

"After my husband's death Ceylinco
Insurance pays his salary to me with annual increments until retirement."

"I lost so much to the recent floods. I only had Motor Insurance but Ceylinco Insurance paid for my home as well."

"My company sent my child overseas for treatment and ensured his full recovery."

TO BE CIRCLE

🛂 Sri Lanka, We Believe





NATION & FOR

OUR PEOPLE

There are many ways to perceive greatness or what it means to be truly great. For Ceylinco General Insurance Limited, the term "To Be Great" means to be a leader of a great team of employees whose dedication and loyalty to the Company has placed us foremost in the industry. It means to be the trusted friend and partner to all our investors, shareholders, associates and our communities. It means to forge strong bonds with each of our esteemed customers built on integrity and trust. It means to follow the teachings of a culture that comes from a nation that is truly great.

All this, is done to provide our people with the best of ourselves. Our clients, equally with our employees attest to this by their stories.

This is what it means, to be a Great Company, and as we proudly celebrate the completion of 30 successful years as an iconic Sri Lankan Corporate, we give our heartfelt thanks to our customers, our partners and our employees, for giving us the opportunity to be great!



Jeevaka Pushpalal

Employee of

Nirosha MahendraWife of former employee, the late Mr. Piyum Prashantha



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greatness is earned Never Awarded

About Us



Our Mission is to provide protection and financial security of the highest quality to society, whilst adding to shareholders' wealth and recognising, rewarding and valuing the dignity of our staff.

OUR CORPORATE GOALS

To provide an attractive return on investment to the shareholders, whilst retaining adequate funds for growth and to achieve a high degree of stability which would enable us to hold true to our mission in all business conditions.

To be a leading provider of protection and financial security in Sri Lanka and selected international markets.

To develop highly satisfied and motivated employees at all levels, who will contribute effectively and efficiently towards achieving the overall objectives of the Company.

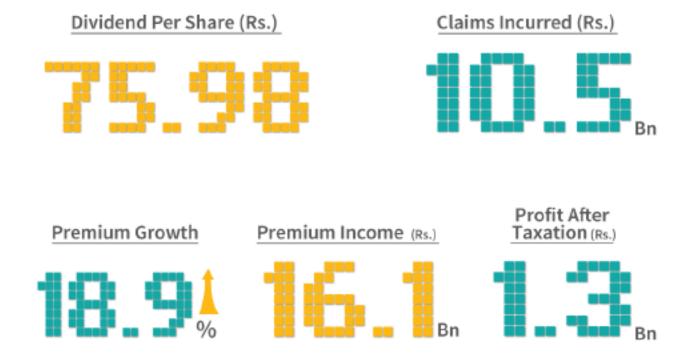
To contribute to the economic development of Sri Lanka and enhance the quality of life of its people.

Financial Highlights

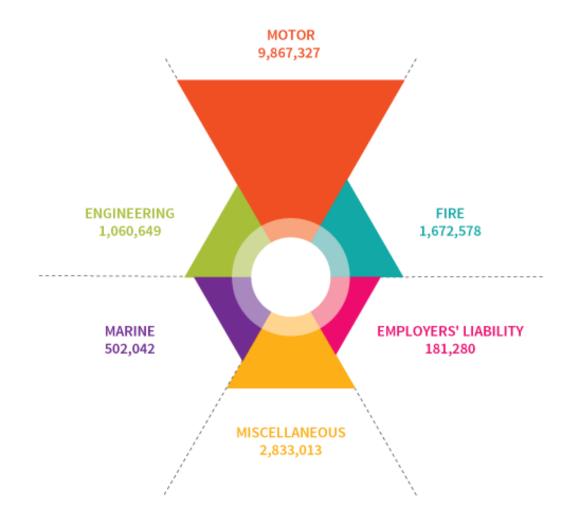
Note:

Ceylinco General Insurance Ltd had 12 months of General Insurance business operations in 2016. However, Ceylinco General Insurance Ltd had only 7 months of insurance operations for the year ended 31st December 2015. For comparison purposes information is presented for the full year of General Insurance business operations in 2015 in pages 8 to 19. More information is reflected in page 139.

Year ended 31 December	2016	2015
	Rs.'000	Rs.'000
Gross Written Premium	16,116,889	13,557,833
Net Earned Premium	11,783,117	10,152,831
Investment & Other Income	1,573,435	1,313,491
Insurance Claims & Benefits	(6,699,268)	(5,690,518)
Profit Before Taxation	1,381,125	892,589
Profit After Taxation	1,309,020	699,294



Class-wise Premium (Rs. '000)



Chairman's Review

"Greatness is not what you have, it's what you give"

- Alice Hocker



As a result of the excellent performance throughout the period under review your Board of Directors are pleased to propose a dividend of Rs.43.98 per share for the year 2016.

It gives me great pleasure to present you the 2nd Annual Report of your Company for the year ended 31st December 2016. Taking advantage of the positive business sentiment and improving macroeconomic conditions, Ceylinco General Insurance Limited recorded excellent results in terms of turnover, growth and profitability. As mentioned in my review last year that "nothing is impossible with a single-minded vision" the management and the staff have proved that by achieving the best-ever result in spite of the massive floods that affected country.

Macroeconomic Environment

As Sri Lanka is emerging on a massive economic resurgence which can be described as the year in which the foundation was laid for development activity to thrive throughout the island, numerous public and private sector development initiatives were commenced. Strong growth was recorded towards the latter part of the year and this reflects the wide scope we could expect from this momentum.

Increased foreign exchange inflows in terms of increased remittances and disbursements under the IMF standby arrangement facility raised the foreign exchange reserves of the country to higher levels. Although this did not ensure the stability of the Sri Lankan Rupee during the year, together with expected higher foreign inflows, the trend of the Rupee being stable is expected to continue in the near term. The drop in foreign exchange from exports is a worrying trend that may impact on the value of the Rupee. The proposed granting of GSP facilities by EU will assist the growth of exports in the near term.

In addition to the steps adopted by the Monetary Authority to boost economic growth, the Government's development-oriented budget proposals, which included tax reforms and selective reduction of import duties, further helped to lay the foundation for Sri Lanka's ambitious growth aspirations. This enabling environment being created by the Government, together with its political co-habitation for strong macroeconomic fundamentals and the integration of the Northern and Eastern Provinces including all



other Provinces into the economic mainstream, will drive the rapid economic growth that is expected to take place in the country.

While global economic conditions improved during the year, this recovery was not as strong as expected. The Euro Zone debt crisis, refugee crisis and the rising crude oil and recovery of commodity prices are signals that the recovery is fragile and require continued support from global policy makers.

Asia is emerging as the location of choice and with the international focus on Sri Lanka's improved humanitarian conditions, it is likely that local insurers will have to build competences and skills to compete with Regional and Multi-National Companies that will enter our markets in the medium term. Local General Insurance Companies that are quick to embrace change, quick to spot and encompass opportunities and act decisively would emerge as the flag bearers in this new economic environment.

General Insurance Industry

All General Insurance Companies function under the guidance of the Insurance Board of Sri Lanka (IBSL). There was a surge in new motor vehicle registration during the first two quarters of the year and we observed a decline during the latter part of the year. However, growth in the motor segment was offset by continued price competition. Premium rates on property remain soft along with the other traditional products like Marine and Miscellaneous classes.

The Treasury circular directing all State sector organizations to place their businesses with Government-controlled Insurance Companies further reduced the opportunities for overall premium volumes and the chances for Private Sector Companies to take advantage of ongoing infrastructure development activities. This does not augur well for a competitive insurance industry with a level playing field.

The industry is experiencing some new developments in building a viable relationship with the National Insurance Trust Fund (NITF) which manages the SRCC and Terrorism Fund and receives 30% of all Reinsurance premiums from all Insurance Companies (on a mandatory basis).

However, the situation is likely to improve following the recent amendments to the regulation of Insurance Industry Act stipulating that the NITF will fall within the purview of the IBSL.

Company Performance

Ceylinco General Insurance was proud to record a Gross Written Premium of Rs. 16.1 billion during the year under review, signifying a growth of 18.9% over last year, which is truly an exceptional performance. Similarly, the Profit After Tax stands at Rs. 1,309 million which is an increase of 87.2% over 2015.

Your Company was able to attain these remarkable achievements solely due to the untiring efforts and commitment of its valued staff and the direction given by the Board of Directors and the Management.

Dividends

As a result of the excellent performance throughout the period under review your Board of Directors are pleased to propose a dividend of Rs. 43.98 per share for the year 2016.

Acknowledgements

I take this opportunity to say a heartfelt thank you to the Chairperson, Board of Directors and the Staff of the Insurance Board of Sri Lanka for the excellent co-operation extended to us throughout the year. My sincere appreciation on behalf of the Board is also extended to the Insurance Ombudsman for the continued support of his services in a professional manner with complete impartiality.

I offer my sincere thanks to all our customers for the steadfast loyalty and trust extended to us through the years.

On behalf of the Board, I take this opportunity to thank the Managing Director, Chief Executive Officer and the CGIL staff for their commitment and dedication to achieve these excellent results. I sincerely appreciate the contribution made by our valued partners, agents, insurance brokers and other business associates. My thanks also go to our customers for their continued patronage and the trust placed in us. Last but not the least, I wish to acknowledge my gratitude to the fellow members of the Board of Directors for the wise counsel and guidance and to all those mentioned above along with our stakeholders in making CGIL truly 'A Great Company'.

B.S.M. de Silva Chairman

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Managing Director's Review

"The price of greatness is responsibility"

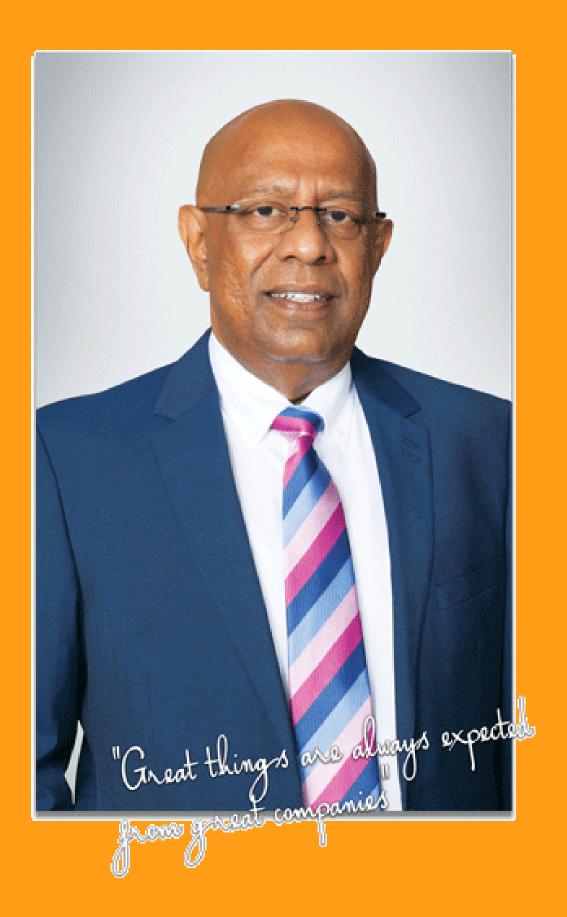
- Sir Winston Churchill



The year witnessed Ceylinco General Insurance turn in another great performance by recording an impressive premium income of Rs.16.1 billion (Rs.16,117 million) which is an increase of 18.9%, amounting to Rs.2.5 billion in absolute Rupee terms, over the Rs.13,557 million achieved in 2015. The company registered a healthy profit after tax of Rs.1,309 million, an increase of 87.2% over 2015. with the profit before tax tabulating Rs.1,381 million

Greatness is a term that Ceylinco General Insurance has come to become familiar with. Over the course of the past 3 decades, the journey towards greatness has taken many twists and turns. However, the company has steadfastly moved forward in its journey and is today one of the greatest insurance companies in the country. As so powerfully stated by Sir Winston Churchill, with such greatness comes great responsibility. As an organisation, and more so as the leading one in the insurance industry, we are responsible to countless entities – employees, clients, investors, shareholders, associates and communities. It is a responsibility that is never taken lightly. It is, in fact, the fire that keeps us striving for innovation and excellence in everything we do.

Within this context, I would like to present to you my review of the performance of Ceylinco General Insurance Ltd for the year 2016. It has been another remarkable year where the company overcame numerous challenges to come out on top yet again. Each and every individual of the company contributed to help us record another stellar year of growth.



Managing Director's Review Contd.

Company Performance

I am proud to state that last year's performance was exceptional, and easily ranks as one of the best results recorded by the company in the recent past.

The year witnessed Ceylinco General Insurance turn in another great performance by recording an impressive premium income of Rs.16.1 billion (Rs.16,117 million) which is an increase of 18.9%, amounting to Rs.2.5 billion in absolute Rupee terms, over the Rs.13,557 million achieved in 2015. The company registered a healthy profit after tax of Rs.1,309 million an increase of 87.2% over 2015. with the profit before tax tabulating Rs. 1,381 million.

Benefits to Customers

During the year under review, Ceylinco General Insurance incurred claims amounting to Rs. 10.5 billion - an increase of 59 % year-on-year - all the while continuing its longstanding tradition of settling all genuine claims as quickly as possible. This sharp increase in claims settlement was primarily driven by the large number of claims that were paid during the flooding disaster that took place in various parts of the country in May and June. The team worked determinedly during this period, ensuring that claims were paid within a period of 14 days, enabling customers to start rebuilding their homes and businesses and to bring about some form of normalcy to their lives in the shortest possible time. It must be pointed out that some of these customers had insured their vehicles with us but not their homes while others had insured their shops and businesses with us but not their homes. Irrespective of this unfortunate situation, Ceylinco General Insurance took the bold step and looked at it purely from a humane point of view of helping these families in their hour of need. Resultantly, we made the decision to pay a percentage to compensate the damages caused to the homes of these valued customers.

Market Leadership

Ceylinco General Insurance continues to lead from the front having further established itself as the market leader of the General Insurance Industry with a distinct advantage in Rupee terms of over Rs. 400 million over the nearest rival. It must be stated that this achievement becomes even more remarkable when you consider the advantages and benefits enjoyed by the State-owned insurance companies. This is clearly another great achievement by the company and one that we should be very proud of.

Value Additions

Great things are always expected from great companies and 2016 was no different for Ceylinco General Insurance as we brought in a host of value additions to our product portfolio. If a brand new or an unregistered vehicle is condemned within two years of purchase, the company will replace it with a vehicle of similar make and model irrespective of the price escalation. While the standard practice within the industry is to compensate the amount equivalent to market price or the value the vehicle is insured for, we went a step further with this particular value addition. Thereby, our customers can get a vehicle of similar make and model without the additional burden of losing more money due to the depreciation of the vehicle value once it is registered and subsequent price increases of brand new or reconditioned vehicles.



New Products

The company's ability to stay ahead of the competition by courtesy of innovative new products has always been one of our key strengths. During the year under review, we introduced a health insurance product named "Suwa Sampatha National Health" which targeted a large segment of the general population. It offers a hospitalization cover of Rs. 25,000/- and another Rs. 10,000/- for hospitalization in a government hospital together with Rs. 15,000/- for specialised services that cannot be obtained in a government hospital. This unique product also carries a personal accident cover for Rs. 200,000/- with all these covers given at an affordable premium of only Rs. 100/- per month. This is an ideal product for those who cannot afford the average health insurance products due to limited funds but who want added protection for the family.

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

Human Resources

Your company continued to invest in its dedicated team of employees, all of whom demonstrated their loyalty and commitment to the organisation by performing at a very high level throughout the year.

In order to maintain our exceptional levels of service and to inspire invaluable staff members, the company exposed them to regular training sessions both in Sri Lanka and abroad. Accordingly, 15 individuals were sent for overseas training during 2016, while a significant 663 underwent rigorous and continuous training in Sri Lanka.

The company concluded a year-long, extensive training programme conducted by world-renowned coaches and a panel of top training experts in the country for its Senior Managers in 2016. This was designed as a management development programme aimed at being a part of the succession planning process, gearing the top management to eventually take over at the helm of the company, as and when the need arises. On the motivational front, for the 13th consecutive year, Ceylinco General Insurance rewarded its deserving staff with an overseas tour. A total of 225 members of our staff took wing to a new destination, Ho Chi Minh City in Vietnam for a five-day holiday in recognition of their outstanding contribution to the company. During the holiday, a half - day workshop was also held with the participation of the entire tour group. Meanwhile, in order to give due recognition to our non-sales staff, the company conducted an awards ceremony aptly named "Pillars of Success" at which high-performing staff in all categories including Finance, Underwriting, Administration as well as in other support services were rewarded for their performance with attractive cash prizes and certificates.

Reinsurance Arrangements

As in the previous decades, your company worked only with the leading Reinsurers in the world during the year under review, ensuring greater financial stability. This, in turn, meant that our ability to meet any emergency - natural or

man-made - remains unaffected. As the undisputed leader in the Sri Lankan insurance sphere, only the world's best reinsurance companies and reinsurance brokers continue to work with Ceylinco General Insurance. We also remained far ahead of the stipulated reinsurance requirements demanded by the regulator.

Developments in IT

Your company has remained steadfastly focused on providing the best IT infrastructure in order to maximise the impact of this most vital of entities. During the year, we continuously carried out improvements to the existing Information Technology system to cater to the growing demand, all the while keeping in line with the business growth. We invested in state-of-the-art hardware such as the Oracle Exadata x5-2 and related software, all of which amounted to USD 660,000 (approx. Rs. 100 million). This technological enhancement will enable the company to further improve the performance and options by introducing new features to the Application System. It has also opened more outlets using Access Point Name (APN) to access the application system through 3G and 4G mobile networks. This has also further improved the efficiency of issuing policies as well as processing of claims enabling customers to get a faster service. In parallel to all this, we have ensured that our in-house IT system development staff is well-trained and geared to provide modifications as well as new features to the system at a faster pace using Rapid Application Development Methodologies. Such definitive steps towards catering to the increasing demand in a highly-competitive market with a focus on future growth strategies helped us to stay ahead of the competition.

Branch Network

Underscoring our commitment to ensure growth and to better meet emerging opportunities, our branch network surpassed 440 branches and sales outlets during the course of the year. This is easily the largest branch network in the island and plays a pivotal role in making General Insurance solutions easily accessible to millions of Sri Lankans from all walks of life. 31 "VIP Counters" were opened in 2016 with 13 of them under the City Office and the remaining 18 under the branch network. Concurrently, the Sales cadre too received a timely boost and now exceeds 1,950 enabling your company to reach out to existing and prospective customers more efficiently and provide the speedy, personalised service that we are renowned for.

Managing Director's Review Contd.

Our commitment towards the Community

Your company is a firm believer in the importance of giving back to the less fortunate segments of society at every possible opportunity. Resultantly, plans were laid out during the year to introduce a programme that would benefit thousands of Sri Lankans living under difficult circumstances. Towards the latter part of 2016, extensive plans were made to establish a trust to provide scholarships to needy school going children in underdeveloped parts of the country. As a result, the Moneragala District was selected to launch the programme and by the time you read this report the project would have got off the ground, paving the way for 1,000 poor children to dream of a proper education and a brighter future. These 1,000 children will receive Rs.1,500/- every month until they complete their Advanced Level (A/L) examination thereby easing the burden on their parents and giving them a solid platform to remain in school till they complete their A/Ls.

During the months of May and June of 2016, flood victims were provided with food, dry rations, drinking water, sanitary items as well as medicine by our staff in person as dozens of them travelled to the affected areas of the country, stayed in these areas for several days and ensured that the items were distributed fairly to all affected parties. In Kataragama, pilgrims were provided with a drinking water facility that provided purified water, including iced water, to over 2,000 pilgrims each day. 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 Perahera, Midnight Mass at St. Annes Cathedral, Kurunegala and Wesak Dansala's in several parts of the country.

General Insurance Industry

During the year under review, Sri Lanka's General Insurance industry brought in Gross Written Premiums valued at Rs.76.6 billion, resulting in a growth of 13.7% in comparison to 2015. As at the end of 2016, Motor Premiums accounted for 64.5% of all General Gross Written Premiums, Fire and Engineering made up 13%, followed by Medical products with 10%, while General Accident contributed 8.7% and Marine 2.9%.

Overall, 14 General Insurance companies were operating in Sri Lanka together with one composite company as of end of 2016. Over the past five years, the industry has grown considerably, with total assets nearly doubling over the 2010-14 period.

Challenges faced by the industry

The General Insurance industry faces numerous challenges out of which the primary concern is the price under-cutting which has triggered a downward trend in premium rates which is a result of intense competition. This is particularly noticeable in the motor insurance segment where such price under-cutting has allowed some smaller players to gain market share on more established players.

A sharp drop in certain categories of vehicle imports due to changes in the fiscal policy of the country has affected the insurance industry to a certain extent and the impact will be considerable during the coming year if the trend continues.

In the meantime, the uneven playing conditions which grants certain advantages to Government insurers has created an unhealthy situation to the industry's growth. If these regulations are removed the vibrancy of the industry will be boosted and even the Government institutions will be presented with the opportunity of obtaining a competitive service from organisations such as Ceylinco General Insurance. Invariably, this means that the Government institutions will get a superior service while the Government insurers will also have to raise their service levels, an aspect that will help improve the professionalism and service standard of the industry as a whole.

Future of the Industry

The coming years are widely expected to be a period of rapid change and significant growth in Sri Lanka's insurance sector. Similarly, on the back of a raft of recent regulatory improvements and demand-driven uptake, General insurance industry players could expect to see continued growth prospects for the foreseeable future.

Acknowledgements

Having completed a ground-breaking year, I must say a big "Thank you" to His Excellency the President, the Prime Minister and the Government of Sri Lanka, for steering Sri Lanka's economy towards prosperity by virtue of a new, bold approach that has brought about a positive business climate in the country. The proactive, meaningful steps taken by the Government in addressing some of the key issues faced by the country in relation to the international community has ensured that an investor-friendly business environment is created in the country which will further boost foreign direct investment and help fuel the growth of the local economy.

I would also like to extend my gratitude to the Chairperson, Director General and officials of the Insurance Board of Sri Lanka for their constant guidance and heartfelt support throughout the year. I am also grateful to the Insurance Ombudsman for his yeoman service and impartiality at all times. My deep appreciation also goes out to all our Reinsurers and Reinsurance Brokers across the globe. Their strength and stability is something we count on year-in, yearout and it must be mentioned that they have never let us down. My thanks also go out to all our insurance agents and brokers for their integrity, hard work and dedication, all of which has helped us achieve great things over the years.

General Insurance industry brought in Gross Written Premiums valued at **Rs.76.6** billion, resulting in a growth of 13.7% in comparison to 2015. As at the end of 2016. Motor Premiums accounted for **64.5**% of all General Gross Written Premiums, Fire and Engineering made up 13%, followed by Medical products with 10%, General Accident contributed 8.7% and Marine 2.9%.

I would like to take this opportunity to thank all my colleagues on the Board, the Chief Executive Officer and the Head of Finance for their wisdom and timely advice as well as for their confidence in my abilities to carry out my duties for the betterment of the company in these most challenging of times.

It is with a tremendous sense of pride that I also salute each and every employee of the Ceylinco General Insurance family. They have made countless sacrifices, shown admirable faith and steely determination while demonstrating a level of passion and resilience that has made this company great in every aspect. Your efforts have ensured that we continue to achieve great things together.

Last but not least, I would like to convey my gratitude to all our loyal clients for standing by the company through all these years. Their continued support and unwavering faith is what keeps us strong and will propel us to achieve even greater things in the months and years to come. We, at Ceylinco General Insurance, will continue to strive hard to make your hopes and dreams come true so that you and your children can enjoy long, fruitful lives.

H.D.K.P. Alwis Managing Director

Board of Directors



Seated:

Mr. B.S.M. De Silva Mr. N.D. Nugawela (Chairman) (Director / Chief Operations Officer)



Standing:

Dr. W.C.J. Alwis Director (Technical) / Chief Technical Officer)

Mr. G.S. Sundararajan (Director) Mr. S.C.G. Guruge (Director) Mr. A.R.H. Fernando (Director)

Mr. M.D.E.A.G. Saparamadu (Director)

Seated:

Mr. U. Witharana (Deputy Managing Director)

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

Board of Directors Contd.

