933,644)	(846,993)	10	-	-	-
Acquisition Cost	153	34	(3,676,363)	(3,454,914)	6	-	-	-
Other Operating and Administrative Expenses	153	35	(10,389,247)	(9,793,836)	6	(68,580)	(36,079)	90
Finance Cost	154	36	(170,888)	(153,112)	12	(384)	(1,582)	(76)
Total Benefits, Claims and Other Expenses			(39,007,036)	(32,130,704)		(68,964)	(37,661)	
Profit Before Share of Associates			10,418,400	12,257,924	(15)	1,199,604	1,079,002	11
Share of Profit of Associates	120	11(b)	646,371	393,414	64	-	-	-
Profit Before Tax			11,064,771	12,651,338	(13)	1,199,604	1,079,002	11
Income Tax Expense	154	37	(2,399,319)	(868,751)	176	(20,375)	(6,468)	215
Profit for the Year			8,665,452	11,782,587	(26)	1,179,229	1,072,534	10
Profit Attributable to:								
Equity Holders of the Parent			8,393,520	11,544,553		1,179,229	1,072,534	
Non-Controlling Interests	156	38 (b)	271,932	238,034		-	-	
			8,665,452	11,782,587		1,179,229	1,072,534	
Basic/Diluted Earnings Per Share								
- Including one off surplus	156	39	317.76	437.05		44.64	40.60	
- Excluding one off surplus	156	39	317.76	306.21		44.64	40.60	

The notes on pages 85 through 174 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit for the Year		8,665,452	11,782,587	1,179,229	1,072,534
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Income Statement in subsequent period					
Net Gain/(Loss) on Available-for-Sale Assets	41	(376,507)	295,008	2,161	154
Exchange Differences on Translating Foreign Operations	41	67,165	8,562	-	-
Income Tax relating to Components of Other Comprehensive Income	41	(18,792)	(28,986)	-	-
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period		(328,134)	274,584	2,161	154
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period					
Revaluation Surplus/ (Deficit) During the Year	41	20,326	110,448	-	-
Actuarial Gain/(Loss) on Defined Benefit Plans	41	851,368	(410,472)	-	-
Income Tax relating to Components of Other Comprehensive Income	41	(95,370)	(166,930)	-	-
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		776,324	(466,954)	-	-
Other Comprehensive Income for the Year, Net of Tax		448,190	(192,370)	2,161	154
Total Comprehensive Income for the Year, Net of Tax		9,113,642	11,590,217	1,181,390	1,072,688
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		8,812,650	11,396,691	1,181,390	1,072,688
Non-Controlling Interests		300,992	193,526	-	-
		9,113,642	11,590,217	1,181,390	1,072,688

The notes on pages 85 through 174 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equityholders of the Parent							Total		
	Stated Capital Rs.'000	Revaluation Reserves Rs.'000	Restricted Regulatory Reserve Rs.'000	Other Retained Reserves Rs.'000	Retained Earnings Rs.'000	Available-for-Sale Reserve Rs.'000	Foreign Currency Translation Reserve Rs.'000	Ordinary Share-Holders' Equity Rs.'000	Non-Controlling Interests Rs.'000	Total Equity Rs.'000
Balance As at 1st January 2017	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	(138)	37,744,482	1,658,418	39,402,900
Impact of SLFRS 9 "Financial Instruments" on Associate	-	-	-	-	170,874	(279,201)	-	(108,327)	-	(108,327)
Balance As At 31st December 2017 (Restated)	1,324,822	3,365,706	3,456,184	2,057,437	26,794,398	637,746	(138)	37,636,155	1,658,418	39,294,573
Profit for the Year	-	-	-	-	8,393,520	-	-	8,393,520	271,932	8,665,452
Other Comprehensive Income for the Year	-	(42,004)	-	-	813,824	(392,989)	40,299	419,130	29,060	448,190
Total Comprehensive Income for the Year	-	(42,004)	-	-	9,207,344	(392,989)	40,299	8,812,650	300,992	9,113,642
Final Dividend of Parent Company	40	-	-	-	(832,057)	-	-	(832,057)	-	(832,057)
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	(88,268)	(88,268)
Changes in Control in Subsidiaries	-	2,233	-	-	4,783	3,377	-	10,393	18,889	29,282
Transfer to Long Term Fund	-	-	-	-	-	131,849	-	131,849	-	131,849
Balance As At 31st December 2018	1,324,822	3,325,935	3,456,184	2,057,437	35,174,468	379,983	40,161	45,758,990	1,890,031	47,649,021

The Notes on pages 85 through 174 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Company	Note	Stated	Other	Retained	Available-	Total
		Capital	Retained	Earnings	for- Sale	Ordinary
		Rs.'000	Reserves	Rs.'000	Reserve	Share- Holders' Equity
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance As At 1st January 2017		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		-	-	(726,398)	-	(726,398)
Balance As At 31st December 2017		1,324,822	2,057,437	13,885,048	(16,176)	17,251,131
Profit for the Year		-	-	1,179,229	-	1,179,229
Other Comprehensive Income for the Year		-	-	-	2,161	2,161
Total Comprehensive Income for the Year		-	-	1,179,229	2,161	1,181,390
Final Dividend Paid	40	-	-	(832,057)	-	(832,057)
Balance As At 31st December 2018		1,324,822	2,057,437	14,232,220	(14,015)	17,600,464

The notes on pages 85 through 174 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash Flows from Operating Activities					
Premiums/Revenue received from Customers		40,550,643	36,795,380	-	-
Reinsurance Premiums (Net of Commission) Paid		(4,831,859)	(3,751,774)	-	-
Commission Paid		(3,630,740)	(3,609,188)	-	-
Claims and Benefits Paid		(19,626,526)	(16,034,072)	-	-
Reinsurance Receipts in respect of Claims & Benefits		2,342,087	2,626,078	-	-
Interest and Dividends Received		11,137,942	11,894,469	1,239,859	1,116,663
Other Operating Cash Payments		(10,439,971)	(9,907,117)	(99,225)	(34,431)
Other Income		491,205	469,040	1,686	-
Contributions to Gratuity Fund/Gratuity payments		(816,923)	(303,346)	-	-
Income Taxes Paid		(400,438)	(181,348)	(11,139)	21,156
Interest Paid		(170,450)	(150,291)	(9)	-
Net Cash Flows from Operating Activities (Note A)		14,604,970	17,847,831	1,131,172	1,103,388
Cash Flows from Investing Activities					
Investments in Subsidiaries/Associates	11(a).1	(230,553)	39,221	-	-
Proceeds from Subsidiaries/Associates		44,184	-	-	-
Acquisition of Financial Investments	12 (e)	(328,746,021)	(457,616,301)	(860,061)	(2,790,918)
Proceeds from Sale of Investment Property		-	29,425	-	-
Proceeds from Sale of Financial Investments	12 (e)	317,211,025	446,857,460	570,285	2,413,813
Acquisition of Property , Plant & Equipment		(1,999,863)	(2,408,527)	-	-
Acquisition of Intangible Assets	7	(47,904)	(105,872)	-	-
REREPO Borrowings (Net)		1,250	(2,980,014)	-	-
Proceeds from Disposal of Property , Plant & Equipment		264,883	220,039	-	-
Net Cash Flows from Investing Activities		(13,502,999)	(15,964,569)	(289,776)	(377,105)
Cash Flows from Financing Activities					
Short/Term Loan		(73,880)	(795,249)	-	-
Dividends Paid to Equity Holders		(920,325)	(817,974)	(832,057)	(726,398)
Net Cash Flows from Financing Activities		(994,205)	(1,613,223)	(832,057)	(726,398)
Increase / (Decrease) in Cash & Cash Equivalents (Note B)		107,766	270,039	9,340	(115)
Note A					
Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities					
Profit Before Tax		11,064,771	12,651,338	1,199,604	1,079,002
Adjustments for:					
Depreciation	9	848,548	774,455	58	58
Amortisation of Intangible Assets	7	83,616	77,112	-	-
Change in Trade and Other Receivables		(3,741,654)	(2,015,193)	234	(4,804)
Change in Reinsurance Receivable		(217,577)	724,168	-	-
Increase in Life Insurance Funds		6,457,292	7,258,502	-	-
Increase in Non - Life Insurance Provisions		476,312	147,997	-	-
Changes in Contract Liabilities due to transfer of One off Surplus		-	(3,456,184)	-	-
Change in Trade and Other Payables		1,125,913	2,629,704	(57,585)	7,976
Realised Gain		(332,175)	(144,907)	-	-
Fair value Gain recorded in Income Statement		(10,516)	(215,095)	-	-
Foreign Exchange Gain/Loss		(102,751)	(9,304)	-	-
Income Tax Paid		(400,438)	(181,348)	(11,139)	21,156
Share of Associate Profits		(646,371)	(393,414)	-	-
Net Cash Flows from Operating Activities		14,604,970	17,847,831	1,131,172	1,103,388
Note B					
Cash and Cash Equivalents at 1st January		828,506	558,467	(1,007)	(892)
Cash and Cash Equivalents at 31st December	Note C	936,272	828,506	8,333	(1,007)
Increase / (Decrease) in Cash and Cash Equivalents		107,766	270,039	9,340	(115)
Note C					
Cash in Hand & Cash at Bank	20	1,358,954	1,532,789	10,490	2,489
Bank Overdraft	25	(422,682)	(704,283)	(2,157)	(3,496)
		936,272	828,506	8,333	(1,007)

The notes on pages 85 through 174 form an integral part of the Financial Statements.

INSURANCE REVENUE ACCOUNT

For the Year Ended 31 December	Glossary Item	2018 Rs.'000	2017 Rs.'000	Change %
Non - Life Insurance				
Gross Written Premium	20	19,186,707	17,976,991	6.73
Net Earned Premium	31	14,192,538	13,209,435	7.44
Net Claims Incurred	36	(7,523,261)	(7,371,429)	2.06
Underwriting and Net Acquisition Costs (Including Reinsurance)	2 & 43	(1,034,245)	(1,123,388)	(7.94)
Underwriting Result	54	5,635,032	4,714,618	
Other Operating, Investments Related and Administrative Expenses		(4,933,854)	(4,474,776)	10.26
Investment and Other Income		1,686,768	1,509,953	11.71
Interest Expense		(52,124)	(47,144)	10.56
Profits From Operations After Interest Expense		2,335,822	1,702,651	37.19
Key Ratios Non - Life Insurance				
Net Loss Ratio	33	53.01	55.80	(5.01)
Net Expense Ratio	32	42.42	42.74	(0.75)
Net Combined Ratio	30	95.43	98.54	(3.16)
Life Insurance				
Gross Written Premium	19	17,812,774	15,765,484	12.99
Net Written Premium	35	17,355,265	15,343,267	13.11
Investment and Other Income Attributable to Policyholders		10,102,085	9,459,168	6.80
Net Benefits and Claims Paid		(9,803,550)	(6,686,980)	46.61
Increase in Long Term Insurance Fund		(6,457,292)	(7,258,502)	(11.04)
Acquisition Cost	1	(1,926,454)	(1,782,481)	8.08
Operating and Administrative Expenses Attributable to Policyholders		(4,228,218)	(4,194,810)	0.80
Interest Expense		(17,268)	(10,531)	63.97
Tax Expenses		(149,568)	(369,131)	(59.48)
Surplus from Life Insurance Business	25	4,875,000	4,500,000	8.33
Change in Contract Liabilities due to transfer of One-off Surplus		-	3,456,184	-
Investment & Other Income not Attributable to Policyholders		1,292,149	821,379	57.31
Operating and Administrative Expenses not Attributable to Policyholders		843,732	662,315	27.39
Interest Expenses not Attributable to Policyholders		(3,060)	(1,474)	(107.60)
Tax expenses not Attributable to Policyholders		(1,213,532)	29,022	4,281.42
Profits From Operations After Interest Expense		5,794,289	9,467,427	(38.80)

The notes on pages 85 through 174 form an integral part of the Financial Statements.

NOTES TO THE 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 03.

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

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka except 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 general insurance, life insurance, healthcare services, fund management, power generation, education and investment holding.

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Ceylinco Insurance PLC for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 4 March 2019.

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, 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.

- Life Insurance contract liability is valued actuarially and recognised at present value

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.

2.2 (a) 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3 Functional and Presentation

Currency

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

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

2.4 Going Concern

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

2.5 Comparative Information

The comparative information is consistently applied during the year except disclosed in Note 48.

2.6 Basis of Consolidation

2.6.1 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 2018. 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 and their accounting policies in 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.

2.6.2 Associates (equity accounted investees)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 investee, 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 recognised in profit or loss.

The Group applies the temporary exemption from SLFRS 9 but the associate company applies SLFRS 9 for financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

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

The Group applied SLFRS 15 for the first time in 2018, but do not have an impact on the Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

(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
Leasehold rights	15-99 years

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

(d) Segment Reporting

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

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

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

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

(e) Financial 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the

nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Available-for-sale financial assets

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

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

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

The Group evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to

do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity.

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

NOTES TO THE FINANCIAL STATEMENTS

rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the income statement.

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

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

Available-for-sale financial investments

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

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against

the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

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

(g) Offsetting of Financial Instruments

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

(h) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised 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 cannot 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.

The Accounting policies applicable for Financial Liabilities, Impairment on non-financial assets not included.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 are applied in determining the taxable income/loss of the Group up to 31 March 2018 and The Inland Revenue Act No. 24 of 2017 applied for the remaining nine months for the year ended 2018.

■ 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 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 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 utilised.

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.

(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 valued at cost in separate financial statements of the Company.

(n) Investments in Associates

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

(o) Property, Plant and Equipment Recognition and Measurement

(i) Items of property, plant and equipment is stated at cost or re-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.

NOTES TO THE FINANCIAL STATEMENTS

(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	
Buildings	50-70 Years
Improvement on Leasehold Building	04-06 Years
Civil Construction	57-60 Years
Furniture and Fittings	
Office Equipment	03-10 Years
Computer Equipment	02-05 Years
Motor Vehicles	04-05 Years
Plant & Machinery	
Plant & Machinery/ Project Equipment	4-30 Years
Medical Equipment	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 a revaluation reserve after restating the asset at the revalued amount.

(v) De-recognition

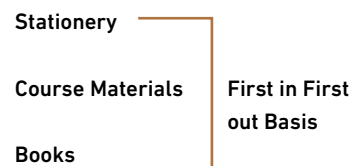
An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised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

(p) Other Assets

(i) Inventories

Inventories include all consumable items and are measured at the lower of cost and net realisable 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.



