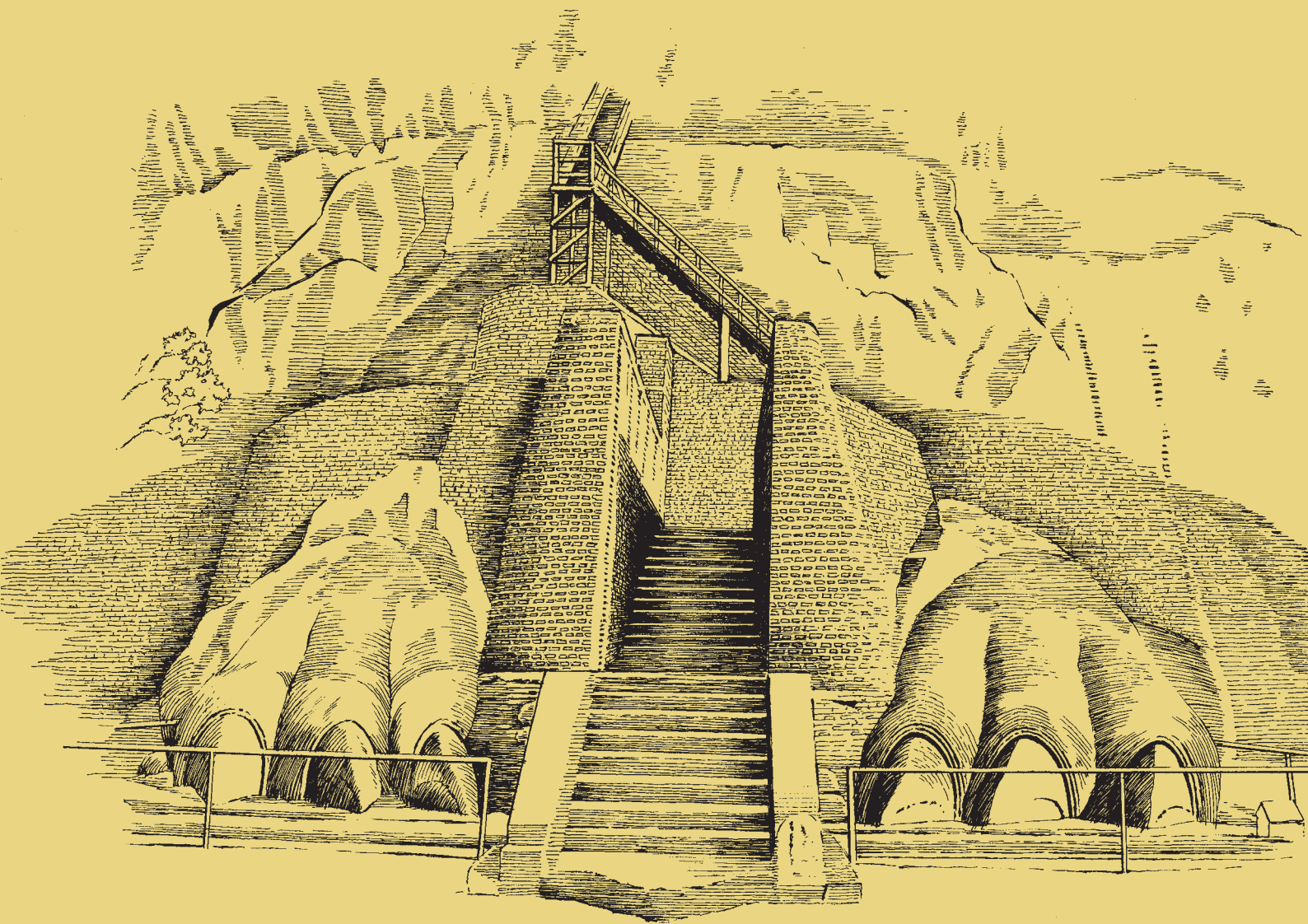


The strength of our

Belief



Sri Lanka, We Believe

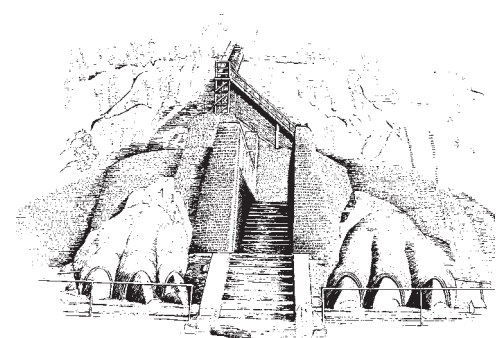
Ceylinco Insurance PLC | Annual Report 2014



Read the Ceylinco
Insurance PLC
Annual Report 2014
online

The Lion Rock of Sigiriya is a world famous icon, representing stability, strength and fortitude to the thousands who climb its towering heights. This mammoth rock was where King Kasyapa built a magnificent palace with a gateway in the form of an enormous lion.

To this day, the lion remains a deeply significant symbol of courage, perseverance and protection for every Sri Lankan wherever they may be.



At Ceylinco Insurance we have served the people of our nation with the finest in innovative insurance products and services for over 25 years. Yet our history can be traced as far back as 1939, when the Company was originally registered as The Ceylon Insurance Company, which was in fact, the first Ceylonese Company ever registered. This is the heritage of the pledge of trust that has made us one of the most distinguished insurance service providers in Sri Lanka today.

This report looks back over a challenging year in which strong industry competencies, good governance and visionary leadership guided our strategies as we complied with new industry regulations to segregate our business operations into two.

As always your company strongly believes in the passion and spirit of our nation; keeping our pledge to every Sri Lankan that we will deliver increasing value to our many stakeholders both now and in the years that lie ahead.

 **Sri Lanka, We Believe**



Ceylinco Insurance
ON THE SPOT
ලෝකෙටම එකයි!

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OUR MISSION

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.

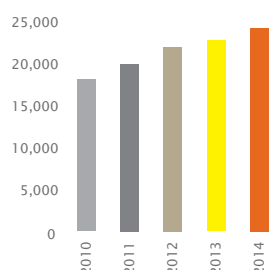
To contribute to the economic development of Sri Lanka and enhance the quality of life of its people.