₩ Mr. B.Sarada M. De Silva Chairman

Mr. Sarada De Silva counts over 40 years experience in the Spice Industry, specially in the Cinnamon Industry and is the Founder Chairman of the Spice Council of Sri Lanka. He has held many positions in the Spice industry including the Chairmanship of the Spices & Allied Products Producers and Traders Association, the Export Development Board Advisory Committee on Spices & Allied Products, Trade facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices & Allied Products. A Member of the National Council for Economic Development (NCED), Export Cluster and Member of the Steering Committee to form the National Competitiveness Council of the Ministry of Finance. Mr. De Silva is also the President of National Chamber of Exporters of Sri Lanka.

He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Private) Limited and the Chairman of Cinnamon Training Academy Limited. He is a Director of the Sri Lanka International Arbitration Centre (Guarantee) Limited and HVA Foods PLC. He was the Chairman and Managing Director of Intercom Group of Companies until his retirement in 2014.

Mr. De Silva as Founder Chairman of the Ceylon Cinnamon Association was instrumental in highlighting the importance of the Cinnamon Industry over the last three decades. Mr. De Silva counts over 25 years experience in the Tourism and Leisure Industry with the Serendib Hotels Group, Director of Dolphin Hotels PLC and Hotel Sigiriya PLC and several other companies.

He was a Director of the Co-operative Wholesale Establishment (CWE) from 1994 to 2000 and Acting Chairman in 1998; and Chairman of the Committee appointed by the Minister of Trade and Commerce in drafting procurement procedure of the CWE.

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

Mr. Alwis joined Ceylinco Insurance PLC on 15th May 1990. Prior to joining the Company, he worked from 1978 at M/s. Hatton National Bank, Lever Brothers (Ceylon) Limited and Richard Pieris & Company, in the field of Sales and Marketing.

He joined Ceylinco Insurance (General Insurance Division) as a Regional Manager and was promoted as Assistant General Manager in 1992, as Senior Assistant General Manager in 1996 and as Deputy General Manager in 1998. He was appointed to the Board of Ceylinco Insurance PLC on the 10th of January 2001, and currently serves as a Director.

He was instrumental in spearheading the Strategic Alliances with leading Insurance Companies in the Middle East (UAE, Bahrain, Oman, Qatar and Saudi Arabia), where Ceylinco Insurance promotes unique insurance solutions to migrant workers of all nationalities residing in the Gulf. He was also the key figure behind setting up the Ceylinco Insurance branch network in Sri Lanka, which has become one of the key factors for the Company's exponential growth in a fast-paced economy.

He was further involved in successfully implementing a unique system for the insurance sales force, regarding effectively prospecting clients. 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 as a whole. The system in question has also paved the way to monitor and manage the Direct Sales Force of Ceylinco Insurance.

₩ Mr. U. Witharana Deputy Managing Director

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

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

Mr. Witharana was appointed to the Board of Ceylinco Insurance PLC on the 25th of October, 2005 He also serves as the Finance Director / Director in other Associate and Subsidiary Companies of Ceylinco Insurance. 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.

Tr. W.C.J. Alwis

Director (Technical) / Chief Technical Officer

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

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

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

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

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

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

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

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

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

" Mr. N.D. Nugawela

Director / Chief Operations Officer

Mr. Nugawela was appointed to the Board of Ceylinco Insurance PLC in September 2001 and overlooked 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.

Mr. Nugawela monitors the Technical and Claims functions of Ceylinco General Insurance and is overall in-charge of the 'Nerve Centre' for claims processing.

" Mr. R.A. Gunathilake Director / Deputy Chief Operations Officer

Mr. Rex Gunathilake joined Ceylinco Insurance PLC in August 1994 as a Regional Manager and having being progressively promoted to several higher designations, held the post of General Manager (Branches) at the time that he was appointed to the Board of Ceylinco General Insurance Limited in April 2014.

Mr. Gunathilake started his career in the field of sales at Lever Brothers (Ceylon) Limited in 1985 and was the Area Manager in-charge of Kandy, Katugastota, Gampaha, Kegalle and Matale regions, before joining Ceylinco.

₩ Mr. K.D.A.S.R. Arsakularatne

Mr. Shervin Arsakularatne holds a Honors Degree as a Bachelor of Commerce from the University of Sri Jayewardenpura.

He is a Director of Blue Ocean Heritage Limited and Director, International Sourcing of RJV Clothing Sdn Bhd, Malaysia in partnership with Marks & Spencer PLC of United Kingdom. He is also the former Executive Director of Gartex Industries (Pvt) Ltd and Chairman / Managing Director of Ruchi Clothing (Pvt) Ltd.

Board of Directors Contd.

₩ Mr. E.M.M.Boyagoda

Director

Mr. Mangala Boyagoda has many years of experience in the fields of banking and treasury management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

He is the Chairman of Wealth Lanka Management (Pvt) Limited, Director of Lanka Century Investments PLC, Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotels Corporation PLC, Dankotuwa Porcelain PLC, Capital Alliance Finance PLC, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain (Pvt) Limited, Faber Capital (Pvt) Limited, Virginia International Investment (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited and Lanka Training and Education Academy Guarantee Limited.

Mr. Boyagoda holds a MBA from Irish University – European Union.

😾 Dr. U.D.De Silva

Director

Dr. Upendra De Silva as a Dermatologist counts over 21 years of experience in the field of Dermatology in Sri Lanka. Presently, he practices in his own clinic located at Lauries Road Colombo 04. Dr. De Silva was awarded with a fellowship in Occupational and Toxicology from University of California San Francisco, USA.

Dr. De Silva was presented with the Samuel J. Zakon award by the History of Dermatology Society, USA. He is a member of the American Academy of Dermatology, member of the Sri Lanka College of Dermatologists, member of the International Academy of Dermatologists & a member of the International Society of Dermatology.

₩ Mr. A.R.H Fernando

Director

Mr. Fernando has over 40 years of experience in the tea industry and has been successful in innovation, promoting and marketing the traditional beverage of tea in many variants. He is the creator of the global tea brand HELADIV registered in 40 countries. He began his career as a Tea Taster at Carson Cumberbatch & Co., Ltd., in 1975 and joined Brooke Bond Ceylon Limited and served as a Manager in the Tea Department from 1979 to 1989 with a secondment

of one year as a Tea Trader, at its headquarters in the United Kingdom in 1982.

In 1990, he established HVA Lanka Exports as a joint venture with the Dutch agricultural conglomerate HVA Holdings bv. and expanded the organisation to include several subsidiary companies, HVA Foods Plc., HVA Beverages & HVA Holdings. He is also the Chairman and CEO of the HVA Group and Chairman of HVA Farms (pvt) Ltd., an organic agro-resort in the NWP.

He served on the Colombo Tea Traders Association as a member and also as a Director on the Sri Lanka Tea Board and as an Independent Director of the Sri Lanka Industrial Technology Institute from 2015 to 2016. Mr. Fernando functioned as the President of the National Chamber of Exporters in 2008 and 2009. He served as the elected Chairman of the Tea Exporters Association of Sri Lanka from 2014 to 2016.

Mr. Fernando is a National award winner since 1997 at the NCE Exports Awards and was selected "Exporter of the Year" winning Gold awards in 4 categories, in 1999. He was also awarded "Sri Lankan Entrepreneur of the year 2015," winning the National Gold award and "Sri Lankan Entrepreneur of the year 2015," with a Provincial Gold award.

He was a multi discipline Sportsman at School and represented and captained Sri Lanka at Rowing.

Mr.Fernando currently heads the Sri Lanka Amateur
Rowing Association. He is also a senior member of the
National Olympic Committee and Chairman of its finance
management committee. He has represented Sri Lanka
as Chef de Mission in 2006 & 2009 at Lusofonia Games in
Macau & Portugal and the 2nd Asian Indoor Games in 2007
in Macau.

Mr. S.C.G. Guruge

Director

Mr. Sumith Guruge joined Ace Air Cargo, a subsidiary of Aitken Spence Private Limited, as an apprentice at the young age of 20.

Mr. Guruge, having acquired the knowledge and skills of the service and logistics industry, established his own Freight Forwarding Company in 1990. When the Industrial Gases (Pvt) Ltd (IGL) was started in 1992 he invested as a minority shareholder. In 2007, Mr. Guruge acquired the controlling shareholding of IGL and he had in place high safety and quality standards strictly adhering to the technological collaboration agreement entered with Messer Griesheim

GmbH, of Frankfurt, Germany. IGL was the first in Sri Lanka to produce Dry Ice off liquid CO2 & Dry Ice Blast Cleaning.

Mr. Guruge is the Managing Director of Industrial Gases (Pvt.) Limited, Gas World (Pvt) Limited, Frontier Freight (Pvt) Limited, Ashyaki Shipping (Pvt) Limited and Energy Team Solutions (Pvt) Limited; and he is also a Director of Lanka Carbonics Industries (Pvt) Limited, Serene Pavilions Limited, Mobile Cash (Pvt) Limited, Ceyaki Shipping (Pvt) Limited and SLFFA Cargo Services Limited.

He was also involved in the administration of Badminton and held the post of President, Sri Lanka Badminton Association from 2004 to 2006.

"Mr. M.D.E.A.G. Saparamadu Director

Mr. Gamini Saparamadu is the founder Chairman and Managing Director of Kent Holdings Ltd. Eight private limited liability companies operate in diverse business disciplines under the umbrella of the Kent Group. He is the recipient of the National Platinum Award for the "Sri Lankan Entrepreneur of the Year 2004." He is a Board Member of two public and three private organizations, Committee Member of the Chambers of Commerce and a guest speaker on entrepreneurship.

"Mr. G.S. Sundararajan Director

Mr. Sundararajan is currently the Group Director, Shriram Group. He joined the Shriram Group as the Managing Director of Shriram Capital Ltd, the Holding Company of Shriram Group's financial services and insurance businesses across India and overseas. Mr. Sundararajan's experience in the Asian market made Sanlam Emerging Markets induct him into their Board in South Africa.

Prior to this, Mr. Sundararajan was the CEO and Managing Director of Fullerton India Credit Company Ltd., a wholly owned subsidiary of Temasek Holdings, Singapore. He was also the Managing Director of Fullerton Enterprises Private Limited., a KPO, which had formed a strategic alliance with the Centurion Bank of Punjab to jointly drive the SME business.

Mr. Sundararajan had a 9 years stint in Citi Bank wherein he built a large SME/ABF business for the bank. His last role in the bank was Managing Director and Head of Citibank's SME and Asset Based Finance business in India. Mr. Sundararajan holds a Bachelor of Engineering degree from Coimbatore and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.

The Dr. S.D. Wanigaratne Director

Dr. Shamil Wanigaratne is a Consultant Clinical Psychologist and Senior Advisor to H.E. Director General at the National Rehabilitation Centre, Abu Dhabi. He is Adjunct Professor at the United Arab Emirates University and Visiting Associate at King's College London. Until April 2011 he was Consultant Clinical Psychologist and Head of Clinical Psychology for Addictions at the Maudsley Hospital London and Honorary Senior Lecturer in Psychology at the Institute of Psychiatry, King's College London.

He was a founding member of the British Psychological Society's Faculty of Addiction and in 1996, the UK-Sri Lanka Trauma Group. He is currently Chair of the UK-Sri Lanka Trauma Group, a UK registered charity and a Director of Samutthana, the King's College London Resource Centre for Trauma, Displacement and Mental Health in Sri Lanka. He is a member of the Presidential Task Force on Psychosocial Wellbeing and also Honorary Consultant to Mel Medura in Colombo. In 2011, in recognition of his contribution to his field and profession he was elected as a Fellow of the British Psychological Society.

"Mr. C.P.A. Wijeyesekera Director

Mr. Ajith Wijeyesekera is the Founder, Chairman of Union Apparels (Pvt) Ltd which commenced operations in 1983. He was also the President of The National Apparel Exporters Association in 1997. In 1997, he founded Union Resorts (Pvt) Ltd the owning company of The Blue Water (Wadduwa) and in 2016 he founded the Hotel Water Garden Sigiriya a luxury boutique hotel. He is also Chairman / MD of Northstar Holdings (Pvt) Ltd , Union Resorts & Spas (Pvt) Ltd , Union North (Pvt) Ltd and Dilly's Fashions (Pvt) Ltd.

Chief Executive Officer and Head of Finance



A. R. Gunawardena
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.

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 forevermore - 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, being 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 Rajjammana.

He was conferred with a Honorary Fellowship from the ICBT Campus, Associate College of Cardiff Metropolitan University of U.K. in 2016, in recognition of the yeoman service rendered to the Insurance industry of Sri Lanka.

T. N. M. Peiris Head of Finance

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

Having worked at M/s. Associated Motorways PLC as an Accountant for 1 ½ years, he joined The Finance Company PLC as the Chief Accountant in 1986 and excelled to become Deputy Chief Executive Director.



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. He introduced the profit center 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. 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.



greatness
us not what
you have
It's What
You Give

MANAGEMENT DISCUSSION & ANALYSIS



Operational Review

Macro Economic Environment 2016

The economy grew by 3.9% during the first half of 2016 in real terms, following the annual growth of 4.8% registered in 2015. This growth was mainly driven by the continuous expansion in Services followed by the Industrial activities despite the contraction recorded in the Agriculture sector activities. Among the three major sectors, Services activities continued to be the dominant force in GDP growth, recording a 4.9% increase during the first half of 2016. This performance was underpinned by the expansion in financial service activities, wholesale, retail trade activities, and other personal services. On the other hand, Agriculture activities contracted by 2.5% during the first half of 2016, as opposed to the 8.1% growth recorded in the corresponding period of 2015. The contraction recorded in growing of tea, rice, spices, rubber as well as fishing activities were the main contributory factors. In the meantime, taxes less subsidies on products of the economy had a dampening impact on the overall economic growth during the first half of the year, due to its contraction by 3.1% during the period.

External Sector Performance

Sri Lanka's external sector recorded a modest performance in 2016 with deterioration in the trade deficit amidst continued growth in tourist earnings. The trade deficit widened in 2016 as a result of higher import expenditure despite a marginal growth in export earnings.

In the external sector, the cumulative deficit in the trade balance expanded further to USD 8.2 billion during the first eleven months of 2016 from USD 7.6 billion during the corresponding period in 2015, as a result of increased import expenditure, amidst the contraction in export earnings. Earnings from tourism and workers' remittances continued to moisten the adverse impact of the trade deficit on the overall balance of payments.

On a cumulative basis, export earnings during the first ten months of 2016 at USD 8,618 million, contracted by 2.6%, year-on-year, reflecting lower proceeds from transport equipment and petroleum products. Agricultural exports, such as tea and spices, also contributed to the contraction in exports during this period. However, earnings from textile and garment exports, which account for about 48% of total

exports, increased during the first ten months of 2016 due to higher exports to both traditional and non-traditional markets.

Expenditure on imports at USD 15,852 million during the first ten months of 2016 increased marginally by 0.2% from the corresponding period of the previous year. On a cumulative basis, import expenditure on food and beverages, other consumer goods and intermediate goods reduced while those on investment goods increased.

Cumulative earnings from tourism increased to USD2,749.4 million during the first ten months of 2016 from USD2,400.1 million recorded during the same period of 2015. Cumulative inflows from workers' remittances during the first ten months of 2016 amounted to USD 5,989.5 million, a growth of 3.5%, in comparison to USD 5,787.3 million in the corresponding period of 2015.

Motor
insurance
premium (VIP)
revenue of Rs. 9,867 million
represented 61.22% of the total
premium income. The balance premium
income of Rs. 6,250 million
corresponds to 38.78%
of total premium
income of the
company

Cumulative foreign investments in the Colombo Stock Exchange (CSE) during the first ten months of 2016 recorded a net outflow of USD 10.8 million. During the first ten months of 2016, the government received long-term loans amounting to USD 950.6 million on a net basis, in comparison to a sum of USD 226.2 million received during the first ten months of 2015. During the first ten months of 2016, the overall BOP is estimated to have recorded a deficit of USD 273.6 million, in comparison to a deficit of USD2,337.2 million recorded during the corresponding

period of 2015. Sri Lanka's gross official reserves as at end-October 2016 amounted to USD 6.1 billion, equivalent to 3.8 months of imports, while total foreign assets stood at USD 8.5 billion, equivalent to 5.3 months of imports.

Government Finance and Monetary Policy

The fiscal sector performance showed an improvement during the first seven months of 2016. Government revenue as a percentage of estimated GDP increased marginally to 7.0% during this period compared to 6.4% in the corresponding period in 2015 mainly due to the increase in tax revenue. Total expenditure and net lending as a percentage of GDP declined marginally to 10.5% during the first seven months of 2016, compared to 10.8% recorded in the same period in 2015, mainly due to a decline in recurrent expenditure during this period. As a result, during the first seven months of 2016, the overall budget deficit declined to 3.5% of the estimated GDP from 4.4% recorded in the corresponding period of 2015. In financing this overall budget deficit, the government relied mainly on domestic sources amidst comparatively low disbursement of foreign project loans and the net outflow of foreign holdings of government securities.

The Central Bank tightened its monetary policy stance in several stages during the first nine months of the year with the view of containing the possible emergence of demand driven inflationary pressures in the economy stemming from high credit growth and excessive monetary expansion. The Central Bank commenced tightening its monetary policy stance gradually by raising the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of commercial banks throughout the year 2016.

Insurance Industry Review

Sri Lanka's insurance industry has experienced a significant amount of transformation during the past years, primarily due to key regulatory changes that have taken place, as well as shifts in the economy. The economic expansion in Sri Lanka presents both opportunities and challenges to the insurance industry. In addition to macroeconomic, social, and regulatory changes likely to impact the industry, insurers are coping with longer-term, game-changing trends including the increased connectivity among household and workplace devices while experimenting with new products

and business models. The goal is cost minimization and operations modernization in line with customer expectations for 24/7 service, amid heightening competition.

Therefore, new products, services, distribution channels, and sales and marketing techniques are becoming essential to spur faster growth in insurance market. In addition to that, it is required to have methods of more precise risk selection and pricing, while having stronger insurer/client relationships, to streamline sales and underwriting and make the customer side of transactions more user-friendly.

As per the provisional data available, during 2016, the Gross Written Premiums (GWP) of the general insurance sector grew by 13.71% in the year 2016, when compared with the increase of 15.31% in the year 2015. The growth in the premium income of the general insurance sector, particularly motor insurance, has largely contributed towards the high growth of overall GWP. The gross premium income from motor insurance, which constitutes about 64.46% of the general insurance premium in 2016 compared with 63.72% of the general insurance premium in 2015.

Gross Written Premium (GWP)

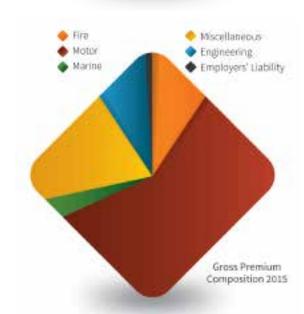
Securing market share already gained, your company repeated sound financial results for 2016. Despite facing tough conditions in the market, we continued our growth drive in all key financial aspects. Gross written premium of the Company increased by 18.87% to Rs. 16,117 million compared to the 13,558 million in year 2015.

Premium Composition

Motor insurance premium (VIP) revenue of Rs. 9,867 million represented 61.22% of the total premium income. The balance premium income of Rs. 6,250 million corresponds to 38.78% of total premium income of the company, obtained through all other classes of business such as Fire, Marine, Health and Miscellaneous.

There is no significant change in product composition during the year compared to the previous year. Apart from motor insurance, miscellaneous class tops the premium income with Rs. 2,833 million and followed by the Fire premium income of Rs. 1,673 million in 2016.





During the year, reinsurance outgo increased to Rs. 3,493 million, recording a 16.9% increase from the Rs. 2,987 million ceded in 2015. As a result of this increase in ceded premium, the growth in NRP in 2016 increased by 19.4% against 2015, which is higher than the Gross Premium increase recorded in 2016.

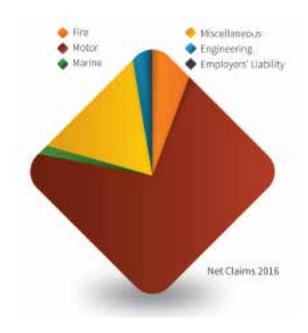
The Net Combined ratio for the year has decreased by 1.15% over the year 2015. This was mainly due to the decrease in Net Expenses ratio by 2.41% over the year 2015.

Company recorded Rs. 1,573 million as Other Revenue, which comprises Interest and Dividend Income, Fees and

Commission Income and Realized Gains from Investments. This achievement was 19.8% higher than the Rs. 1,313 million recorded in 2015.

Net Benefits and Claims

During the year under review, Company incurred Rs. 10,484 million as gross claims and Rs. 6,699 million as net claims for customers, marking a 17.7% increase over the Rs. 5,691 million incurred in 2015. The increase is primarily due to claims in motor class, which accounted for 72.3% of total net claims.





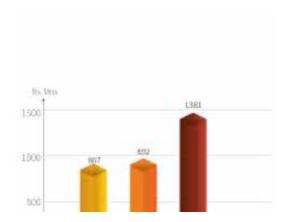
Other Operating, Administrative Expenses

During the year under review (2016) the Company incurred 23.9% of its GWP as operational and administration expenses. This amounted to Rs. 3,856 million. Compared to the operational and administrative expenses of the previous year (2015) it was a 3% reduction, which amounted to Rs. 3,653 million. It needs to be pointed out that these expenses, consisted of employee benefits, administration expenses, depreciation, selling and all other expenses which are not included under underwriting and net acquisition costs incurred by the Company. This clearly demonstrates the concerted effort and focus on managing the cost base of the Company in an optimum manner while at the same time controlling the incremental impact in utility costs such as electricity and rent on buildings leased by the Company. Further, it also demonstrates the focus given to increase our employees' benefits in order to surpass industry employees' benefits. Caring for our employees has resulted in their increase in commitment towards the Company, which has resulted in a healthy Gross Premium growth rate of 18.9% achieved in 2016.

Profit Before Tax

The Company achieved a Profit Before Tax (PBT) of Rs. 1,381 million in 2016 thereby recording a positive growth of 54.8% which was significantly over the Rs. 892 million achieved in

2015. The main contributors of this higher growth was the positive underwriting profit and healthy investment and other income. The income tax expense of the Company saw a 62.7% decrease in 2016, amounting to Rs. 72 million compared to Rs. 193 million in 2015.



Comparative Information:

For the purpose of Management Discussion and Analysis Information considered in 2015 relates to General Insurance business results recorded in two entities. (i.e. 7 months of Ceylinco General Insurance Limited results and 5 months of Ceylinco Insurance PLC - General Insurance Division)

Events of the Year



Ceylinco General Insurance Introduces a Comprehensive Natural Disaster Cover for Traders and Homes

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

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

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

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

Ceylinco General Insurance Concludes Succession Plan Training for Senior Managers

Ceylinco General Insurance concluded a year long, extensive training programme for 35 of its Senior Managers in August. Consisting of lectures, individualised coaching sessions,

group activities, along with an assignment involving a number of case studies, the training was conducted by globally recognised coaches and a panel of the best training experts in Sri Lanka.

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

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



Ceylinco General Insurance Handsomely Rewards Top Performers

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

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

Unique Benefit for Ceylinco VIP Policyholders

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

more money due to the depreciation of the vehicle value once

it is registered and subsequent price increases

of brand new or reconditioned vehicles.



No matter how much the vehicle costs!

IN CASE WOMEN THE STREET,

This benefit was the copied by other insurance waspin

Events of the Year Contd.

Overseas Trip

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

Inter-Department Cricket Tournament

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

region emerged runners-up.



Ceylinco General Insurance - Mercantile Table Tennis Champions

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

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

Musical Show

A grand musical show, which was an inclusion to the annual family gettogether for the fourth year running, was held in December 2016. Organised by the Employees Union of Ceylinco General Insurance, the event was an overwhelming success, with all those present enjoying it to the fullest. 'Gypsies' and several other guest artistes performed at the

and several other guest artistes performed at the 'family musical show', which boasted a carnival atmosphere, with food stalls, and games for the children aplenty. All in all, it was a truly colourful and enjoyable event, which will no doubt linger in memory throughout the year.



Ceylinco General Insurance Partners Major Events

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

CNCI Awards of the Ceylon National Chamber of Industries

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

National Business Excellence Awards

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

Network Expansion

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

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

Events of the Year Contd.