(q) Impairment of Non-Financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An

impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Cash and Cash Equivalents

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

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

(s) Leasing

Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

(t) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period adjusted for payments during the period and the cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in profit or loss. The Group's consolidated financial statements are presented in Sri Lankan rupees which is also the parent company's functional currency. Each Company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date

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

(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

NOTES TO THE FINANCIAL STATEMENTS

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.

(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 equalisation or catastrophe reserves is recognised. The liabilities are derecognised 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 derecognised as well as through the effective interest rate method (EIR) amortization process.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(z) Defined Contribution Plans

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

(aa) Pensions and Other Post-Employment Benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

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

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

However, according to the Payment of Gratuity Act No. 12 Of 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

NOTES TO THE FINANCIAL STATEMENTS

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 are calculated on the 1/365 basis except for the marine and title Policies in accordance with the Insurance Regulations.

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

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

(ii) Revenue from Other Operations

The sources of revenue from other operation is recognised as per SLFRS 15 Revenue from contracts with customers. SLFRS 15 supersedes LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with the customers. The group has adopted SLFRS 15 using the modified retrospective method. Based on the assessment performed and decided that the impact is not material to the financial statements and therefore adjustment has not been made in the changes in equity statements.

(1) Healthcare Segment

This income of the Company comprises of three avenues such as medical testing, screening tests and cancer treatment . All such revenue is recognized in the Statement of Income on accrual basis upon completion of the tasks.

(2) Services

Revenue is recognised in the accounting periods in which the service are performed.

(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 contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Income from relevant services are recognised as an income on periodic basis over time. Income from services relate to future periods are shown in the Statement of Financial Position under other liabilities.

(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. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

(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.

(ll) Other Income

(1.) Rental Income

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

(2.) Fees and Commission Income

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

(3.) Investment Income

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

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

(4.) Realized Gains and Losses

Realized gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets. Gains and losses on the sale of investments are calculated as the difference between

net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(5.) Net fair value Gains and Losses

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

(mm) Finance Cost

Finance cost is recognised as expenditure in the period in which they are incurred and its accrued and calculated by using EIR method. 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 capitalised 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

NOTES TO THE FINANCIAL STATEMENTS

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 Note	Reference Page
Unearned premium and deferred acquisition cost	23 (b) & 08	144 & 109
Life Insurance contract liabilities	22	142
Reserve for gross outstanding claims	23 (a)	144
Valuation of investment property	10	116
Deferred tax	17 (b)	137
Measurement of defined benefit obligation	13	130

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 16 Leases

SLFRS 16 was issued in January 2016 and it replaces 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 (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under LKAS 17.

Transition to SLFRS 16

The group plans to adopt SLFRS 16 modified retrospectively to each prior reporting period presented. The group will elect to apply the standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4. The group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying LKAS 17 and IFRIC 4.

The group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has assessed the potential impact on its financial statements.

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 2022.

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.
- Foreign operations includes Maldives/ this segment offers non-life insurance products in Maldives.

- Education Services segment includes primary, secondary, high education courses through various subsidiary companies.
- Power generation segment business is to generate and distribute hydro power to the national grid.
- Other segment includes investment holding, associate business, investment management & hotel services.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

Segment Income Statement For The Year Ended 31 December 2018	Life			Non-life			Adjustments		
	Insurance		Life	Insurance		Non-life	Other		and
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Eliminations	Total
Gross Premium	17,812,774	19,186,707	1,162,063	-	-	-	-	-	38,161,544
Premium Ceded to Reinsurers	(457,509)	(4,716,483)	(1,045,052)	-	-	-	-	-	(6,219,044)
Change in Reserve for Unearned Premium	-	(277,686)	24,286	-	-	-	-	-	(253,400)
Net Premium	17,355,265	14,192,538	141,297	-	-	361,646	406,449	(17,970)	3,462,653
Revenue from Non Insurance Subsidiaries	-	-	-	-	2,616,395	406,449	96,133	(17,970)	3,462,653
Fees and Commission Income	139,251	681,060	113,561	-	-	-	-	(12,561)	921,311
Investment Income	10,951,813	1,535,697	29,905	74,819	247,426	9,484	1,298,651	(1,157,831)	12,989,964
Realised Gains	195,068	151,071	-	-	2,229	-	-	-	348,368
Fair Value Gains and Losses	108,102	-	-	-	-	3,524	-	(97,586)	14,040
Other Revenue & Revenue from Non Insurance Subsidiaries	11,394,234	2,367,828	143,466	436,465	2,866,050	419,457	1,394,784	(1,285,948)	17,736,336
Segment Revenue	28,749,499	16,560,366	284,763	436,465	2,866,050	419,457	1,394,784	(1,285,948)	49,425,436
Gross Benefits and Claims Paid	(9,997,299)	(9,454,561)	(291,220)	-	-	-	-	11,416	(19,731,664)
Claims Ceded to Reinsurers	193,749	2,033,027	261,134	-	-	-	-	-	2,487,910
Gross Change in Contract Liabilities	(6,457,292)	24,526	(178,458)	-	-	-	-	-	(6,611,224)
Change in Contract Liabilities Ceded to Reinsurers	-	(126,253)	144,337	-	-	-	-	-	18,084
Cost of Sales -Non Insurance Subsidiaries	-	-	-	(139,799)	(664,808)	(68,128)	(60,909)	-	(933,644)
Net Benefits and Claims & Cost of Sales -Non Insurance Subsidiaries	(16,260,842)	(7,523,261)	(64,207)	(139,799)	(664,808)	(68,128)	(60,909)	11,416	(24,770,538)
Acquisition Cost	(1,926,454)	(1,715,305)	(34,604)	-	-	-	-	-	(3,676,363)
Other Operating and Administrative Expenses	(3,384,487)	(4,933,854)	(169,964)	(168,703)	(1,509,031)	(135,995)	(109,286)	22,073	(10,389,247)
Finance Costs	(20,328)	(52,124)	-	-	(68,882)	(44,172)	(3,352)	17,970	(170,888)
Other Expenses	(5,331,269)	(6,701,283)	(204,568)	(168,703)	(1,577,913)	(180,167)	(112,638)	40,043	(14,236,498)
Segment Benefits, Claims and Other Expenses	(21,592,111)	(14,224,544)	(268,775)	(308,502)	(2,242,721)	(248,295)	(173,547)	51,459	(39,007,036)
Share of Profit of Associates	-	-	-	-	-	-	646,371	-	646,371
Profit Before Taxation	7,157,389	2,335,822	15,988	127,963	623,329	171,162	1,867,608	(1,234,489)	11,064,771
Taxation	(1,363,100)	(550,942)	(5,732)	(72,887)	(113,788)	(68,428)	(29,399)	(195,043)	(2,399,319)
Profit After Taxation	5,794,289	1,784,880	10,256	55,076	509,541	102,734	1,838,209	(1,429,532)	8,665,452

Adjustments and eliminations mainly include elimination of inter segment dividend, rent and interest.

5 SEGMENT INFORMATION CONTD.

Segment Income Statement For The Year Ended 31 December 2017	Life		Non-life		Non-life			Adjustments and			Total Rs.'000	
	Insurance		Insurance		Domestic Rs.'000	Foreign Rs.'000	Healthcare Rs.'000	Education Rs.'000	Power Generation Rs.'000	Other Operations Rs.'000		Eliminations Rs.'000
	Rs.'000	Rs.'000	Rs.'000	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	-	-	-	341,195	2,234,085	206,068	149,250	(15,731)	28,651,040
Revenue from Non Insurance Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	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)	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)	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)	-	(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	(176,127)	(178,583)	20,654	(13,401,862)
Segment Benefits, Claims and Other Expenses	(15,816,279)	(13,536,293)	(183,706)	(316,405)	(1,943,966)	(176,127)	(178,583)	20,654	(176,127)	(178,583)	20,654	(32,130,704)
Share of Profit of Associates	-	-	-	-	-	-	-	-	-	393,414	-	393,414
Profit Before Taxation	9,807,535	1,702,651	44,952	82,493	513,039	52,960	1,515,974	(1,068,267)	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	9,467,426	1,406,751	36,093	71,380	457,401	25,106	1,491,962	(1,173,533)	25,106	1,491,962	(1,173,533)	11,782,587

Adjustments and eliminations mainly include elimination of inter segment dividend, rent and interest.

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION CONTD.

Segment Statement of Financial Position at 31 December 2018	Life			Non-life			Adjustments and			Total			
	Insurance		Life	Domestic		Foreign	Healthcare		Education		Power	Other	Eliminations
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
Intangible Assets (Incl. Goodwill)	37,358	63,036	-	-	196,766	-	-	-	-	-	-	-	297,160
Property, Plant & Equipment	7,567,806	3,774,829	2,105	752,027	3,998,637	1,508,482	27,809	1,295,139	18,926,834				18,926,834
Investment Property	2,304,492	133,000	-	-	-	-	153,332	(1,420,763)	1,170,061				1,170,061
Investment in Associates	457,370	-	-	-	-	-	2,773,454	73,306	3,304,130				3,304,130
Investments in Subsidiaries	1,086,000	-	-	-	-	-	15,965,563	(17,051,563)	-				-
Financial Instruments	99,897,074	11,753,951	337,548	646,593	310,467	28,610	3,086,326	(294,754)	115,765,815				115,765,815
Reinsurance Assets	269,175	3,049,953	356,568	-	-	-	-	-	3,675,696				3,675,696
Insurance/Trade Receivables	268,334	5,132,522	532,868	6,943	335,598	117,210	-	-	6,393,475				6,393,475
Other Assets	6,171,771	3,991,738	452,498	16,170	596,882	125,140	57,351	(12,262)	11,399,288				11,399,288
Total Assets	118,059,380	27,899,029	1,681,587	1,421,733	5,438,350	1,779,442	22,063,835	(17,410,897)	160,932,459				160,932,459
Insurance Contract Liabilities	88,568,897	11,898,662	518,501	-	-	-	-	-	100,986,060				100,986,060
Other Liabilities	3,064,900	4,855,044	765,142	463,650	2,137,084	514,745	1,402,484	12,634	12,297,378				12,297,378
Total Liabilities	91,633,797	16,753,706	1,283,643	463,650	2,137,084	514,745	1,402,484	(905,671)	113,283,438				113,283,438

Segment Statement of Financial Position at 31 December 2017	Life			Non-life			Adjustments and			Total			
	Insurance		Life	Domestic		Foreign	Healthcare		Education		Power	Other	Eliminations
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
Intangible Assets (Incl. Goodwill)	56,950	86,913	-	387	201,697	-	-	-	-	-	-	-	345,947
Property, Plant & Equipment	7,371,482	3,400,637	2,008	414,419	3,457,892	1,558,419	31,418	1,310,252	17,546,527				17,546,527
Investment Property	2,160,906	133,000	-	-	-	-	153,332	(1,323,177)	1,124,061				1,124,061
Investment in Associates	437,994	-	-	-	-	-	2,276,450	73,306	2,787,750				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				103,815,737
Reinsurance Assets	115,010	3,176,207	166,902	-	-	-	-	-	3,458,119				3,458,119
Insurance/Trade Receivables	1,877,739	4,371,770	369,020	3,975	220,975	74,438	-	-	6,917,917				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				8,548,269
Total Assets	106,094,495	25,551,645	1,210,199	982,712	4,657,719	1,769,946	21,564,647	(17,287,036)	144,544,327				144,544,327
Insurance Contract Liabilities	82,150,905	11,646,247	293,440	-	-	-	-	-	93,183,703				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				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				105,141,427

5 SEGMENT INFORMATION CONTD.

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 2018		
Revenue	419,457	2,866,050
Cost of Sale	(68,128)	(664,808)
Administrative Expenses	(135,995)	(1,509,031)
Finance Cost	(44,172)	(68,882)
Profit Before Tax	171,162	623,329
Profit for the year from Continuing Operation		
Total Comprehensive Income	98,736	519,358
Attributable to Non-Controlling Interests	3,193	255,648
Dividends paid to Non-Controlling Interests	(3,059)	(75,912)
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 Statement of Financial Position as at 31 December 2018		
Current Assets	270,608	1,439,713
Non-Current Assets	1,508,834	3,998,637
Current Liabilities	213,958	1,617,008
Non-Current Liabilities	300,787	520,076
Total Equity (Excluding Non-Controlling Interests)	1,241,891	2,657,305
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 (Excluding Non-Controlling Interests)	1,246,314	2,381,374
Please refer Note 38 for details of Non-Controlling Interest		
Summarized Statement of Cash Flows information for the year ended 31 December 2018		
Operating Cash Flow	155,509	755,768
Investing Cash Flow	(4,616)	(579,835)
Financing Cash Flow	(132,547)	(99,081)
Net Increase /(Decrease) In Cash and Cash Equivalents	18,346	76,852
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

NOTES TO THE FINANCIAL STATEMENTS

6 GOODWILL

	Note	Group	
		2018 Rs.'000	2017 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 cash flows of each operating segment when assessing the recoverable amount. As at 31 December 2018, there were no potential impairment of goodwill except Net Assist International (Pvt) Ltd for which provision has been made in 2015.