FINANCIAL HIGHLIGHTS

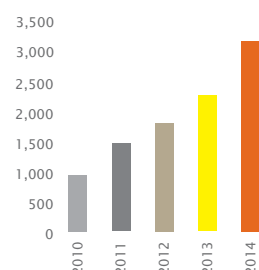
Results for the Year	Company		
	2014 Rs.'000	2013 Rs.'000	Change %
Gross Written Premium	24,167,388	22,691,190	6.51
Net Claims / Net Benefits (Excluding increase in Life fund)	10,153,758	9,399,054	8.03
Increase in Life Insurance Fund	7,256,468	7,654,622	(5.20)
Investments and Other Income	8,346,526	8,004,763	4.27
Profit Before Taxation	3,165,499	2,260,496	40.04
Profit After Taxation	2,142,624	2,118,389	1.14
Position at the Year End			
Shareholders' Funds	17,724,731	15,884,426	11.59
Life Insurance Fund	60,021,879	52,765,411	13.75
Non - Life Insurance Contract Liabilities	8,745,212	8,045,773	8.69
Investments	66,342,604	58,979,912	12.48
Total Assets	90,507,325	82,214,055	10.09
Market Capitalisation (Rs. Mn)	31,103	29,358	5.94

Per Ordinary Share	Rs.	Rs.
Earnings (Basic)	81.1	80.2
Dividends - Proposed	20.0	16.0
Net Assets (Shareholders' Equity)	671.0	601.4
Market Value at the Year End - Voting	1,378.8	1340.0
Market Value at the Year End - Non Voting	550.0	398.8
Ratios		
Return on Total Assets % (Shareholders')	11.7	9.2
Return on Shareholders' Funds %	12.1	13.3
Dividend Cover (Times)	4.1	5.0
Price Earning (Times) - Voting	17.0	16.7
Price Earning (Times) -Non Voting	6.8	5.0
Dividend Payout Ratio	25%	20%

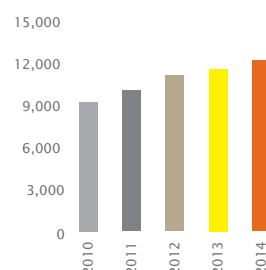
**Premium Income
Life & Non Life**
Rs. Mn.



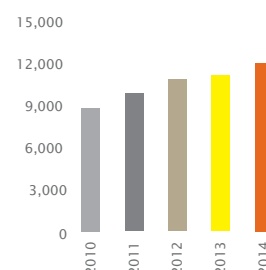
**Profit before
Taxation**
Rs. Mn.



**Premium Income
Non Life**
Rs. Mn.



**Premium Income
Life**
Rs. Mn.



Results for the Year	Non - Life Insurance			Life Insurance		
	2014 Rs.'000	2013 Rs.'000	Change %	2014 Rs.'000	2013 Rs.'000	Change %
Gross Written Premium	12,164,864	11,568,284	5.16	12,002,524	11,122,906	7.91
Net Claims / Net Benefits	(5,259,911)	(4,641,733)	13.32	(4,893,847)	(4,757,321)	2.87
Increase in Long Term Insurance Funds				7,256,468	7,654,622	(5.20)
Investments and Other Income (including reinsurance commission)	1,520,514	1,298,423	17.10	6,826,012	6,706,340	1.78
Transfer to Retained Earnings				1,362,987	1,240,387	9.88
Profit Before Taxation	3,165,499	2,260,496	40.04			
Profit After Taxation	2,142,624	2,118,389	1.14			
Position at the Year End						
Shareholders' Equity	17,724,731	15,884,426	11.59			
Long Term Insurance Fund				60,021,879	52,765,411	13.75
Non-Life Insurance Contract Liabilities	8,745,212	8,045,773	8.69			
Investments	9,132,948	8,228,140	11.00	57,209,656	50,751,772	12.72
Total Assets	26,980,768	24,624,378	9.57	70,971,670	63,946,011	10.99

Results for the Year	Non - Life Insurance		Life Insurance	
	2014 Rs.Mn	2013 Rs.Mn	2014 Rs.Mn	2013 Rs.Mn
Available Solvency Margin	2,843	2,442	20,615	20,933
Required Solvency Margin	1,958	1,842	2,043	1,630
Solvency Ratio (Times)	1.45	1.33	10.09	12.85

Composite of Total
Gross Written Premium**+7%**

Gross Written Premium (Growth)

Rs. 24.1 Billion**+14%**

Increase in Life Insurance Fund

Rs. 60 Billion**+40%**

Profit Before Taxation Increase

Rs. 3.2 Billion

CORPORATE INFORMATION

Registered Office

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

Company Registration Number

PQ 24

Legal Form

A Quoted Public Company with limited liability, incorporated in Sri Lanka in 1987. Licensed as a Company authorized to carry on insurance business, under the Control of Insurance Act No. 25 of 1962 as amended by Act No. 42 of 1986 (Presently replaced by Regulation of Insurance Industry Act No. 43 of 2000).

Main Place of Business

Life Insurance
"Ceylinco Life Tower",
No. 106, Havelock Road,
Colombo 5, Sri Lanka.
Telephone : 2461000
Call Centre : 2461461 (Hotline)
Fax : 2437613, 2555959
E-mail : service@ceylife.lk
Website : www.ceylincolife.com

Main Place of Business

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

The Stock Exchange Listing

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

Principal Activities

Underwriting all classes of General Insurance and Life Insurance.

Auditors

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

Consulting Actuaries

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

General Insurance

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

Board of Directors

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

- *Chairman*
(Non-Executive Director)

Mr. A.R. Gunawardena F.C.I.C.

- *Managing Director / Chief Executive Officer*
(General Insurance)
(Executive Director)

Mr. R. Renganathan F.C.A., F.C.M.A.

- *Managing Director / Chief Executive Officer*
(Life Insurance)
(Executive Director)

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

- *Director / Deputy Chief Executive Officer*
(General Insurance)
(Executive Director)

Mr. E.T.L. Ranasinghe M.B.A., Dip.M.,
F.C.I.M. (U.K.), Chartered Marketer

- *Director / Deputy Chief Executive Officer*
(Life Insurance)
(Executive Director)

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

- *Director (Technical) / Chief Technical Officer*
(Executive Director)

Mr. P.D.M. Cooray LUTCF (U.S.A.), C.I.A.M.,
C.I.I. (AWARD)

- *Director / Head of Human Resources & Training*
(Life Insurance)
(Executive Director)

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

Mr. P.M.B. Fernando F.C.P.M., Dip. Elect. Eng.,
Dip. Comp. System Design,

Dip. Bus. Mgmt., Dip. Mkt. Mgmt.
- *Director / Chief Information Officer*
(General Insurance)
(Executive Director)

- *resigned with effect from 17th. February, 2015*

Mr. D.H.J. Gunawardena F.C.M.A. (U.K.)

(“Independent” Non - Executive Director)

Mr. P.A. Jayawardena F.C.A., F.C.M.A.,
F.M.A.A.T. (S.L.)