"Pillars of Success" - Non Sales Awards

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



Suwa Sampatha International Re-launched

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



Suwa Sampatha National Health Policy Introduced

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



Corporate Social Responsibility









'Ceylinco VIP Akurata Saviya'

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

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





Religious Ceremonies

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





Flood Relief

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





Drinking Water Project at Katharagama

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

Product Profile & Marketing Review

Ceylinco VIP On The Spot



Ceylinco VIP On The Spot is the most comprehensive vehicle insurance policy available in Sri Lanka. It offers several additional benefits such as On The Spot settlement of claims and a similar replacement vehicle for repairs that exceed four days. It also provides emergency roadside assistance, plastic surgery cover for lady drivers as well as an enhancement of the sum insured by 10% every year for free, entitlement to No Claim bonus irrespective of claims and payment of lease rentals up to two months for repairs that exceed 30 days in the event of an accident, a 10 year warranty against manufacturing defects and a host of other benefits.

Ceylinco VIP Three Wheel Cover

Ceylinco VIP Three Wheel Cover is the most comprehensive product available for Three-Wheels in Sri Lanka. This product provides exclusive benefits to Three Wheel owners such as On The Spot claim settlement, Rs. 100,000 to the leasing company for any outstanding lease instalments and Rs. 100,000 to the family of the insured in the event of death or total permanent disablement to the insured due to an accident.



Ceylinco VIP 3rd Party Cover



Ceylinco VIP 3rd Party Motor Cycle Cover is the only 3rd Party insurance that offers benefits to the insured. The benefits include compensation up to the market value of the Motor Cycle in the event it being condemned due to an accident, a personal accident cover of Rs. 50,000 to the insured and a hospitalization cover of Rs. 100,000 in the event the insured is hospitalized due to a road accident. Vehicle user are entitled to a hospitalization cover of Rs. 200,000 in the event the insured is hospitalized due to a road accident.

Ceylinco CHP Plus

The Ceylinco Children's Health Policy provides enhanced benefits to school-going children on a Hospitalization Cover together with a Personal Accident cover. Should the parent or guardian die or is permanently disabled, the child receives a monthly allowance until he/ she completes his/her education; and the hospitalization and Personal Accident cover will also continue without any payment of premium.



Disaster Relief Insurance

Ceylinco Home Owner's Disaster Relief Insurance

The New Householders Policy protects the house and its contents with a total security plan, which includes fire and allied perils, strike, riots and civil commotion, natural disasters, burglary cover, electrical fluctuations and public liability too. The insured and spouse are entitled to a Life and Personal Accident Insurance Cover amounting to Rs.100,000/- each.



Ceylinco Suwa Sampatha

The most popular Surgical and Hospitalization Insurance Scheme in Sri Lanka, which offers reimbursement of hospitalization and surgical expenses including benefits for treatment in government hospitals. Immediate cash settlements are made directly to hospitals paving the way for greater customer convenience.

Ceylinco Traders' Disaster Relief Insurance

This packaged product provides a complete protection plan for businesses which includes fire and related perils, natural disasters, burglary, money in transit, public liability, alternate accommodation for uninterrupted business activity, as well as Life cover for the insured, workmen's compensation for the employees and funeral expenses etc.



CEYLINCO



Ceylinco Family Guardian

Ceylinco Family Guardian Insurance is a unique plan which provides a comprehensive cover for the House and its contents against Fire, Burglary and a host of related perils. It includes a life cover to the Insured and Spouse, Personal Accident Cover, Critical Illness Cover, Hospitalization for the entire family including Domestics, Public Liability, Funeral Expenses and Airfare to visit a sick child studying abroad, etc.

Ceylinco One Day Cover







Ceylinco LIPS Insurance

This product was specially designed for women and covers hospitalization and surgical expenses for injuries due to accidents, jewellery if burgled at home or snatched, Medical Insurance for cosmetic and plastic surgery, funeral expenses of parents and family members, legal fees to protect fundamental rights against physical abuse and sexual harassment etc.

Product Profile & Marketing Review Contd.



Ceylinco Travel Classic Insurance

This policy offers a great assurance to travellers and pays up to a maximum of US\$ 200,000 in case one falls ill far from home, and one can make a claim in whichever country one happens to be in. It also offers cover against accidents, emergency medical transportation, loss of baggage, trip cancellation, loss of passport as well as for accidents while in the home country valid for one year.

Ceylinco Doo Daruwo Rakshanaya

Ceylinco Doo Daruwo Rakshanaya is for the entire family and provides cover for children to continue their education in case the breadwinner expires, is injured or contracts a serious illness. It also has a family hospitalization and a funeral expense cover offered at an affordable premium.



Ceylinco
CHILDREN'S HEALTH
Policy

Ceylinco Children's Health Policy

This policy covers all school going children against Hospitalization and Personal Accident up to Rs. 50,000/- throughout the year for a very nominal premium.

Ceylinco Leasing Cover

The Ceylinco Leasing Cover relieves the Lessee from paying the monthly lease (up to a maximum of 2 installments) when the vehicle is in a garage due to an accident. Also, it includes a free life cover of Rs. 100,000/- to the insured.





Ceylinco Suwa Sampatha International

Suwa Sampatha International is designed for the discerning to provide them with optimum medical facilities in case of a serious illness. Three schemes with different benefits entitles them to travel to any part of the world (excluding USA) to obtain treatment for any illness.



Ceylinco Office 2000

This business insurance scheme meets practically all business needs. The benefits include cover for fire and allied perils, Burglary, Glasses/Nameboards/Neon signs, Computers and other electronic equipment as well as Health/Personal Accident/Life covers for employees.

Ceylinco Dheewara Udana

This complete protection plan for fishermen and their families covers them for over Rs.580,000/- per annum for hospitalization, accidents, disappearances, funeral expenses and educational expenses of children in case of death of insured.





Ceylinco Support Line

Ceylinco Support Line offers a total protection plan to small and medium enterprises, covering them for contingencies from loss of income due to an illness or natural disasters to continuing the education of children in case of the policyholder's death.

Ceylinco Nuwana

In an unfortunate event such as the demise or disablement of parents "Ceylinco Nuwana" takes care of the child's education. It offers monthly allowances to the child until the child completes his/her education and thereafter a lump sum payment to give the child a secure start in life.









Ceylinco Govi Pawura / Ceylinco Guru Pawura / Ceylinco Liya Pawura

"Ceylinco Pawura" is a product specially designed to protect Farmers, Teachers and Housewives. It covers Personal Accident, damages to the house due to natural disasters, loss of income, temporary accommodation as well as funeral expenses. It also offers farmers a cover for the harvest, teachers a cover for education of children and housewives a cover for accidental death of spouse. These products are marketed at affordable premiums.

Product Profile & Marketing Review Contd.



Ceylinco Home & You

This unique product includes covers such as Fire and related perils, cover against natural disasters for the house and its contents and a free personal accident cover for the insured at a nominal premium. It also offers the insured the flexibility to cover the building together with contents, just the building or just contents only.

Ceylinco Mapiya Thilina

A unique health Insurance cover available in Sri Lanka for senior citizens between the ages of 60-80 years. In addition to hospitalization, they are also covered for personal accidents and disability.





Ceylinco Warranty Insurance

Warranty Insurance is a comprehensive cover which offers compensation for manufacturing defects in the mechanical and electrical parts of brand new and reconditioned vehicles up to a period of four years from the year of manufacture.

Ceylinco Crop and Livestock Insurance

The only insurance policy available to the farming community where they can cover their crops, livestock and farming equipment.



Ceylinco One and Only



This is truly a unique concept not known to exist anywhere else in the world, which offers customer convenience, along with affordability and availability. Every time a customer purchases goods from any outlet of the Supermarket chains teamed up with Ceylinco, the customer is entitled to an insurance cover to the value of goods purchased. Depending on the number of purchases at these supermarkets, the cover will increase upto a maximum of Rs. 1 million. The benefits include a personal accident cover, natural disaster cover for the house and a plastic surgery cover for corrective surgery due to accidents.



Ceylinco No Worries

This is yet another unique insurance solution offered to Corporates to safeguard their valuable employees against loss of income. Cover could be obtained to provide employees, who are unable to perform their regular functions at work, due to an accident or a critical illness, with compensation for loss of income for a period of two to ten years, covering monthly salaries from Rs. 5,000/- to Rs. 50,000/-. Cover could be obtained by the employer or by the employees or through a joint contribution by the employer and the employees.

Ceylinco Twenty Four Seven

This is the ideal product to protect the employees: most valuable asset of an organization. Ceylinco Twenty Four Seven Insurance offers the facility of obtaining an insurance cover of Rs. 1,500,000/- per employee against all types of accidents, be it at work, when on the move or even at home for as little as Rs. 3/- per day. This cover is valid 24 hours a day and will cover the employee no matter what part of the world he/she is in.





Ceylinco Suwa Sampatha Monthly

Ceylinco Suwa Sampatha Monthly offers an organisation the unique opportunity to provide a comprehensive hospitalisation cover up to Rs. 50,000/-, and a personal accident cover of up to Rs.200,000/- to its employees, at an affordable premium. Additionally, the ability to pay the premium monthly makes the product more financially feasible. Further, this product also provides the flexibility of covering even the dependants of employees until the age of 65.

Ceylinco Suwa Sampatha National Health

Ceylinco Suwa Sampatha National Health offers a hospitalization cover of Rs. 25,000/- and another Rs. 10,000 for hospitalization in a government hospital together with Rs. 15,000 for specialised services that cannot be obtained in a government hospital. This unique product also carries a personal accident cover for Rs. 200,000/- with all these covers given at an affordable premium of only Rs. 100/- per month. This is an ideal product for those who cannot afford the average health insurance products but who want the added protection for the family.





Ceylinco "A+" International Students' Insurance

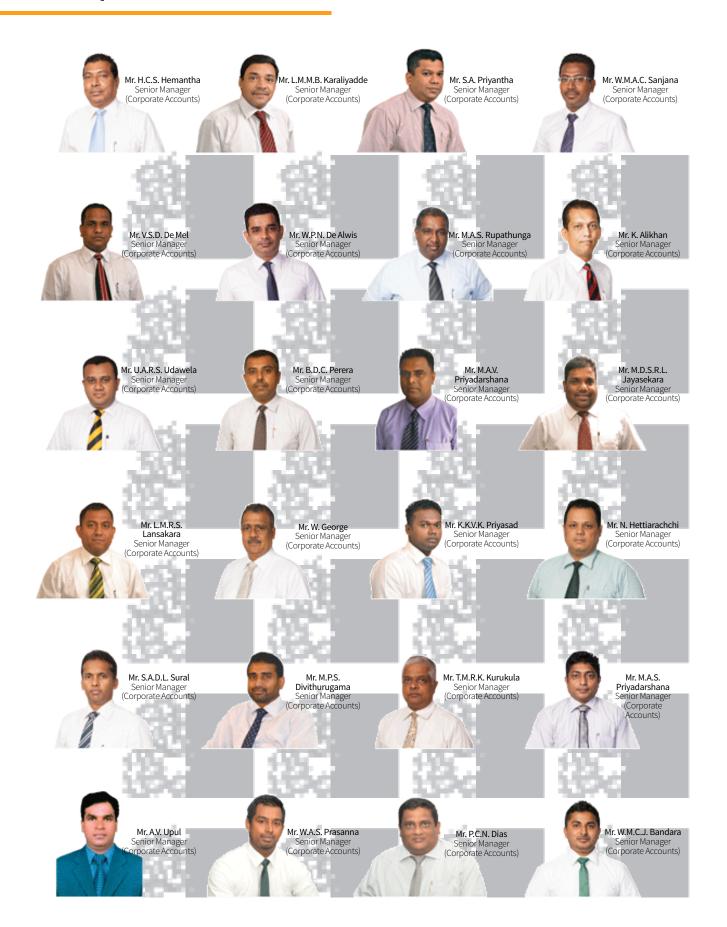
Another unique policy, which provides cover for Sri Lankan students who have gone overseas for studies. The cover includes Hospitalization, Personal Accident, Personal Liability, Legal Expenses, etc., which could be claimed in whichever country they study.

Corporate Management





Management StaffCorporate Sales



Management Staff Regional / Area Sales Managers



Management Staff Contd.

400

Chief Executive Officer

A.R. Gunawardena F.C.I.C., Honorary fellow – ICBT Campus, Associate College of Cardiff Metropolitan University, U.K.

Head of Finance
T.N.M. Peiris B.A.(Econ.) (Hons.), F.C.A,

General Manager (Technical)

H.D.A.N. Perera

F.C.M.A., F.C.I.C.

General Managers (City)

R.A. Ranasinghe A.R.S. Wijayapura

General Manager – Finance (Branches) J.D.S.N. Piyadasa B.Sc. (Pub. Admin.) (Hons.), F.C.A., M.B.A. (Sri J.)

Head of Legal

C. Kotigalage

Attorney-at-law/ Notary Public Barrister and Solicitor Former Judge of the High Court of Fiji Islands

Deputy General Manager (Marketing)

N.S. Rajapakse Pg. Dip.M.(U.K.), F.C.P.M.,

M.B.A. (Wales, U.K.)

Deputy General Managers

S. Thilakeshwaran

S.H. Panangala Liyanage M.B.A. (U.K.)

Deputy General Manager (Financial Services - City Office)

M. Premaratne A.C.A., F.C.M.A.

Deputy General Manager (Technical) C.E. Wimalasuriya A.C.I.C.

Company Secretary / Senior Assistant General Manager

Mrs. T.N. Jasenthuliyana F.C.I.S.(U.K.), F.C.P.M., F.C.C.S. (retired w.e.f. 23.02.2017)

Company Secretary Mrs. Nilika Abhayawardhana A.C.I.S. (U.K.), A.C.C.S. (appointed w.e.f. 23.02.2017) Senior Assistant General Manager

A.M.D. Alagiyawanna B.A.(Econ.)(Hons.)

Senior Assistant General Manager (Financial Services – Head Office)

A.B. Wijayatunga M.C.P.M.

Senior Assistant General Manager (Suwa Sampatha Insurance)

I.P. Abeywickrama

Senior Assistant General Manager (Northern Region)

A.L.J. Atapattu A.C.I.C

Senior Assistant General Manager

R.S. Arulanandan

Senior Assistant General Manager (Central Region)

I.A.K.J.P. Ilangakoon B. Com.

Senior Assistant General Manager (Western Region)

V.D.C. Wickramaratne M.B.A. (U.K.)

Senior Assistant General Manager (Miscellaneous Insurance)

S.K. Jayasundara

Assistant General Manager (Marine Insurance)

D. Munasinghe

Assistant General Manager (Legal)

Mrs. R.M. Abeywardena Attorney-at-Law & Notary Public

Assistant General Manager (Risk Management)

A.P.R. De Mel A.M.I. Mech. E.

Assistant General Manager (Western Outer Region)

J.A.N.C. Fernando M.B.A. (India)

Assistant General Managers

R.S. Joseph Dip. Mkt. (U.K.)

H.J.S. Kumara

K.J.N. Perera

M.W.T. Pushpakumara

Assistant General Manager (Financial

Services - City)

A.A.U.S.S. Wijeratne A.C.A., A.C.M.A., M.B.A.

(Col.)

Assistant General Manager (Financial Services)

K. Shankaramoorthy F.C.A., A.C.M.A., M.B.A. (Sri J.)

Assistant General Manager (Financial

Services - Branches)

U.K.U. Wijeratne

Regional Managers

D.S. Karunaratne

V. Nissanka

W.P.S. Pemachandra

M.A.L. Ravindra

Chief Manager (Financial Services)

J. Rambukkana B.Com. (Special)

Chief Legal Officer

L.P.C. Madhavila Attorney-at-Law & Notary Public, Commissioner for Oath

Chief Manager - Information Technology (Research & Development)

H.A.R. Dharmaratne B.I.T., Dip. Comp. System Design, M.B.A. (U.S.A.)

Chief Risk Engineers

C.C. Ekanayake B.Sc., M.I.E.E. (U.K.), A.M.I.E. (S.L.)

L.K. Karunarathna

R.K. Wijeyasinghe B.Sc. (Eng.), A.M.I.E.

(S.L.), PG. Dip. Elect. Eng. (S.L.)

Chief Technical Managers (Underwriting) M.D.R.D. Gunatillake B.I.U. Kumara Mrs. N.D.D.J. Serasinghe Chief Technical Manager (Marine Insurance) Miss. P. Dambegoda

A.A. Nandana Chief Technical Managers (Automobile)

A.R. Pietersz F.I.A.E. (S.L.) B.S.B. Jayasekara A.M.I.A.E. (S.L.)

Chief Technical Manager

Chief Manager (Reinsurance) S.L.D.C. Sisira B.Com. (Hons.)

Marketing Manager I.E. Abeyratne M.C.I.M. (U.K.), Dip.M. (U.K.), M.B.A. (U.K.), Chartered Marketer (U.K.), M.S.L.I.M., Adv. Dip. MA

Senior Managers (Corporate Accounts) K. Alikhan

W.M.C.J. Bandara P.C.N. Dias W.P.N. De Alwis V.S.D. De Mel

M.P.S. Divithurugama

W. George H.C.S. Hemantha N. Hettiarachchi M.D.S.R.L. Jayasekara L.M.M.B. Karaliyadde T.M.R.K. Kurukula

L.M.R.S. Lansakara B.Com.(Special)

B.D.C. Perera W.A.S. Prasanna M.A.S. Priyadarshana M.A.V. Priyadarshana S.A. Priyantha K.K.V.K. Priyasad

M.A.S. Rupathunga

W.M.A.C. Sanjana

S.A.D.L. Sural M.B.A. (Wales), Pg. Dip. Mkt. (U.K.), M.C.I.M.

U.A.R.S. Udawela A.V. Upul

Senior Legal Officers

S.A.K. Haputhanthri Attorney-at-Law, Commissioner for Oath

S.T. Lamabadusooriya LL.B., Attorneyat-Law & Notary Public, Commissioner for Oath, Regd. Co.Sec.

Mrs. H.M. Pethiyagoda LL.B., Attorneyat-Law & Notary Public, Commissioner for

Mrs. D.R. Wickramasinghe Attorney-at-Law & Notary Public, Commissioner for

Senior Manager (Company Secretarial) Mrs. A.L.D.E.H. De Silva

Senior Risk Engineers

B.G.N.I.B. Basnayake B.Sc.(Eng.) M.P.P.U. Chulasiri B.Sc.(Eng.), A.M.I.E. (S.L.)

E.M.N. Lasantha B.Sc. (Eng.) J.A.T.I. Perera N.D.T. (Mech. Eng.) N.S. Weerakoon

Senior Manager (Financial Services -Internal Audit)

J.M.A.R.P. Jayakody B.Sc.(Busi. Admin.) (Special),A.C.A., M.B.A. (Col.)

Senior Managers (Internal Audit) J.A.A.K. Jayasinghe B.Com.(Special), A.C.I.C., S.A.T., C.B.A. P.U.U. Perera B.Com.

Senior Managers (Financial Services)

R.M.A. Bandara B.Sc. (Busi. Admin.) (Special) D.R.N. Damsiri

B.Sc. (Busi. Admin.) (Special) S.L.W. Fernando Mrs. W.P.S. Jayasinghe B.Sc. (Busi. Admin.) (Special) B.C.P. Kumara O.B.R. Perera M.S.R. Piumwardena A.S. Sarathchandran K.L.R.D. Silva

Mrs. S.H.S.D. Sumanathilake A.C.A., A.C.M.A., A.C.I.I. (Lond.)

A.K.M. Wickramasinghe B.B. Mgt. (Sp.) (Hons.)

Senior Manager (Marine Survey)

T.A. Wickramaratne

Senior Manager (Customer Care)

W.R.R.A. Perera

Senior Application Support Engineer M.H.M. Sajeendra

Senior Technical Managers (Underwriting) W.R.S. Fernando K.M.C.S. Perera

Senior Technical Managers H.M.T. Herath B.Sc. (Mkt. Mgt.) (Special)

Senior Technical Managers (Claims) I.M. Karunasena J.K. Wanigathunga B.Sc. (Mkt. Mqt.) (Special), M.B.A. (Sri J.), A.M.S.L.I.M., L.I.I.I., A.I.I. (India)

Senior Manager (Information Technology Implementation)

H.A. Dikkumbura

Senior Hardware Support Engineer (Information Technology) D.A.T. Dissanayaka P.O.N. Perera

Senior Manager (Financial Services - City) K.N.N. Madarasinghe

Management Staff Contd.

Senior Technical Managers (Automobile)

D.B. Rajaguru

S.H. Sanath B.Sc. (Eng.)

Senior Manager (Head of Broker

Servicing Unit)

S. Santhosh Kumar M.B.A. (U.K.)

Managers (Financial Services)

H.G.N.S. Gunathilake J.S. Liyanarachchi H.L.N.C. Nanayakkara

W.J.J. Perera

S.S.T. Pinnagaspitiya S. Rambukwella W.A. Soysa

V.S. Warnapura

Senior Manager (Training)

W.A.M. Susantha *B.Sc.* (*Busi. Admin.*)(*SP.*), *A.M.I.P.M.*, *M.S.L.I.T.A.D.*, *M.I.T.D.* (*S.L.*), *M.B.A.*

Technical Managers (Automobile)

C.J. Amarakoon K.P.U.D. Gunasekara A.I. Gunawardana H.C. Heenatigala

R.G.C. Priyankara

Senior Technical Manager

(Underwriting) V.A.L.C. De Silva

Technical Managers (Underwriting)

Mrs. M.W.S.N. Mangalie

M.A.G. Perera P.L. Sumanapala

Senior Technical Manager (Claims)

Mrs. T.K.K. Ratnayake

Technical Managers
H.M.A.P. Abeywardena

A.K.I.K. Ariyaratne Dip. S.L.I.I, Dip. C.I.I

W.R.N. Dep

Mrs. H.P.R. Dilrukshi R.P.D.U. Indrajith A. Rajapakse

Mrs. I.D. Samaranayake

Manager (Recoveries)

S.F.F. De Silva

Senior Area Automobile Engineers

E.M.P.B. Ekanayake H.A.K. Hemantha B.I. Moses M.S.V. Perera

K.M.I. Rajawatta

Area Automobile Engineers

M.E.V. Fernando M.C. Manathunga

Managers (Customer Services)

H.V.C. Dhammika T.L.R. Sampath

Risk Engineers G.M.M. De Zoysa

A. Hewavitharana H.M.L.R. Jayasundara H.R. Karunarathna H.D.J.K. Perera B.Sc.

R.M.T.D. Rajapaksha B.Sc. Eng.

Chief Loss Adjustor / Accountant

K.S.D. Fernando H.A.R.. Kumarasiri

Regional Sales Managers (Branches)

S.K. De Alwis B.N.T. Rupasinghe

R.B.R. Wijeratne M.B.A. (U.K.)

Area Sales Managers (Branches)

M.D.N. De S. Amarasekara K.P.L.A. Balawardena D.A.S. De Silva

L.P.D. Dharmasooriya V.K. Gunathilake

L.A.I.A. Jayasena H.D. Madugoda L.V. Perera J.S. Rajapakse P.S.M. Rerukana

N.P. Wadugodapitiya C.N. Weerasuriya

Senior Sales Managers (City)

Miss. K.A.D. De Silva L.A.S. Edirisinghe M.C.A. Fernando

D.J. Gunawardene Dip. M. (U.K.), A.C.I.M.