Accounting Judgments, Estimates and Assumptions

Impairment of goodwill Impairment 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	Lease Hold Right Rs.'000	Group Computer Software & License Rs.'000	Total Rs.'000
At 1 January 2018		9,250	621,858	631,108
Cost Capitalised		-	47,904	47,904
Retired		-	(17,309)	(17,309)
At 31 December 2018		9,250	652,453	661,703
Accumulated Amortisation and Impairment				
At 1 January 2018		8,272	457,215	465,487
Amortisation During the Period	35	626	82,990	83,616
Retired		-	(3,608)	(3,608)
At 31 December 2018		8,898	536,597	545,495
Carrying Amount				
At 1 January 2018		978	164,643	165,621
At 31 December 2018		352	115,856	116,208

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. 47,904,000 (2017 - 105,872,000). Cash payments amounting to Rs. 47,904,000 (2017 - 105,872,000) 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 2018. 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 (2017 - Nil)

7 (e) Fully amortised intangible assets in use

Intangible assets include fully amortised computer software which are in the use of normal business activities having a gross carrying amount of Rs.349,017,000 (2017-Rs. 335,854,000)

8 DEFERRED EXPENSES

	Group	
	Deferred Acquisition Costs on Insurance Contracts	
	2018	2017
	Rs.'000	Rs.'000
At 1 January	957,884	880,521
Expenses Deferred	1,942,980	1,720,307
Amortisation	(1,864,293)	(1,642,944)
At 31 December	1,036,571	957,884

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 FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold Land		Building	Plant & Machinery		Motor Vehicles	Office Equipment		Computer Equipment	Furniture & Fittings		Capital WIP	Total
		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		
At Cost/Valuation														
At 1 January 2018		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				
Additions/Transfers		145,933	581,540	444,647	831,313	181,093	86,926	80,062	(351,644)	1,999,870				
Additions on Acquisition		380,060	-	-	-	-	-	-	-	380,060				
Disposals		-	(8,154)	(239,166)	(186,486)	(7,102)	(53,332)	(6,093)	-	(500,333)				
At 31 December 2018		8,063,853	6,536,764	2,119,672	3,261,366	1,371,339	1,040,340	922,393	70,406	23,386,133				

Group	Note	Freehold Land		Building	Plant & Machinery		Motor Vehicles	Office Equipment		Computer Equipment	Furniture & Fittings		Capital WIP	Total
		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		
Accumulated Depreciation														
At 1 January 2018		-	281,858	715,800	827,204	838,995	731,169	564,983	-	3,960,009				
Depreciation	35	-	132,624	86,129	340,248	130,714	87,976	70,857	-	848,548				
Disposals		-	(8,101)	(238,560)	(82,280)	(6,092)	(8,212)	(6,014)	-	(349,259)				
At 31 December 2018		-	406,381	563,369	1,085,172	963,617	810,933	629,826	-	4,459,298				

Group	Note	Freehold Land		Building	Plant & Machinery		Motor Vehicles	Office Equipment		Computer Equipment	Furniture & Fittings		Capital WIP	Total
		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000		
Carrying Amount at Cost/Valuation														
At 1 January 2018		7,537,860	5,681,520	1,198,391	1,789,335	358,353	275,577	283,441	422,050	17,546,527				
At 31 December 2018		8,063,853	6,130,383	1,556,303	2,176,194	407,722	229,407	292,567	70,406	18,926,835				

9 PROPERTY, PLANT AND EQUIPMENT CONTD.

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

Group	Note	Freehold Land Rs.'000	Building Rs.'000
At Cost			
At 1 January 2018		4,974,425	4,385,254
Additions/Transfers		525,994	581,540
Disposals		-	(8,154)
At 31 December 2018		5,500,419	4,958,640

Group	Note	Freehold Land Rs.'000	Building Rs.'000
Accumulated Depreciation			
At 1 January 2018		-	345,079
Depreciation	35	-	76,392
Disposals		-	(8,101)
At 31 December 2018		-	413,370
Carrying Amount at cost			
At 1 January 2018		4,974,425	4,040,175
At 31 December 2018		5,500,419	4,545,270

Property, Plant and Equipment

Company	Note	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
At Cost				
At 1 January 2018		500	2,900	3,400
At 31 December 2018		500	2,900	3,400

Company	Note	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
Accumulated Depreciation				
At 1 January 2018			174	174
Depreciation			58	58
At 31 December 2018			232	232

Company	Note	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
Carrying Amount at Cost				
At 1 January 2018		500	2,726	3,226
At 31 December 2018		500	2,668	3,168

NOTES TO THE FINANCIAL STATEMENTS

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	Value of Buildings	Total	Date of the Valuation
282, High Level Road, Kottawa	862	Condominium	Investment Method	Rent per Sq.ft	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	Rs. 2,750,000	45,375	36,625	82,000	31/12/2016
42/1, Mihidu Mawatha, Kurunegala	8425	A-0-R-0-P 8.2	Market Comparable Method	Price per perch	Rs. 5,000,000	41,000	55,000	96,000	31/12/2016
583/63 Liyanagemulla, Seeduwa	43080	A-3-R-1-P .3.6	Market Comparable Method	Price per perch	Rs. 250,000	131,000	39,000	170,000	31/12/2016
60, Yovunpitiya Watte, Gnanawimala Mawatha.	11282	A-0-R-1-P 29	Market Comparable Method	Price per perch	Rs. 300,000	20,700	50,300	71,000	31/12/2016
Kosgoda, Balapitiya				Price per Sq ft	Rs. 5500				
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
3 rd, 4 th, 7 th & 11 th Floors of Ceylinco House Building	31332	-	Investment basis	Rent per Sq.ft	Rs. 10,000,000	-	676,000	676,000	31/12/2016
69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.				per month	Rs. 165-200				
46 / 34, "VIP Centre", Nawam Mawatha , Colombo 2.	18068	A-0-R-0-P 19.00	Market Comparable Method	Price per perch	Rs. 10,000,000	190,000	174,723	364,723	31/12/2016
Madabawita, Warakapola	608	A-0-R-0-P 16.25	Market Comparable Method	Price per Sq ft	Rs. 7500	6,900	2,100	9,000	31/12/2016
Malangama, Kuruwita	650	A-0-R-0-P 15.00	Market Comparable Method	Price per Sq ft	Rs. 4000	6,750	2,250	9,000	31/12/2016
Induruwa, Kosgoda	856	A-0-R-0-P 24.30	Market Comparable Method	Price per Sq ft	Rs. 4000	9,720	3,080	12,800	31/12/2016
Ibbagamuwa, Melsiripura	620	A-0-R-1-P 00.00	Market Comparable Method	Price per Sq ft	Rs. 4500	8,000	2,000	10,000	31/12/2016
Unakuruwa , Tangalle	798	A-0-R-1-P 20.00	Market Comparable Method	Price per Sq ft	Rs. 4000	5,000	2,800	7,800	31/12/2016
Bibiliya, Kithulgala	5326	A-0-R-2-P 00.07	Market Comparable Method	Price per Sq ft	Rs. 250,000	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 Sq ft	Rs. 4000 - 4500	2,000	2,840	4,840	31/12/2016
Total				Price per Sq ft	Rs.4000	626,045	1,071,618	1,697,663	

9 PROPERTY, PLANT AND EQUIPMENT CONTD.

9 (a) Details of Freehold Land & Building

Group

Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Total	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, Kachcheriyagama, 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	61,968	215,968	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
No15 , 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	60,851	88,851	31/12/2016
No 91, Baudhaloka 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, Rajapiphilla 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	56,390	74,390	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 FINANCIAL STATEMENTS

9 (a) Details of Freehold Land & Building Contd

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Total	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) Lloyds 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	82,113	117,113	31/12/2018
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	90,121	130,121	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	Rs.10,000,000	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	Rs. 5,500,000	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, Nugegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per perch	Rs. 3,350,000	80,000	-	80,000	31/12/2016
No.15A, Jaya Mawatha, Kadawatha	-	A-0-R-0-P-19.5	Market Comparable Method	Price per perch	Rs. 870,000	17,000	46,769	63,769	31/12/2016
No.26 Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,500,000	50,000	-	50,000	
190, Horana Road, Mampe, Kesbawa	-	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	41,052	411,512	
No.582, Malabe Road, Malabe	-	A-0-R-0-P-29			-	91,349	235	91,584	
No.301, Point Pedro Road, Nelliyadi, karaveddy	-	A-0-R-0-P-44.32			-	20,999	-	20,999	
No.301, Merrigama Road, Wevagedara, Divulapitiya	-	A-0-R-0-P-40			-	25,187	-	25,187	
No.301A, Point pedro Road, Nelliyadi Jaffna	-	A-0-R-0-P-53.92			-	8,399	-	8,399	
No. 60, Parrk 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	4,530		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	62,722	62,722	31/12/2016

9 PROPERTY, PLANT AND EQUIPMENT CONTD.

9 (a) Details of Freehold Land & Building

Group

Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of the Valuation
						Land	Buildings		
						Rs.'000	Rs.'000	Rs.'000	
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
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						5,253,911	2,919,598	8,173,509	
Sub Total						5,879,956	3,991,216	9,871,172	
Land & Buildings - Ceylinco Insurance PLC and Other Subsidiaries						2,183,897	2,545,548	4,729,445	
Group -Total						8,063,853	6,536,764	14,600,617	

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. 2,379,930,000,(2017 - Rs. 2,924,447,000). Cash payments amounting to Rs. 1,999,863,000, (2017 - Rs. 2,408,527,000) 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

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method	Price per perch for Land	Estimated fair value would increase (decrease) if; Price per perch increases (decreases)
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 square foot for	Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases
Investment Method	Gross Monthly Rental	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases)
This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Years	Years Purchase increases (decreases) Void Period (decrease) / increases

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018 Rs.'000	2017 Rs.'000
Plant and Machinery	155,491	352,414
Computer Equipment	303,611	269,099
Office Equipments	566,568	418,986
Furniture and Fittings	346,370	232,751
Motor Vehicles	242,942	258,790
	1,614,982	1,532,040

9 (d) Capital Commitments

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

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 were 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 2018. 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. (2017 - 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 2018. (2017 - Nil)

10 INVESTMENT PROPERTIES

As at 31 December	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
At 1 January		1,124,061	1,152,061	153,332	153,332
Disposal/Transfers		-	(28,000)	-	-
Fair Value Gains	30	46,000	-	-	-
At 31 December		1,170,061	1,124,061	153,332	153,332

As at 31st December 2018, investment properties were valued by qualified valuer Mr. W.M.Chandrasena .

10 INVESTMENT PROPERTIES CONTD.

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		Total	Date of Valuation
						Land	Building		
						Rs.'000	Rs.'000	Rs.'000	
No.34, Muhandiram ED Dabare Mawatha, Colombo-05 (1 Apartment)	2663	-	Investment Method	Rent per Sq.ft per month	Rs.85/-	-	37,500	37,500	31/12/2018
583/63, Liyanagemulla, Seeduwa	-	A-2-R-2-P-21.5	Cost Approach	Price per perch & Price per Sq ft	Rs.450,000/-	95,500	-	95,500	31/12/2018
Total						95,500	37,500	133,000	

Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of Valuation
						Land	Building		
						Rs.'000	Rs.'000	Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.50 - Rs.150	95,000	16,000	111,000	31/12/2018
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	60,000	17,000	77,000	31/12/2018
No. 115, Green Road, Negombo	-	A-0-R-0-P-37.5	Market Comparable Method	Price per perch	Rs.2,700,000	103,000	-	103,000	31/12/2018
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.65 - Rs.125	-	135,000	135,000	31/12/2018
No.70 Park Street, Colombo -02	4,510	-	Market Comparable Method	Rent per Sq.ft per month	Rs.125-160	-	63,278	63,278	31/12/2018
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.60 - Rs.120	64,500	4,500	69,000	31/12/2018
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318	-	Investment Method	Rent per Sq.ft per month	Rs.135	-	118,000	118,000	31/12/2018
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323	-	Investment Method	Rent per Sq.ft per month	Rs.135	-	-	207,451	31/12/2018
Total						322,500	353,778	883,729	
Investment Property - Ceylinco Insurance PLC						104,288	49,044	153,332	
Group Total						522,288	440,322	1,170,061	

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

NOTES TO THE FINANCIAL STATEMENTS

10 (b)

Company

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total
						Land	Building	
						Rs.'000	Rs.'000	Rs.'000
No.2, R.A.De Mel Mawatha, Colombo-04 (Note 10.c)	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) Title Restriction for use

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility. (value of the property is amounting to Rs.153Mn). (Refer note 45). The Property was not fair valued as at the reporting date

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

Valuation Technique

Significant Unobservable Valuation Inputs

Sensitivity of the Fair Value Measurement to Inputs

Market Comparable Method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

Price per perch for Land

Estimated fair value would increase (decrease) if; Price per perch increases

Price per square foot for Buildings

Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases

Investment Method

This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.

Gross Monthly Rental Years

Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

11 (a) Investment in Subsidiaries

Investment in Subsidiaries As at 31 December	% of Direct/Indirect Holding		Company Number of Shares		Cost	
	2018	2017	2018	2017	2018 Rs.'000	2017 Rs.'000
Company						
Serene Resorts Ltd.	100	100	500,000	500,000	-	-
Ceylinco Seraka Ltd	-	100	-	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 (a) i Acquisition of Non-Controlling Interests

On 31 December 2018, the Group acquired 94.6% of the voting shares of in Regent International College limited through CEG Education Holdings (Pvt) Ltd.

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Regent International College limited as at the date of acquisition were:

NOTES TO THE FINANCIAL STATEMENTS

11 (a) Investment in Subsidiaries

	Fair Value Recognised on Acquisition Rs.'000
Assets	
Property, Plant and Equipment	380,059
Cash and Cash Equivalents	9,447
Trade Receivables	33,237
Inventories	1,027
	423,772
Liabilities	
Trade Payables	55,466
Retirement Benefits Obligations	2,863
Loan & Lease Payable After one Year	16,017
	74,347
Total Identifiable Net Assets at Fair Value	349,424
Non-Controlling Interest Measured at Fair Value	18,868
Negative Goodwill Arising on Acquisition	55,621
Purchase Consideration-Investment	34,933
Purchase consideration-cash	239,999
Analysis of Cash Flows on Acquisition:	
Net Cash Acquired with the Subsidiary	9,447
Cash Paid	(239,999)
Net Cash Flow on Acquisition	(230,552)

11 (b) Investment in Associates

Company / Group Investments in Associates	% Direct/Indirect Holding		Number of Shares		Value	
	2018	2017	2018	2017	2018 Rs.'000	2017 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 (At Cost)	39.00	39.00			490,330	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.					24,761	20,531
Sagaramatha Insurance Ltd					339,082	210,224
Citizens Development Business Finance PLC					2,176,529	1,826,596
Energy Generators (Pvt)Ltd.					153,211	139,228
					3,211,616	2,695,236
Group Investments in Associates (Equity Basis)					3,304,130	2,787,750

11 (b) Investment in Associates Contd.