- *Director / Chief Financial Officer*
(Life Insurance)
(Executive Director)

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

- *Director / Chief Operations Officer*
(General Insurance)
(Executive Director)

Mr. T.N.M. Peiris B.A. (Econ.) (Hons.),
F.C.A., F.C.M.A., F.C.I.C.

- *Director (Finance) / Head of Finance*
(Executive Director)

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

- *Director / Chief Financial Officer*
(General Insurance)
(Executive Director)

Gen. C.S. Weerasooriya (Retd.)

(“Independent” Non-Executive Director)

Mr. S.R. Abeynayake F.C.A., M.B.A. (Sri J.),
F.C.M.A.

- *Director / Deputy Chief Financial Officer*
(Life Insurance)
(Executive Director)

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

(Non Executive Director)
- *appointed with effect from 17th. February, 2015,
pending I.B.S.L. approval.*

Company Secretary

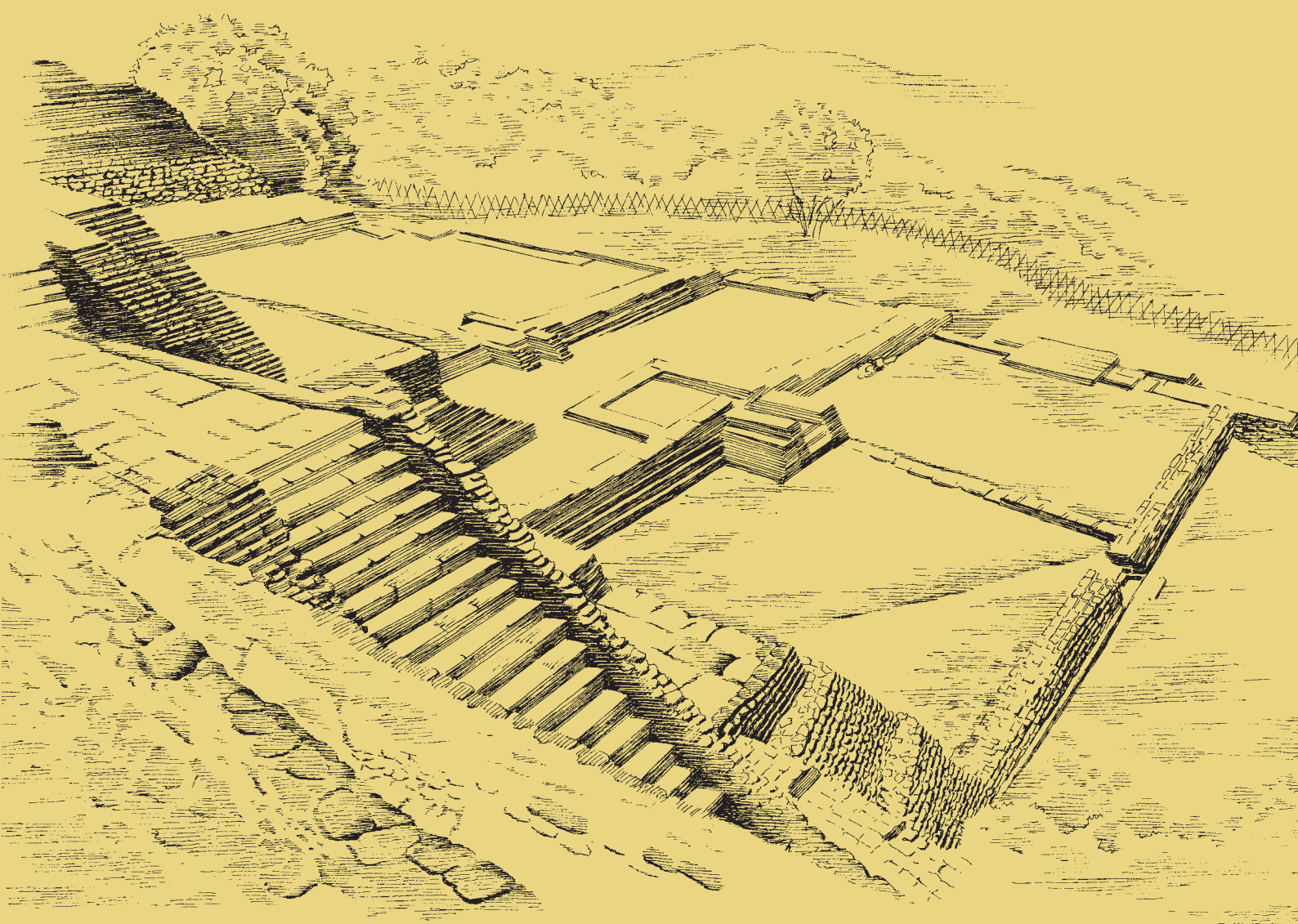
Mrs. T.N. Jasenthuliyana F.C.I.S. (U.K.),
F.C.P.M., F.C.C.S.

Bankers

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

IT TAKES PERSEVERANCE TO GET TO THE TOP

For us, getting to the top and staying there is a primary goal.
The strength of our belief makes us the paradigm of excellence
that others follow.



THE PASSION AND SPIRIT OF OUR NATION

CHAIRMAN'S REVIEW

As our company reaches one of the most significant and irreversible moments in our history I can do no better than quote to you this statement attributed to that iconic business magnate, investor and philanthropist – Warren Buffet .

“Someone is sitting in the shade today because someone planted a tree a long time ago.”

You dear Shareholders are today sitting in the shade of financial security and increasing returns on your investment because someone a long time ago (in 1939 to be precise), planted a tree in the form of a solidly based insurance company which was the first Ceylonese insurance company and the first company to be registered under the Companies Ordinance of 1938, appropriately being allocated Registration No. PB1 .

That tree has through the years withstood many a storm. Some of cyclonic proportions. Yet today it

stands strong and tall and firmly rooted, a veritable giant in the industry, with branches (both literally and metaphorically) spreading not only across the island but even overseas.

I would be failing in my duty if I do not at this stage pay tribute to the two Managing Directors/CEOs – Ajith Gunawardena and Rajkumar Renganathan who during the last 27 years diligently nurtured, nourished, strengthened and most importantly, protected this tree during times of turbulence. The most severe turbulence was during the year under review when an attempt was made by a nexus to take control of the legitimate Trust which holds shares on behalf of our employees.

From the roots of this giant tree there will now grow two other trees, one bearing the fruits of General Insurance and the other bearing the fruits of Life Insurance. I have no doubts whatsoever that these two trees will immediately bear rich harvests.

There are other stakeholder too who are today enjoying the shade of this tree.