(U.K.), M.B.A. (Aust.)
J.K.C. Jayawardana
K.M.S.N. Kumara
P.A.L. Kumara
B.G.S. Mendis
T.S.R. Peiris
D.A.H. Prasad
R.V.N.S. Rajapaksha

K.V.N.S. Rajapaksna K.S. Sanjeewa V. Sivakumar S.U. Thalakumbura M.D.J. Thilina R.T.D.W. Tilakaratne

W.M.J. Weerasekara

Senior Sales Manager (Branches)

W.P.G.S.D. De Silva

Sales Managers (City)
H.G.N.L. Ariyaratne
K.P. Bope Weerathunga

J.D.C. De Alwis S. De Alwis

H.M.E.G.P.R. Egodage W.W.M.A.B.P. Fernando B.P. Jayawardena D.C. Jayawardena K.D.D. Kumara S.I. Liyanage R.U. Sampath

N.J. Thavachchelvam

Sales Managers (Branches)
S.R.D.D. Abeykoon
C.I. Abenayaka

K.A.A.P. Abhaya Wickrama

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A.M.W.J. Adikari D.P. Amarasinghe J.M.I.S.J. Bandara K.M.U. Chandraratne D.J.K. Dadigamuwa R.D.T. Dassanayake D.M.M. Deshapriya

G.L.N.C. De Silva W.M.D.C.B. Dissanayake

N.N.R. Diunugala H.J.C. Fernando M.B.I.N. Fernando M.C.K. Fernando M.S.R.M. Fernando W.M.S.S. Fernando J.M.R.K.D. Galgamuwa

N.G.C. Gunarathne D.P.R. Gunasiri P.U.I. Gunawardena H.M.T. Hemantha H.M.T.K.B. Herath O.B. Hussein I.G.D. Idirideera

S.K.K. Gunarathna

R. Ingaran S.P. Jagathsiri P.H.M.C. Jayalath J.M.D.C.P. Jayamanna

M.G.A. Jayanath M.H.M.S. Jayarathna R.K.M.A.P. Jayasundara M.T. Junaid T.A.S.C. Kumara

K.K.S.K. Kumara M.G.S. Kumara M.T.N.A. Kumara

P.V.P.L. Kumarasiri W.S.A. Kumarasiri A.H. Lalith

T.I. Lanthra S.C. Muhandiramge T.A.B. Peiris

A.J.J. Perera B.A. Perera K.A.S. Piyasena C. Pratheepan N.J. Rajapakshe R.A.C.R. Ranasinghe H.M.N.T. Ranathunge

L.R. Rathnasiri K.M.P. Rohan K. Sakthivadivel S.A.L. Samarasinghe N.C. Samarawickrama

W. Sanjaya H.A.G. Sathyajith S.A.M.A.N.C. Senanayake

G.Y. Shanake

L.S.A.M.J. Siriwardhana S.T. Somathilaka W.A.M.L. Soloman A.L.N. Suranga W.R. Suresh W.P.T. Udugama N.M. Uduweralla

C.H. Vitharana M.B.A. (U.K) W.L.D.K. Weerasuriya T.S. Wickramasinghe W.M.R.B. Wijekoon A.S. Wijethunga D.G.P.N. Wimalaratne Y.M.N.A.S. Yapa

Branch Managers A.D.W.I. Anushan T. Athithan

L.H.M.L. Dayananda D.M.R.N. Dissanayake D.S.R. Dissanayake K.C.S. Fernando M.S.R.M. Fernando S. Gurusinghe M.S. Kosgallana P.V. Kumara

C.S. Mahalekamgedara H.P.V.U. Mahindaratne D.S. Menik Kadawara W.M.R.B. Naranpanawa

N.R.C. Perera L.T.P. Perera D.B.J. Prasad B.A.S. Priyadarshana H.K.M. Priyankara K.M.R. Ranasinghe R.P.S.R. Randunu D.L.W. Rathnayaka P.J. Raweendra

J.E. Rulach P.L.N.C. Sampath W.K. Wijeratne

F.B.G.N.S. Wijewardhena W.A.C.R. Weerasinghe

Acting Sales Managers (Branches)

I.I. Attanayaka B.C. de Silva D.G.R. Saliya

W.M.S.K. Wijayasinghe

Acting Branch Managers

D.D.S.S. Kumar T.A. Nanayakkara

Branches

Biyagama

Chavakachcheri

Kalutara

Kamburupitiya

Aluthgama Chilaw Kandana Nochchiyagama Chunnakam Ampara Kandy Nugegoda Avissawella Dambulla Kanthale Nuwara Eliya Dankotuwa Bandaragama Karapitiya Padaviya Bandarawela Dehiattakandiya Kattankudy Pallebedda Boralesgamuwa Dehiwala Branch Katugasthota Pamunugama Borella Dematagoda Katunayaka Panadura Dickwella Pannipitiya Deniyaya Kegalle Embuldeniya Digana Kekirawa Passara Kalmunai Divulapitiya Kelaniya Peliyagoda Pelmadulla Kalpitiya Dummalasooriya Kiribathgoda Kiridiwela Pettah Kuliyapitiya Eheliyagoda Kuruwita Kiriella Elpitiya Piliyandala Mahara Embilipitiya Kochchikade Pitigala atara Enderamulla Kohuwala Polonnaurwa Medawachchiya Eppawala Kotahena Puttalam Kotikawatta Middeniya Galaha Raddolugama Moratumulla Galenbindunuwewa Kottawa Ragama Neluwa Galewela Kotte Rambukkana Pilimathalawa Galgamuwa Kurunegala Ratnapura Polgahawela Galle Mahabage Rikillagaskada Ratmalana Galnewa Maharagama Ruwanwella Tangalle Gampaha Mahiyanganaya Sea Street Town Hall Gampola Mahiyawa Seeduwa Vavuniya Ganemulla Maho Talawakelle Veyangoda Giriulla Malabe Thalawathugoda Akkaraipattu Godakawela Mannar Thambuttegama Akurana Grandpass Maradana Thanamalwila Akuressa Hanwella Marandagahamula Thimbirigasyaya Alawwa Hatton Matale Tissamaharama Hettipola Ambalangoda Mathugama Trincomalee Ambalantota High Level Mattakkuliya Uragasmanhandiya Angunakolapelessa Hikkaduwa Mawanella Wadduwa Anuradhapura Hingurakgoda Mawathagama Walasmulla Warakapola Atchuvely Homagama Melsiripura Wariyapola Athurugiriya Horana Messenger Street Attidiya Imaduwa Minuwangoda Wattala Badulla Imbulgoda Wattegama Mirigama Bakamuna Ja-Ela Monaragala Welimada Jaffna Weliweriya Balangoda Moratuwa Bambalapitiya Kadawatha Mount Lavinia Wellawatta Battaramulla Kaduruwela Narammala Wellawaya Batticaloa Kaduwela Wennappuwa Nattandiya Bibile Kahawattha Nawalapitiya Yakkala 🏻 Kalawana Yakk<mark>al</mark>amulla Bingiriya Nelliady

Nikaweratiya

Nittambuwa

Yatiyantota

VIP Counters

Abanpola Addalachchenai Adiambalama Agalawatha Aggona Ahangama Ahungalle Anamaduwa Aralaganwila Arangala Arayampathi Athura Avarivatta Badalgama Badalkumbura Baduraliya Balapitiya Bandarawaththa Batagama Batapola Battaramulla Beliatta Bellantara Beruwela **BOC-** Gampaha Bowatta Bulathkohupitiya Bulathsinghala Buttala Chankanai Dalugama Dalupitiya Road Dehiowita Deiyandara

Delgoda Depanama Deraniyagala Dewalegama Dharga Town Dippitiya Divulapitiya Dodangoda Dompe ____

Egodauyana, Moratuwa

Ekala

Elakanda Road Eldeniya Eluvila

Embilipitiya New Town Eravur

Erawwala Galagedera Gelioya Giribawa Godagama Godigamuwa Gomarankadawala Gonapola

Habaraduwa Habarakada

Habarana Hadirana

Hakmana Haldumulla Hali Ela Hambantota Hataraliyadda Higurana Hokandara South Horagasmulla

Horowpathana

Ibbagamuwa IDH

Ihala Karagahamuna,

Kadawatha Imaduwa Ingiriya

Ingiriya (Horana) Jubilee Post, Nugegoda

Kabithigollawa Kahatagasdigiliya Kahathuduwa Kalladi Kalubovila Kalubowila Kaluthara North Kaluwanchikudy

Kandana Karandeniya Karative Kesbawa Katana Kataragama Katupotha Katuwana Katuwawala Kegalle Main Street

Kesbewa Kilinochchi Kinniya Kiribathgoda Kobeigane Kollanawa Kolonna Koralawella Kotadeniyawa Kotiyakumbura Kottramulla Kotugoda Kurana

Kurusa Junction Lunugala Lunuwila Madampe Madirigiriya Madurankuliya Mahaoya Mahawewa Makola

Maligawatta -Bodhiraja

Maligawatte Malwala Manipai

Maligawatta

Marawila Mattegoda Meegalewa Meegoda Меере Miriswatte Moragahena Moranthuduwa Morawaka Moronthuduwa Moutthur Mulative Mulleriyawa Murunkan Nagoda Naiwala

Narangodapaluwa

Navinna Nawagattegama Nawala Nelumdeniya Nindavur Nivithigala Norochcholai Obeysekarapura Opanayaka Ottamawadi Pabahinna Padiyathalawa Padukka Palliyawatte Pamankada

Pamunuwa Panagoda Pannala Pasyala Pattiya Junction Pelawaththa Pelawattea (Pitigala) Piriwena Junction Pitipana

Point Pedro Polhengoda Polpithigama Poojapitiya Pottuvil Pugoda **Pulmudai**

Punchikara Niwasa Pussellawa

Puttalam Road Rajagiriya Tours Rajanganaya Rakwana Ranna Rathgama Rideegama Sainthamaruthu Saliyawewa

Sammanturai Sammanturai 1 Sarikkalimulla

Serunuwara Sewanagala Singharamulla Siyabalanduwa Siyambalape Sooriyawewa Talgaswala Thalahena Thalawa Theldeniya Thirappane Thoppure

Thorana Junction, Kelaniya

Udahamulla Udappuwa Udawalawa Udubaddawa Ududumbara Udugama New Udugampola Uhana Urubokka Valachchenai Vilachchiya Wadiyawatta Walapane Waligamuwa Waskaduwa Wathupitiwala Weeraketiya Welipillewa Welmilla Yatawatta

Ceylinco "VIP" Rest Spots

Induruwa Kitulgala Kuruwita Melsiripura Mundalama Pussellawa Tangalle

Warakapola

What Makes Us Great -**Customer Testimonials**



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

Mr. Aelian Gunawardane Managing Director JAT Holdings (Pvt) Ltd



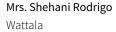


රංජිත් ඩී ගුරුසිංහ ආරච්චිගේ මහතා වඵාපාරික





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





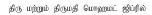
"We have an ambulance to come to your aid, because Ceylinco Insurance came to our rescue."

Mr. Priyanthalal Balasooriya,Managing Director
Balasooriya Hospital in Puttalam





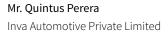
வெள்ளம் வந்து ஒரு சில மணிநேரங்களில் எமது வாகனம் முற்றிலும் மூழ்கியது, ஆனாலும் இழந்த எம் வாகனத்தை உடனடியாக செலின்கோ காப்புறுதி எமக்கு மீளப்பெற்றுக்கொடுத்தது.







"Everything returned to normal in no time, thanks to Ceylinco Insurance"





Corporate Governance

Corporate Governance is the ability to balance the rightful interests of our all stakeholders within an agreed framework that defines how we do business. Regulatory compliance is the starting point that is built upon with international best practice, ethics and values. A robust framework of policies, codes, procedures and processes have been set in place to ensure that our values and standards are upheld in the day-to-day operations of the Company.

Good governance continues to be one of the main areas of focus for the Board of Directors of the Company. Accordingly, Board ensures a high degree of integrity through transparency and accountability at each level of operations of the Company. The Board of Directors has established necessary policies and procedures to ensure that the day-to-day affairs of the Company are governed by adequate internal control mechanisms in a manner that would enhance stakeholder confidence. The Board of Directors has also ensured that the financial reporting system of the Company is designed to provide assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting policies. Board Sub Committees assist the Board in this effort.

The Board comprises of highly respected individuals who have reached the pinnacle of their chosen fields often displaying multidisciplinary competencies. Expertise on the Board represents a cross section from the Finance, Insurance, Corporate, Academic and Professional spheres, who together contribute a wealth of practical insight and business acumen. Board approves a strategic plan and key policies for the Company and effectively monitors their implementation through the Board Sub Committees and Key Management Personnel.

Ceylinco General Insurance Limited always extends internal controls to encompass a range of ethics and integrity issues. Hence, we recognize the value of good Corporate Governance and believe that it provides opportunities to manage risks and add value to its stakeholders while ensuring a viable long-term business. Due to this fact, the Company adheres to both regulatory requirements as well as best practices even before the Company is listed in the

Colombo Stock Exchange. The Board sets the tone at the top by encouraging professional standards and corporate values that cascade to senior management and other employees of the Company.

Members of the Board

The Board of Directors of the Company is responsible to the shareholders to maintain all business activities and to ensure that the other affairs of the Company are carried out to the highest ethical standards, complying with the regulatory and legal requirements, in the best interests of all the stakeholders of the Company.

The Board of Directors of Ceylinco General Insurance Limited comprises of fifteen Directors of whom five are Executive Directors, five are Independent Non-Executive Directors and five are Non-Executive Directors, one being the Chairman of the Board. The Board of Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company. They are well aware of the Company's activities and give direction for long-term strategy; seeking and contributing views and opinions on strategic options proposed by the senior management of the Company. A brief profile of the members of the Board of Directors is given on pages 22 to 25.

Board Appointments

The Company has established a formal and transparent procedure for new appointments with identifying suitable person, professional qualifications, business experience and personal qualities. The Company gets prior approval from Insurance Board of Sri Lanka (IBSL), when appointing new Directors to the Board.

Role of the Chairman

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. It is also the responsibility of the Chairman to ensure that views of Directors on issues under consideration are ascertained; and that the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.

Role of Chief Executive Officer

Chief Executive Officer is responsible to the Board for managing the General Insurance Business and holds executive responsibility for the functioning of the Company's business including implementation of strategies approved by the Board. And he develops and recommend to the Board the business plans and budgets that support the Company's strategy.

Board Meetings and Attendance

During the year 2016, the Board has maintained an excellent record of attendance to the meetings. The number of Board meetings held during 2016, together with individual attendance, is given on page 75.

Board Interaction with Shareholders

The Company is committed to maintain good relationship with all shareholders. Shareholders have the opportunity to meet and question the Board of Directors at the Annual General Meeting, (AGM) which will be held on 29th March 2017.

Directors' Remuneration

The Board approved the remuneration paid to the Directors during year 2016. No Director is involved in deciding his own remuneration. Directors' remuneration in respect of the Company for the year 2016 is given in Note 40.1 to the Financial Statements.

Reinsurance Arrangements

RETENTIONS OF RISK UNDER VARIOUS CLASSES OF INSURANCE

Class		Maximum Net Retention per event including catastrophic events (Rs.)	
Fire including Consequential Loss & Engineering		40,000,000/-	
Personal Accident including Travel Insurance		2,000,000/-	
All other Miscellaneous classes		5,000,000/-	
Marine Cargo & Marine Hull		15,000,000/-	
Motor Insurance including Third Party Liabilities			
Non-Natural Catastrophic Events		10,000,000/-	
Natural Catastrophic Events		20,000,000/-	
International Health	10% Max.	10,000,000/-	
Strike, Riots & Civil Commotion		Nil	
Terrorism		Nil	

MAJOR TEN REINSURERS

Reinsurer	Credit Rating		Country of Origin
	AM EST	S&P	
Swiss Reinsurance Company	AA -	AA -	Switzerland
SCOR Reinsurance	A +	AA-	France
Lloyd's of London	A +	A +	United Kingdom
Munich Reinsurance Company	AA -	AA -	Germany
Sirius International Insurance Corporation	А	Α-	Sweden
General Insurance Corporation (GIC Re)	A -	-	India
Hannover Re	AA-	AA-	Germany
Odyssey Reinsurance Corporation	A +	Α-	U.S.A
Toa Reinsurance Company Limited	AA -	A +	Japan
Taiping Reinsurance Co. Ltd.	A	А	Hong Kong

The Security rating of all Reinsurers are in compliance with the minimum security guidlines issued by ihe Insurance Board of Sri Lanka dated 28.10.2016.



Board Audit Committee Report

Composition

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

Mr. E.M.M. Boyagoda (Chairman) Mr. S.C.G. Guruge

The Chairman of the committee holds an MBA from an Irish University and has over 30 years' experience in the field of Banking and Treasury Management. Further, Chairman of Audit Committee share his valuable experience in the various fields with the Committee members consequently achieving the objectives of the Committee.

Objective and Authority

The main objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities to ensure integrity of the Company's financial statements, to assess the effectiveness of the control environment and ensuring the objectivity and independence of External and Internal Auditors. The objectives of the Audit Committee are as follows;

- To oversee the Company's financial reporting process with a view to ensure the integrity of the information provided to stakeholders.
- To review the Company's compliance with statutory and regulatory requirements.
- To review the process to assess the design and implementation of the internal control systems and take steps to strengthen them as necessary.
- To satisfy itself of the effectiveness of the Company's risk management processes to identify and mitigate risks.
- To assess the independence of the External Auditors and monitor the performance of Internal and External Auditors.

Meetings and Attendance

The Committee met four times during the financial year under review. The attendance of the members at these meetings is recorded in page 76 of this Annual Report.

The Deputy Managing Director, Head of Finance, General Manager – Finance, the Chief Internal Auditor of the Company and other members of the management are also invited to attend these meetings when necessary. The Committee recommends the Quarterly Financial Statements, Annual Accounts and connected documents for approval of the Board. It focuses on a fair presentation and disclosure, reasonability of estimates and judgmental factors and appropriateness of significant accounting policies adopted in preparation of Financial Statements. Company Secretary acts as the secretary to the Audit Committee.

Charter of the Audit Committee

The Audit Committee Charter is annually reviewed and revised with the agreement of Board of Directors. The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee.

Compliance with Financial Reporting, Statutory and Regulatory Requirements

The Committee reviews the quarterly regulatory compliance reports submitted and observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, code of ethics and standard of conduct have been followed. Instances of noncompliance if any, are included in the Audit Committee's reports to the Board of Directors and followed up to ensure appropriate corrective action. This procedure ensures that compliance with all statutory and regulatory requirements is effectively monitored.

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 Financial Reporting Standards.

Internal Audit

The Audit Committee reviewed the independence, objectivity & performance of the internal audit function and the adequacy of its resources. The selected internal audit reports were tabled and reviewed by the Committee. Progress on implementation of internal audit recommendations were regularly analyzed by the Committee to ensure operation of effective internal control and enhancement of the overall control environment.

External Audit

The Audit Committee met with the External Auditors to discuss the audit scope and plan prior to their commencement of the audit. The External Auditors were given adequate access to whatever information they needed for the audit.

The Committee persued the Report of the Auditors and the Management letter issued by them and the management responses thereto, was discussed and corrective action taken was reviewed. The Committee also reviewed the non -audit services provided by the external auditors to ensure that their independence and objectivity were safeguarded.

Conclusion

Based on the reports submitted by the External and Internal Auditors, the Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the Financial Statements of the Company are reliable. The Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment maintained within the Company.

In addition, the Audit Committee, discusses new developments in the finance field, regulation changes, new risks arising in the environment and necessary actions to be taken.

The Audit Committee having looked into the independence and performance of the External Auditors, recommended to the Board that Messrs. Ernst & Young, Chartered Accountants be re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2017, subject to approval by the shareholders at the forthcoming Annual General Meeting.

Mr. E.M.M. Boyagoda

Chairman, Audit Committee

20th February 2017

Report of the Investment Committee of Ceylinco General Insurance Limited 2016

OBJECTIVE OF THE COMMITTEE

The investment income is one of the main determinants of the final profitability of an insurance company. The investment management and treasury function generates further wealth from the wealth generated in the past. It also provides the necessary lubricant for a smooth cash flow for meeting company's financial commitments and efficient use of financial resources. In this exercise therefore the challenge is to reach an equilibrium among profitability, liquidity and regulatory requirements.

The asset portfolio of the company comprises Fixed Income, Equity, Commodities and Real Estate portfolios. These portfolios are exposed to interest rate, exchange rate, commodity & equity price volatility risks. Thus requires the management of said risks for achieving desired results.

The investment committee together with the investment/ treasury management unit provides and formulates the necessary guidelines and investment policies for the investment / treasury management unit to carry on the above functions to meet the desired risk – return level of the Board of Directors and the ERM framework of the company and reviews if the function is performed accordingly.

FUNCTIONING

Macro economy is the environment in which the portfolios generate yield. It is important therefore to constantly align the assets within and also select assets to deliver the optimum yield in the prevalent macroeconomic environment. For this purpose the committee considers the local economic indicators and the global economic climate in order to understand the future macro environment. This understanding is converted to investment strategies and decisions for implementation.

The main factors deliberated include Inflation, Interest rates, Forex rates, Gross official reserves of the country, GDP and the Balance of Payments. Further, any economic or political events such as US interest rates or obstacles to international trade is given due consideration in establishing the above understanding.

Economy In 2016

Sri Lanka experienced an inflation of 3.7% and 4.1% on average and on point to point basis respectively in 2016, which was slightly higher than 2015. This was reflected in Treasury Bill interest rates which increased by approximately 3.00% p.a. during the year further fuelled by two rate hikes of 0.5% p.a. each in February and July on the Central Bank's base repo interest rates which stood at 7.00% p.a. and 8.50%p.a. on the Reverse Repo and Repo facility at the close of the year. The Colombo Stock Exchange All Share Price Index experienced an overall negative growth of approximately 10% during the year ended 31st December 2016. The exchange rate witnessed about 4% depreciation in 2016 and closed at LKR 150.50 per USD.

One positive development was that by end of third quarter the Balance of Payment showed a positive USD 243Mn. Further the fiscal deficit was almost on target at 5.6% of GDP. The private sector credit growth also started to slow down by the end of the year, which was at a higher growth rate than desired by Central Bank over the past two years. The interbank money market which was at a deficit throughout the year experienced an excess liquidity towards the end of the year.

In December 2015, the Federal Reserve increased U.S. base interest rate by 0.25% which had a negative impact on Asia and Sri Lanka throughout 2016. U.S repeated same in 2016 December. In this backdrop and USD denominated debt repayments by Sri Lanka, the Gross Official Reserves of the country reduced from USD 7.3bn at the beginning of 2016 to USD 5.6bn by November, despite receiving two tranches of the USD.1.5bn IMF facility.

Investment Strategies

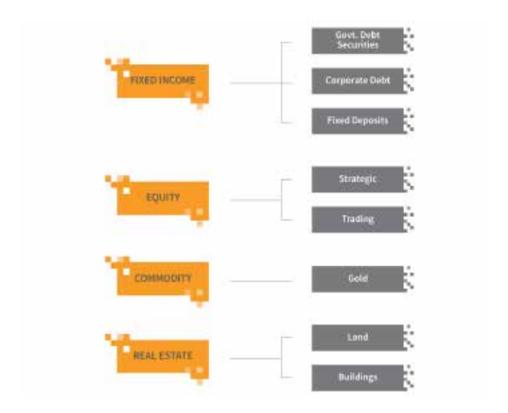
The committee assessed the impact of interest rate movement on the value of present Government Securities portfolio and the potential yield enhancements with portfolio adjustments and implemented readjustments to enhance the portfolio yield and the absolute income. This was possible as the incremental income derived overweighed initial cost of adjustments. As a result of these adjustments and the investment discipline followed; the portfolios returns also trailed the increasing interest rate

scenario and generated a yield close to the new increased average government security yields of the market which as stated earlier, increased by close to 3% during the year.

The investments were also directed to listed debentures with higher yields and tax benefits to increase the total yield while bank deposits were used for short term investments as they yielded higher than government securities for the given period on the backdrop of an increasing interest rate environment. All above investments were compliant with the regulations of the Insurance Board of Sri Lanka.

PORTFOLIOS

The investment committee directs the following portfolios



Report of The Investment Committee of Ceylinco General Insurance Limited 2016 Contd.

MEETINGS

The committee met once in every 2 months as scheduled. These meetings followed the agenda of discussing the economy, reviewing the business cashflows, review of portfolio returns and assets, discussing the future short and long term strategy and approval of any investments requiring committee approval. Further, when common view on any matter was required, ad hoc meetings were called or the information was circulated among the members by the investment unit for comments.