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Share of Associate's Statement of Financial Position		
Total Assets	31,797,541	24,016,554
Total Liabilities	(28,493,411)	(21,228,804)
Net Assets	3,304,130	2,787,750
Share of Associate's Revenue and Profit		
Revenue	4,881,851	3,825,509
Profit	646,371	413,557
Effect of % change in Associate Ownership	-	(20,143)
Profit attributable to Ordinary Shareholders	646,371	393,414
Share of Associate ownership in Other Comprehensive income	(52,626)	126,174

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. 1,536,197,449 as at 31st December 2018 (2017 -Rs. 1,159,104,350)

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's Financial Instruments are summarised by categories as follows:

As at 31 December	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Held to Maturity Financial Assets	12(a)	60,801,425	65,556,414	-	-
Loans and Receivables	12(b)	45,986,748	22,783,476	1,366,632	1,073,856
Available-for-Sale Financial Assets	12(c)	8,411,817	13,200,451	51,089	51,928
Financial Assets at Fair Value Through Profit or Loss	12(d)	565,829	2,349,607	-	-
Total Financial Instruments		115,765,819	103,889,948	1,417,721	1,125,784

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

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

	Group				Company			
	2018		2017		2018		2017	
	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	60,801,425	61,134,543	65,556,414	66,069,651	-	-	-	-
Loans and Receivables	45,986,748	45,982,594	22,783,476	22,783,476	1,366,632	1,366,632	1,073,856	1,073,856
Available-for-Sale Financial Assets	8,411,817	8,411,817	13,200,451	13,200,451	51,089	51,089	51,928	51,928
Financial Assets at Fair Value Through Profit or Loss	565,829	565,829	2,349,607	2,349,607	-	-	-	-
Total Financial Instruments	115,765,819	116,094,783	103,889,948	104,403,185	1,417,721	1,417,721	1,125,784	1,125,784

12 (a) Held to Maturity Financial Assets

As at 31 December	Note	Group	
		2018 Rs.'000	2017 Rs.'000
Amortised Cost			
Treasury Bills		226,031	283,686
Treasury Bonds		38,603,523	41,750,734
Debentures - Quoted	12(a).i	21,971,871	23,521,994
Total Held to Maturity Financial Assets at Amortised Cost		60,801,425	65,556,414

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Fair value		
Treasury Bills	226,031	283,686
Treasury Bonds	38,918,754	42,577,694
Debentures - Quoted	21,989,758	23,208,271
Total Held to Maturity Financial Assets at Fair Value	61,134,543	66,069,651

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

Held to Maturity Financial Assets

12 (a) i Debentures Quoted

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Hatton National Bank PLC	3,126,213	4,612,188
Bank of Ceylon	1,354,276	2,829,938
National Development Bank PLC	1,558,516	1,829,636
Sampath Bank PLC	5,714,498	5,161,228
Seylan Bank PLC	2,057,411	1,562,040
Commercial Bank of Ceylon PLC	1,359,656	1,371,753
Peoples' Leasing & Finance PLC	729,775	749,363
DFCC Bank PLC	5,114,293	4,474,600
Commercial Credit & Finance PLC	14,349	14,226
Central Finance PLC	280,932	320,739
Nations Trust Bank PLC	661,952	496,437
Citizens Development Business Finance PLC	-	99,846
	21,971,871	23,521,994

12 (b) Loans and Receivables

As at 31 December	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Receivables from Related Parties		8,022	35,918	-	-
Staff Vehicle Loans		559,522	399,284	-	-
Staff Loans other than Vehicle Loans		534,989	521,177	-	-
Repo Investment		215,675	276,200	40,000	35,000
Debentures - Unquoted	12(b).i	1,301,203	1,301,203	-	-
Debentures - Quoted		4,213,041	-	-	-
Term Deposits		39,154,294	20,249,694	1,326,632	1,038,856
Total Loans and Receivables at Amortised Cost		45,986,748	22,783,476	1,366,632	1,073,856

NOTES TO THE FINANCIAL STATEMENTS

Loans and Receivables

12 (b) i Debentures - Unquoted

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Debentures - Unquoted		
National Savings Bank	1,001,068	1,001,071
Regional Development Bank	300,135	300,132
	1,301,203	1,301,203

12 (c) Available-For-Sale Financial Assets

As at 31 December	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Treasury Bonds & Bills		5,047,040	9,532,725	-	-
Unquoted Share Investment	12(c).i.	814,946	872,934	17,489	18,328
Unquoted Preference Share Investment	12.(c).ii.	30,000	161,886	30,000	30,000
Quoted Debentures	12.(c).iii	2,246,933	1,811,655	-	-
Quoted Share Investment		227,036	383,640	3,600	3,600
Unit Trust Investments	12(c).iv.	45,862	437,611	-	-
Total Available-for-Sale Financial Assets at Fair Value		8,411,817	13,200,451	51,089	51,928

Available-For-Sale Financial Assets

As at 31 December	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
12 (c).i Unquoted Share Investment				
Ultratech Cement Lanka (Pvt) Ltd.	761,781	732,820	-	-
ANC Education (Pvt) Ltd	-	946	-	-
Regent International School	-	32,478	-	-
Modern Montessorie (Pvt) Ltd	17,152	14,832	-	-
St. Nicholas Education Services Ltd	-	3,000	-	3,000
Asset Trust Management (Pvt) Ltd	5,076	5,083	5,076	5,083
Asian Reinsurance Corporation	12,413	10,245	12,413	10,245
Invest Trust Holdings Ltd.	-	43,530	-	-
Kenaga Capital Ltd.	18,524	30,000	-	-
	814,946	872,934	17,489	18,328

12 (c).ii Unquoted preference share investment

As at 31 December	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Castle Realty pvt ltd	-	131,886	-	-
Ceylinco Homes International (Lotus Tower) 10%	30,000	30,000	30,000	30,000
	30,000	161,886	30,000	30,000

12 (c).iii Quoted debentures

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Sampath Bank PLC	380,950	178,220
Seylan Bank PLC	278,207	188,164
People's Leasing & Finance PLC	203,297	272,704
Commercial Bank of Ceylon	545,034	337,730
Bank of Ceylon	306,469	327,584
Hatton National Bank PLC	54,507	54,205
National Development Bank PLC	66,227	125,870
DFCC Bank PLC	215,327	50,926
Central Finance PLC	20,749	25,123
Nations Trust Bank PLC	50,947	126,124
Siyapatha Finance PLC	125,219	125,005
	2,246,933	1,811,655

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

12(c) iv Unit Trust Investments

As at 31 December	Group			
	2018 No.of Units	2017 No.of Units	2018 Rs.'000	2017 Rs.'000
ASTRUE Gilt-Edged Fund	-	28,522,099	-	349,313
ASTRUE Money Market Fund	-	995,314	-	11,944
Guardian Acuity Fixed Income Fund	-	415,083	-	51,762
ASTRUE ALPHA FUND	5,683,912	2,753,698	45,862	24,592
			45,862	437,611

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

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Fair value		
Treasury Bonds	557,918	2,336,205
Short Term Investment - Quoted	7,911	13,402
Total Financial Assets at Fair Value Through Profit or Loss	565,829	2,349,607

12 (e) Carrying Values of Financial Instruments - Company

Company	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Total Rs.'000
At 1st January 2018	1,073,856	51,928	1,118,533
Purchases	860,061	-	860,061
Maturities	(567,285)	(3,000)	(570,285)
Fair Value Gains Recorded in Other Comprehensive Income	-	2,161	2,161
At 31 December 2018	1,366,632	51,089	1,410,470

12 (e) Carrying Values of Financial Instruments - Group

Group	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available-For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
At 1st January 2018	65,556,414	22,783,476	13,200,451	2,349,607	103,889,948
Purchases	5,408,285	183,501,563	128,721,408	11,114,766	328,746,022
Maturities	(9,392,484)	(161,877,248)	(133,185,498)	(12,755,795)	(317,211,025)
Fair Value Gains Recorded in the Income Statement	-	-	3,524	(35,484)	(31,960)
Fair Value Gains Recorded in Other Comprehensive Income	-	-	(376,507)	-	(376,507)
Interest Accrual Adjustment	(12,676)	1,403,422	(15,265)	(36,969)	1,338,512
Amortisation Adjustment	(758,114)	175,535	63,704	(70,296)	(589,171)
At 31 December 2018	60,801,425	45,986,748	8,411,817	565,829	115,765,819

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 FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

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:

	2018						2017					
	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
	Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000	Significant Unobservable Inputs Rs.'000	Total Fair Value Rs.'000	Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000	Significant Unobservable Inputs Rs.'000	Total Fair Value Rs.'000	Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000	Significant Unobservable Inputs Rs.'000	Total Fair Value Rs.'000
Financial Assets												
Financial Assets at Fair Value Through Profit/Loss												
Equity Securities	7,911	-	-	7,911	13,402	-	-	-	-	-	-	13,402
Debt Securities	557,918	-	-	557,918	2,336,205	-	-	-	-	-	-	2,336,205
	565,829	-	-	565,829	2,349,607	-	-	-	-	-	-	2,349,607
Available-For-Sale Financial Assets:												
Equity Securities	360,365	-	761,781	1,122,146	366,564	-	-	864,706	-	-	-	1,231,270
Debt Securities	6,304,154	-	-	6,304,154	10,216,220	-	-	-	-	-	-	10,216,220
Unit Trust	-	45,862	-	45,862	-	-	437,611	-	437,611	-	-	437,611
	6,664,519	45,862	761,781	7,472,162	10,582,784	437,611	864,706	864,706	437,611	864,706	11,885,101	14,234,708
Total Financial Assets (Insurance Business)	7,230,348	45,862	761,781	8,037,991	12,932,391	437,611	864,706	864,706	437,611	864,706	14,234,708	15,550,059
Financial Instruments at Fair Value -Other Businesses & Ceylinco Insurance PLC	856,490	-	83,165	939,655	1,145,237	-	-	170,114	-	-	-	1,315,351
Total Financial Assets (Group)	8,086,838	45,862	844,946	8,977,646	14,077,628	437,611	1,034,820	1,034,820	437,611	1,034,820	15,550,059	17,569,759

	2018				2017			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
	Quoted Prices in active markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in active markets	Significant Observable Inputs	Significant Unobservable Inputs	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Non Financial Assets								
Property Plant and Equipment								
Land	-	-	8,063,853	8,063,853	-	-	7,537,860	7,537,860
Building	-	-	6,536,764	6,536,764	-	-	5,963,378	5,963,378
	-	-	14,600,617	14,600,617	-	-	13,501,238	13,501,238
Investment Property								
Land	-	-	522,288	522,288	-	-	486,288	486,288
Building	-	-	440,322	440,322	-	-	637,773	637,773
	-	-	962,610	962,610	-	-	1,124,061	1,124,061
Total Non Financial Assets	-	-	15,563,227	15,563,227	-	-	14,625,299	14,625,299

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:

	At 1 January 2018		Total Gains/(Loss) Recorded in Other Comprehensive Income		At 31 December 2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets						
Available-For-Sale Financial Assets:						
Equity Securities	864,706	864,706	28,961	(131,886)	761,781	761,781
Total Level 3 Financial Assets	864,706	864,706	28,961	(131,886)	761,781	761,781

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

	Effect of Possible Alternate Assumptions		Effect of Possible Alternate Assumptions	
	Carrying Amount 31/12/2018	Rs.'000	Carrying Amount 31/12/2017	Rs.'000
Equity Securities	761,781	76,178	864,706	86,471
	761,781	76,178	864,706	86,471

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

(i) Financial Instruments not under the fair value measurement hierarchy

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re - price to current market rates frequently.

Assets

Cash and Cash Equivalents
Repo
Reinsurance Receivables
Premium Receivables

Liabilities

Reinsurance Creditors
Other Liabilities (Excluding Government Levies and Accruals)

13 GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the Employee Benefit Plan. As at 31 December 2018 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.

The amounts recognised in the Income Statement are as follows:

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Current Service Cost	134,279	106,807
Interest Cost on Benefit Obligation	312,219	287,739
Expected Return on Plan Assets	(575,944)	(456,692)
	(129,446)	(62,146)
Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income	575,963	(449,471)

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

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Present Value of the Defined Benefit Obligation	(2,808,979)	(2,973,599)
Fair Value of Plan Assets	6,941,308	4,709,079
Total Net Defined Benefit Asset	4,132,329	1,735,480

The Movement in the Defined Benefit Liability is as follows:

	Group	
	2018 Rs.'000	2017 Rs.'000
At 1 January	3,165,572	2,619,761
Current Service Cost	159,883	134,556
Interest Cost	332,021	301,901
Benefits Paid	(424,325)	(209,202)
Actuarial (Gains)/ Losses	(204,491)	318,556
At 31 December	3,028,660	3,165,572
Defined Gratuity Benefit Obligation of the Insurance Business	(2,808,979)	(2,973,599)
Gratuity Liability -Other Subsidiaries	219,681	191,972

The Gratuity Benefit Liability of the Insurance Businesses is valued by M/S.K.A.Pandit Actuarial valuer.

Following payments are expected contributions to the defined benefit plan obligation on the future years.

As at 31 December	2018 Rs.'000	2017 Rs.'000
Within the next 12 Months	324,640	694,349
Between 2 and 5 Years	296,641	325,642
Between 5 and 10 Years	591,863	863,087
	1,213,144	1,883,078

The Movement in the Plan Assets is as follows:

	Group	
	2018 Rs.'000	2017 Rs.'000
At 1 January	(4,709,079)	(3,805,844)
Expected Return on Plan Assets	(575,944)	(456,692)
Recognition of Plan Assets	(776,178)	-
Actuarial Gains	(382,915)	98,666
Benefit Paid	274,120	64,828
Contribution Paid by Employer	(771,312)	(610,037)
At 31 December	(6,941,308)	(4,709,079)

NOTES TO THE FINANCIAL STATEMENTS

13 GRATUITY BENEFIT LIABILITY/(ASSET) CONTD.

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

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Treasury Bonds/Bills	-	482,787
Investment in Shares	4,530,463	3,769,765
Corporate Debentures	-	25,000
Commercial Papers	772,026	236,288
Other Assets	1,638,819	195,239
Total Plan Assets	6,941,308	4,709,079

Gratuity funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 3,278,200,630 as at the reporting date.(2017 - Rs. 3,269,597,000).

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:

As at 31 December	2018	2017
Future Salary Increases	10.00%	10.00%
Discount Rate	12.13%	10.50%
Expected Rate of Return on Plan Assets	12.13%	10.00%
Retirement Age	55 Years	55 Years

Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

Group - 2018	Amount Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income								
	1-Jan-18	Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial Changes Arising from Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-18
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(2,973,599)	-	(134,279)	(312,219)	(446,498)	418,032	-	256,507	(63,421)	193,086	-	(2,808,979)	
Fair Value of Plan Assets	4,709,080	776,098	-	-	-	(274,120)	575,944	-	382,915	382,915	771,391	6,941,309	
Benefit Assets/ (Liability)	1,735,481	776,098	(134,279)	(312,219)	(446,498)	143,912	575,944	256,507	319,494	576,001	771,391	4,132,329	

Group - 2017	Amount Charged to Profit or Loss				Re-measurement Gains/(Losses) in Other Comprehensive Income								
	1-Jan-17	Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial Changes Arising from Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-17
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(2,397,904)	-	(106,807)	(287,739)	(394,546)	169,656	-	(129,770)	(221,035)	-	(350,805)	-	(2,973,599)
Fair Value of Plan Assets	3,805,844	-	-	-	-	(64,828)	456,692	-	(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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is shown below:

As at 31 December	Discount Rate		Future Salary Increment Rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impact on Defined Benefit Obligation	(136,392)	155,440	157,063	(140,003)

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

As at 31 December	2018		2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within the next 12 Months	1,086,144	1,177,924		
Between 2 and 5 Years	626,344	638,150		
Between 6 and 10 Years	1,266,709	1,530,477		

The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 9 years. (2017: 9 years)

NOTES TO THE FINANCIAL STATEMENTS

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.