Our customers - who through our portfolio of comprehensive and innovative products which are regularly refined and improved, are able to have peace of mind with the assurance that they can significantly mitigate any financial deprivation due to the loss of life or illness, or the loss or damage to property and possessions. Added to this is the heartfelt relief given through the swift settlement of claims. It is a promise which we have unswervingly fulfilled year after year.

Our employees - who enjoy the security of their jobs which are enriched with regular training and enhanced with schemes of rewards and recognition thereby transforming their jobs into lucrative professional careers.

Adding significantly to the comfort and security of this shade is the unique benefit through the



Read the
Chairman's Review
online

CHAIRMAN'S REVIEW

+6.5%

Total Gross Written Premium

Rs. 24.16 Bn.

Ceylinco Insurance Employees Share Ownership Trust (CIESOT) which holds shares for the sole benefit of the employees. These shares are allocated annually among eligible employees according to a pre defined criteria which is based on their seniority and designation. Accordingly the dividends received by the Trust is distributed among the eligible employees, thus motivating them by creating a sense of ownership of the company.

In complying with the CSE Listing Rules relating to Employee Share Schemes, CIESOT will be dissolved in 2015 and the benefits will be distributed to all eligible employees who are the beneficiaries as per the Trust Deed.

And finally, resting under the shade of this giant tree are the deserving sectors of our community spread across the country who through our carefully planned and equally carefully implemented CSR projects have benefited in many facets of healthcare and education.

INTEGRATED REPORTING

I am pleased to be able to announce to you that for the first time this Annual Report has incorporated the concept of Integrated Reporting. This is in compliance with the guidelines of Integrated Reporting as published

by the International Integrated Reporting Council (IIRC)

Therefore since detailed reviews of the Macro-Economic Environment, our Stakeholder Relationships and our Financial Performance are dealt with comprehensively elsewhere I will not repeat them here. I will only confine myself to some of the highlights.

OUR PERFORMANCE – GROSS WRITTEN PREMIUM (GWP)

It was management 'guru' Peter Drucker who said that "Business has only two functions – Marketing and Innovation." We as a company have always made these two functions our main focus. This is why in an industry conspicuous by its aggressive competitiveness and despite the unethical sales tactics resorted to at times by certain competitors, we have regularly achieved excellent GWP growth. The year under review is no exception. I am pleased to announce that we achieved a total GWP of Rs.24.16 Billion which represents a 6.51% increase over the previous financial year. The General Division GWP was Rs.12 Billion representing a 5.16% increase over the previous financial year and the Life Division GWP was Rs.12 Billion representing an 8% increase over the previous financial year.

OUR PERFORMANCE – PROFIT BEFORE TAXATION (PBT)

As a result of this GWP and through prudent financial management, our company was able to record a PBT of Rs.3.2 Billion which represents a most impressive 40% growth over the previous financial year.

PROPOSED DIVIDEND

With this outstanding performance it gives me great pleasure to propose on behalf of the Board of Directors a Dividend of Rs.20/- per share. This surpasses any previous dividend paid.

MARKET LEADERSHIP

You dear Shareholder will I am sure join me in congratulating Team Ceylinco for once again retaining the position of Market Leader in the insurance industry. This Leadership position was first won in 2004 and we have held it without a break since then. It is truly an unmatched and unmatched record.

INTERNATIONAL AND LOCAL RECOGNITION

Complementing the Market Leadership position I am privileged to announce to you that our Company been recognized both internationally and locally by many prestigious institutions such as –

Global Banking & Finance Review (UK) – 'Best Insurance Company in Sri Lanka'.

World Finance (UK) – 'Best Life Insurance Company in Sri Lanka'.

Sri Lanka Institute of Marketing / Nielsen Lanka – 'People's Insurance Brand of the Year' (This award has been won for the 8th successive year)

Global Commerce Excellence Awards organized by Central Bank of Sri Lanka – 'Ceylinco Insurance recognized for its Outstanding Contribution to the Sri Lankan Economy'.

Business Today (Sri Lanka) – 'Ceylinco Insurance as the only Insurance Company amongst the Top 25 Companies in Sri Lanka' (This award has been won for the 3rd successive year).

LMD (Sri Lanka) – 'Ceylinco Insurance as the Highest Ranked Insurance Company' (This has been won for the 21st successive year).

SEGREGATION

Section 53 of the Regulation of Insurance Industry (Amendment Act No 3 of 2011 made it mandatory for

Whatever may be the changes ahead let me assure you that the brand 'Ceylinco' will always stand for the protection and financial security of the highest quality to customers, the addition to the wealth of shareholders and the recognition, rewarding and valuing of the dignity of our staff.

this company to segregate into two separate companies, one exclusively handling General Insurance and the other exclusively handling Life Insurance. The deadline for segregation was 11th February 2015. This company had during the year under review, taken decisive steps regarding the process of segregation and we would have completed this process well before the due date had it not been for factors beyond the control of this company. I am hopeful that the segregation process would have been completed by the time this Report reaches your hands. A more detailed Note on Segregation is found elsewhere in this Report and I urge you to read this.

Whatever may be the changes ahead let me assure you that the brand 'Ceylinco' will always stand for the protection and financial security of the highest quality to customers, the addition to the wealth of shareholders and the recognition, rewarding and valuing of the dignity of our staff.

**DR. JAGATH ALWIS - ASIA
INSURANCE INDUSTRY AWARD'S
'PERSONALITY OF THE YEAR'**

I am proud to be able to announce to you that this year saw our company receiving yet another unique honour from the Asia Insurance Industry

Awards. Our Director and Chief Technical Officer Dr. Jagath Alwis was the recipient of the 'Personality of the Year' Award. I extend to him my most sincere congratulations for bringing this honour not only to our company but also to the entire insurance industry of Sri Lanka. May I mention in passing that Ceylinco Insurance is the only company in Sri Lanka to have previously won three awards at the Asia Insurance Industry Awards – the first for CSR and the other two for Product Innovation. One of these being for the flagship brand of the General Insurance Division, VIP On-the-Spot.

**CHANGES IN THE BOARD OF
DIRECTORS**

Mr. P.M.B.Fernando, Director (Chief Information Officer – General Division) resigned from the Board in February 2015, for reasons of ill-health. A highly qualified IT expert, he joined the company in January 1993 and was appointed to the Board in October 2008. He was responsible for rapidly putting into operation the very efficient and effective advances the company made in IT software development. I extend to him the sincere thanks of the entire Board of Directors for his contribution towards the success of this company and wish him a most pleasant and

restful time of retirement. To fill this vacancy the Board unanimously recommended the appointment of Mr S.H.J. Weerasuriya as a Non-Executive Director. We await the approval of this appointment by the Insurance Board of Sri Lanka. I must mention that if and when this approval is given our company will be able to fully comply with the Colombo Stock Exchange Listing Rule 7.10.1(a) which stipulates that 1/3 of the members on the Board should be Non-Executive Directors.