The following members generally participate at the meetings;

Name	Office Held / Representing
Mr. Mangala Boyagoda	Chairman of Investment Committee / Director
Mr. Nihal Peiris	Head of Finance

Mr. Upali Witharana	Deputy Managing Director
Mr. Rohan Fernando	Director
Mr. Nilantha Piyadasa	General Manager – Finance
Mr. Athula Wijetunga	Snr. Assistant General Manager – Financial Services
Mr. K. Shankaramoorthy	Asst. General Manager Financial Services
Mr. Manjula Wickramasinghe	Snr. Manager – Financial Services
Mr. Kasun Nanayakkara	Deputy General Manager – Treasury / Investment

Management Unit

E.M.M. Boyagoda

Chairman of the Investment Committee

20th February, 2017

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 80.

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 the 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 judgments and estimates have been made and applicable accounting standards have been followed.

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

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

BY ORDER OF THE BOARD



Mrs. Nilika Abhayawardhana Company Secretary

23rd February 2017



COMPLIANCE REPORT

In respect of the Financial Year ended 31st December 2016 of Ceylinco General Insurance Limited:

- 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

23rd February 2017



Enterprise Risk Management

The Board Sub Committee appointed as strategic activity is empowered to focus and improve Risk Management aspects of the Company. It reports outcome and progress of the ERM meetings held at Board meetings.

ERM committee reviews various risks the Company faces by having regular meeting with functional heads. The Company identified risks such as Business risks, Operational risks, Investment risks, Underwriting risks, Information Technology Risks, Reinsurance risks, Financial risks and Reputational Risks, which are analyzed and monitored regularly in order to minimize the impacts to the Company.

Risks analyzed in detail support the Committee to give guidelines to improve risk management practices.

Further, corrective actions are suggested for preventing/minimizing risks identified in various operations. The Company considers changes in environment, regulations, technological advancement and processes in suggesting risk minimization strategies.

The respective functional teams manage risks pertaining to the relevant area on a day-to-day basis. Frequent changes in processes and systems improve the preventive controls of the Company. In a Service organization, the people are the key to success of the Company. Planned training programs and seminars develop knowledge/skills of people. The long period of experience and knowledge of staffs and systems help in managing the risks efficiently. The risks associated to staff turnover are well addressed by the Company and ensure the retention ratio of the Company.

The Company's Executive Directors lead/guide the functional teams in achieving the objectives of the Company. The wealth of their experience help the Company to foresee the possible risks in day-to-day operations and implement strategies to overcome the same. Appropriate risk management strategies taken timely ensure the sustainable growth of the Organization.

A knowledgeable and experienced team of Internal auditor's work, performed throughout the year island-wide enforces the compliance of internal controls and detects any risks taken place in the Company. Further, the continuous audits strengthen the control environment and improves the risk management processes.



the price of greatness is Responsibility

FINANCIAL REPORTS



Report of the Board of Directors on the Affairs of the Company

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

Review of Operations

The Chairman's and the Managing Director's Review on pages 10 to 19 contain a detailed description of Insurance operations carried out in the year under review and projected developments.

Principal Activities of the Company

The principal activities constitute underwriting all classes of General Insurance.

Results of the Financial Year

	2016 Rs.'000	2015 Rs.'000
Profit After Taxation	1,309,020	604,361
Add : Balance Brought Forward	443,125	2,575
	1,752,145	606,936
Other Comprehensive Income for the Period	(370,393)	(163,311)
Funds Available for Appropriation	1,381,752	443,625
Appropriation:		
Dividend Paid	(330,132)	(500)
Unappropriated Profit Carried Forward	1,051,620	443,125

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

The Stated Capital of the Company as at 31st December 2016 was Rs. 500,200,000/- and is represented by issued and fully paid 2,501,000 voting ordinary shares.

Dividends

The Directors recommend a final dividend of Rs. 43.98 per share for the year ended 31st December 2016, payable on 03rd April 2017.

Directors

Messers. B.S.M. De Silva, H.D.K.P. Alwis, U. Witharana, W.C.J. Alwis, R.A. Gunathilake, N.D. Nugawela, K.D.A.S.R. Arsakularatne, E.M.M. Boyagoda, U.D. De Silva, A.R.H. Fernando, S.C.G. Guruge, M.D.E.A.G. Saparamadu, Mr. G.S. Sundararajan, S.D. Wanigaratne and C.P.A. Wijeyesekera were the Directors of the Company during the financial year ended 31st December 2016.

In accordance with the Articles of Association of the Company, Mr. K. D. A. S. R. Arsakularatne, Dr. U.D. De Silva, and A.R.H. Fernando, retire by rotation and being eligible, offer themselves for re-election.

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. B.S.M. De Silva	4
Mr. H.D.K.P. Alwis	6
Mr. U. Witharana	5
Dr. W.C.J. Alwis	5
Mr. R.A. Gunathilake	5
Mr. N.D. Nugawela	6
Mr. K.D.A.S.R. Arsakularatne	4
Mr. E.M.M. Boyagoda	5
Dr. U.D. De Silva	3
Mr. A.R.H. Fernando	6
Mr. S.C.G. Guruge	4
Mr. M.D.E.A.G. Saparamadu	6
Mr. G.S. Sundararajan	3
Dr. S.D. Wanigaratne	2
Mr. C.P.A. Wijeyesekera	4

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.

Directors' Interest in Shares

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

Company Secretary

Mrs. Thushara N. Jasenthuliyana was the Company Secretary during the Financial Year ended 31st December 2016. Mrs. Jasenthuliyana retired from the services with effect from 23rd February 2017.

Corporate Governance

The Audit Committee held four meetings during the year 2016. The Remuneration Committee held two meetings during the year 2016.

Report of the Board of Directors on the Affairs of the Company Contd.

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

Name of Committee Member	Audit Committee	Remuneration Committee
Mr. E.M.M. Boyagoda	3	2
Mr. S.C.G. Guruge	4	Not a Member
Mr. U. Witharana	1	-
Mr. T.N.M. Peiris	4	2
Mr. B.S.M. De Silva	Not a Member	2
Mr. M.D.E.A.G. Saparamadu	Not a Member	2
Mr. H.D.K.P. Alwis	Not a Member	1

Donations

During the year charitable donations amounting to Rs. 15.0 Million were made by the Company.

Taxation

The Company is liable for income tax at 28%.

The Income Tax Liability of the Company for the year amounted to Rs. 158.5 Million.

Capital Expenditure & Capital Commitments

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 362.6 Million.

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements". (Pages 103 to 107)

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. 2.8 Billion.

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 Events

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. As at December 2016, there were 2,636 employees in the permanent service of the Company.

Actuarial Valuation

- IBNR / IBNER

The Company has appointed M/s. K.A. Pandit, Consultant Actuaries to certify the IBNR/IBNER provisions made in the accounts as at 31.12.2016.

After reviewing the relevant information and Actuarial studies the Actuaries have recommended to make a net IBNR/IBNER provision of Rs. 254.9 Million. The Company has already made this provision in the accounts as at 31.12.2016.

Auditors

The Accounts 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 29 on page 128 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

H. D. K. P. Alwis

Managing Director

U. Witharana

Deputy Managing Director

Mrs. Nilika Abhayawardhana

Company Secretary

23rd February 2017

Report of the Directors (Annexure)

Directors' Interests in Contracts

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

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

	Name of Company	Mr. H.D.K.P. Alwis	Dr. W.C.J. Alwis	Mr. N.D. Nugawela	Mr. U. Witharana	Mr. S.C.G. Guruge	Mr. R.A. Gunathilake	Mr. E.M.M. Boyagoda	Mr. M.D.E.A.G. Saparamadu	Mr. B.S.M. De Silva
1	American Education Centre Ltd.	_ ✓	_ ✓		_ ✓					
2	Ashyaki Holdings (Pvt.) Ltd.									
3	Asset Trust Management (Pvt.) Ltd.									
4	CEG Education Holdings (Pvt.) Ltd.				_ ✓					
5	Ceyhydro Developers (Pvt.) Ltd.				_ <		_ <			
6	Ceylinco Insurance PLC	_ <	_ ✓	_ <	\checkmark					
7	Ceylinco Insurance Company (Pvt.) Ltd. (Maldives)	_ ✓	_ ✓	_ ✓	\checkmark					
8	Ceylinco Investcorp (Pvt.) Ltd.	_ <	\checkmark		\checkmark					
9	Ceypower Cascades (Pvt.) Ltd.	\checkmark		\checkmark	\checkmark					
10	Dolphin Hotels PLC									_ <
11	Energy Generators (Pvt.) Ltd.	√	\checkmark	✓	\checkmark					
12	Energy Generators Holdings Ltd.	\checkmark	\checkmark	\checkmark	\checkmark					
13	Industrial Gases (Pvt.) Ltd.					\checkmark				
14	International College of Business & Technology Ltd.	√	\checkmark		\checkmark					
15	Kavin Polymers (Pvt.) Ltd.								\checkmark	
16	Ultratech Cement Lanka (Pvt.) Ltd.				\checkmark					
17	Wealth Lanka Management (Pvt.) Ltd.							\checkmark		
18	Wealth Trust Securities (Pvt.) Ltd.							\checkmark		

Actuarial Report

PARTNERS: D. K. PANDIT B.Sc., LL.B., A.I.A (London), F. I.A.I. (00131) APPROVED VALUER REGD. NO.: CAT/X-3 OF 1988 M. G. DIWAN M.Sc., F.I.A. (London), F.I.I.I., F.I.A.I. (00053) N K PARIKH M.Com., LL.B., A.I.A. (London), F.I.A.I. (00132) P. I. MAJMUDAR B.Com., F.I.A. (London), F.C.I.I., F.I.I.I., F.I.A.I. (00109)



Tel · (91-22) 4292 2231 (91-22) 4292 2250 (91-79) 2646 0734 Fax: (91-22) 2288 3155 kap@ka-pandit.com www.ka-pandit.com M/S. K. A. PANDIT **CONSULTANTS & ACTUARIES** (ISO 9001:2008 CERTIFIED) (ISO 27001:2005 CERTIFIED)

CERTIFICATE

As Consulting Actuaries to Ceylinco General Insurance Limited, "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 01, Sri Lanka, we are required to estimate and certify the IBNR/IBNER Claims Reserves of the Company as on 31st December 2016.

IBNR and IBNER Claims Reserves include the following:

- 1) A reserve for claims that have occurred but have not been reported to the insurer. This is referred to as Incurred But Not Reported (IBNR) Claims Reserve. Such reserves should be both in respect of insurer's direct (including coinsurance) business as well as the inward reinsurance business;
- 2) A reserve for future development of known (reported) claims referred to as Incurred But Not Enough Reported (IBNER) Claims Reserve, which may alternatively be described as reserve for Incurred (& Reported) But Not Enough Reserved Claims. This would arise in respect of claims which are settled for amounts higher than the corresponding reserve amounts;
- 3) A reserve for claims that may re-open after they have been closed; and
- 4) Claims administration expenses in respect of the above.

The Company submitted the data, as required, which were analysed product wise. The distinguishing features of the Company's business, procedures and practices were noted; also the considerations impacting the calculations of IBNR/IBNER Claims Reserves were taken into account whilst applying appropriate methods to arrive at a scientific estimate of the IBNR/IBNER Claims Reserves required.

We certify, based on above, that the IBNR and IBNER Claims Reserves as on 31-12-2016 to be provided by the Ceylinco General Insurance Limited in respect of its non-life business are estimated as LKR 254,987,010 equal to 2.16% of the Net Earned Premium of LKR 11,783,117,181 as on 31-12-2016. IBNR Claims Reserves as calculated seem adequate and may be provided accordingly. We also certify that the Ceylinco General Insurance Limited meets the Liability Adequacy Test as required under SLFRS-4 satisfactorily.

(N. K. PARIKH) (PARTNER)

M. Parilch

Mumbai, India,

Dated: 14/02/2017

Churchgate: 2nd Floor, Churchgate House, Veer Nariman Road, Fort, Mumbai • 400 001. Offices: Andheri: 201/C, Remi Bizcourt, Off. Veera Desai Road, Andheri (W), Mumbai • 400 058. Ahmedabad: 509, Golden Triangle, Near Sardar Patel Stadium, Navrangpura, A'bad • 380 014.

Independent Auditors 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF CEYLINCO GENERAL INSURANCE LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of Ceylinco General Insurance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the income statement, the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion. the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
- the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No.7 of 2007.

As required by the Section 47(2) of the regulation of Insurance Industry Act No. 43 of 2000, we state that the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka , so as to clearly indicate the true and fair view of the financial position of the Company.

Carist Thomas

23 February 2017 Colombo

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 Jayesinghe FCA FCMA Ms. A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA A member firm of Ernst & Young Global Limited

Partners:

Statement of Financial Position

As at 21 December	Page	Note	2016	2015	
As at 31 December	No.	Note	Rs.'000	Rs.'000	
ASSETS					
Intangible Assets	102	5	125,920	78,847	
Deferred Expenses	102	6	863,805	756,423	
Property, Plant and Equipment	103	7	2,842,907	2,297,254	
Investment Properties	107	8	155,000	359,600	
Financial Instruments					
Loans and Receivables	109	9(a)	1,710,865	2,723,125	
Available-For-Sale Financial Assets	109	9(b)	8,141,785	5,930,094	
Employee Gratuity Benefit Asset	116	10	710,601	723,844	
Employee Pension Benefit Asset	119	11	773,906	890,305	
Reinsurance Receivables	120	12	3,831,541	2,169,757	
Deferred Tax Assets	120	13(a)	119,888	102,314	
Insurance Receivables	120	14	3,598,682	2,877,519	
Accrued Income	121	15	35,032	161,124	
Other Assets		16	366,259	372,235	
Cash and Cash Equivalents	121	17	100,059	191,621	
Total Assets			23,376,250	19,634,062	
EQUITY AND LIABILITIES					
EQUITY					
Stated Capital	121	18 (a) & (b)	500,200	500,200	
Retained Earnings			1,051,620	443,125	
Special Reserves	122	18 (c)	6,848,160	6,848,160	
Revaluation Reserves			341,586	-	
Available-for-Sale Reserve			59,570	91,385	
Total Equity			8,801,136	7,882,870	
LIABILITIES					
Non - Life Insurance Contract Liabilities	122		11,435,157	9,086,178	
Deferred Revenue	124	20	199,089	193,159	
Reinsurance Payables	124	21	761,814	772,700	
Income Tax Payable			46,380	79,751	
Other Liabilities	124		2,132,674	1,619,404	
Total Liabilities			14,575,114	11,751,192	
Total Equity and Liabilities			23,376,250	19,634,062	

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

T.N.M Peiris Head of Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements; on behalf of the Board

Upali Witharana
Deputy Managing Director

H.D.K.P Alwis Managing Director

The notes on pages 88 through 144 form an integral part of the Financial Statements

23 February 2017

Colombo

Income Statement

For the year ended 31 December	Page		2016 (12 months)	2015 (7 months)*	
	No.	Note	Rs.'000	Rs.'000	
Net Income	126	23 (c)	13,356,552	6,964,078	
Gross Written Premiums	125	23 (a)	16,116,889	8,052,323	
Premiums Ceded to Reinsurers	125	23 (b)	(3,493,469)	(2,028,967)	
Net Written Premiums			12,623,420	6,023,356	
Net Change in Reserve for Unearned Premium			(840,303)	27,273	
Net Earned Premium			11,783,117	6,050,629	
Fees and Commission Income	126	24	473,797	281,043	
Investment Income	126	25	1,111,074	607,842	
Realised Gains	127	26	(16,636)	24,564	
Fair value Gains	127	26 (a)	5,200	-	
Other Revenue			1,573,435	913,449	
Gross Benefits and Claims Paid	127	27 (a)	(8,957,729)	(3,796,087)	
Claims Ceded to Reinsurers	127	27 (b)	1,327,607	541,514	
Gross Change in Contract Liabilities	127	27 (c)	(1,526,590)	(193,979)	
Change in Contract Liabilities Ceded to Reinsurers	127	27 (d)	2,457,444	84,811	
Net Benefits and Claims			(6,699,268)	(3,363,741)	
Acquisition Cost	128	28	(1,356,975)	(680,475)	
Other Operating and Administrative Expenses	128	29	(3,856,112)	(2,167,833)	
Finance Cost	128	30	(63,072)	(44,869)	
Total Benefits, Claims and Other Expenses			(11,975,427)	(6,256,918)	
Profit Before Tax			1,381,125	707,160	
Income Tax Expense	129	31	(72,105)	(102,799)	
Profit for the Year			1,309,020	604,361	
Basic/Diluted Earnings Per Share	130	32	523.40	362.40	
Dividend Per Share	130	33	75.98	100.20	

The notes on pages 88 through 144 form an integral part of the Financial Statements.

^{*} Comparative information of 2015 including notes shows results of insurance operations for 7 months only since the Company commenced its insurance operations from 1st June 2015. Further comparison of full year insurance operations for both years are given in Note 39.

Statement of Comprehensive Income

For the year ended 31 December	Note	2016 (12 months)	2015 (7 months)
		Rs.'000	Rs.'000
Profit for the Year		1,309,020	604,361
Other Comprehensive Income			
Other Comprehensive Income to be reclassified to Income Statement in subsequent period			
Net Gain/(Loss) on Available-For-Sale Assets	34	(39,942)	91,533
Income Tax relating to Components of Other Comprehensive Income	34	8,127	(148)
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period		(31,815)	91,385
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period			
Revaluation Surplus/ (Deficit) During the Year	34	409,890	-
Actuarial Gain on Defined Benefit Plans	34	(361,677)	(169,848)
Income Tax relating to Components of Other Comprehensive Income	34	(77,020)	6,537
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		(28,807)	(163,311)
Other Comprehensive Income for the Year, Net of Tax		(60,622)	(71,926)
Total Comprehensive Income for the Year, Net of Tax		1,248,398	532,435

The notes on pages 88 through 144 form an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 December	Note	Stated Capital Rs.'000	Special Reserves Rs.'000	Revaluation Reserve Rs.'000	Retained Earnings Rs.'000	Available- for Sale Reserve Rs.'000	Total Ordinary Share- Holders' Equity Rs.'000
Balance As At 1 January 2015		100,200	-	-	2,575		102,775
Net Profit for the Year		-	-	-	604,361		604,361
Other Comprehensive Income for the Year		-	-	-	(163,311)	91,385	(71,926)
Total Comprehensive Income for the Year		-	-	-	441,050	91,385	532,435
Issue of shares	18(b)	400,000	-	-	-	-	400,000
Final Dividend Paid	33	-	-	-	(500)	-	(500)
Reserve arising on segregation	_18(c)_	-	6,848,160	-			6,848,160
Balance As At 31 December 2015		500,200	6,848,160	<u> </u>	443,125	91,385	7,882,870
Net Profit for the Year		-	-		1,309,020		1,309,020
Other Comprehensive Income for the Year	34	-	-	341,586	(370,393)	(31,815)	(60,622)
Total Comprehensive Income for the Year		-	-	341,586	938,627	(31,815)	1,248,398
Interim and Final Dividend	33	-	-	-	(330,132)		(330,132)
Balance As At 31 December 2016		500,200	6,848,160	341,586	1,051,620	59,570	8,801,136

The notes on pages 88 through 144 form an integral part of the Financial Statements

Statement of Cash Flows

For the year ended 31 December	Note	2016 (12 months)	2015 (7 months)
		Rs.'000	Rs.'000
Cash Flows from Operating Activities			
Premiums/Revenue received from Customers		15,396,006	8,651,402
Reinsurance Premiums (net of Commission) Paid		(3,024,629)	(1,334,798)
Commission Paid		(1,390,202)	(847,935)
Claims and Benefits Paid		(8,975,631)	(4,005,875)
Reinsurance Receipts in respect of Claims & Benefits		2,123,268	651,172
Interest and Dividends Received		940,020	525,368
Other Operating Cash Payments		(3,441,157)	(2,600,697)
Other Income		226,344	191,123
Contributions to Gratuity Fund/Gratuity payments		(67,412)	(35,123)
Income Taxes Paid		(76,861)	(36,054)
Interest paid		(63,072)	(45,455)
Net Cash Flows from Operating Activities (Note A)		1,646,674	1,113,128
Cash Flows from Investing Activities			
Acquisition of Financial Investments		(28,586,787)	(48,706,349)
Proceeds from sale of Investment Property		231,130	179,150
Proceeds from Financial Investments		27,346,814	47,494,358
Acquisition of Property, Plant & Equipment		(362,665)	(397,877)
Acquisition of Intangible Assets		(84,015)	(10,435)
Proceeds from Disposal of Property, Plant & Equipment		46,106	21,094
Net Cash Flows from Investing Activities		(1,409,417)	(1,420,059)
Cash Flows from Financing Activities			
Proceeds from Issue of Ordinary Shares		-	400,000
Dividends Paid to Equityholders (Net of tax)		(328,819)	(501)
Cash received from Ceylinco Insurance PLC on Segregation		-	98,853
Net Cash Flows from Financing Activities		(328,819)	498,352
Increase / (Decrease) in Cash & Cash Equivalents (Note B)		(91,562)	191,421

Statement of Cash Flows Contd.

For the year ended 31 December	Note	2016 (12 months)	2015 (7 months)	
		Rs.'000	Rs.'000	
Note A				
Reconciliation of Profit before tax				
with Net Cash Flows from Operating Activities				
Profit before tax		1,381,125	707,160	
Adjustments for:			,	
Depreciation		207,396	103,679	
Amortisation of Intangible Assets		36,943	14,173	
Change in Trade and Other Receivables		(770,521)	(106,047)	
Change in Reinsurance Receivable		(1,661,783)	24,847	
Increase in Non-Life Insurance Provisions		2,241,598	(76,762)	
Change in Trade and Other Payables		330,331	526,088	
Gain on Disposal of Property, Plant & Equipment		(26,796)	(15,234)	
Investment Property Fair value gain		(5,200)	-	
Foreign Exchange gain/loss		(9,558)	(28,722)	
Income Tax Paid		(76,861)	(36,054)	
Net Cash Flows from Operating Activities		1,646,674	1,113,128	
Note B				
Cash and Cash Equivalents at 1st January		191,621	200	
Cash and Cash Equivalents at 31st December	Note C	100,059	191,621	
Increase / (Decrease) in Cash and Cash Equivalents		(91,562)	191,421	
Note C				
Cash at Bank		65,872	157,319	
Cash in Hand		34,187	34,302	
		100,059	191,621	

The notes on pages 88 through 144 form an integral part of the Financial Statements.

Insurance Revenue Account

For the year ended 31 December	Note	2016 (12 months)	2015 (7 months)
		Rs.'000	Rs.'000
Non-Life Insurance			
Gross Written Premium	23 (a)	16,116,889	8,052,323
Net Earned Premium		11,783,117	6,050,629
Net Claims Incurred	27	(6,699,268)	(3,363,741)
Underwriting and Net Acquisition Costs		(883,178)	(399,432)
(Including Reinsurance)			
Underwriting Result		4,200,671	2,287,456
Other Operating, Investments Related and Administrative Expenses		(3,856,112)	(2,167,833)
Investment and Other Income		1,099,638	632,406
Interest Expense	30	(63,072)	(44,869)
Profits From Operations After Interest Expense		1,381,125	707,160
Key Ratios Non-Life Insurance			
Net Loss Ratio		56.85	55.59
Net Expense Ratio		40.76	43.17
Net Combined Ratio		97.61	98.76

1. CORPORATE INFORMATION

1.1 General

Ceylinco General Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. The main place of business of General Insurance is located at "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1. The additional corporate information is given on page 149.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company are underwriting of all classes of general insurance.

1.3 Ultimate Parent Company

The Company's ultimate parent Company is Ceylinco Insurance PLC which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of Ceylinco General Insurance Limited for the year ended 31 December 2016 was authorized for issue in accordance with a resolution of the board of directors on 23rd February 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Company's Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred to as "SLFRS") applicable for periods beginning on or after 1 January 2012, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

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 assets have been measured at fair value
- Land and buildings are stated at revalued amounts

Fair value is the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement fate. The fair value measurement is based on the presumption that 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 principle market, in the most advantageous market for the assert or liability

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

2.3 Functional and Presentation Currency

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

2.4 Comparative Information

The Company commenced insurance business with effect from 01 June 2015 subsequent to obtaining insurance license from Insurance Board of Sri Lanka as a result of the Regulatory requirements on segregation. As at 01 June 2015, its parent Company Ceylinco Insurance PLC transferred its business, assets and liabilities to the Company (Ceylinco General Insurance Ltd). The Income statement, Other Comprehensive Income, Cashflows statement of 2015 includes financial information for the insurance operations of 7 months period ended 31 December 2015.