2018 changes in the Defined Benefit Obligation, Fair Value of Plan Assets and unrecognised past service costs :

Group	Amount Charged to Profit or Loss			Re-measurement Gains/(Losses) in Other Comprehensive Income							Rs.000		
	Disposal Service Cost of Plan assets	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Past Service Costs Recognised	Recognised in Income Statement	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Financial Assumptions	Experience Adjustments		Subtotal included in OCI	Contribution by Employers
1-Jan-18	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	-	(3,492)	(134,142)	(137,634)	77,994	-	(47,675)	391	7,261	(65,110)	(57,458)	-	(1,799,363)
Fair Value of Plan Assets	(776,178)	-	(776,178)	(776,178)	(77,994)	-	(549,050)	-	195,415	138,894	334,309	123,638	3,590,222
Total Recognised Benefit (Liability) / Asset	1,999,060	(776,178)	(134,142)	(913,812)	-	305,122	(596,725)	391	202,676	73,784	276,851	123,638	1,790,858

Group	Amount Charged to Profit or Loss			Re-measurement Gains/(Losses) in Other Comprehensive Income							Rs.000		
	Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Past Service Costs Recognised	Recognised in Income Statement	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Financial Assumptions		Experience Adjustments	Subtotal included in OCI
1-Jan-17	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	-	(3,144)	(192,618)	(195,762)	37,259	-	(60,650)	-	(3,022)	84,409	81,387	-	(1,682,265)
Fair Value of Plan Assets	-	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	176,182	-	111,257	(52,068)	(23,212)	84,409	122,756	1,999,060

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

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:

		Group	
		2018	2017
Discount Rate		8%-12.04%	8%-10.05%
Rate of Return on Plan Assets	Current	12.04%	10.05%
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. 2,699,184,260 /- at the Reporting date. (2017 - Rs.2,166,129,278/-).

15 REINSURANCE RECEIVABLES

		Group	
As at 31 December		2018	2017
		Rs.'000	Rs.'000
Reinsurance of Insurance Contracts		3,675,696	3,458,119
Total Reinsurance Receivables		3,675,696	3,458,119

Reinsurance receivables on paid claims represent dues within 6 months.

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

NOTES TO THE FINANCIAL STATEMENTS

16 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	
	2018 Rs.'000	2017 Rs.'000
At 1 January	1,630,346	1,378,954
Loans Granted During the Period	1,235,746	1,037,829
Repayment During the Period	(1,675,818)	(786,437)
At 31 December	1,190,274	1,630,346

16 (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.

16 (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.

16 (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 2018.

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

16 (a).iv Number of Policy Loans

Number of policy loans due as at 31 December 2018 was 37,270 (2017-43,159)

16 (a).v Collateral Details

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

17 TAXATION

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
17 (a) Tax Receivable				
At 1 January	811,146	939,690	(7,493)	20,130
Amounts recorded in the Income Statement	(2,073,489)	(1,182,672)	(20,375)	(6,468)
Notional Tax Recognised	728,590	505,563	43	1,180
Payments made on-account during the year	239,575	351,456	12,902	(22,335)
At 31 December (Net Recoverable)	(294,177)	614,038	(14,923)	-
Payable balance included under Other payable	568,077	197,109	14,923	7,493
At 31 December	273,900	811,147	-	7,493

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)

17 (b) Deferred Tax Asset- Group

As at 31 December	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Temporary Difference from Retirement Benefit Liability	(29,746)	(12,665)	(481,650)	(324,716)	500,248	741,069
Temporary Difference from Property Plant and Equipment	(178)	1,022	328,671	156,909	(343,816)	(462,209)
Revaluation Reserve	-	61,487	26,226	-	(95,644)	(61,487)
Available For Sale Financial Assets	(18,792)	45,997	-	8,101	(64,789)	(45,997)
Temporary Difference from allowance for Impairment	-	-	301	966	10,585	10,283
Temporary Difference from Intangible Assets	-	-	2,519	(7,470)	13,630	11,112
Deferred Tax Expense/(Income)	(48,716)	95,841	(123,933)	(166,210)		
Deferred Tax Asset					20,214	192,771

NOTES TO THE FINANCIAL STATEMENTS

17 TAXATION CONTD.

Total Deferred Tax Assets

	Group	
	2018 Rs.'000	2017 Rs.'000
At 1 January	192,771	122,402
Amounts recorded in the Income Statement	(123,933)	166,210
Amounts recorded in Other Comprehensive Income	(48,624)	(95,841)
At 31 December	20,214	192,771

A Deferred Tax Asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

17 (c) Deferred Tax Liabilities- Group

	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As at 31 December						
Losses Carried Forward	-	57,859	40,577	(5,643)	(100,360)	(771)
Temporary Difference from Retirement Benefit Obligation	1,465	36,517	(6,323)	(291,420)	26,304	545,854
Temporary Difference from Property Plant and Equipment	-	5,058	105,138	122,430	(191,953)	(738,929)
Revaluation Reserve	1,049	(9,158)	5,898	-	(158,047)	(82,315)
Temporary Difference from Retained Reserves of Associates	-	-	57,490	26,954	(167,958)	(110,468)
Deferred Tax Expense/(Income)	2,514	90,277	202,780	(147,679)		
Deferred Tax Liability					(592,014)	(386,629)

Total Deferred Tax Liability

	Group	
	2018 Rs.'000	2017 Rs.'000
At 1 January	386,629	444,032
Amounts recorded in the Income Statement	202,780	(147,679)
Amounts recorded in Other Comprehensive Income	2,605	90,277
At 31 December	592,014	386,629

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.

The Inland Revenue Act No 24 of 2017 applied in determining the deferred tax asset/liabilities of the group

18 INSURANCE RECEIVABLES/TRADE DEBTORS

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Premium Receivables	5,924,678	4,974,743
Due from Related Parties	9,046	13,440
Due from Trade Debtors	459,751	299,388
	6,393,475	5,287,571

18 (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
2018	5,028,772	1,364,703	6,393,475
2017	4,110,100	1,177,471	5,287,571

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER ASSETS

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances, Deposits & Prepayments	941,318	670,617	6,485	37,141
Inventories	78,745	100,192	-	-
Gold	-	216	-	-
Deferred Staff Benefits	175,920	181,101	-	-
Other Receivables	399,848	291,823	2,443	1,024
	1,595,831	1,243,949	8,928	38,165

20. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in Hand and at Bank	1,358,954	1,532,789	10,490	2,489
Total Cash and Cash Equivalents	1,358,954	1,532,789	10,490	2,489

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

21 (a) Stated Capital

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Classes of Shares				
97,500,000 Ordinary Shares				
2,500,000 Unclassified Shares				
100,000,000 Non Voting Ordinary Shares				
Issued & Fully Paid				
Ordinary Shares - Voting 21(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.

21 (a) i Ordinary Shares - Voting

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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

At 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other Retained Reserves	2,057,437	2,057,437	2,057,437	2,057,437
Available for Sale Reserve	379,983	916,947	(14,015)	(16,176)
Foreign Currency Translation Reserve	40,161	(138)	-	-
	2,477,581	2,974,246	2,043,422	2,041,261

Other Retained Reserves represent General reserves.

NOTES TO THE FINANCIAL STATEMENTS

22&23 INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	Group	
		2018 Rs.'000	2017 Rs.'000
Life Insurance Contract	22	87,194,850	80,869,407
Non-life Insurance Contracts	23	12,353,210	11,887,150
Total Insurance Contract Liabilities		99,548,060	92,756,557

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.

22 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 2018	46,374,348	34,495,059	80,869,406
Gross Premium Income	6,334,239	11,478,535	17,812,774
Premiums Ceded to Reinsurers	(5,561)	(451,949)	(457,510)
Liabilities Paid for Death, Maturities, Surrenders, Benefits and Claims	(3,838,402)	(5,965,146)	(9,803,548)
Investment Return	5,454,486	4,647,599	10,102,085
Other Operating and Admin Expenses	(1,893,723)	(2,501,332)	(4,395,055)
Underwriting and Net Acquisition Cost	(729,210)	(1,197,243)	(1,926,453)
Revaluation Reserve and AFS Reserve Transfer to Life Fund	(54,964)	(76,885)	(131,849)
Net Transfer to Shareholder	(210,310)	(4,664,690)	(4,875,000)
At 31 December 2018	51,430,903	35,763,948	87,194,850

The valuation of the Life Insurance business as at 31 December 2018 was carried out by our Consulting Actuary, Mr Vivek Jalan, FIA, on behalf of Willis Towers Watson. In the opinion of the Consulting Actuary, proper reserves have been provided for all known liabilities in respect of the Life Insurance business and the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (risk-based capital) Rules 2015 dated 15th December 2015.

Following the actuarial valuation as at 31 December 2018 the Consulting Actuary has approved a transfer of Rs. 4.875 Bn (2017 -Rs.4.5 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

22 (b) Restricted Regulatory reserve

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 20 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 20 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.

Effect of Taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the Life Policyholders shall be deemed as gains and profit from the life insurance business and will be taxed at concessionary rate of 14% for next three years of assessments commencing from 01 April 2018. Company declared a bonus of Rs. 1,667 Mn to Life Policyholders participating in the profits of the Life Insurance Business. The Company has charged a tax of Rs. 233.3 Mn on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

23 Non-Life Insurance Contract Liabilities

As at 31 December	Note	2018 Insurance Contract Liabilities Rs.'000	2017 Insurance Contract Liabilities Rs.'000
Provision for Reported Claims by Policyholders		4,207,267	4,059,979
Provision for Claims IBNR/IBNER		371,219	317,538
Outstanding Claims Provision	23 (a)	4,578,486	4,377,517
Provision for Unearned Premiums	23.(b)	7,774,724	7,509,633
Total Non Life Insurance Contract Liabilities		12,353,210	11,887,150

NOTES TO THE FINANCIAL STATEMENTS

22&23 INSURANCE CONTRACT LIABILITIES CONTD.

23 (a) Outstanding Claims Provision

	2018			2017		
	Insurance Contract Liabilities	Reinsurance of Liabilities	Net	Insurance Contract Liabilities	Reinsurance of Liabilities	Net
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January	4,377,517	3,343,109	1,034,408	4,672,610	4,014,199	658,411
Claims Incurred in the Current Accident Year	9,520,228	2,097,662	7,433,973	10,116,457	2,597,033	7,519,424
Other Movements in Claims Incurred in Prior Accident Years	415,106	259,911	155,195	(974,951)	(847,904)	(127,047)
Claims Paid During the year	(9,734,365)	(2,294,161)	(7,451,611)	(9,436,599)	(2,420,219)	(7,016,380)
At 31 December	4,578,486	3,406,522	1,171,964	4,377,517	3,343,109	1,034,408

Reinsurance Receivable on paid claims are included under above Reinsurance Receivables amounting to Rs.1,045,156,000 in 2018 and Rs. 755,975,000 in 2017 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.

23 (b) Provision for Unearned Premiums

	2018	2017
	Insurance Contract Liabilities	Insurance Contract Liabilities
	Rs.'000	Rs.'000
At 1 January	7,509,633	6,987,419
Premiums Written in the Year	14,587,235	13,829,987
Premiums Earned During the Year	(14,322,144)	(13,307,773)
At 31 December	7,774,724	7,509,633

24 DEFERRED REVENUE

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

Group	2018 Deferred Revenue on Insurance Contracts Rs.'000	2017 Deferred Revenue on Insurance Contracts Rs.'000
At 1 January	274,445	241,957
Revenue Deferred	809,824	613,858
Amortisation	(730,532)	(581,370)
At 31 December	353,737	274,445

25 INTEREST BEARING LOANS & BORROWINGS

	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As at 31 December					
Bank Overdraft		422,682	704,283	2,157	3,496
Borrowings	25 (a)	1,773,356	1,820,597	-	-
Total Borrowings		2,196,038	2,524,880	2,157	3,496

25 (a) Borrowings

	Note	Group	
		2018 Rs.'000	2017 Rs.'000
As at 31 December			
Bank Loans	25 (a) i	800,146	602,876
Corporate Borrowings		25,151	97,957
Repo Borrowings		857,920	985,880
Funds under Management Agreement		75,139	118,884
Promisary Notes		15,000	15,000
		1,773,356	1,820,597

NOTES TO THE FINANCIAL STATEMENTS

25 INTEREST BEARING LOANS & BORROWINGS

25 (a) i Bank Loans

	As at 01 Jan 2018 Rs.'000	Loans Obtained Rs.'000	Repayments Rs.'000	As at 31 Dec 2018 Rs.'000
Sampath Bank PLC	579,041	-	(116,394)	462,647
Nation Trust Bank PLC	23,835	198,790	(5,196)	217,429
Hatton National Bank PLC		126,400	(6,330)	120,070
	602,876	325,190	(127,920)	800,146

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.

26 REINSURANCE PAYABLES

As at 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	316,401	197,530
Domestic Reinsurers - Others	512,446	119,254
Foreign Reinsurers	1,790,740	1,849,763
	2,619,587	2,166,547

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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Policyholders Payment in Advance	909,062	570,990	-	-
Agency Commission Payable	985,597	845,132	-	-
Government Levies	303,605	282,368	-	-
Trade Creditors	3,587,305	3,920,311	34,172	118,953
Death Claims Payable	97,310	65,157	-	-
Accrued Expenses	783,670	532,184	-	-
Income Tax Payable	568,077	197,109	14,923	7,493
	7,234,626	6,413,251	49,095	126,446

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	
		2018 Rs.'000	2017 Rs.'000
Non-Life Insurance	28 (a) i	20,348,770	18,896,947
Life Insurance	28 (a) ii	17,812,774	15,765,484
		38,161,544	34,662,431

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		
		2018 Rs.'000	2017 Rs.'000	Change %
Fire		2,490,382	2,282,659	9
Motor		11,357,561	11,002,491	3
Marine		864,882	845,769	2
Miscellaneous		3,177,339	3,535,431	(10)
Engineering		2,267,679	1,045,584	117
Employers' Liability		190,927	185,013	3
		20,348,770	18,896,947	8

The Gross written premium of 2018 includes Rs.27,715,703/- and US\$ 124,315 (2017- Rs.36,351,499 and US\$ 131,535) which are collected on behalf of co-insurance partners.