**MY CONGRATULATIONS AND MY
THANKS**

I would like to start with the institution which directly regulates our industry, the Insurance Board of Sri Lanka (IBSL) and very sincerely thank Ms. Indrani Sugathadasa for the efficient regulatory services provided by her and the Directorate specially regarding the segregation of all composite insurance companies such as ours. Her re-appointment was a clear proof of her integrity, professionalism and untarnished reputation regarding which this company and indeed the entire industry had no doubts whatsoever. I offer her my congratulations and once more pledge the loyal support and co-operation of this company.

Rs. 20

Per Share

Proposed Dividend

CHAIRMAN'S REVIEW

I offer a special word of thanks to Dr. Wickrema Weerasuriya, Insurance Ombudsman for his diligence, patience and impartiality in dealing with grievances of customers thereby restoring the confidence of these customers in the insurance industry. There is no doubt that he has been able to accomplish all his tasks so well because of his multi-faceted professional skills and expertise. I also congratulate him on his appointment as a Special Advisor to the Prime Minister, The Hon. Ranil Wickremesinghe.

I now pay tribute to our customers whose continuous and ever increasing loyalty, will always be reciprocated by this company by offering them innovative, value added products combined with the highest form of service excellence, particularly by the fast settlement of claims.

I thank each and every member of our staff for their sincere commitment to fulfill their responsibilities even when faced with unanticipated stress and challenges. Their performance has resulted in another year of outstanding success. Our employees are not mere statistics in our payroll. They are members of the 'Ceylinco Family' and as such we respect them and care for them.

I now thank all our Agents and Insurance Brokers who have steadfastly continued to support us by bringing in significant business.

To our Reinsurers and Reinsurance Brokers I extend a very special word of appreciation. They are our close, trusted and respected business partners. Throughout the year under review they have been totally loyal to us and offered a unique service without which we would not have been able to achieve the success we did.

I offer my most sincere thanks to the two Managing Directors/CEOs, Mr. Ajith Gunawardena and Mr. Rajkumar Renganathan for having once again demonstrated their unique leadership qualities and unflinching tenacity of purpose by which they not only steered this company through unpredictable and stormy weather to a safe haven but also to the retention of market leadership.

It is my very pleasant duty to thank the Board of Directors who through their high caliber professionalism, long years of experience and absolute devotion to duty, have helped this company overcome the numerous challenges faced through the year and contributed towards its unassailable position in the industry.

And finally I come to you our Shareholders to whom this Report is presented. I offer you my most abundant thanks for the steadfast loyalty and trust, which has been extended to us through the years. This trust and loyalty will always be valued by us and will not be betrayed.

Till we meet again.



J.G.P. Perera
Chairman

10th. March, 2015

DELIVERING INCREASING VALUE

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW (GENERAL INSURANCE)

"Believe wholeheartedly in what you do; and always do the right thing... no one can stand in your way".

- Anonymous

We have proved this maxim beyond an iota of a doubt and stand triumphant, at the conclusion of another successful year. The year under review – 2014, was full of challenges, which included legal battles, as well as other obstacles, but nothing could hinder us in our relentless forward march. At the end of a lengthy legal battle for CIESOT, justice prevailed, with the Supreme Court of Sri Lanka affirming that CIESOT is a properly constituted Trust, reinstating the status quo

of the trust to the status prior to a previous interim order, issued by the Supreme Court. It was no easy task, but we never gave up, as CIESOT had been created to reward our loyal employees: the lifeblood of our inimitable organisation. My thanks go out to the Employees Union and all the members of our staff, who stood with us, as one family, giving their unstinted support. My sincere thanks is also extended to our dynamic team of legal counsel, friends and each and every person who stood firmly by us in this unprecedented situation.

MACRO OUTLOOK

With the global economy gradually improving and the declining oil

prices towards the end of the year, it certainly was an optimistic mood, looking forward towards better times ahead. Sri Lanka was expected to record a GDP growth of 7.4%, with most monetary policies remaining unchanged due to several reasons. However, towards the year end, the sense of uncertainty was a visible factor, with the entire country engulfed by the heat of the election, as the presidential election campaign gathered momentum.

We welcome the new President, the Prime Minister and the new government, and it is our fervent belief that they will drive the economy in the right direction, with an environment conducive to business. With the

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW - (GENERAL INSURANCE)

Ceylinco Insurance – General reached a mammoth premium income of Rs.12,165 million by the end of 2014. This represents a growth of 5% year on year, while the increase in Rupee terms amounted to Rs.597 million. Moreover, the profitability of the Company after tax stands at Rs.2.1 billion, while the consolidated profit after tax recorded Rs.2.9 billion.

advent of the new government, we have seen a total change of attitude towards Sri Lanka in the international sphere, where relations with several countries and global bodies have improved significantly. These events unfolding in many capitals across the globe will create a better atmosphere to bring in more FDI's to Sri Lanka, as we strongly believe that a country's foreign policy should be linked with its economic and trade policies. The new government's policy of devolving of economic power enabling the average Sri Lankan to enjoy the benefits of the country's post war boom will no doubt augur well for all industries.

COMPANY PERFORMANCE

Ceylinco Insurance – General reached a mammoth premium income of Rs.12,165 million by the end of 2014. This represents a growth of 5% year on year which is well above the industry average, while the increase in Rupee terms amounted to Rs.597 million. Moreover, the profitability of the Company after tax stands at Rs.2.1 billion, while the consolidated profit after tax recorded was Rs.2.9 billion. The General Division contributed Rs.780 million to the overall profit of the Company, with the Life Division contributing Rs.1.36 billion.

Your Company managed to retain its market leadership position for the 11th consecutive year, against all odds; considering the situation that prevailed throughout the year, and despite the uneven playing field in the industry, and even with the heavy price undercutting practiced by certain competitors, in a clandestine effort to grab our loyal clientele.

If share price is any indication of a company's performance and the prudent policies it adopts, Ceylinco Insurance should be well positioned in the top, as our share was traded at Rs.1,379/- as at 31st December 2014, while at its highest point, it was traded at Rs.1,499/-.

ADDING NEW VALUE

Your Company extends considerable efforts to add more value to our customers, keeping their convenience in mind. With this in mind, the claim settlement process was further streamlined, with spare parts delivered to the place of repair, through special arrangement with spare parts suppliers. This will no doubt, further reduce the time taken for repairs, and will be a welcome move for our customers.