2.5 Going Concern

After considering the financial position, operating conditions, regulatory and other factors, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Product Classification

Insurance contracts are those contracts when the Company (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 Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

(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 recognized 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. 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

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) 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

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 Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

The Company evaluated its financial assets at fair value through profit and loss (held for trading) whether the intend to sell them in the near term is still appropriate. When the Company 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 Company 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 Company 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 Company 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 Company 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-forsale 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 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 company 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 Company 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 Company has transferred substantially all the risks and rewards of the asset; or
- (b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 recognized to the extent of the Company's continuing involvement in the asset.

(e) Impairment of Financial Assets

The Company 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 reorganization 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 Company 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 Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. 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 Company'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 Company. 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 Company 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 Company 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 availablefor-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.

(f) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 Company.

(g) Fair Value of Financial Instruments

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

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

The fair value of repo and call deposits with credit institutions is their carrying value. The carrying value is the cost of the investment and accrued interest. The fair value of fixed interest bearing deposits is

estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

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

(h) 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 Company also assumes reinsurance risk in the normal course of business 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.

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

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.

(i) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

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

(j) 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 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 Company.

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:

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

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

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

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

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

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

• Sales Taxes and Premium Taxes

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

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

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

(k) 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 every three years 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 Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

(l) Property, Plant and Equipment

(i) Recognition and Measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss. When revalue assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

Item	Useful Life
Buildings	50 years
Furniture and Fittings	10 Years
Office Equipment	10 Years
Computer Equipment	05 Years
Motor Vehicles	05 Years
Plant & Machinery	10 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 every three years.

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

(v) De-recognition

An item of property, plant and equipment is derecognized 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 recognized in profit and loss in the year the asset is de-recognized.

(m) Other Assets

(aa) Inventories

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

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

Stationery
Course Materials - First in First out Basis
Books

(aa) Gold

Gold is measured at realizable value

(n) Impairment of Non-Financial Assets

The carrying amounts of the Company's nonfinancial 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 cashgenerating 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.

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.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, and call deposits. Bank overdrafts are included in the statement of financial position under liabilities.

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

(p) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of Company 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 Company's financial statements are presented in rupees which is also the parent company's functional currency. The Company 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.

(q) Non-life Insurance Contract Liabilities

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

The provision comprises of reserve for the net unearned premium, reserve for the deferred

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

At each reporting date the Company 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.

(r) 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 Company'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 amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Derecognition of financial liabilities

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

(s) 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 derecognized when the obligation under the liability is discharged, cancelled or expired.

(t) Provisions-General

Provisions are recognized when the Company 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.

(u) 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.

(v) Pensions and Other Post-Employment Benefits

The Company 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 OCI 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 Company 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 Company nor can they be paid directly to the Company.

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.

(w) 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 Company 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.

(x) Stated Capital

The Company 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.

(y) 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.

(z) 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.

(aa) Gross Written Premium

1.) Non Life Insurance

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

(bb) 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.

(cc) Unearned Premiums- Non Life Insurance

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

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

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

(dd) 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.

(ee) 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.) Reinsurance on Claims

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

(ff) 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 dividends 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 financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

(gg) Finance Cost

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

(hh) Cash Flow Statement

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

Use of Judgments, Estimates and Assumptions

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

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

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

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

Critical Accounting	Disclosure	Reference
Judgments, Estimates and Assumptions	Note	Page
Unearned premium and deferred acquisition cost	19.a.2 & 6	124 & 102
Reserve for gross outstanding claims	19.a.1	123
Valuation of investment property	8	107
Measurement of defined benefit obligation	10	116
Valuation of PPE	7	103

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS

9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

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

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

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

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

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

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

Or

2. Adopt SLFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before SLFRS 17 is implemented (overlay The amendments make these approach) alternative options part of SLFRS 4, rather than changing SLFRS 9.

The Company is currently assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Since SLFRS 4 – Insurance Contracts is scope out from this standard. Therefore, we may not have a significant impact to insurance transactions from this standard. However, there could be an impact to other revenue transaction with the implementation of this standard.

The Company is currently assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.

Amendments to LKAS 7 Statement of Cash Flows

The amendments to LKAS 7 Statement of Cash Flows are part of the ICASL's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

The Company is currently assessing the potential impact on its Financial Statements resulting from the application of SLFRS 7.

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

5. INTANGIBLE ASSETS

Cost	Computer Software & License Rs.'000
At 1 January 2015	
Transferred from Ceylinco Insurance PLC	110,349
Cost Capitalised	10,435
At 1 January 2016	120,784
Cost Capitalised	84,015
At 31 December 2016	204,799
Accumulated Amortisation and Impairment	
At 1 January 2015	-
Transferred from Ceylinco Insurance PLC	27,764
Amortisation during the year	14,173
At 1 January 2016	41,937
Amortisation	36,942
At 31 December 2016	78,879
Carrying Amount	
At 1 January 2016	78,847
At 31 December	125,920

5.1 Acquisition of Intangible Assets during the year

During the financial year, the Company acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 84,015,000 (2015 - Rs. 10,435,000). Cash payments amounting to Rs. 84,015,000.(2015 - Rs. 10,435,000) were made during the year for purchase of Intangible assets (Computer Software & License).

5.2 Title restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Company as at the Reporting date.

5.4 Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31st December 2016. Based on the assessment, no impairment indicators were identified.

5.5 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2015 - Nil)

6. DEFERRED EXPENSES

	Deferred Acquisition Costs (DAC) Rs.'000
At 1 January 2016	756,423
Expenses Deferred	1,464,357
Amortisation	(1,356,975)
At 31 December 2016	863,805

Deffered 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.

7. PROPERTY, PLANT & EQUIPMENT

	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Total Rs.'000
Cost/Valuation								
At 1 January 2016	463,254	874,668	46,995	931,972	122,406	324,027	248,003	3,011,325
Revaluation	165,791	191,675	-	-	-	-	-	357,466
Additions	-	7,192	4,464	263,547	4,309	72,337	10,816	362,665
Disposals	-	(2,640)	(388)	(29,218)	(881)	(5,868)	(3,007)	(42,002)
At 31 December 2016	629,045	1,070,895	51,071	1,166,301	125,834	390,496	255,812	3,689,454
Accumulated Depreciation								
At 1 January 2016	-	35,002	29,822	174,673	83,389	237,617	153,568	714,071
Revaluation	-	(52,269)	-	-	-	-	-	(52,269)
Depreciation	-	17,403	4,080	123,229	7,973	35,813	18,898	207,396
Disposals	-	(136)	(363)	(13,365)	(648)	(5,560)	(2,579)	(22,651)
At 31 December 2016			33,539	284,537	90,714	267,870	169,887	846,547
Carrying Amount								
At 1 January 2016	463,254	839,666	17,173	757,299	39,017	86,410	94,435	2,297,254
At 31 December 2016	629,045	1,070,895	17,532	881,764	35,120	122,626	85,925	2,842,907

Movement of revalued land & buildings, if accounted at cost basis

At Cost	Freehold Land Rs.'000	Building Rs.'000
At 1 January 2016	463,254	874,668
Additions	-	7,192
Disposals	-	(2,640)
At 31 December 2016	463,254	879,220
Accumulated Depreciation		
At 1 January 2016	-	35,002
Depreciation	-	17,403
Disposals	-	(136)
At 31 December 2016	<u> </u>	52,269
Carrying Amount		
At 1 January 2016	463,254	839,666
At 31 December 2016	463,254	826,951

Revaluation of Land & Building

The Company uses the revaluation model of measurement of land and buildings. The Land and Buildings were revalued by an independent expert valuer, Mr.W.M.Chandrasena Incorporated valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuation is based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. Refer note 7.1 for details of revaluations.

Details of Freehold Land & Building

Addresses	Building Sq. Ft.	Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Valuation Rs:000	Date of the Valuation
282, High Level Road, Kottawa	862	Condominium	Investment Method	Rent per Sq.ft per month	Rs. 60	3,700	5,300	000'6	31/12/2016
97, Bauddhaloka Mawatha, Gampaha	8360	A-0-R-0-P 16.50	Market Comparable Method	Price per perch	Rs. 2,750,000	45,375	36,625	82,000	31/12/2016
				Price per Sq ft	Rs. 6500				
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	000'96	31/12/2016
				Price per Sq ft	Rs. 8000				
583/63 Livanagemulla			Market						
Seeduwa	43080	A-3-R-1-P.3.6	Method	Price per perch	Rs. 250,000	131,000	39,000	170,000	31/12/2016
				Price per Sq ft	Rs 660 - 4000				
			Market						
60 ,Yovunpitiya Watte,		6	Comparable	-		0	C C C	1	
Gnanawinata Mawatha.	7971	A-U-K-I-P 29	Merriod	Price per percil	RS. 300,000	20,700	005,000	, T,000	31/17/2010
Kosgoda, Balapitiya				Price per Sq ft	Ks. 5500				
cd+cocidboococidboococi			Market						
Colombo 1.	,	A-0-R-0-P 13.84	Method	Price per perch	Rs. 10,000,000	138,500	1	138,500	31/12/2016
3 rd,4 th, 7 th & 11 th Floors of			Investment	Rent per Sq.ft per					
Ceylinco House Building	31332	1	basis	month	Rs. 10,000,000	1	676,000	676,000	31/12/2016
69, "Ceylinco House",									
Janadhipathi Mawatha,									
Colombo 1.					Rs. 165-200	İ	İ		
46 / 34, "VIP Centre", Nawam Mawatha , Colombo 2.	18068	A-0-R-0-P 19.00	Market Comparable Method	Price per perch	Rs. 10,000,000	190,000	174,000	364,000	31/12/2016
				Price per Sq ft	Rs. 7500				
			Market Comparable						
Madabawita, Warakapola	809	A-0-R-0-P 16.25	Method	Price per perch	Rs. 460,000	006'9	2,100	000'6	31/12/2016
				Price per Sq ft	Rs. 4000				
			Market Comparable						
Malangama, Kuruwita	650	A-0-R-0-P 15.00	Method	Price per perch	Rs. 450,000	6,750	2,250	000'6	31/12/2016
				Price per Sq ft	Rs. 4000				

Addresses	Building Sq. Ft.	Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Valuation Rs.'000	Date of the Valuation
Induruwa, Kosgoda	856	A-0-R-0-P 24.30	Market Comparable Method	Price per perch	Rs. 400,000	9,720	3,080	12,800	31/12/2016
				Price per Sq ft	Rs. 4500				
Ibbagamuwa, Melsiripura	620	A-0-R-1-P 00.00	Market Comparable Method	Price per perch	Rs. 200,000	8,000	2,000	10,000	31/12/2016
				Price per Sq ft	Rs. 4000				
Unakuruwa , Tangalle	798	A-0-R-1-P 20.00	Market Comparable Method	Price per perch	Rs. 250,000	5,000	2,800	7,800	31/12/2016
				Price per Sq ft	Rs. 4000				
Bibiliova, Kithulgala	5326	A-0-R-2-P 00.07	Market Comparable Method	Price per perch	Rs. 200,000	17,400	19,600	37,000	31/12/2016
				Price per Sq ft	Rs. 4000 - 4500		,		
Ibbanwewa, Pussellawa		A-0-R-0-P 11.60	Market Comparable Method	Price per perch	Rs. 260,000	3,000		3,000	31/12/2016
Puttalam-South, Mundel	705	A-0-R-0-P-20.0	Market Comparable Method	Price per perch	Rs. 100,000	2,000	2,840	4,840	31/12/2016
					Rs. 4000				
Total						629,045	1,070,895	1,699,940	

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

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

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases
Investment Method This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental Years	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

7.3 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 21 December	2016	2015
As at 31 December	Rs.'000	Rs.'000
Plant and Machinery	5,702	3,701
Computer Equipment	61,243	54,971
Office Equipments	16,573	10,709
Furniture and Fittings	23,033	17,657
	106,551	87,037

7.4 Acquisition of Property, Plant and Equipment during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs.362,665,000 (2015 - Rs. 397,877,000). Cash payments amounting to Rs.362,665,000 (2015 - Rs. 397,877,000) were made during the year to purchase of PPE.

7.5 Capital Commitments

There were no capital commitments relating to the acquisition of Property, Plant and Equipment during the year. (2015 -

7.6 PPE pledged as security for Liabilities

There were no items of Property, Plant and Equipment pledged as securities for liabilities during the year. (2015 - Nil)

7.7 Title restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

7.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of PPE as at 31st December 2016. Based on the assessment, no impairment indicators were identified.

Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2015 - Nil)

7.10 Temporarily idle Property, Plant and Equipment

There were no temporarily idle property as at the year ended 31st December 2016. (2015 - Nil)

INVESTMENT PROPERTIES 8.

As at 31 December	2016	2015
	Rs.'000	Rs.'000
At 1 January	359,600	-
Transfers from Ceylinco Insurance PLC	-	536,957
Additions	-	-
Disposal	(209,800)	(177,357)
Fair Value Gains	5,200	-
At 31 December	155,000	359,600

Revaluation of Investment Properties

The Investment Properties were revalued on 31st December 2016 by independent expert valuer, Mr.W.M.Chandrasena Incorporated valuer, in determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size of location. The appraised fair values are rounded within the range of values. The fair value of investment property reflects the actual market value as at reporting date. Refer note 8.1 for details of revaluations.

8.1 Details of Investment Property

Addresses	Building Sq. Ft.	Extent Perches	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Building Rs.'000	Total Rs.'000	Date of Valuation
No,34,									
Muhandiram ED									
Dabare Mawatha,									
Colombo-05 (1			Investment	Rent per Sq.ft					
Apartment)	2663	-	Method	per month	Rs.85/-	-	42,000	42,000	31/12/2016
Averihena,			Market	Price per perch					
Thalangama (1		A-0-R-	Comparable	& Price per	Rs.725,000/- &				
House)	2981	0-P-15	Method	Sq ft	Rs. 5,000/-	10,150	11,850	22,000	31/12/2016
583/63,				Price per perch					
Liyanagemulla,		A-2-R-	Cost	& Price per					
Seeduwa	-	2-P-21.5	Approach	Sq ft	Rs.450,000/-	91,000	_	91,000	31/12/2016
Sub Total						101,150	53,850	155,000	

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

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

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases
Investment Method This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental Years	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments are summarised by categories as follows:

As at 21 December	Nata	2016	2015
As at 31 December	Note	Rs.'000	Rs.'000
Loans and Receivables (L&R)	9(a)	1,710,865	2,723,125
Available-for-sale Financial Assets (AFS)	9(b)	8,141,785	5,930,094
Total Financial Instruments		9,852,650	8,653,219

The following table compares the fair values of the financial instruments to their carrying values:

Available-for-sale Financial Assets (AFS) have been valued at fair value and Loans and Receivables (L&R) are valued at amortized cost.

		201	16	2015	5
As at 31 December	Note	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Loans and Receivables (L&R)	9(a)	1,710,865	1,710,865	2,723,125	2,723,125
Available-for-sale Financial Assets (AFS)	9(b)	8,141,785	8,141,785	5,930,094	5,930,094
Total Financial Instruments		9,852,650	9,852,650	8,653,219	8,653,219

9 (a)Loans and Receivables (L&R)

As at 31 December	Note	2016	2015
AS at 31 December	Note	Rs.'000	Rs.'000
Staff Loans	9.a.i	270,037	234,386
Debentures - Unquoted	9.a.ii	230,000	240,000
Term Deposits	9.a.iii	1,210,828	2,248,739
Total Loans and Receivables at Amortised Cost		1,710,865	2,723,125

9 (b) Available-For-Sale Financial Assets (AFS)

As at 31 December No	Nata	2016	2015
AS at 31 December	Note	Rs.'000	Rs.'000
Treasury Bond & Bills		5,787,981	4,391,768
Unquoted Share Investment	9.b.i	638,853	624,266
Quoted Debentures	9.b.ii	1,044,606	194,814
Quoted Share Investment	9.b.iii	299,807	369,800
Unit Trust Investments	9.b.iv.	370,538	349,446
Total Available-For-Sale Financial Assets at Fair Value		8,141,785	5,930,094

Loans and Receivables (L&R)

9.a.i Staff Loans

As at 31 December	2016
As at 31 December	Rs.'000
At 1 January 2016	234,386
Loans Granted	229,659
Recoveries	(198,680)
Interest income	25,378
Deferred staff benefit adjustment	(20,706)
At 31 December 2016	270,037

9.a.iiDebenture - Unquoted

As at 21 December		2016	2015
As at 31 December		Rs.'000	Rs.'000
Seylan Merchant Bank Ltd.	17% 100,000 Debentures redeemable on 08/12/2016	-	10,000
LB Finace PLC	12% 2,300,000 Debentures redeemable on 01/03/2017	230,000	230,000
		230,000	240,000

9.a.iii Term Deposits

As at 31 December	2016	2015
	Rs.'000	Rs.'000
Licensed Commercial Banks	1,151,853	1,838,161
Registered Finance Companies	58,975	410,578
	1,210,828	2,248,739

Details on pledged deposits are provided in note number 38

Available-For-Sale Financial Assets (AFS)

9.b.i Unquoted Share Investment

	201	16	2015	
As at 31 December	Number of Shares	Fair Value Rs.'000	Number of Shares	Fair Value Rs.'000
Ultratech Cement Lanka (Pvt) Ltd	9,000,000	638,853	9,000,000	624,266
		638,853		624,266

9.b.ii Quoted Debentures

As at 31 December		2016 Rs.'000	2015 Rs.'000
Sampath Bank	16.5% 111,100 Debentures redeemable on 11/10/2017	13,529	13,078
Alliance Finance Co.PLC	20% 100,000 Debentures redeemable on 31/10/2017	10,935	10,180
Seylan Bank PLC	15.5% 1,000,000 Debentures redeemable on 21/02/2018	117,684	113,589
People's Leasing & Finance PLC	17% 500,000 Debentures redeemable on 26/03/2018	60,351	57,967
Commercial Bank PLC	17.75% 1,500,000 Debentures redeemable on 08/03/2018	147,881	-
Seylan Bank PLC	13% 451,600 Debentures redeemable on 15/07/2021	48,492	-
Commercial Bank PLC	12% 1,316,100 Debentures redeemable on 27/10/2021	132,572	-
People's Leasing & Finance PLC	12.6% 2,000,000 Debentures redeemable on 16/11/2021	203,138	-
Bank of Ceylon	13% 3,000,000 Debentures Redeemable on 29/12/2021	310,024	-
		1,044,606	194,814

9.b.iiiQuoted Share Investment

	201	6	2015		
As at 31 December	Number of Shares	Fair Value Rs.'000	Number of Shares	Fair Value Rs.'000	
Hotels and Travels					
Taj Lanka Hotels PLC	13,000	328	13,000	329	
Eden Hotel Lanka PLC	16,158	218	20,000	350	
Aitken Spence Hotels Holdings PLC	4,100	177	4,100	279	
Renuka City Hotel PLC	1,812	535	1,812	679	
Sector Total		1,258		1,637	
Banks, Finance and Insurance					
Amana Takaful PLC	325,000	293	325,000	489	
Nation Lanka Finance PLC	67,172	87	67,172	202	
Pan Asia Banking Corporation PLC	10,000	200	10,000	270	
The Finance Company PLC	1,875,000	12,375	1,875,000	24,750	
Citizen Development Business Finance PLC	1,853,287	129,730	1,853,287	185,364	
LOLC Finance PLC	100,000	260	135,000	486	
Sector Total		142,945		211,560	
Health Care					
Nawaloka Hospitals PLC	175,000	786	175,000	578	
Sector Total		786		578	
Beverage Foods and Tobaco					
Renuka Agri Foods PLC	125,000	363	125,000	513	
Sector Total		363		513	

	2016		2015		
As at 31 December	Number of Shares	Fair Value Rs.'000	Number of Shares	Fair Value Rs.'000	
Plantations	Snares	KS. 000	Snares	KS. 000	
Elpitiya Plantations PLC	22,800	438	22,800	461	
Malwatte Valley Plantations PLC	22,000	430	100,000	340	
Madulsima Plantations PLC				383	
Agalawatte Plantations PLC			48,477		
	-	-	7,500	170	
Balangoda Plantations PLC	-	-	10,000	176	
Kotagala Plantations PLC	-	-	10,000	178	
Sector Total		438		1,708	
Telecommunication					
Sri Lanka Telecom PLC	10,000	360	10,000	470	
Sector Total		360		470	
Chemical and Pharmarcejutical					
J.L.Morison Sons and Jones (Ceylon) PLC	271	89	271	108	
Sector Total	211	89			
Sector Total		89		108	
Land and Property					
Equity Two PLC	-	-	12,000	588	
Sector Total		-		588	
Manufacturing					
Blue Diamond Jewellery Worldwide PLC	285,100	428	285,100	342	
Richard Peiris & Company PLC	31,000	248	31,000	264	
Royal Ceramics Lanka PLC	16,000	1,848	13,300	1,476	
Access Engineering PLC	26,000	645	6,000	139	
Lankem Ceylon PLC	1,500	90	1,500	135	
Haycarb PLC	241	36	241	40	
Lanka Ceramic PLC				465	
	3,911	479	3,911		
Hayleys Fabric PLC	30,000	450	30,000	675	
Dipped Product PLC	4,000	347	4,000	460	
Kelani Tyres PLC	11,176	725			
Ceylon Grain Elevators PLC	10,000	829			
ACL Cables PLC	20,000	1,210			
Lanka Tiles PLC	15,000	1,439			
Piramal Glass Ceylon PLC	200,090	1,060			
Sector Total		9,834		3,996	
Diversified Holdings					
Vallibel One PLC	15,000	279	15,000	325	
Browns Investments PLC	20,000,000	28,000	20,000,000	30,000	
Renuka Holdings PLC	26,222	553	26,222	721	
Hayleys PLC	1,000	270	1,000	309	
Lankem Developments PLC	60,000	234	60,000	324	
MDT Walkers PLC	50,000	2,050	28,587	1,498	
Lanka Century Investment PLC	9,443,196	111,440	9,443,196	114,261	
Expo Lanka Holdings PLC	75,000	473	75,000	615	
Browns Capital PLC	250,000	275	250,000	325	
Sector Total		143,574		148,377	
Investment and Tuest					
Investment and Trust Ceylon Guardian Investment Trust PLC	1516	160	1,516	265	
Sector Total	1310	160		265 265	
		200			
Total Investment in Quoted Shares		299,807		369,800	

9.b.iv. Unit Trust Investments

	20	16	2015		
As at 31 December	Number of Units	Carrying Value Rs.'000	Number of Units	Carrying Value Rs.'000	
ASTRUE Gilt-Edged Fund	20,000,000	223,235	20,000,000	214,905	
ASTRUE Money Market Fund	995,314	10,630	995,314	10,316	
Guardian Acuity Fixed Income Fund	6,810,345	93,509	6,810,345	84,857	
INVESTRUST Money Market Fund	3,500,000	43,164	3,500,000	39,368	
		370,538		349,446	

9.(c) Movement in the Carrying Values of Financial Instruments

	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Total Rs.'000
At 1st January 2016	2,723,125	5,930,094	8,653,219
Purchases	1,737,702	26,849,085	28,586,787
Disposals	(2,749,962)	(24,597,452)	(27,347,414)
Fair value gains recorded in other comprehensive income	-	(39,942)	(39,942)
At 31 December 2016	1,710,865	8,141,785	9,852,650

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., 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 carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices.

For unquoted equity investments price to book values have been used as a base to calculate fair value of investments.

For unquoted debt instruments, the carrying value approximates the fair value of the investments.

For unquoted unit trust investments fair values are determined based on market price of a unit.