28 (a) ii Life Insurance

Year ended 31 December		Group		
		2018 Rs.'000	2017 Rs.'000	Change %
Life Insurance		17,812,774	15,765,484	13
		17,812,774	15,765,484	13
Annualised New Business Life Premium		5,876,672	5,415,589	8.44

NOTES TO THE FINANCIAL STATEMENTS

28 NET PREMIUMS CONTD.

28 (b) Premiums Ceded to Reinsurers

Year ended 31 December	Note	Group	
		2018 Rs.'000	2017 Rs.'000
Non-Life Insurance	28 (b) i	5,761,535	5,066,960
Life Insurance	28 (b) ii	457,509	422,217
Premiums Ceded to Reinsurers		6,219,044	5,489,177

28 (b) i Non- Life Insurance

Year ended 31 December		Group		
		2018 Rs.'000	2017 Rs.'000	Change %
Fire	2,328,178	1,862,429	25	
Motor	481,934	826,332	(42)	
Marine	496,738	493,700	1	
Miscellaneous	1,585,221	1,117,446	42	
Engineering	853,780	752,167	14	
Employers' Liability	15,684	14,886	5	
	5,761,535	5,066,960	14	
National Insurance Trust Fund				
Compulsory Reinsurance Cessions	737,868	584,919	26	
Strike , Riots, Civil Commotion	1,001,372	908,568	10	
Foreign Reinsurers	3,974,893	3,517,316	13	
Local Coinsurance Partners	47,402	56,157	(16)	
	5,761,535	5,066,960	14	

28 (b) ii Life Insurance

Year ended 31 December		Group		
		2018 Rs.'000	2017 Rs.'000	Change %
Foreign Reinsurers	457,509	422,217	8	
	457,509	422,217		

28 (c) Net Income

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net Earned Premium	31,689,100	28,651,040	-	-
Revenue From Subsidiaries	3,462,653	2,914,867	-	-
Other Revenue	14,273,683	12,822,721	1,268,568	1,116,663
	49,425,436	44,388,628	1,268,568	1,116,663

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	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Commission Income	883,767	688,095	-	-
Other Fees	37,544	40,413	-	-
Total Fees and Commission Income	921,311	728,508	-	-

30 INVESTMENT INCOME

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental Income from Investment Properties	47,234	53,592	-	-
Financial Assets at Fair Value through Profit or Loss (Held for Trading Purposes)				
Interest Income	137,478	268,986	-	-
Held to Maturity Financial Assets Interest Income	7,434,604	7,530,630	-	-
Available-For-Sale Financial Assets				
Interest Income	907,988	1,159,224	40,054	20,171
Dividend Income	218,887	201,457	1,166,397	1,069,267
Loans and Receivables Interest Income	3,604,791	1,990,923	30,645	26,564
Interest Income from Staff Loan	36,406	21,687	-	-
Other Operating Revenue	602,576	462,923	31,472	661
Total Investment Income	12,989,964	11,689,422	1,268,568	1,116,663

NOTES TO THE FINANCIAL STATEMENTS

31 NET REALISED GAINS

Year ended 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Property, Plant and Equipment		
Realised Gains	154,820	143,128
Available-For-Sale Financial Assets		
Realised Gains		
Equity Securities	(11)	14,180
Debt Securities	193,559	32,388
Total Realised Gains for Available-For-Sale Financial Assets	193,548	46,568
Total Realised Gains	348,368	189,696

32. NET FAIR VALUE GAINS AND LOSSES

Year ended 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Fair Value Gains on Investment Properties	46,000	-
Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss (Held for Trading Purposes)	(31,960)	215,095
Total Fair Value Gains and Losses	14,040	215,095

33. NET BENEFITS AND CLAIMS

Year ended 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
33 (a) Gross Benefits and Claims Paid		
Life Insurance Contracts	9,997,299	6,884,013
Non-Life Insurance Contracts	9,734,365	9,427,879
Total Gross Benefits and Claims Paid	19,731,664	16,311,892
33 (b) Claims Ceded to Reinsurers		
Life Insurance Contracts	(193,749)	(197,033)
Non-Life Insurance Contracts	(2,294,161)	(2,600,520)
Total Claims Ceded to Reinsurers	(2,487,910)	(2,797,553)
33 (c) Gross Change in Contract Liabilities		
Change in Life Insurance Contract Liabilities	6,457,292	7,258,502
Change in Non-Life Insurance Contract Outstanding Claims Provision	153,932	(286,201)
Total Gross Change in Contract Liabilities	6,611,224	6,972,301
33 (d) Change in Contract Liabilities Ceded to Reinsurers		
Change in Non-Life Insurance Contract Outstanding Claims Provision	(18,084)	851,393
Total Change in Contract Liabilities Ceded to Reinsurers	(18,084)	851,393
33 (e) Changes in contract liabilities due to transfer of one off surplus		
	-	(3,456,184)
Net Benefits and Claims	23,836,894	21,338,033
Net Benefits and Claims - Non Life Insurance	7,576,052	7,392,551
Net Benefits and Claims - Life Insurance (Including Gross Change in Contract Liabilities)	16,260,842	13,945,482
	23,836,894	21,338,033

NOTES TO THE FINANCIAL STATEMENTS

33. NET BENEFITS AND CLAIMS

33 (f) Gross Claims and Benefits (Excluding Life Fund Increase)

Year ended 31 December	2018 Rs.'000	2017 Rs.'000
Claims - Death, Disability and Hospitalisation	807,049	783,529
Policy Maturities	6,368,351	3,900,156
Interim Payments on Anticipated Endowment Plans	918,945	783,377
Surrenders	1,718,132	1,127,385
Cash and Loyalty Bonus Expenses	159,317	266,092
Annuities	25,504	23,474
	9,997,299	6,884,013
Reinsurance Recoveries	(193,749)	(197,033)
Life Insurance Net Claims and Benefits	9,803,550	6,686,980

33 (g) Non - Life Net claims incurred

Year ended 31 December	2018 Rs.'000	2017 Rs.'000
Gross Claims Incurred	9,888,297	9,141,678
Reinsurance Recoveries	(2,312,245)	(1,749,127)
Total Net Claims incurred	7,576,052	7,392,551

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

Year ended 31 December	2018 Rs.'000	2017 Rs.'000
Fire	399,046	809,774
Motor	5,533,472	4,866,931
Marine	136,800	90,608
Miscellaneous	1,295,440	1,325,934
Engineering	172,690	252,942
Employer's Liability	38,604	46,362
	7,576,052	7,392,551

34. ACQUISITION COSTS

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fees and Commission Expenses	3,741,615	3,534,032	-	-
Deferred Expenses	(65,252)	(79,118)	-	-
	3,676,363	3,454,914	-	-

35. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Year ended 31 December	Note	Group		Company	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation of Intangible Assets & Goodwill	7	83,616	77,112	-	-
Depreciation on Property, Plant and Equipment	9	848,548	774,455	58	58
Other Operating Expenses	35 (b)	2,637,194	2,490,132	38,004	7,776
Auditors' Remuneration		20,685	15,045	952	619
Employee Benefits Expense	35 (a)	5,311,959	4,993,463	8,281	3,981
Selling Expenses		1,432,705	1,372,818	-	-
Legal Expenses		31,276	48,000	21,285	23,645
Donations		23,264	22,811	-	-
Total Other Operating and Administrative Expenses		10,389,247	9,793,836	68,580	36,079

35 (a) Employee Benefits Expense

Year ended 31 December	Note	Group		Company	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Wages and Salaries Including Bonus & Incentives		5,695,008	4,452,755	8,281	3,981
Employees' Provident Fund		388,517	325,754	-	-
Employees' Trust Fund		64,941	81,354	-	-
Defined Gratuity Benefit & Pension Costs	35 (c)	(1,150,156)	(121,083)	-	-
Other Staff Related Cost		313,649	254,683	-	-
Total Employee Benefits Expense		5,311,959	4,993,463	8,281	3,981

35 (b) Other Operating Expenses

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.4,027,000. (2017 - Rs. 4,409,000/-)
The operating expenses incurred in respect of investment property which earns rental income is Rs.nil (2017- Rs.1,348,000)

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.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCE COSTS

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Borrowings				
Interest Expense on Bank Overdraft	26,430	17,912	-	-
Interest Expense on Loans	88,835	85,066	-	-
Other Finance Charges	55,623	50,134	384	1,582
Total Finance Cost	170,888	153,112	384	1,582

37. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

37 (a) Current Year Tax Charge

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax				
Income Tax	2,031,236	1,258,883	20,375	13,216
Over/Under Provision in respect of Previous Year	42,253	(76,211)	-	(6,748)
Total Current Tax	2,073,489	1,182,672	20,375	6,468
Deferred Tax				
Origination of Temporary Differences (note 17a and b)	325,830	(313,921)	-	-
Total Income Tax Expense	2,399,319	868,751	20,375	6,468

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

Year ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax	114,162	195,916	-	-
Total Tax Charge to Other Comprehensive Income	114,162	195,916	-	-

37 (c) Reconciliation of Tax Charge

Year ended 31 December	Company	
	2018 Rs.'000	2017 Rs.'000
Reconciliation of Effective Tax Rate		
Profit Before Tax	1,199,604	1,079,002
Income Tax using the Company's Domestic Tax Rate	28.00% 335,889	28.00% 302,121
Tax Exempt Income	(333,860)	(289,318)
Net Non-Deductible/(Deductible) Expenses	18,346	413
Over / (Under) Provision of Previous Years	-	(6,748)
	20,375	6,468

Year ended 31 December	Group	
	2018 Rs.'000	2017 Rs.'000
Reconciliation of Effective Tax Rate		
Profit Before Tax	11,064,771	12,651,338
Income Tax using the Company's Domestic Tax Rate	3,276,197	2,741,437
Tax Exempt Income	(5,873,536)	(6,855,668)
Net Non-Deductible/(Deductible) Expenses	(868,195)	5,395,189
Tax Effect of Loss Claimed for the Year	(68,684)	(6,108)
Income Tax for Bonuses distributed/declared to policyholders	233,322	-
Over / (Under) Provision of Previous Years	42,253	(76,211)
Deferred Tax Charge/(Reverse)	325,830	(313,921)
Tax Savings on Current Tax Loss	-	(15,967)
	2,399,319	868,751

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 and the new Inland Revenue Act No.24 of 2017.

Taxable profits of Long-Term insurance business is computed on following basis:

For 1st three months, investment income less management expenses and allowable expenses is considered for tax purposes. For balance 9 months following basis is considered.

Surplus distributed to participating policyholders - at 14% for 3 years and at 28% thereafter

Investment income of shareholder funds less allowable expenses - at 28%

Surplus distributed to shareholders from policyholders as certified by the appointed actuary - at 28%

CEG Education Holdings (Private) Limited and CEC Events (Pvt Ltd. are liable to pay tax at 28% on its business income. Other income of the Company is liable for taxation at the normal rate.

Education Subsidiaries are liable at 10% on its business income for the three months of the year and 14% on its business income for the balance 9 months of the year.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd and Ceyhydro Developers (Pvt) Ltd. are liable for 12% tax on the income for the year of assessment 2017/2018. Other income of the Company is liable for taxation at the normal rate

Ceylinco Insurance Company (Pvt) Ltd. -Maldives is liable to pay income tax at 15% on its business income in Maldives.

NOTES TO THE FINANCIAL STATEMENTS

38. NON CONTROLLING INTERESTS (NCI)

38 (a) Accumulated balances of Non-Controlling Interest

Year ended 31 December	2018	2017	Effective ownership by NCI %
	Rs.'000	Rs.'000	
Name of Company			
Ceylinco Healthcare (Pvt) Ltd	2,592	2,151	0.80
Ceylinco Insurance (Pvt) Ltd -Maldives	171,005	147,085	40
Ceylinco Investcorp (Pvt) Ltd	16,943	17,368	25
Energy Lanka Holdings Ltd	22,806	22,672	-
CEG Education Holdings Ltd	1,676,685	1,469,142	37.40
	1,890,031	1,658,418	

38 (b) Profit allocated to Non-Controlling Interest

Year ended 31 December	2018	2017
	Rs.'000	Rs.'000
Name of the Company		
Ceylinco Healthcare (Pvt) Ltd	441	571
Ceylinco Insurance (Pvt) Ltd -Maldives	4,102	14,437
Ceylinco Investcorp (Pvt) Ltd	4,089	6,650
Energy Lanka Holdings Ltd	3,193	770
CEG Education Holdings Ltd	260,107	215,606
	271,932	238,034

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	
	2018	2017	2018	2017
Profit for the Year (Rs.'000)				
- Including One off surplus	8,393,520	11,544,553	1,179,229	1,072,534
- Excluding One off surplus	8,393,520	8,088,369	1,179,229	1,072,534
Weighted Average Number of Ordinary Shares ('000)	26,414	26,414	26,414	26,414
Basic/Diluted Earnings Per Ordinary Share (Rs.)				
- Including One off surplus	317.76	437.05	44.64	40.60
- Excluding One off surplus	317.76	306.21	44.64	40.60

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	2018	2017
Final Dividend paid (Rs.'000)	832,056	726,398
No. of Shares in issue for the year ('000)	26,414	26,414
Dividend Per Share (Rs.)	31.50	27.50

41. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

As at 31 December	2018			2017		
	Before tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000	Before Tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000
Group						
Exchange Differences on Translating Foreign Operations	67,165	-	67,165	8,562	-	8,562
Net Gain/(Loss) on Available-for-Sale Financial Assets	(376,507)	(18,792)	(395,299)	295,008	(28,986)	266,022
Actuarial Gain on Defined Benefit Plans	851,368	(31,033)	820,335	(410,472)	54,142	(356,330)
Revaluation Surplus/(Deficit) During the Year	20,326	(64,337)	(44,011)	110,448	(221,072)	(110,624)
Total	562,352	(114,162)	448,190	3,546	(195,916)	(192,370)

41.1 Movement of share of other comprehensive income /(Loss) of an associates

As at 31 December	2018 Amount Rs.'000	2017 Amount Rs.'000
Actuarial Gain on Defined Benefit Plans	(15,562)	(8,731)
Revaluation Surplus/(Deficit) During the Year	20,326	110,448
Tax Expenses	(57,390)	-
Net Gain/(Loss) on Available-for-Sale Financial Assets	-	24,457
Total	(52,626)	126,174

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2018			2017		
	Before Tax Amount Rs.'000	Tax	Net of Tax Amount Rs.'000	Before Tax Amount Rs.'000	Tax	Net of Tax Amount Rs.'000
		(Expense)			(Expense)	
		Benefit			Benefit	
Company						
Net Gain/(Loss) on Available-for-Sale Financial Assets	2,161	-	2,161	154	-	154
Total	2,161	-	2,161	154	-	154

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. (IRC SL).

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.

Ceylinco General Insurance Ltd has following capital resources.

Year ended 31 December	General Insurance		Life Insurance	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total equity	11,145,323	9,774,455	26,425,584	20,646,899
Adjustments onto a regulatory basis	(5,249,211)	(4,642,734)	27,434,492	31,829,952
Available capital resources	5,896,112	5,131,721	57,860,076	52,476,851

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

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.