Ceylinco Insurance - General paid claims to the value of Rs.5,653 million during 2014, to 139,652 customers: on average, your Company settled nearly 200 motor claims and over 180 non-motor claims each and every day. Thus, we have done our best to maintain the fastest claim settlement process in the business, which is the hallmark of our gold standard service, and continue to strive to further improve our processes and standards.

With our constant yearning to take the benefits of insurance to the masses of Sri Lankans across the island, identifying new and innovative distribution channels, we added another product, which offers a worldwide death and disablement cover to the existing product offer to Dialog Mobile Users, thus taking insurance even closer to the less affluent.

HUMAN RESOURCES

As always, your Company continues to place its trust in a loyal and dedicated workforce, that is as dynamic as they are committed. In order to maintain such exceptional levels of service and to continue to inspire of invaluable staff members, they are exposed to regular training sessions both in Sri Lanka and abroad. Accordingly, 21 individuals were sent for overseas training during 2014, while a mammoth 1,925 underwent rigorous and continuous training in Sri Lanka.

REGULATORY OBLIGATIONS

As a Company, we welcome the implementation of the Risk-Based Capital Model, which is being implemented now, and which will come into effect in 2016. With the parallel run in place, once implemented, this will give much impetus to the industry, especially with reinsurers, while we will also align with developed markets.



Read the
Managing Director/
Chief Executive
Officer's Review
(General)
online

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW - (GENERAL INSURANCE)

Ceylinco Insurance - General paid claims to the value of Rs.5,653 million during 2014 to 139,652 customers: on average, your Company settled nearly 200 motor claims and over 180 non-motor claims each and every day.

The segregation of the industry, which commenced almost three years ago, has culminated, with the deadline being the 15th of February 2015, for companies to fully implement the process. We too opted to follow the Holding Company and Subsidiary Model, which most suited our operation; a decision we arrived at, after careful evaluation of all concerns, particularly guidelines issued by the Insurance Board Of Sri Lanka for compliance in implementation of the Risk Based Capital model.

As for the other major regulatory requirement, which remains in the pipeline, we welcome the necessity for all insurance companies to be listed, as per the Act. However, we feel that the proposed exceptions for foreign companies must be re-visited, as eventually, they will be operating in the same market with the local players, but with distinct advantages.

INDUSTRY

The performance of the General Insurance Industry was not much of a reason to celebrate, as the industry recorded a modest growth of 3.9%, as at the end of 2014, compared with 2013, with the total premium income recorded at Rs.58.1 billion. Once again, Motor Insurance was the largest component in the premium composition, accounting

for a premium income of Rs.35.9 billion, recording a growth of 4.9% year on year. Meanwhile, Non Motor Premiums reached Rs.22.2 billion, and grew by a mere 0.7% year on year. Several reasons contributed to this lacklustre performance, with the presidential election being the more salient.

As I have continuously mentioned over the years, the uneven playing conditions in the insurance arena, with certain distinct advantages provided to government insurers, still paints a negative picture, while I feel that the vibrancy of the industry will definitely be boosted if these are relaxed.

As for Institutional Agents, we welcome the regulation to have them, but also encourage a change in regulations, to enable them to work for more than one company. This will give customers more options, while increasing competitiveness, which will no doubt, auger well for a dynamic industry.

With the industry gaining maturity, and thus forming a significant part in the financial sector in the country, the time is right for the industry to seek a separate classification under 'Insurance', rather than being tagged under 'Banking and Finance' at the CSE and other related bodies.

EXPANSION

During the year under review, the City Office of Ceylinco Insurance - General, embarked on a huge expansion drive, opening 37 new VIP Centres in the suburbs of Colombo. This was supplemented by 29 VIP Centres, which opened in the out-stations, increasing our network to 400 in total, easily becoming the largest General Insurance Network in the country.

REINSURANCE ARRANGEMENTS

As always, your Company works only with the best Reinsurers in the world, and in this vein, we continue our business with highly rated reinsurers, ensuring greater financial stability. Accordingly, our ability to meet any emergency, natural or man-made, remains unaffected. The world's best insurance companies and reinsurance brokers continue to work with Ceylinco Insurance, as the clear leader in the Sri Lankan insurance sphere, while we remain far ahead of the stipulated reinsurance requirements demanded by the regulator.

Although changing global weather patterns remain a concern, your Company is well equipped to meet any catastrophe of any magnitude, as our reinsurance arrangements and reserves far outweigh any possible consequences, while prudent methodologies are practiced in risk minimization and control.

REGIONAL PRESENCE

Our ambitions to become a relevant regional player in the insurance arena remain poignantly at the forefront, with our presence being consolidated in several markets through strategic alliances, including the Middle East, which includes the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar, and an associate company and a subsidiary in Nepal and the Maldives respectively. Your Company

plans aggressive expansion in these existing markets in the coming year, while venturing into unexplored territory in the near future.

ACCOLADES

Over two and half decades, Ceylinco Insurance has been at the forefront of new innovations and dynamic solutions, setting the benchmark ever higher for the competition to follow, and benefitting the Sri Lankan populace immensely, allowing them to reach ever higher towards their potential. Ceylinco Insurance also enjoys the honour of being voted for by the people, as 'The People's Insurance Company', consecutively, for the past eight years. Ceylinco Insurance was also, once again honoured to be the highest ranked insurance company in the "LMD 100", and the only Insurance Company, among the Top 25 Companies in Sri Lanka for 2014, as announced by "Business Today".

FUTURE OUTLOOK

The future looks extremely positive, as far as your Company is concerned, as more value will be added to our shareholders, as the holding company will have a diversified set of industries under its umbrella, with four insurance companies, hydro power companies, education service providers and health sector companies. However, we will

unrelentingly continue to make our contribution to the industry, as its torchbearer, and to the populace and the nation, at large.

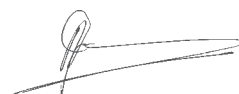
THANK YOU

Now, the honour is mine again to thank all our stakeholders, who continue to impel us forward in every aspect of the industry, and whose faith continues to ensure a magnificent performance every year without fail.