9 (d) Determination of Fair Value and Fair Values Hierarchy

The Company 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:

			2016				2015		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	Notes	Quoted Prices	Significant	Significant	Total Fair	Quoted Prices	Significant	Significant	Total Fair
As at 31 December		in active	Observable	Unobservable	Value	in active	Observable	Unobservable	Value
		markets	Inputs	Inputs	Rs.'000	markets	Inputs	Inputs	Rs.'000
		Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000	
Financial Assets									
Available-For-Sale									
Financial Assets:									
Equity Securities	9 (b)				938,660	369,800	-	624,266	994,066
Unit Trusts	9 (b)				370,538	-	349,446	-	349,446
Debt Securities	9 (b)	5,787,981	1,044,606	-	6,832,587	4,586,582	-	-	4,586,582
Total Financial Assets		6,087,788	1,415,144	638,853	8,141,785	4,956,382	349,446	624,266	5,930,094
Non Financial Assets									
Land and Buildings	7.1				1,699,940	-	-	1,302,920	1,302,920
Investment Properties	8.1				155,000		-	359,600	359,600
Total Non Financial Assets		-	-	1,854,940	1,854,940	-	-	1,662,520	1,662,520
Total Financial and Non									
Financial Assets		7,132,394	370,538	2,493,793	9,996,725	4,956,382	349,446	2,286,786	7,592,614

9. (e) 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:

As at 31 December	Note	At 1 January 2016 Rs.'000	Revaluation Rs.'000	Total gains/ (loss) recorded in comprehensive income Rs.'000	Additions/ (Disposal) Rs.'000	Depreciation Rs.'000	At 31 December 2016 Rs.'000
Financial Assets Available-For-							
Sale Financial Assets:							
Equity Securities	9 bi	624,266	-	14,587	-		638,853
Total Level 3 Financial Assets		624,266		14,587	-		638,853
Non Financial Asstes							
Land and Buildings	7.1	1,302,920	409,735		4,552	(17,267)	1,699,940
Investment Properties	8.1	359,600		5,200	(209,800)		155,000
Total Level 3 Non-Financial							
Assets		1,662,520	409,735	5,200	(205,248)		1,854,940
Tota Level 3 Financial and Non-							
Financial Assets		2,286,786	409,735	19,787	(205,248)	(17,267)	2,493,793

9 (f) In case of change in assumptions having 10% variation, the effect to Other comprehensive income could be as follows:

As at 31 December	Carrying Amount 31/12/2016 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000	Carrying Amount 31/12/2015 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000
Equity Securities	638,853	63,885	624,266	62,427
	638,853	63,885	624,266	62,427

9 (g). Financial Assets and Financial Liabilities classification

The table below displays out the carrying values and fair values of the Financial Assets and Financial liabilities of the Company in accordance with LKAS 39.

		2016			2015		
As at 31 December	Note	Available- For-Sale	Loans and Receivables	Total	Available- For-Sale	Loans and Receivables	Total
Financial Assets							
Financial Instrument							
Measured at Fair Value	9(b)	8,141,785	_	8,141,785	5,930,094	-	5,930,094
Measured at Amortized							
Cost	9(a)	-	1,710,865	1,710,865		2,723,125	2,723,125
Reinsurance Receivable	12	-	3,831,541	3,831,541		2,169,757	2,169,757
Insurance Receivable	14		3,598,682	3,598,682	-	2,877,519	2,877,519
Other Assets	16	_	366,259	366,259	-	372,235	372,235
Cash and Cash							
Equivalents	17	-	100,059	100,059		191,621	191,621
Total Financial Assets		8,141,785	9,607,406	17,749,191	5,930,094	8,334,257	14,264,351
Financial Liabilities						·	
Reinsurance Payable	21	_	761,814	761,814	-	772,700	772,700
Other Liabilities	22	_	2,132,674	2,132,674		1,619,404	1,619,404
Total Financial			,			. , ,	· · ·
Liabilities			2,894,488	2,894,488	-	2,392,104	2,392,104

9. (h) 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)

10. GRATUITY BENEFIT ASSET

This note indicates the assumptions used and the movement in the employee benefit plan. As at 31 December 2016 the gratuity liability was actuarilly 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	2016 Rs.'000	2015 Rs.'000
Current Service Cost	66,800	36,958
Interest Cost on Benefit Obligation	132,941	85,246
Expected return on Plan Assets	(205,325)	(137,535)
	(5,584)	(15,331)
Net Actuarial gain/ (loss) recognised in the Other Comprehensive Income	(86,239)	24,908

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

As at 31 December	Note	2016 Rs.'000	2015 Rs.'000
Present value of the Defined Benefit Obligation	10.2	1,430,608	1,329,408
Fair value of Plan Assets	10.3	(2,141,209)	(2,053,252)
Net Defined Benefit Obligation		(710,601)	(723,844)

10.2 The Movement in the Defined Benefit Liability is as follows:

As at 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	1,329,408	-
Transferred from CIPLC	-	1,265,672
Current Service Cost	66,800	36,958
Interest Cost	132,941	85,246
Benefits Paid	(67,412)	(35,123)
Actuarial (Gains)/ Losses	(31,129)	(23,345)
At 31 December	1,430,608	1,329,408

The Gratuity benefit Liability is valued by M/S.K.A.Pandit Actuarial valuer.

10.3 Gratuity Benefit Asset

The movement in the plan assets is as follows:

As at 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	(2,053,252)	-
Transferred from CIPLC	-	(1,914,154)
Expected return on Plan Assets	(205,325)	(137,535)
Actuarial (Gains)/ Losses	117,368	(1,563)
At 31 December	(2,141,209)	(2,053,252)

The distribution of the plan assets at the reporting date is as follows:

As at 31 December	2016 Rs.'000	2015 Rs.'000
Treasury Bonds/Bills	190,024	29,331
Investment in Shares	1,721,792	1,767,442
Corporate Debentures	13,884	18,498
Short term Investments	100,962	-
Other Assets	114,547	237,981
Total Plan Assets	2,141,209	2,053,252

Gratuity funds' plan assets include investment in equity shares of Ceylinco Insurance PLC,(the parent entity of the Company) market value amounting to Rs. 1,721,792,000/- as at the reporting date.

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 Company's plan assets are as follows:

As at 31 December	2016	2015
Future salary increases	10.00%	8.50%
Discount rate	12.00%	10.00%
Expected rate of return on plan assets	12.00%	10.00%
Retirement age	55 Years	55 Years

10.4 Changes in the defined benefit obligation and fair value of plan assets

		Amount	Amount charges to Profit or Loss	or Loss		Return on	Remeasureme	nt Gains/(Losses)	Remeasurement Gains/(Losses) in Other Comprehensive Income	ensive Income		
	1-Jan-16 Rs.000	Service Cost Rs.000	Net interest Rs.000	Sub total included in profit or loss Rs.000	Benefit paid Rs.000	plan assets (Excluding amounts included in net interest expenses) Rs.000	Actuarial changes arising form changes in demographic assumptions Rs.000	Actuarial changes arising from changes in financial assumptions Rs.000	Experience adjustments Rs.000	Subtotal included in OCI Rs.000	contribution by employers Rs.000	31-Dec-16 Rs.000
Defined Benefit												
Obligation	(1,329,408)	(008'99)	(132,941)	(199,741)	67,412	1	ı	10,228	20,901	31,129	•	(1,430,608)
Fair value of Plan												
Assets	2,053,252	1	1	1	1	205,325	1	1	(117,368)	(117,368)	1	2,141,209
Benefit Assets/												
(Liahility)	723 844			(199 741)	67 412	205 325		10 228	(96 467)	(86 239)		710 601

Gratuity benefit asset has been excess over the Gratuity benefit liability due to share investment which has share appreciation annually.

A quantitative sensitivity analysis for significant assumptions as at 31-December 2016 is shown below:

Employee Turnover ase Deci 6 00 Rs. 12,926
--

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

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years.

PENSION BENIFIT ASSET 11.

The Company has two defined benefit pension plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC & . Pension Fund of Ceylinco Insurance PLC

2016 changes in the defined benefit obligation, fair value of plan assets and unrecognised past service costs:

				_	Remeasurement	Remeasurement gains/(losses) in other comprehensive income	in other compre	hensive income	ď,					
	1-Jan-16 Rs.000	Service Cost Net Interest Rs.000 Rs.000	Net Interest Rs.000	Sub total Included in Profit/Loss Rs.000	Benefit paid Rs.000	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised Rs.000	Recognised in Income Statement Note Rs.000	Actuarial changes arising from changes in demographic assumptions Rs.000	Actuarial changes arising from changes in financial assumptions Rs.000	Experience adjustments Rs.000	Subtotal included in OCI Rs.000	Contributions by employer Rs.000	31-Dec-16 Rs.000
Defined benefit														
Obligation	(814,210)	(875)	(81,421)	(82,296)	23,128	1			(19,243)	(84,335)	(51943)	(155,521)		(1,028,899)
Fair value of plan														
assets	1,704,515	170,452	1	170,452	(23,128)	1		1	(119,917)		-	(119,917)	70,882	1,802,805
Total recognised														
benefit (liability)														
10000	300 000			00 155					(001.001)	(300 00)	(51 043)	(007 370)	700 02	200 622

Acturial gains and losses have been recognised immediately in the statement of Other Comprehensive Income. Projected pension benefit obligation has been valued based on projected unit credit method.

The Pension Benefit Assets is valued by M/S.K.A.Pandit Actuarial valuer.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

Bernon Plan Assets Ourrent Previous Scheme B, C &D Scheme A Scheme B, C &D		1		
Assets Current 8-10 Previous Scheme A Scheme B, C &D Scheme B, C &D Scheme B, C &D	ember		2016	2015
Assets Current 8-1C Previous Scheme A Scheme B, C &D Scheme B, C &D Scheme B, C &D Name of the B, C &D	te		8-10-12%	10%
Scheme A Scheme B, C &D Scheme B, C &D Scheme B, C &D Scheme B, C &D	rn on Plan Assets	Current	8-10-12%	10%
Scheme A Scheme B, C &D Scheme A Scheme B, C &D		Previous	10%	10%
Scheme B, C &D Scheme A Scheme B, C &D	ation Rate	Scheme A		%0
Scheme A Scheme B, C &D		Scheme B, C &D	10%	10%
Scheme A Scheme B, C &D	a.		1%	1%
Scheme B, C &D	Age	Scheme A	60 Yrs	60 Yrs
		Scheme B, C &D	55Yrs	55Yrs
Mortality Table	ble		IALM 2006-08	PA 90

12. REINSURANCE RECEIVABLES

As at 31 December	2016 Rs.'000	2015 Rs.'000
Reinsurance receivable on paid claims	526,355	139,665
Reinsurance receivable on payable claims	3,305,186	2,030,092
Total Reinsurance Receivables	3,831,541	2,169,757

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.

13.(a) Deferred Tax Asset

As at 31 December		prehensive ome	Income Statement		Statement of Financial Position	
AS at 31 December	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Temparory Difference from Retirement						
Benefit Liability	8,716	(6,537)	(37,052)	(11,310)	400,570	372,234
Temparory Difference from Property Plant						
and Equipment	68,304	-	(34,525)	(1,696)	(303,674)	(269,894)
Temparory Difference from Intangible						
Assets		-	(3,642)	-	3,642	_
Available-for-sale Financial Assets (AFS)	(8,127)	148		-	8,101	(26)
Temparory Difference from Allowance for						
Impairment	-		(11,249)		11,249	
Deferred Tax Expense/(Income)	68,893	(6,389)	(86,468)	(13,006)	-	_
Deferred Tax Asset					119,888	102,314

13. (b) Total Deferred Tax Assets

As at 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	102,314	-
Transferred from CIPLC	-	82,919
Amounts recorded in the income statement	86,468	13,006
Amounts recorded in other comprehensive income	(68,894)	6,389
At 31 December	119,888	102,314

14. INSURANCE RECEIVABLES

As at 31 December	2016 Rs.'000	2015 Rs.'000
Premium Receivables	3,638,859	2,917,976
Less: Allowance for impairment	(40,177)	(40,457)
Total Insurance Receivables	3,598,682	2,877,519

14(a). Credit quality of Premium receivables that are neither past due nor impaired is explained below;

As at 31 December	Below 60 days Rs.'000	Above 60 days Rs.'000	Total Rs.'000
2016	3,015,258	583,424	3,598,682
2015	2,443,258	434,261	2,877,519

15. ACCRUED INCOME

As at 31 December	Note	2016 Rs.'000	2015 Rs.'000
Loans & Receivables (L&R)	15.a	35,032	161,124
		35.032	161,124

15.a Loans & Receivables (L&R)

As at 31 December	2016 Rs.'000	2015 Rs.'000
Fixed Deposits	25,614	149,968
Unquoted Debentures	9,418	11,156
	35,032	161,124

16. OTHER ASSETS

As at 31 December	2016 Rs.'000	2015 Rs.'000
Inventories	22,064	26,961
Alowance for Impairment	-	(4,118)
	22,064	22,843
Advances, Deposits & Prepayments	245,614	176,977
Gold	2,706	2,491
Deferred Staff Benefits	50,133	54,946
Other Receivables	45,742	114,978
	366,259	372,235

17. CASH AND CASH EQUIVALENTS

As at 31 December	2016 Rs.'000	2015 Rs.'000
Cash in Hand	34,187	34,302
Cash at Bank with Licenced Commercial Banks	65,872	157,319
Total Cash and Cash Equivalents	100,059	191,621

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

18 (a) STATED CAPITAL

As at 31 December	2016 Rs.'000	2015 Rs.'000
Issued & Fully paid		
Ordinary Shares -Voting	500,200	500,200
	500,200	500,200

All issued shares are fully paid. There is one class of Ordinary shares. All shares issued carry equal voting rights.

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.

18 (b) Movement of Stated Capital

As at 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	500,200	100,200
Issued during the year	-	400,000
At 31 December	500,200	500,200

Movement of No. of shares

As at 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	2,501,000	501,000
Issued during the year	-	2,000,000
At 31 December	2,501,000	2,501,000

18 (c) Special Reserves

As at 31 December	2016 Rs.'000	2015 Rs.'000
Special Reserves *	6,848,160	6,848,160
	6,848,160	6,848,160

^{*} This reserve represents the value (Net Book Value) of net assets transferred from Ceylinco Insurance PLC on 1st June 2015 as a result of segregation.

19. INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	2016 Rs.'000	2015 Rs.'000
Non-Life Insurance Contracts	19.a	11,435,157	9,086,178
Total Insurance Contract Liabilities		11,435,157	9,086,178

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

Ceylinco General Insurance Limited performed a Liability Adequacy Test (LAT), as required by SLFRS 4 – Insurance Contracts, in respect of Insurance Contract liabilities as at 31st December 2016 with the assistance of external actuaries and it has been concluded that liabilities recorded in financial statements are adequate.

Key assumptions for valuation of liabilities in Non Life Insurance

The principal assumption underlying the liability estimates is that Ceylinco General Insurance Limited's future claims development may follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are also used to assess the extent to which liabilities may arise in the future, but excludes one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The General Insurance claim liabilities are sensitive to the key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

19.a. Non-Life Insurance Contract Liabilities

As at 31 December	Note	2016 Insurance Contract Liabilities Rs.'000	2015 Insurance Contract Liabilities Rs.'000
Provision for reported claims by policyholders		4,242,754	2,764,178
Provision for claims IBNR/IBNER		254,987	224,874
Outstanding claims provision	19.a.1	4,497,740	2,989,052
Provision for Unearned Premiums	19.a.2	6,937,417	6,097,126
Total Non Life Insurance Contract Liabilities		11,435,157	9,086,178
Non-life Technical Reserves		7,465,255	6,492,822

19.a.1 Outstanding Claims Provision

		2016			2015	
As at 31 December	Insurance Contract Liabilities Rs.'000	Reinsurance of Liabilities Rs.'000	Net Rs.'000	Insurance Contract Liabilities Rs.'000	Reinsurance of Liabilities Rs.'000	Net Rs.'000
At 1 January	2,989,052	2,169,757	819,295	-	-	-
Transferred from CIPLC				3,003,594	2,084,946	918,648
Claims incurred in the current accident year	10,259,140	3,527,331	6,731,809	3,808,627	472,129	3,336,498
Other movements in claims incurred in prior accident years	204,728	265,921	(61,193)	182,716	166,001	16,715
Claims paid during the year	(8,955,180)	(2,131,468)	(6,823,712)	(4,005,885)	(553,319)	(3,452,566)
At 31 December	4,497,740	3,831,541	666,199	2,989,052	2,169,757	819,295

Reinsurance receivable on paid claims are included under above Reinsurance receivables are amounting to Rs. 526,355,000(Rs.139,665,000/- in 2015).

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.

Key Assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

19.a.2 Provision for Unearned Premiums

As at 31 December	2016 Insurance Contract Liabilities Rs.'000	2015 Insurance Contract Liabilities Rs.'000
At 1 January	6,097,126	-
Transferred from CIPLC	-	6,124,400
Premiums written in the year	12,623,420	8,052,116
Premiums earned during the year	(11,783,129)	(8,079,390)
At 31 December	6,937,417	6,097,126

20. DEFERRED REVENUE

As at 31 December	2016 Rs.'000	2015 Rs.'000
SRCC/TC RI Commission Payable	67,978	52,080
Foreign RI Commission Provision	131,111	141,079
	199,089	193,159

20a.Deferred Revenue

	Deferred Revenue Rs.'000
At 1 January 2016	193,159
Revenue Deferred	473,797
Amortisation	(467,867)
At 31 December 2016	199,089

21. REINSURANCE PAYABLE

As at 31 December	2016 Rs.'000	2015 Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	181,415	184,622
Domestic Reinsurers - Others	22,176	8,518
Foreign Reinsurers	558,223	579,560
	761,814	772,700

22. OTHER LIABILITIES

As at 31 December	2016 Rs.'000	2015 Rs.'000
Agency Commission Payable	553,225	479,070
Government Levies	226,515	243,327
Other Creditors	1,037,772	741,749
Accrued Expenses	315,162	155,258
	2,132,674	1,619,404

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. All amounts are payable within one year.

23. NET PREMIUMS

Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
Gross premiums on insurance contracts	23.a	16,116,889	8,052,323
		16,116,889	8,052,323
Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
			113.000
Premiums ceded to reinsurers on insurance contracts	23.b	3,493,469	2,028,967

23.a.Gross Written Premium

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

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Fire	1,672,578	750,841
Motor	9,867,327	4,746,381
Marine	502,042	268,526
Miscellaneous	2,833,013	1,536,628
Engineering	1,060,649	674,513
Employers' Liability	181,280	75,434
	16,116,889	8,052,323

The Gross written premium of 2016 includes Rs.50,456,964 and US\$ 141,544 which are collected on behalf of co-insurance partners.

23.b.Premium Ceded to Reinsurers

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Fire	1,437,298	647,245
Motor	382,791	168,749
Marine	215,521	111,492
Miscellaneous	631,020	509,092
Engineering	812,022	584,825
Employers' Liability	14,817	7,564
	3,493,469	2,028,967
National Insurance Trust Fund		
Compulsory Reinsurance Cessions	552,736	329,669
Strike , Riots, Civil Commotion	780,550	320,663
Foreign Reinsurers	2,089,275	1,355,030
Local coinsurance partners	70,908	23,605
	3,493,469	2,028,967

23.c Net Income

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Net Earned Premium	11,783,117	6,050,629
Other Revenue	1,573,435	913,449
	13,356,552	6,964,078

24. FEES AND COMMISSION INCOME

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Reinsurance Commission Income	473,797	281,043
Total Fees and Commission Income	473,797	281,043

25. INVESTMENT INCOME

Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
Available-for-Sale Financial Assets			
Interest Income	25.a	578,934	198,116
Dividend Income	25.b	81,191	94,609
Loans and Receivables - Interest Income		173,906	118,808
Interest Income from Staff Loan		25,378	16,819
Other Operating Revenue		251,665	179,490
Total Investment Income		1,111,074	607,842

Available-for-sale financial assets

25.a Interest Income

Debenture Interest	49,808	16,122
Repo Income	18,782	10,017
Treasury Bill Income	510,344	171,977
	578,934	198,116

25.b Dividend Income

Income from unit trusts	14,289	7,458
	81,191	94,609

26. REALISED GAINS

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Property,Plant and Equipment		
Realised Gains	23,126	17,027
Available-For-Sale Financial Assets		
Equity Securities	(220)	165
Debt Securities	(39,542)	7,372
Total Realised Gains for Available-For-Sale Financial Assets	(39,762)	7,537
Total Realised Gains	(16,636)	24,564

26a. FAIR VALUE GAINS AND LOSSES

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Fair value gains on Investment Properties	5,200	-
	5,200	-

27. NET BENEFITS AND CLAIMS

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
(a) Gross Benefits and Claims Paid		
Non-life insurance contracts	8,957,729	3,796,087
Total Gross Benefits and Claims Paid	8,957,729	3,796,087
(b) Claims Ceded to Reinsurers		
Non-life insurance contracts	(1,327,607)	(541,514)
Total Claims Ceded to Reinsurers	(1,327,607)	(541,514)
(c) Gross Change in Contract Liabilities		
Change in non-life insurance contract outstanding claims provision	1,526,590	193,979
Total Gross Change in Contract Liabilities	1,526,590	193,979
(d) Change in Contract Liabilities Ceded to Reinsurers		
Change in non-life insurance contract outstanding claims provision	(2,457,444)	(84,811)
Total Change in Contract Liabilities Ceded to Reinsurers	(2,457,444)	(84,811)
Net Benefits and claims	6,699,268	3,363,741

Non - Life Net claims incurred Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Gross Claims Incurred	10,484,319	3,990,066
Reinsurance Recoveries	(3,785,051)	(626,325)
Total Net Claims Incurred	6,699,268	3,363,741

The analysis by major classes of business is as follows Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Fire	385,666	52,022
Motor	4,844,414	2,443,397
Marine	91,743	34,505
Miscellaneous	1,201,960	740,238
Engineering	159,643	84,404
Employer's Liability	15,842	9,175
	6,699,268	3,363,741

28. ACQUISITION COSTS

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Fees and Commission Expenses	1,464,357	715,628
Deferred Expenses	(107,382)	(35,153)
	1,356,975	680,475

29. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
Amortisation of Intangible Assets	5	36,942	14,173
Depreciation on Property Plant and Equipment	7	207,396	103,679
Other Operating Expenses		896,767	578,543
Auditors' Remuneration - Fees		3,971	2,559
Employee Benefits Expense	29(a)	2,127,386	1,134,082
Selling Expenses		554,732	291,167
Legal Expenses		13,908	37,081
Donations		15,010	6,549
Total Other Operating and Administrative Expenses		3,856,112	2,167,833

29.(a). Employee Benefits Expense

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Wages and Salaries including Bonus & Incentives	1,746,836	945,355
Employees' Provident Fund	166,185	90,216
Employees' Trust Fund	41,667	22,590
Defined Gratuity Benefit & Pension Costs	(104,591)	(62,832)
Other Staff related Cost	277,289	138,753
Total Employee Benefits Expense	2,127,386	1,134,082

30. FINANCE COSTS

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Other Finance Charges	63,072	44,869
Total Finance Cost	63,072	44,869

31. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 December 2016 is:

31. (a) Current Year Tax Charge

Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
Current Tax			
Income tax		161,236	115,084
Over/under provision in respect of previous year		(2,663)	721
Total Current Tax		158,573	115,805
Deferred Tax			
Origination of temporary differences	13 (b)	(86,468)	(13,006)
Total Income Tax Expense		72,105	102,799

31. (b) Tax recorded in other comprehensive income (see Note 34)

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Deferred Tax	(68,893)	6,389
Total tax charge to Other Comprehensive Income	(68,893)	6,389

31. (c) Reconciliation of Tax Charge

Year ended 31 December Reconciliation of Effective Tax Rate	2016 Rs.'000	2015 Rs.'000
Profit for the period	1,309,020	604,361
Total income tax expense	72,105	102,799
Profit liable for income tax	1,381,125	707,160
Income tax using the Company's domestic tax rate (2016-28% 2015 -28%)	386,715	198,005
Tax exempt income	(231,275)	(76,948)
Net non-deductible/(deductible) expenses	(5,796)	(5,973)
Tax effect of loss claimed for the year	(19,628)	-
Over / (Under) Provision of Previous Years	(2,663)	721
Tax savings on current tax loss	19,628	-
	158,573	115,805

31. (d) Notional Tax Credit for Withholding Tax on Government Securities

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
At 1 January	-	-
Tax Credit for the year	47,986	18,937
Set off against Tax Liability	(47,986)	(18,937)
At 31 December	-	-

31. (e) VAT Assessment on Reinsurance

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.

32. 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	2016	2015
Profit for the year (Rs.'000)	1,309,020	604,361
Weighted Average Number of Ordinary Shares ('000)	2,501	1,668
Basic/Diluted Earnings per Ordinary Share (Rs.)	523.40	362.39

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.