IRCSL ensures that Insurance Companies maintain required solvency position to meet future liabilities. The Insurance Companies successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL.

The capital adequacy positions of the Insurance Companies as of 31st December 2018 and 2017 are as follows.

Ceylinco General Insurance Ltd has following solvency position.

NOTES TO THE FINANCIAL STATEMENTS

	Total Available Capital (TAC) Rs.'000	Minimum Capital Requirement Rs.'000	Risk-based Capital Adequacy Ratio (CAR) %	Regulatory Minimum CAR %
31st December 2018	5,896,112	3,026,609	195	120
31st December 2017	5,131,721	2,703,494	190	120

Ceylinco Life Insurance Ltd has following solvency position.

31st December 2018	53,860,000	14,813,000	364	120
31st December 2017	52,477,000	13,985,000	375	120

42 (d) Asset Liability Management (ALM) Framework

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints. ALM deals with the optimal investment of assets in view of meeting current goals and future liabilities.

Various financial risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk.

The Investment committee identifies the nature of the liabilities arising from the product portfolio and evaluates the investment options that best suit to hedge the liability. The Group manages these selected positions within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates to achieve investment returns in excess of its obligations in the long term.

43. INSURANCE AND FINANCIAL RISK

43 (a) Insurance Risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme. All reinsurance is designed to mitigate the group's net exposure to a single claim as well as to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Group has all reinsurance arrangements with many leading reinsurance companies.

43 (a) i. Life Insurance Contracts

Life insurance contracts offered by the Group include: whole life, term assurance and endowment plans.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death.

Death and maturity benefits of endowment products are subject to a guaranteed minimum amount.

For contracts with DPF the guaranteed minimum may be increased by the additions such as bonuses.

The main risks that the Group 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

Key Assumptions

The Insurance Companies exercise significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions to which the liability value can be sensitive are mortality, morbidity, expenses, discount rates, lapse and surrender rates. The choice of assumptions depends on the past and current experience of the Insurance Companies and other available information. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Insurance Companies historical experience. Discount rates are based on current industry risk free rates. All these assumptions are within the guidelines issued by the IRCSL.

Mortality rate

Mortality assumptions are based on standard mortality tables.

Lapse rates

Lapses occur due to non-payment of premiums before the policy acquires a surrender value. Surrenders occur due to termination of policies by policyholders after acquiring a surrender value.

Risk Free Rate

Risk free discount rate is used to discount the cash flows for corresponding durations for guaranteed benefits of non-participating and participating insurance fund policies. The applicable risk free rates are shared by the IRCSL every quarter.

Fund-based yield

Fund-based yield is used in the participating fund to discount the cash flows for corresponding durations where total benefits are considered.

NOTES TO THE FINANCIAL STATEMENTS

Management Expenses

The assumptions for management expenses are determined based on the investigation into the expenses of the Insurance Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

Sensitivity of the Value of Insurance Liabilities for Changes in Assumptions

Sensitivity of the Value of Insurance Liabilities as at 12/31/18	Changes in Assumptions	Impact on the Net Best Estimate Liabilities
Expenses	+10%	1.76%
Mortality	+10%	0.40%
Mortality	-10%	-0.40%
Morbidity	+20%	0.45%
Morbidity	-20%	-0.40%
Withdrawal Rate	+20%	-0.56%
Withdrawal Rate	-20%	0.62%

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that premium charged takes account of current health conditions and family medical history, 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 example, the Group has the right not to revive individual policies and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behavior.

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 businesses risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

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.

Key assumptions and sensitivities

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience.

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes, impact of natural catastrophic or uncertainty in the estimation process.

Sensitivity of the Value of Insurance Liabilities as at 31/12/2018	Outstanding Claims Reserves Based on BF with a 5% increase in the Initial Estimated Ultimate Loss Ratio (IEULR)	Outstanding Claims Reserves Based on BF with a 5% decrease in the Initial Estimated Ultimate Loss Ratio (IEULR)
Impact on the best estimate liability (Rs 000)	936,526	781,243

Claims development table

The following table shows the estimated net claims liability (after considering reinsurance) for each successive accident year at each reporting date for domestic operations.

Year	0	1	2	3
2012	-	-	4,118,362	-
2013	-	5,227,313	(8,690,169)	499,999
2014	939,339,988	(5,564,745)	(21,049,806)	-
2015	570,867,852	(103,140,094)	(32,610,231)	91,881,814
2016	(359,345,658)	(201,260,832)	60,691,997	-
2017	1,024,084,173	(362,807,124)	-	-
2018	988,889,167	-	-	-

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 counter parties 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 counter parties 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.

NOTES TO THE FINANCIAL STATEMENTS

43 (b) Credit Risk Contd.

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.

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.

Year ended 31 December	Note	2018		2017	
		Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000
Financial Instruments					
Held-to-Maturity Financial Assets					
Debt Securities	12(a)	60,801,425	-	65,556,414	-
Loans and Receivables					
Debt Securities	12(b)	44,884,215	1,366,632	21,827,097	1,073,856
Other		1,102,533	-	956,379	-
		45,986,748	1,366,632	22,783,476	1,073,856
Available-for-Sale Financial Assets					
Equity Securities	12(c)	1,041,982	21,089	1,256,574	21,928
Debt Securities		7,369,835	30,000	11,943,877	30,000
		8,411,817	51,089	13,200,451	51,928
Financial Assets at Fair Value through Profit or Loss					
Equity Securities	12(d)	557,918	-	2,336,205	-
Debt Securities		7,911	-	13,402	-
		565,829	-	2,349,607	-
Reinsurance Assets	15	3,675,696	-	3,458,119	-
Insurance Receivables	17	6,393,475	-	5,287,571	-
Cash and Cash Equivalents	20	1,358,954	10,490	1,532,789	2,489
Total Credit Risk Exposure		127,193,944	1,428,211	114,168,427	1,128,273

43. INSURANCE AND FINANCIAL RISK CONTD.

43 (b) ii Industry Analysis

31 December 2018	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	21,971,871	38,603,523	-	-	-	60,575,394
	21,971,871	38,603,523	-	-	-	60,575,394
Loans and Receivables						
Term Deposits	36,477,447	-	-	-	-	36,477,447
Repo Investments	159,918	-	-	-	-	159,918
Unquoted Debentures	1,337,364	-	-	-	-	1,337,364
Debentures Quoted	4,213,041					4,213,041
Staff and Vehicle Loans	-	-	-	-	849,870	849,870
	42,187,770	-	-	-	849,870	43,037,640
Available-for-Sale Financial Assets						
Equity Securities	348,773	-	1,879	769,863	1,631	1,122,146
Debt Securities	2,246,933	4,057,221	-	-	-	6,304,154
Unit Trust	45,862	-	-	-	-	45,862
	2,641,568	4,057,221	1,879	769,863	1,631	7,472,162
Financial Assets at Fair Value through Profit or Loss						
Equity Securities	236	-	360	7,315	-	7,913
Debt Securities	-	557,918	-	-	-	557,918
	236	557,918	360	7,315	-	565,831
Sub Total	66,801,445	43,218,662	2,239	777,178	851,501	111,651,027
Financial Instruments -Other Subsidiaries & Ceylinco Insurance PLC						4,114,792
Total Credit Risk Exposure						115,765,819

NOTES TO THE FINANCIAL STATEMENTS

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						
						4,159,604
Total credit risk exposure						103,889,948

43. INSURANCE AND FINANCIAL RISK CONTD.

43 (b) iii The below table indicates the rating of investments as at 31st December 2017 & 2018.

Group

31 December 2018	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BBB- Rs.'000	Rated Rs.'000	Total Rs.'000
Insurance Business												
Financial Instruments												
Held-to-Maturity Financial Assets												
Debt Securities	38,585,636	1,354,276	1,359,656	8,988,768	7,553,946	6,61,952	2,057,411	-	14,349	-	-	60,575,394
Loans and Receivables	1,931,729	12,051,062	4,213,041	9,740,568	8,844,674	1,187,346	3,528,657	527,214	10,903	141,549	860,899	43,037,642
Available-for-Sale Financial Assets												
Equity Securities	-	1,488	-	-	-	8	-	152,842	114,423	-	853,385	1,122,146
Debt Securities	4,057,221	306,471	54,685	963,479	467,969	50,947	403,427	-	-	-	-	6,304,199
Unit Trust	-	-	-	-	-	-	-	-	-	-	45,817	45,817
Financial Assets at Fair Value through Profit or Loss												
Equity Securities	35	66	38	295	30	-	-	-	-	-	7,446	7,910
Debt Securities	557,918	-	-	-	-	-	-	-	-	-	-	557,918
Sub Total	45,132,539	13,713,363	5,627,420	19,692,510	16,866,619	1,900,253	5,989,495	680,056	139,675	141,549	1,767,547	111,651,026
Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC												
Total												4,114,793
												115,765,819
31 December 2017												
Insurance Business												
Financial Instruments												
Held-to-Maturity Financial Assets												
Debt Securities	41,750,734	2,829,938	1,371,753	9,836,150	7,311,603	4,96,437	1,562,040	99,847	14,226	-	-	65,272,728
Loans and Receivables	1,237,270	4,442,290	-	3,387,822	5,943,497	1,059,010	2,775,181	271,267	31,125	7,115	1,068,332	20,222,909
Available-for-Sale Financial Assets												
Equity Securities	-	-	-	-	-	11	-	-	172,638	-	1,058,620	1,231,269
Debt Securities	8,404,564	597,089	2,183	515,543	153,314	-	518,476	25,051	-	-	-	10,216,220
Unit Trust	-	-	-	-	-	-	-	-	-	-	437,611	437,611
Financial Assets at Fair Value through Profit or Loss												
Equity Securities	46	-	-	446	33	-	-	-	-	-	12,878	13,403
Debt Securities	2,336,205	-	-	-	-	-	-	-	-	-	-	2,336,205
Sub Total	53,728,819	7,869,317	1,373,936	13,739,961	13,408,447	1,555,458	4,855,697	396,165	217,989	7,115	2,577,441	99,730,344
Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC												
Total												4,159,604
												103,889,948

NOTES TO THE FINANCIAL STATEMENTS

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 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 2018	Up to Three years Rs.'000	Above Three Years Rs.'000	Total Rs.'000
Financial Assets			
Financial Instrument			
Measured at Fair Value	5,266,393	2,771,600	8,037,993
Measured at Amortized Cost	54,908,453	48,704,581	103,613,034
Reinsurance Receivable	3,319,128	-	3,319,128
Insurance Receivable	5,400,856	-	5,400,856
Other Assets	1,012,099	-	1,012,099
Cash and Cash Equivalents	767,991	-	767,991
Total Financial Assets	70,674,920	51,476,181	122,151,101
Financial Liabilities			
Reinsurance Payable	2,009,948	-	2,009,948
Other Liabilities	6,429,691	-	6,429,691
Total Financial Liabilities	8,439,639	-	8,439,639
Total Excess Liquidity	62,235,281	51,476,181	113,711,462

43. INSURANCE AND FINANCIAL RISK CONTD.

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	1,766,968	-	1,766,968
Other Liabilities	6,087,813	-	6,087,813
Total Financial Liabilities	7,854,781		7,854,781
Total Excess Liquidity	51,281,065	50,592,893	101,873,958

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.)

NOTES TO THE FINANCIAL STATEMENTS

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 behavior 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. 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 (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 tax assessments for the years of assessments 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017. Assessments have been issued by the Department of Inland Revenue in contrary to the Inland Revenue Act No. 10 of 2006. Therefore, the Company is of the view that these assessments will not materialise and there will be no additional tax liabilities arising against the Company. Hence, no provision has been made for the assessments received. The Company has made representations against the assessments issued to the Department of Inland Revenue in consultation with the tax consultants of the Company.

44. CONTINGENCIES AND COMMITMENTS

44 (b) Capital Commitments

Ceylinco Life Insurance Ltd. has committed to pay an amount of Rs. 62,035,731 (2017-Rs.43,336,727) as at the reporting date under contract entered into on Capital expenditure project.

CEG Education Group has project expenditure commitments for the purpose of carrying out construction of new office building in Bambalapitiya amounting to Rs.26,091,321.(2017- Rs.172,957,660)

The Group has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

Year ended 31 December	2018 Rs.'000
Within one year	149,453
After one year but not more than five years	333,639
Total operating lease rentals payable	483,092

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	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
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	520,050	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 National Development Bank PLC to obtain banking facilities.	600,000	Loans & Receivables
Land & Buildings - CEG Education Holdings Ltd Group	Loan facilities from Sampath Bank PLC and Seylan Bank PLC	923,000	Property, Plant & Equipment
Property, Plant & Equipment-Energy Lanka Holdings	Pledged to Sampath Bank PLC to obtain Overdraft facilities.	175,000	Property, Plant & Equipment

NOTES TO THE 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

Year ended 31 December	Group		Company	
	2018 RS.	2017 RS.	2018 RS.	2017 RS.
Short-Term Employee Benefits -Company	8,214,900	3,960,622	8,214,900	3,960,622
Other Long-Term/Post Employment Benefits -Company	-	-	-	-
Short Term & Long Term Employee Benefits Received from the Subsidiaries	1,071,547,946	967,440,455	-	-
	1,079,762,846	971,401,077	8,214,900	3,960,622

46 (b) Transaction With Related Parties-Subsidiaries

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	1,075,951,869	984,384,455
	1,075,951,869	984,384,455

46 (c) Transaction With Related Parties-Sub Subsidiaries

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	65,948,672	60,067,404
	65,948,672	60,067,404

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

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	20,453,436	19,458,871
	20,453,436	19,458,871

Transaction With related Parties - Subsidiaries

46 (b) i Ceylinco Investcorp (pvt) Ltd

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	5,805,000	5,467,500
	5,805,000	5,467,500

46. RELATED PARTY DISCLOSURES CONTD.**46 (b) ii CEG Education Holding (pvt) Ltd**

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	42,559,984	38,569,985
	42,559,984	38,569,985

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

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	99,962,063	74,971,547
	99,962,063	74,971,547

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

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	27,899,080	23,790,798
	27,899,080	23,790,798

46 (b) v Ceylinco General Insurance Ltd.

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	362,071,655	346,966,359
	362,071,655	346,966,359

46 (b) vi Ceylinco Life Insurance Ltd.