Firstly, I must thank His Excellency, the President and the Government of Sri Lanka, for providing fresh perspective to the Sri Lankan economy, compelling it forward, towards a setting more favourable for business. The new face of government certainly augurs well for foreign direct investment and growing the local economy. My sincerest thanks are also extended to the Chairperson and officials of the Insurance Board of Sri Lanka, for their guidance and heartfelt support, as a true partner, which has provided invaluable support to our efforts to reach the apex. My deep appreciation is also expressed to all our Reinsurers and Reinsurance Brokers of worldwide fame and repute, whose strength we count on, and who have never let us down. My thanks also go out to all our insurance agents and brokers, whose integrity has helped us achieve amazing things over the years. And to all my colleagues on the board, I express my profound thanks, for I have always been able to count on their unreserved support and advice, making for a great team at the helm, able to navigate the choppiest of waters towards safe harbour. I am proud to say a mammoth Thank You to all the employees of Ceylinco Insurance, who I consider members of one family, whose faith,

courage, determination, and above all resilience, especially during the last year, I could always count on to deliver results, no matter what. Their efforts have once again, stood us at the very zenith. And last, but by no means least, I thank our incredibly loyal clients, whose continued support and belief towards Ceylinco Insurance truly humbles me. Your faith in us enables us to move mountains, and continue on our forward march undeterred: thank you.

2015 will also bring a fresh set of challenges and hurdles, but we anticipate them without fear, and eagerly promise you that we have far to go, and it is only together that we can make the journey. We remain poised to scale the greatest heights.



A.R. Gunawardena
*Managing Director / Chief Executive
Officer (General Insurance)*

10th. March, 2015

+5%

Gross Written Premium
General Insurance

Rs. 12,165 Mn.

A PLEDGE OF TRUST

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW (LIFE INSURANCE)

Our Life Fund recorded a net growth of Rs.7.3 billion or 13.75 per cent to Rs.60.02 billion at the end of the year. I am pleased to note that Ceylinco Life was the fastest among Sri Lanka's life insurers to achieve a Life Fund of Rs.60 billion.

'Nothing endures but change'

- Heraclitus (540 BC – 480 BC)

CHANGE

As I write this, our country is grappling with a change in its political culture, made more dramatic by the speed with which it has come upon us, and the speed with which its proponents seek to take it forward. Commenting

on the merits or otherwise of this wave of change is, however, both premature and beyond the scope of this review.

I have chosen 'Change' as the theme of and preamble for my comments on your company's performance in 2014 because change is upon us as well. This will be our last annual report as a single corporate entity, as we are required by law to segregate our Life and General Insurance businesses from 2015 onwards.

Shareholders who have been kind enough to read my remarks in annual reports that precede this one would know that we have consistently been in favour of this segregation. It is also no secret that operationally, the Life and General Divisions of Ceylinco Insurance have been as independent of each other as two units of a single business entity could be. Your company was, therefore the most prepared of the major players to segregate as required by law.



Read the
Managing Director/
Chief Executive
Officer's Review
(Life)
online

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW - (LIFE INSURANCE)

The Life Division recorded total income of Rs.18.54 billion for the year ending 31st December 2014, which was an improvement of 5.5 per cent over the previous year. Within this, Gross Written Premium income at Rs.12 billion reflected a growth of 7.9 per cent, and was an emphatic reaffirmation of your company's status as the country's largest life insurer for the 11th consecutive year.

While we await the licence from the Insurance Board of Sri Lanka, a group of shareholders has chosen to challenge the process. I will, however, refrain from commenting on the larger agenda that is using the issue of segregation as leverage. I must censure in the strongest possible terms, the attempts that have been made to usurp the rights of employees to shares held in trust for them, with the connivance of certain unscrupulous elements in positions of power. Thankfully, some of these elements have since been engulfed by the wave of change I referred to earlier, and the company's position of the subject of these shares has been vindicated by a court of law.

These efforts by a group of shareholders with parochial rather than collective interests at heart could have seriously distracted a lesser company from its focus on performance in the year under review. Ceylinco Insurance, however, is made of sterner stuff and is no stranger to adversity. The results of the Life Division in 2014 reviewed here, are evidence of this fact.

It must also be stressed at this point, that while we fully respect the legitimate aspirations of our shareholders, we will always have a greater obligation -- to safeguard the interests of our policyholders. It is after all, their money that we manage and invest in order to offer them the protection of life insurance and the benefits of our custodianship of their funds. To this end, we will always defend the integrity of the company and its long term responsibilities, even if it means incurring the displeasure of some shareholders driven by self-serving agendas.

On the same note, I would also like to state for the record, that Ceylinco Insurance is an indigenous company, built from scratch by Sri Lankans into an industry leader that has won international and local acclaim. Its financial stability and operational credentials are acknowledged. It is regrettable that the so-called 'reforms' promoted by some in official positions, seem to be intended more to facilitate transfer of ownership to local 'money bags' or foreign interests, than to strengthen

and support managements that have built our companies into what they are today.

PERFORMANCE

The Life Division recorded total income of Rs.18.54 billion for the year ending 31st December 2014, which was an improvement of 5.5 per cent over the previous year. Within this, Gross Written Premium income at Rs.12 billion reflected a growth of 7.9 per cent, and was an emphatic reaffirmation of your company's status as the country's largest life insurer for the 11th consecutive year.

We sold 139,777 new policies in 2014 at an average of 11,648 per month, marginally lower than the monthly average of the previous year. However, improved sales of retirement plans contributed to the growth in premium income reported above.

Investment income improved by 1.78 per cent in year to Rs.6.83 billion, while the Division's investment portfolio appreciated by 12.72 per cent in value terms to Rs.57.2 billion, a noteworthy growth in the context of the generally lower rates of return on interest bearing assets during the year. Total assets of the Life Division grew by Rs.7.1 billion or 11.14 per cent to Rs.71.07 billion.

At the end of the year under review, the Division's investment portfolio comprised of Government Securities (50 per cent); Licensed Private Banks (15 per cent); State Banks (9 per cent); Real Estate (9 per cent); Corporate Debt (14 per cent) and Others (3 per cent). As always, these investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act No 43 of 2000 and are subject to regular monitoring by the Insurance Board of Sri Lanka (IBSL).

Our Life Fund recorded a net growth of Rs.7.3 billion or 13.75 per cent to Rs.60.02 billion at the end of the year. I am pleased to note that Ceylinco Life was the fastest among Sri Lanka's life insurers to achieve a Life Fund of Rs.60 billion.

It was, overall, a tough year due to pressures on disposable income in our target customer segments and the lower rates of return on investments, but our unwavering focus on business fundamentals and prudent investment enabled the Life Division to post an impressive performance, as already explained, without being distracted by challenges or extraneous matters. More than anything else, shareholders will appreciate that these results are an irrefutable indication that Ceylinco Life continues to enjoy the trust and confidence of policyholders and prospective customers.