33. DIVIDENDS PAID AND PROPOSED

Year ended 31 December	2016	2015
Interim Dividend Paid (Rs.000)	80,032	500
Final Proposed Dividend (Rs.'000)	110,000	250,100
	190,032	250,600
No. of Shares in issue for the year	2,501,000	2,501,000
Dividend per share (Rs.)		
Paid & Proposed Final	75.98	100.20

The Board of Directors has proposed a final dividend of Rs. 43.98 per share for the year ended 31st December, 2016 which is to be approved by the shareholders at the Annual General Meeting to be held on 29th March 2017. As stipulated by LKAS -10 - Events after the Balance Sheet Date, this proposed dividend is disclosed, but not recognized as a liability as at 31st December, 2016.

However, for the purpose of computing Dividend per Share the final dividend proposed has been taken into consideration.

34. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

		2016 Tax			2015 Tax	
Year ended 31 December	Before tax amount Rs.'000	(expense) benefit Rs.'000	Net of tax amount Rs.'000	Before tax amount Rs.'000	(expense) benefit Rs.'000	Net of tax amount Rs.'000
Net gain/(loss) on Available-forsale financial assets	(39,942)	8,127	(31,815)	91,533	(148)	91,385
Actuarial gain on defined benefit plans	(361,677)	(8,716)	(370,393)	(169,848)	6,537	(163,311)
Revaluation surplus/(Deficit) during the year	409,890	(68,304)	341,586	-	-	-
Total	8,271	(68,893)	(60,622)	(78,315)	6,389	(71,926)

35. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company'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 Company has established a risk management process with specified objectives with clear tasks.

The board of directors and senior management manages the risks through various committees and delegated authorities. The reviews of risks on regular basis and the startegies adopted timely ensures the risk managemet function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory enivronment and macro economic changes. The company 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.

(b) Capital management objectives, policies and approach

The Company 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 Company 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 Company 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 Company maintains capital, investments and solvency as per the regulations prescribed by Insurance board of Sri Lanka. (IBSL). Further, Company maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime. New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to capital management

The Company allocates capital to businesses as required and ensures the sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the company and achieves the required capital levels of the company.

The primary source of capital used by the Company is equity shareholders' funds. The Company 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.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Company is regulated by Insurance board of Sri lanka with the objective of protecting shareholders and policyholders. There are various regulations and directive the company is expected to adhere in order to achieve the expected norms, which leads the company to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interets rates risks, share price changes etc. The company manages these risks through various strategies adopted at asset liability committee, investment committee and risk management committees.

(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 Company 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 Company 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.

36. INSURANCE AND FINANCIAL RISK

(a) Insurance risk

The principal insurance risk the Company 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 Company 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 Company 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 Company'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 Company 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 Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Company has all reinsurance arrangements with many leading reinsurance companies.

The main risk faced by insurance business is that the actual claims are varying from the expected claims from different types of policies. The company minimises the risks by evaluating the business in detail and charges the correct premiums sothat the company has sufficient reserves to meet any unforseen claims.

There are other types of risks such as reinsurance, default risk, credit risk, concentration risk, liquidity risks and market risks.The company's risk management polcies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

36.a.(1)

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 Company, 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.

36.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 processes/activities of the Company reduces the credit risk of financial instruments.

- Credit risk policy is based on the IBSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- The investment committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The regular review by the Board also minimises the credit risks.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments.

Year ended 31 December	Note	2016 Rs.'000	2015 Rs.'000
Financial Instruments			
Loans and Receivables			
Debt Securities	9 (a)	1,440,828	2,488,739
Other	9 (a)	270,037	234,386
		1,710,865	2,723,125
Available-for-sale Financial Assets			
Equity Securities	9 (e)	938,660	994,066
Debt Securities	9 (e)	6,832,587	4,586,582
Unit Trusts		370,538	349,446
		8,141,785	5,930,094
Other Assets			
Reinsurance Receivables	12	3,831,541	2,169,757
Insurance Receivables	14	3,598,682	2,877,519
Cash and Cash Equivalents	17	100,059	191,621
		7,530,282	5,238,897
Total Credit Risk Exposure		17,382,932	13,892,116

Industry Analysis

31 December 2016

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Assets						
Loans and Receivables						
Term Deposits	1,210,828	=	-	=	-	1,210,828
Unquoted Debentures	230,000	-	-	=	=	230,000
Staff and vehicle Loans	-	-	-	-	270,037	270,037
	1,440,828	=	-	-	270,037	1,710,865

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Available-for-sale						
Financial Assets						
Equity Securities	282,814	-	5,365	648,921	1,560	938,660
Debt Securities	1,044,606	5,787,981	-	-	-	6,832,587
Unit Trusts	370,538	-	-	-	-	370,538
	1,697,958	5,787,981	5,365	648,921	1,560	8,141,785
Total Credit Risk Exposure	3,138,786	5,787,981	5,365	648,921	271,597	9,852,650

31 December 2015

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Assets						
Loans and Receivables						
Term Deposits	2,248,739	-	-	-	-	2,248,739
Unquoted Debentures	240,000	-	-	-	-	240,000
Staff and vehicle Loans	-	-	-	-	234,386	234,386
	2,488,739	-	-	-	234,386	2,723,125
Available-for-sale						
Financial Assets						
Equity Securities	356,411	-	4,484	632,201	970	994,066
Debt Securities	194,814	4,391,768	-	-	-	4,586,582
Unit Trusts	349,446	-	-	-	-	349,446
	900,671	4,391,768	4,484	632,201	970	5,930,094
Total Credit Risk Exposure	3,389,410	4,391,768	4,484	632,201	235,356	8,653,219

The below table indicates the rating of investments as at 31st December 2015 $\&\,2016.$

	<	- - -	<	<	Š	<	<	d	9	ā	0	c	Not	- + o F
	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	BB+ Rs.'000	BB Rs.'000	B Rs.'000	rated Rs:000	Rs.'000
Financial														
Instruments														
Loans and														
Receivables		1	1,405,828						35,000				270,037	1,710,865
Available-for-sale														
Financial Assets														1
Equity securities			2,641										936,019	938,660
Debt securities	5,787,981		1,033,844								10,762			6,832,587
Unit Trusts													370,538	370,538
Total	5,787,981		2,442,313						35,000		10,762		1,576,594	9,852,650
1 December 2015	15													
	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	BB+ Rs.'000	BB Rs:000	B Rs.'000	Not rated Rs:000	Total Rs.'000
Financial Instruments														
Held-to-maturity														
financial assets														
Debt securities	1	,	1	1	1	1	1	1	1	1	1	1	1	1
Loans and														
Receivables		1	848,406	1		1,605,333			25,000				244,386	2,723,125
Available-for-sale														
Financial Assets														1
Equity securities		470	572			578			135		999		991,645	994,066
Debt securities	4,391,768		57,967			126,667			10,180			-		4,586,582
Unit Trusts													349,446	349,446
LotoF		000000	006 045			1 737 570			26 216		999		1 505 477	0.000

31 December 2016

36.c. Liquidity risk

The liquidity risks in Company is where the company does not have enough cash/arrangements to meet payments./ commitments as they fall due. Following processes/activities are in place to minimise the liquidity risk.

- The regular maintenance of investments in accordance with the IBSL guidelines.
- The investment committee reviews the liquidity levels and take appropriate actions to improve the liquidity
- Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

36.c.1 Maturity analysis for financial financial assets and financial liabilities

Table below represent the maturity profiles of financial assets and financial liabilities

As at December 2016

Financial Assets	Upto 3 years Rs. 000'	Above 3 years Rs. 000'	Total Rs. 000'
Financial Instrument			
Measured at Fair Value	6,039,496	2,102,289	8,141,785
Measured at Amortized Cost	1,440,828	270,037	1,710,865
Reinsurance Receivable	3,831,541	-	3,831,541
Insurance Receivable	3,598,682	-	3,598,682
Other Assets	344,195	-	344,195
Cash and Cash Equivalents	100,059	-	100,059
Total Financial Assets	15,354,801	2,372,326	17,727,127
Financial Liabilities			
Reinsurance Payable	761,814	-	761,814
Other Liabilities	2,132,674	-	2,132,674
Total Financial Liabilities	2,894,488	-	2,894,488
Total excess liquidity	12,460,313	2,372,326	14,832,639

As at December 2015

Financial Assets	Upto 3 years Rs. 000'	Above 3 years Rs. 000'	Total Rs. 000'
Financial Instrument			
Measured at Fair Value	5,930,094	-	5,930,094
Measured at Amortized Cost	2,723,125	-	2,723,125
Reinsurance Receivable	2,169,757	-	2,169,757
Insurance Receivable	2,877,519	-	2,877,519
Other Assets	349,392	-	349,392
Cash and Cash Equivalents	191,621	-	191,621
Total Financial Assets	14,241,508	-	14,241,508
Financial Liabilities			
Reinsurance Payable	772,700	-	772,700
Other Liabilities	1,619,404	-	1,619,404
Total Financial Liabilities	2,392,104	-	2,392,104
Total excess liquidity	11,849,404		11,849,404

36.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.

(i) Currency risk

The Company has no significant concentration of currency risk.

However, the investments in foreign currency deposit is subject to currency risks. Since the company 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.)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy identifies the volatile nature of Sri Lankan interest rate environment. Therefore the company closely monitors the re-investment calendar of the investment fund and obtains internal and external expert opinion on the behaviour of interest rate environment in taking re-investment decisions.

Company maintains mix of short term and long term asset mix and also maintains interest rate sensitive and Inflation rate sensitive asset classes in managing the interest rate risk. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

36.e. Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company 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.

37. CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings and regulations

The Company 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. The details of the pending tax appeal relating to VAT on reinsurance recoveries are disclosed under (Note 31 (e)).

(b) Capital commitments and operating leases

The Company does not have any commitments as at the reporting date. (2015- operating lease rentals on vehicles Rs.85,222,172/-).

38. 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
	Pledged to Seylan Bank PLC to obtain bank		
Fixed Deposits	overdraft facilities.	61,200	Loans & Receivables

39. SEGREGATION

In terms of Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, all composite insurance companies were required to segregate their Life and General Insurance businesses into two separate legal entities ("Segregation"). In consultation with the insurance industry, the Insurance Board of Sri Lanka ("IBSL") proposed the timeline for compliance as 1 January 2015 and issued a timetable with key milestones leading to the completion of the process by that date. Further, the IBSL has issued a set of Guidelines to Insurers in this regard.

As at 1 January 2015, Ceylinco Insurance PLC ("CIPLC"), the parent entity, complied with all the requirements, including obtaining Court approvals as required by the aforementioned Guidelines and the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. Additionally, on 22 April 2014, CIPLC incorporated Ceylinco Life Insurance Limited and Ceylinco General Insurance Limited as fully owned subsidiaries of CIPLC in order to carry out the Life and General insurance businesses, respectively. However, subsequently, a shareholder challenged the Judgment given by the District Court on the segregation and hence, the date of segregation was postponed.

Upon clearance of the above mentioned legal matters, the IBSL has approved 1 June 2015 to be the date of segregation and Ceylinco Insurance PLC transferred its Life and General insurance businesses to its newly formed subsidiary companies,

Ceylinco Life Insurance Limited and Ceylinco General Insurance Limited, respectively, with effect from 1 June 2015.

Ceylinco General Insurance Limited was infused with a stated capital of Rs. 100 Million on 25th April 2014 and increased the stated capital to Rs. 500 Million on 1st of June 2015 respectively by issuing 2 Million new shares for a consideration of Rs. 400 Million. Accordingly, with effect from 1 June 2015, Ceylinco General Insurance Limited has become a General Insurance Company while Ceylinco Insurance PLC has become the ultimate parent of the entity.

The transfer of the General Insurance business to the Company was carried out by transferring the assets and liabilities of Ceylinco Insurance PLC pertaining to General Insurance business at its carrying value as at 31 May 2015, with effect from 1 June 2015.

The Statement of Income, Other Comprehensive Income and Cashflows of 2015 reflects results of 7 months of insurance operations. However, full year results are reflected in 2016.

Ceylinco Insurance PLC would not be carrying on insurance business with effect from 1st June 2015.

39. 1 Comparative Information of General Insurance Business

We provide following disclosures of General Insurance business incoporating comparative information for statement of Profit and Loss of the same for the fair and better presentation of Financial Statements. Information reflected in 2015 relates to General insurance business results recorded in two entities. (ie: 7 months of Ceylinco General Insurance Ltd results and 5 months of Ceylinco Insurance PLC General insurance division.)

39 (a). Statement of Comprehensive Income

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Net Income	13,356,552	11,466,322
Gross written premiums	16,116,889	13,557,833
Premiums ceded to reinsurers	(3,493,469)	(2,987,485)
Net Written Premiums	12,623,420	10,570,348
Net change in Reserve for unearned premium	(840,303)	(417,517)
Net Earned premium	11,783,117	10,152,831
Investment and Other Income	1,573,435	1,313,491
The same trained of the meaning	1,515,155	
Insurance Claims and Benefit (Net)	(6,699,268)	(5,690,518)
Acquisition cost	(1,356,975)	(1,151,513)
Total Benefits,Losses and expenses	(8,056,243)	(6,842,031)
Other operating and administrative expenses	(3,856,112)	(3,653,431)
Profit from Operations	1,444,197	970,860
Finance cost	(63,072)	(78,271)
Profit before tax	1,381,125	892,589
Income tax expense	(72,105)	(193,295)
Profit for the period	1,309,020	699,294

40. RELATED PARTY DISCLOSURES

40.1 Transactions with Key Management Personnel

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.

Year ended 31 December	2016 Rs.'000	2015 Rs.'000
Short-term employee benefits received from the Company	254,207	141,487
(Salaries, Bonus, Medical expenses etc.)		
Other Long term/Post Employment/Statutory Benefits	115,092	65,393
(EPF, ETF, Gratuity & Pension)		

40.2 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures.

Transactions with related parties were made on the basis of the price lists in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities together with balances arising from transactions with non-related parties.

Details of related party transactions are reported below.

Year ended 31 December	2016 Rs.	2015 Rs.
Aggregate amounts of premium received from the companies under normal terms of insurance contracts	78,834,718	31,817,972
Aggregate amounts of claim paid to the companies under normal terms of insurance contracts	34,132,814	14,530,951

40.2.1 Other Transactions with Related Parties

40.2.1.a Transactions with Parent

	Year ended 31 December 2016	2016 Rs.	2015 Rs.
a)	Ceylinco Insurance PLC		
	Nature of Transaction		
	Dividends paid	330,132,000	500,000

40.2.1.b Transactions with Affiliates

		2016 Rs.	2015 Rs.
a)	Ceylinco Investcorp (Pvt) Ltd		
	Nature of Transaction		
	Premium Income	269,543	229,425
	Fund Management Fees	1,890,000	1,215,000
	Premium Receivable	158,517	99,175
	Claims paid	22,500	-
b)	Ceylinco Life Insurance Limited		
	Nature of Transaction		
	Premium Income	33,638,933	8,711,711
	Claims paid	19,428,817	13,967,376
	Rent Expenses	24,095,889	11,928,404
	Other Payable	-	40,340,279
c)	CEG Education Holdings (Pvt) Ltd		
	Nature of Transaction		
	Premium Income	247,245	150,000
	Claims paid	150,000	-
d)	American Education Center Ltd		
	Nature of Transaction		
	Premium Income	6,887,329	392,225
	Claims paid	2,881,634	58,250
e)	Ceyhydro Developers (Pvt) Ltd		
	Nature of Transaction		
	Premium Income	2,392,963	215,141
	Claims paid	290,785	-
f)	Ceypower Cascades (Pvt) Ltd		
	Nature of Transaction		
	Claims paid	116,947	19,070
	Premium Income	1,743,280	1,450,887

		2016 Rs.	2015 Rs.	
g)	International College of Business & Technology Ltd	1/.3.	1.3.	
6/	Nature of Transaction			
	Premium Income	7,601,356	4,397,149	
	Claims paid	837,290	149,203	
	Premium Receivables	3,714	149,203	
h)	Energy Generators (Pvt) Ltd			
	Nature of Transaction			
	Premium Income	4,572,934	4,478,174	
	Premium Receivables	14,019	13,343	
	Claims Paid	893,190	-	
	Citizen Development Business Finance PLC			
/	Nature of Transaction			
	Commission	36,885,697	21,683,721	
	Premium Income	8,690,437	5,146,664	
	Claims Paid	2,999,217	-	
	Premium Receivables	591,411	-	
	Ceylinco Healthcare Services Ltd.			
_J/	Nature of Transaction			
	Premium Income	2,966,043		
	Claims Paid	73,550		
	Premium Receivables	1,235,409		
	T Termiam Necelvables	1,200,400		

40.2.1.c Transactions with Related Companies

Name of the Company	Nature of Transaction	2016 Rs.	2015 Rs.
Ashyaki Holdings (Pvt) Ltd	Premium Income	72,193	51,418
	Claims paid	377,850	-
	_		
Asset Trust Management (Pvt) Ltd	Premium Income	107,700	107,100
	Claims paid	36,936	-
	Investment in units	233,865,000	225,221,000
Industrial Gases (Pvt) Ltd	Premium Income	2,533,312	1,596,150
	Claims paid	1,915,357	131,537
	Premium Receivable	-	1,288,819
Net Assist International (Pvt) Ltd	Premium Income	-	47,045
Ultratech Cement Lanka (Pvt) Ltd	Premium Income	5,250,245	4,773,483
	Claims paid	3,440,493	205,515

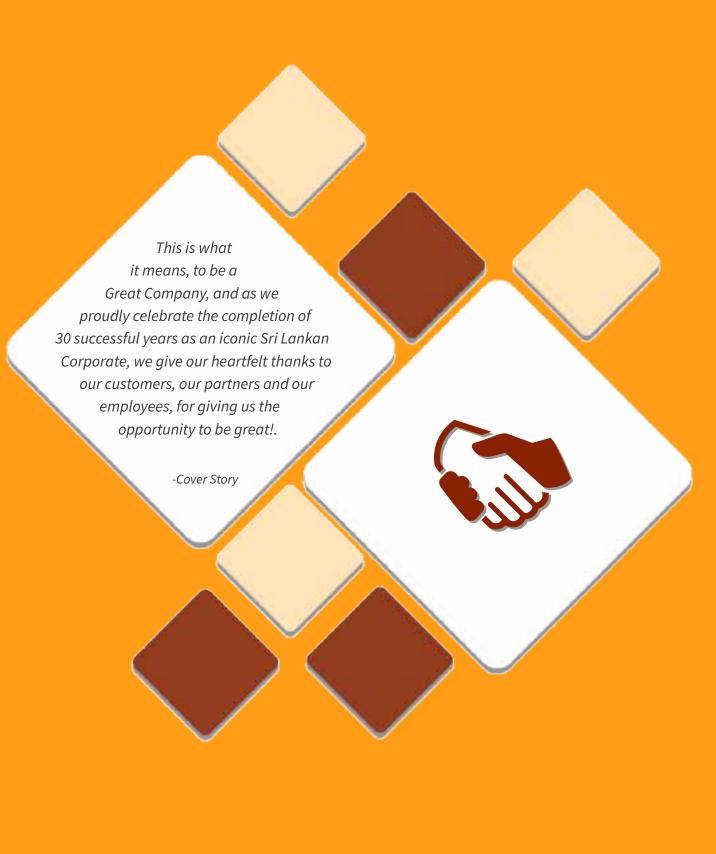
Notes to the Financial Statements Contd.

Name of the Company	Nature of Transaction	2016 Rs.	2015 Rs.
	Premium Receivable	134,378	1,548,669
Wealth Lanka Management (Pvt) Ltd	Premium Income	71,800	71,400
	Claims paid	27,135	
Kavin Polymers (Pvt) Ltd.	Premium Income	1,389,799	
	Claims paid	455,760	
	Premium Receivables	112,538	
Wealthtrust Securities (Pvt) Ltd.	Premium Income	399,606	
	Claims paid	185,353	

41. RECLASSIFICATION OF COMPARATIVES

Interest Receivable which was included under Accrued Income has been reclassified to Quoted debentures and Treasury Bonds and Bills in Available - For Sale Financial Assets for better presentation and fair valuation purposes.

Impact on the Statement of Financial Position as at 31 December 2016	Previously Reported Rs. 000'	Impact of Adjustment Rs. 000'	Reclassification Amount Rs. 000'.
Accrued Income	246,319	(85,195)	161,124
Financial Instruments			
Available - For - Sale Financial Assets	5,844,899	85,195	5,930,094
	6,091,218	-	6,091,218



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SUPPLIMENTARY INFORMATION



Notice of Meeting

Notice is hereby given that the Third Annual General Meeting of the Shareholders of the Company will be held on Wednesday, 29th March, 2017 at 11.00 a.m. at the "West Wing" - Level 03, "Ceylinco House", No. 69, Janadhipathi Mawatha, Colombo 01 and the business to be brought before the meeting will be:

- · To read the Notice convening the Meeting.
- · Chairman's Address.
- To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st December 2016 and the Report of the Auditors thereon.
- To declare a Dividend for the year ended 31st December 2016.
- To re-elect Mr. Kekulkotuwage Don Arkadius Shervin Rushan Arsakularatne, who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
- To re-elect Dr. Upendra De Silva, who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
- To re-elect Mr. Anthony Rohan Harsha Fernando, who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
- To authorise the Directors to determine payments for charitable purposes for the year 2017.
- To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
- To transact any other business of which due notice shall be given.

By order of the Board

(Mrs.) Nilika Abhayawardhana

Company Secretary

23rd February 2017

Note:

Any shareholder unable to attend the Meeting may appoint another to attend and vote for him and such proxy need not be a shareholder of the Company.

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company at 5th Floor - "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1, before 11.00 a.m. on 27th March 2017.

Shareholders/Proxyholders should bring with them their National Identity Card or any form of valid identification when attending the meeting.

Corporate Information

Registered Office

"Ceylinco House" 3rd Floor No. 69, Janadhipathi Mawatha, Colombo 1, Sri Lanka.

Company Registration Number

PB 5184

Legal Form

A Public Company with limited liability, incorporated in Sri Lanka on 22nd April 2014. Licensed as a Company authorized to carry on General Insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000.

Main Place of Business

"Ceylinco House",

No. 69, Janadhipathi Mawatha,

Colombo 1, Sri Lanka. Telephone: 2485757-9 Call Centre: 2393939

Fax: 2485701

E-mail: ceylincoinsurance@ceyins.lk Website: www.ceylinco-insurance.com

Principal Activities

Underwriting all classes of General Insurance

Auditors

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

Consulting Actuaries

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

Board of Directors

Mr. B.S.M. De Silva

Chairman - (Non-Executive Director)

Mr. H.D.K.P. Alwis F.C.I.C.

Managing Director - (Executive Director)

Mr. U. Witharana F.C.A., M.B.A., F.C.M.A.

Deputy Managing Director - (Executive Director)

Dr. W.C.J. Alwis B.Sc., F.I.I.I., F.C.I.I. (Lond.), F.I.o.D. (U.K.)

Chief Technical Officer - (Executive Director)

Mr. N.D. Nugawela F.C.I.C.

Chief Operations Officer - (Executive Director)

Mr. R.A. Gunathilake

Deputy Chief Operations Officer - (Executive Director)

Mr. K.D.A.S.R. Arsakularatne B. Com. (Hons.)

- (Non-Executive Director)

Mr. E.M.M. Boyagoda M.B.A.

- (Non-Executive Director)

Dr. U.D. De Silva M.B.B.S., F.D. (U.S.A.), F.O.M. & T. (U.S.A.), F.A.A.D.

- ("Independent" Non-Executive Director)

Mr. A.R.H. Fernando

- ("Independent" Non-Executive Director)

Mr. S.C.G. Guruge

- ("Independent" Non-Executive Director)

Mr. M.D.E.A.G. Saparamadu MPSc.

- ("Independent" Non-Executive Director)

Mr. G.S. Sundararajan B.Eng. (Agri.)

- (Non-Executive Director)

Dr. S.D. Wanigaratne D.Clin.Psych., FBPsS.

- (Non-Executive Director)

Mr. C.P.A. Wijeyesekera

- ("Independent" Non-Executive Director)

Company Secretary

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

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

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

National Savings Bank

Nations Trust Bank PLC

NDB Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

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