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	537,654,087	494,618,266
	537,654,087	494,618,266

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

Year ended 31 December	2018	2017
	RS.	RS.
Dividend Received/ (Paid)	11,915,030	12,037,500
	11,915,030	12,037,500

NOTES TO THE FINANCIAL STATEMENTS

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

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	54,033,642	48,029,904
	54,033,642	48,029,904

Transaction With Related Parties -Equity Accounted Investees

46 (c) i American Education Centre Ltd

Year ended 31 December	2018 RS.	2017 RS.
Dividend Received/ (Paid)	20,453,436	19,458,871
	20,453,436	19,458,871

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

Year ended 31 December	2018 RS.	2017 RS.
Dividends Received	-	66,825
	-	66,825

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 2017 (Group)	Previously Reported Rs.	Reclassified Amount Rs.
Accrued Income	74,211	-
Financial Instruments		
Loans & Receivables	22,709,265	22,783,476

49 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM SLFRS 9

Group's activities are predominantly connected with Insurance and therefore its permitted by SLFRS 9 temporary exemption to defer SLFRS 9 until adoption of IFRS 17 which is expected to be adopted in 2022.

As at balance sheet date % of insurance related liabilities = 96%

As required by SLFRS 9 the minimum % to be eligible for the exemption = 90%

50 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 2018

QUARTERLY ANALYSIS 2018

CONSOLIDATED STATEMENT OF INCOME

	1st quarter Jan- Mar.18 Rs.'000	2nd quarter Apr- Jun.18 Rs.'000	3rd quarter Jul- Sep.18 Rs.'000	4th quarter Oct- Dec.18 Rs.'000	Total Jan- Dec.18 Rs.'000
Gross Written Premiums	9,344,974	9,021,508	9,873,588	9,921,474	38,161,544
Premiums Ceded to Reinsurers	(1,602,753)	(1,352,194)	(1,654,464)	(1,609,633)	(6,219,044)
Net Written Premiums	7,742,221	7,669,314	8,219,124	8,311,841	31,942,500
Net change in Reserve for Unearned Premium	(425,819)	548	(153,640)	325,511	(253,400)
Net Earned Premium	7,316,402	7,669,862	8,065,484	8,637,352	31,689,100
Revenue from Subsidiaries	892,462	909,043	792,089	869,059	3,462,653
	8,208,864	8,578,905	8,857,573	9,506,411	35,151,753
					-
Investment and Other Income	3,075,846	3,294,332	3,541,447	4,362,058	14,273,683
Net Income	11,284,710	11,873,237	12,399,020	13,868,469	49,425,436
Net Benefits and Claims	(3,911,329)	(4,249,411)	(4,644,169)	(4,574,693)	(17,379,602)
Increase in Life Insurance Fund	121,814	(2,800,515)	(2,441,818)	(1,336,773)	(6,457,292)
Acquisition Cost	(909,794)	(914,925)	(958,362)	(893,282)	(3,676,363)
Cost of sales of Subsidiaries	(220,102)	(220,784)	(215,868)	(276,890)	(933,644)
Other Operating and Administrative Expenses	(2,642,748)	(2,741,493)	(3,228,402)	(1,776,604)	(10,389,247)
Finance Cost	(33,940)	(35,624)	(35,239)	(66,085)	(170,888)
Total Benefits, Claims and Other Expenses	(7,596,099)	(10,962,752)	(11,523,858)	(8,924,327)	(39,007,036)
Profit Before Share of Associates	3,688,611	910,485	875,162	4,944,142	10,418,400
Share of Profit of Associates	198,418	58,683	100,847	288,423	646,371
Profit Before Tax	3,887,029	969,168	976,009	5,232,565	11,064,771
Income Tax Expense	(294,180)	(301,702)	(272,196)	(1,531,241)	(2,399,319)
Profit For the Year	3,592,849	667,466	703,813	3,701,324	8,665,452

COMPANY STATEMENT OF INCOME

	1st quarter Jan- Mar.18 Rs.'000	2nd quarter Apr- Jun.18 Rs.'000	3rd quarter Jul- Sep.18 Rs.'000	4th quarter Oct- Dec.18 Rs.'000	Total Jan- Dec.18 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	33,962	35,849	34,844	1,163,913	1,268,568
Net Income	33,962	35,849	34,844	1,163,913	1,268,568
Net Benefits and Claims	-	-	-	-	-
Increase in Life Insurance Fund	-	-	-	-	-
Acquisition Cost	-	-	-	-	-
Other Operating and Administrative Expenses	(11,487)	(10,645)	(15,529)	(30,919)	(68,580)
Finance Cost	-	(4)	-	(380)	(384)
Total Benefits, Claims and Other Expenses	(11,487)	(10,649)	(15,529)	(31,299)	(68,964)
Profit Before Tax	22,475	25,200	19,315	1,132,614	1,199,604
Income Tax Expense	(7,983)	(3,026)	2,506	(11,872)	(20,375)
Profit for the Year	14,492	22,174	21,821	1,120,742	1,179,229

QUARTERLY ANALYSIS 2017

QUARTERLY ANALYSIS 2017

CONSOLIDATED STATEMENT OF INCOME

	1st quarter Jan- Mar.17 Rs.'000	2nd quarter Apr- Jun.17 Rs.'000	3 rd 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 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 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.187 Rs.'000	2nd quarter Apr- Jun.17 Rs.'000	3 rd 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	-	-	-	-	-
					-
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	-	-	-	-	-
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 share of associates	43,585	169,131	(2,061)	868,347	1,079,002
Share of profit of associates	-	-	-	-	-
Profit Before Tax	43,585	169,131	(2,061)	868,347	1,079,002
Income Tax Expense	(2,335)	(8,183)	712	3,338	(6,468)
Profit for the Year	41,250	160,948	(1,349)	871,685	1,072,534

Note: The financial information reported quarterwise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

TEN YEAR SUMMARY

Statement of Financial Position Group

As at 31 December	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Intangible Assets	116,208	165,621	136,861	89,005	45,170	46,731	76,706	73,827	90,704	135,077
Property, Plant and Equipment	18,926,835	17,546,527	17,546,496	11,988,889	9,889,427	9,350,410	8,751,457	7,394,394	6,995,865	6,183,990
Investments	120,240,010	107,801,759	97,387,970	78,066,663	66,832,062	59,820,194	52,071,307	47,646,298	34,312,558	26,587,015
Other Assets	21,649,406	19,030,420	17,243,197	18,020,477	19,313,528	18,206,848	12,189,006	10,935,986	10,345,841	10,507,756
Total Assets	160,932,459	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
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	35,174,468	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
Retained Reserves	2,477,581	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
Revaluation Reserve	3,325,935	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
Restricted Regulatory Reserve	3,456,184	3,456,184	-	-	-	-	-	-	-	-
Total Capital and Reserve	45,758,990	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
Minority Interest	1,890,031	1,658,418	1,551,468	860,378	762,469	550,728	564,737	460,473	152,070	85,680
Liabilities										
Insurance Provision - Life	87,194,850	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
Unit Linked Fund	519,695	427,146	333,129	268,062	228,873	190,452	157,657	146,659	115,269	102,671
Insurance Provision - Non- Life	12,353,210	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
Other Liabilities	13,215,683	11,957,724	13,078,621	8,090,057	5,723,859	7,676,044	5,633,168	8,219,881	4,825,736	3,823,922
Total Liabilities	113,283,438	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
Total Equity and liabilities	160,932,459	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
Long Term - Supplementary Information										
Assets										
Intangible Assets	37,358	56,950	2,759	645	2,198	4,609	15,105	42,396	82,695	135,077
Property, Plant and Equipment	7,567,806	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
Investments	103,744,946	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
Other Assets	6,709,280	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
Total Assets	118,059,390	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
Liabilities										
Insurance Provision - Life	88,049,202	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
Unit linked Fund and Other Funds	519,695	427,146	33,129	268,062	228,872	190,135	157,657	146,659	115,269	102,671
Equity and Other Liabilities	29,490,493	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
Total Liabilities	118,059,390	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

TEN YEAR SUMMARY

Statement of Financial Position Group

As at 31 December	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investor Information										
Return on Net Assets	%	24.18	24.36	21.43	18.45	19.76	17.26	14.09	13.76	12.84
Net Assets Per Share - Group	Rs.	1,732.34	1,428.90	1,024.84	840.93	760.33	675.72	450.98	309.47	262.62
Net Assets Per Share - Company	Rs.	666.32	653.09	639.98	622.99	671.02	601.35	413.9	285.73	262.62
Market Price Per Share 31st December										
Voting	Rs.	1990.00	1597.00	1490.00	1410.10	1379.00	1,340.00	746.70	381.00	220.00
Non -Voting	Rs.	950.00	825.10	730.00	800.00	550.00	398.00	343.00	270.00	134.25
Earnings Per Share	Rs.	317.76	306.21	176.00	132.32	96.46	98.78	57.09	36.41	25.96
Price Earnings (times) - Voting	Rs.	6.26	5.22	8.47	10.66	14.00	13.00	13.08	10.47	8.48
Price Earnings (times) - Non Voting	Rs.	2.99	2.69	4.15	6.05	5.00	4.00	4.47	7.42	5.17
Market Capitalisation	Rs.Mn	45,894	37,233	34,483	33,334	31,103	29,358	17,134	9,352	5,261
Dividend Per Share	Rs.	35.00	31.50	27.50	22.50	20.00	16.00	12.50	5.50	5.00
Employee Information										
Revenue Per Employee	Rs.Mn	12,709	11,942	11,231	14,450	9,100	9,300	7,478	5,415	5,331
Net Profit Per Employee	Rs.'000	2,845.15	3,403.64	1,635.75	1,708.41	1,116.00	947.00	547.11	301.99	241.95
Number of Employees	Nos.	3,889	3,717	3,546	3,336	3,556	3,253	3,067	3,744	3,649

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016, 2017 & 2018 are based on LKAS/SLFRS and balance years are based on SLAS.

Statement of Comprehensive Income Group

Year ended 31 December	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non- Life (Sri Lanka)										
Gross Written Premium	19,186,707	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
Net Earned Premium	14,192,538	13,209,435	11,783,117	10,152,931	9,359,977	8,842,712	8,622,152	7,782,907	7,249,160	7,691,395
Investment Income and Other Income	1,686,768	1,509,953	1,099,638	888,870	1,022,541	1,009,183	736,134	674,463	438,080	482,853
Net Claims	(7,523,261)	(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)
Acquisition Expenses (Net of Reinsurance Commission)	(1,034,245)	(1,123,388)	(883,178)	(726,892)	(570,376)	(724,493)	(709,502)	(589,533)	(478,770)	(511,595)
Operating & Administrative Expenses	(4,933,854)	(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)
Operating Profit Before Interest Expenses	2,387,946	1,749,795	1,444,197	970,860	867,735	980,525	808,429	679,853	370,341	378,425
Life										
Gross Written Premium	17,812,774	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
Net Written Premium	17,355,265	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
Investment Income and Other Income	11,254,983	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
Net Claims and Benefit	(9,803,550)	(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)
Commission (Net of Reinsurance commission)	(1,787,203)	(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)
Increase in Life Insurance fund	(6,457,292)	(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)
Operating & Administrative Expenses	(3,384,487)	(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)
Operating Profit Before Interest Expenses	7,177,716	9,819,541	3,753,641	2,191,410	2,327,490	1,290,177	1,003,805	804,080	601,823	495,766
Total Business (Group)										
Gross Written Premium	38,161,544	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
Revenue	49,425,436	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
Net Earned Premium	31,689,100	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
Benefit Losses and Expenses	(24,770,538)	(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)
Other Revenue	17,736,336	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
Operating and Administrative expenses	(14,065,610)	(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)
Operating Profit Before Interest Expenses	10,589,288	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
Interest Expenses	(170,888)	(153,112)	(143,853)	(124,218)	(167,890)	(127,116)	(55,726)	(42,704)	(92,112)	(93,597)
Income from Associates	646,371	393,414	288,518	275,724	150,917	143,421	180,494	111,189	70,945	26,138
Profit Before Taxation	11,064,771	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
Income Tax Expenses	(2,399,319)	(868,751)	(953,741)	(448,257)	(1,118,602)	(211,590)	(227,794)	(140,147)	(129,030)	(188,401)
Profit for the Year	8,665,452	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

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016, 2017 & 2018 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 and renewal of existing 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).
- 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 :**

$$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical expenses}}{\text{Net Earned Premium}}$$
- 34. Net Assets Per Share**
Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.
- 35. Net Written Premium**
Gross Written Premium (No.19 and No.20) less reinsurance premium (No.45)
- 36. Net Claims Incurred**
Claims incurred (No.10) less reinsurance recoveries.
- 37. Non Life Insurance**
Non Life Insurance and General Insurance have the identical meaning.
- 38. Policy**
The printed document issued to the policyholder by the Company stating the terms of the insurance contract.
- 39. Policy Loan**
Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company

GLOSSARY OF FINANCIAL & INSURANCE TERMS

by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

40. Price Earning Ratio

Market Price of a share divided by earnings per share.

41. Premium

The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.

42. Reinstatement

The restoration of a lapsed policy to full force and effect. The Company requires evidence of insurability and payment of past due premiums plus interest.

43. Reinsurance

A method of insurance arranged by insurers to share the exposure of risks accepted.

44. Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

45. Reinsurance Premium

The premium payable to the reinsurer.

46. Segment

Constituent business units grouped in terms of nature and similarity of operations.

47. Return on Shareholders' Equity

Profits after tax divided by the Capital employed as at Balance Sheet date.

48. Return on Total Assets

Profits after Tax divided by Total assets attributable to Shareholders.

49. Revenue Reserve

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

50. Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

51. Risk Based Capital (RBC)

An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.

52. Surplus

This is the excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.

53. Surrender

The amounts refundable to Life policyholders when they terminate their insurance contracts after a specific period.

54. Underwriting Result

This is the profit generated purely from the Non life Insurance business without taking into account the investment income and other non- technical income and expenses.

55. Unearned Premium / Unearned Premium Reserve

It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

56. Written Premium

Total premium received or due from all sources, including premiums for reinsurance assumed, during a period.

NOTICE OF MEETING

Notice is hereby given that the Thirty second Annual General Meeting of the Shareholders of the Company will be held on 25th April, 2019 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, 2018 and the Report of the Auditors thereon.
3. To declare a Dividend for the year ended 31st. December, 2018.
4. To re-elect Mr. Kolitha Indrajith Dharmawardena, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
5. To re-elect Mr. Saroja Hemakumara Jayawickrema Weerasuriya, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
6. To re-elect Mr. Upali Witharana, 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 82 years in December, 2019 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 Mr. Yu Kitai who retires at the Annual General Meeting in terms of the Article 87, as a Director.
9. To authorise the Directors to determine payments for charitable purposes for the year 2019.
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 of Ceylinco Insurance PLC



Mrs. Nilika Abhayawardhana
Company Secretary
19 March 2019

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 April, 2019. 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 7th May 2019, and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 26th April, 2019

Designed & produced by

emagewise

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