BENEFITS TO POLICYHOLDERS

Our policyholders received more than Rs.5 billion in benefits in 2014. This included an 'April bonanza' (Avurudu Cash Bonus) of Rs.49.5 million to 14,570 policyholders; maturity and other survival benefits and claims. The cash bonuses alone, in the form of immediately encashable cheques, made some policyholders richer by as much as Rs.250,000. Our annual bonus payout based on valuation of 2014 amounted to Rs.2.448 billion and benefited 318,100 policyholders.

Another important benefit that is exclusive to policyholders of Ceylinco Life is the 'Pranama' scholarships scheme. The Life Division presented 156 'Pranama' scholarships worth over Rs.8 million to young achievers in Sri Lanka in the year reviewed. With these scholarships, we have now presented a total of 1770 scholarships worth more than Rs. 91 million since the inception of the programme in 2002. Students

who excel at the Year 5 scholarship examination receive Rs. 90,000, payable in instalments over five years under the Pranama scheme. Students who excel at the G.C.E. (O/L) receive Rs.72,000, payable monthly over two years, while students placed 1st in their districts at the G.C.E. Advanced Level examinations receive scholarships worth Rs.126,000 each, payable over a three year period. Students placed 2nd, 3rd and 4th in their districts at this examination are awarded Rs. 10,000 each. Ten national merit awards of Rs.35,000 each are presented to those who have excelled at the national level, in sports, aesthetics or invention.

BRANCH NETWORK

I am happy to report that the Life Division maintained the momentum of its strategy of investing in acquiring land and construction of its own buildings as part of its branch development plan in the year reviewed. Among the highlights of 2014 was the commencement of construction of a new four-storey, 11,000 square foot building on company-owned land in Trincomalee; the purchase of a property of 51.22 perches with two buildings that provide 17,000 square feet of space at Kotahena for our Colombo North office; the start of construction of a new four-storey building on 17 perches of company-owned land in Bandarawela and the opening of a branch in a graceful traditional Sri Lankan residence on 52.5 perches of land at Mount Lavinia. New buildings were declared open in Batticaloa and Ratnapura, a foundation stone has been laid for a building in Wennappuwa, and land has been purchased for the construction of a building in Horana. We also relocated our branches at Akuressa and Kadawatha to improve access for and provide more space to customers in these areas.

It is important to note that many of the new buildings being constructed for branch offices will have features such as solar power for electricity generation, rainwater harvesting and natural lighting, making them environment friendly.

THE COMMUNITY

A distinguishing feature of the Life Division's approach to business has always been its focus on good corporate citizenship. We have longstanding commitments in the areas of community health and educational infrastructure, on which I have reported for several years. While these projects continued in the year under review, we also supported several special projects worthy of mention here. These included:

- The donation to Ward 6A of the Professorial Surgical Unit of the National Hospital of Sri Lanka (NHSL) of a surgical High Dependency Unit constructed, furnished and equipped by the Life Division. The unit is equipped with two ICU beds with their own multi parameter monitors, syringe pumps, infusion pumps and suction apparatus, an air purifier and its own oxygen supply and oxygen cylinder bank. It provides intensive post-operative care to patients who undergo complex gastrointestinal, hepato-pancreatico-biliary and other general surgical procedures.
- The donation of a fully-equipped and furnished Intensive Care Unit (ICU) that will serve as a dedicated Dengue High Dependency ward for children at the Jaffna Teaching Hospital, the leading hospital in the Northern Province of the country. The Unit of 650 square feet is located within Ward 11, the Professorial Paediatric Unit of the hospital. It comprises of five ICU beds, each allocated

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW - (LIFE INSURANCE)

an area of 130 square feet. The beds are equipped with bed-head panels with wall oxygen, bedside cupboards, over-bed tables, saline stands and bystander reclining chairs. The unit is also equipped with five multi-parameter monitors with a centralised system, five infusion pumps, five syringe pumps, three portable suction apparatus units and an air purifying unit.

- The donation of a portable ventilator to Wards 49 and 47B of the National Hospital of Sri Lanka. The portable ventilator is used to provide artificial breathing to critically ill patients at these wards and while they are in transit from the wards to the hospital's Intensive Care Unit (ICU).

I am also happy to report that the Life Division donated classroom buildings to four rural schools in 2014, taking the total number of such buildings donated under this programme to 60.

MARKET EXPANSION

The success of our initiatives to grow the size of the market is largely attributable to a combination of product development and sales force augmentation on the one hand, and an extraordinary degree of engagement with prospective customers through mega promotions and large scale field campaigns on the other. The year reviewed saw both these strategies continue to drive new business.

The seventh edition of the Ceylinco Life 'Family Savari' promotion, with which shareholders are familiar, saw another 2,260 people from 565 policyholder families visit Japan, China, Singapore and the Leisure World theme park. Of these, 20 people from five policyholder families who won the top prize

toured Japan as a reward for their loyalty to Ceylinco Life. Another 40 people from 10 policyholder families toured China, while 200 people from 50 policyholder families visited Singapore. Nearly 2,000 others from 500 policyholder families spent a day on the rides and slides of Leisure World. This benefit of this promotion is two-fold; it brings in significant numbers of new policyholders and motivates existing policyholders to keep their policies active.

For the eighth edition of the Family Savari programme which launched in the second half of 2014 and will reward policyholders in 2015, we have introduced an aspirational new destination and two glamorous new brand ambassadors. The grand prize will be an all-expenses-paid holiday in Switzerland for five policyholders and their families, and the second prize a holiday in Dubai for 10 policyholders and their families. Another 50 policyholder families will holiday in Singapore, while 500 families will spend a full day at Leisure World. The two new brand ambassadors are the Sri Lankan actor Roshan Ranawana and his wife Kushlani, who join the longstanding Family Savari ambassadors Sriyantha Mendis and Sanjeevani Weerasinghe to endorse and actively participate in the programme.

Among the other market expansion initiatives of note were the Life Insurance Week (LIW) conducted country-wide in February and the Retirement Planning Month programme conducted in May.

NEW PRODUCTS

As already mentioned, product development is one of the keys to developing the market. In 2014, the Life Division launched three new Retirement Plans, re-launched its 'Saubhagya' insurance policy for women, and enhanced the benefits of its medical plans.

Of the three new retirement schemes, Flexi Plan 1 can be commenced with as little as Rs.1,000, with payments made monthly, quarterly, half-yearly or annually for a term of five years or more. Flexi Plan 2 requires a single payment of Rs.100,000 or more, and matures in 10 years or later as per the customers wish, while Flexi Plan 3 also commences with a single payment of Rs.100,000 or more, but can be structured for five to nine years.

Our new 'Saubhagya' policy for women is an investment-oriented life insurance plan exclusively for females, offering comprehensive life cover, lump sum payments every four years, attractive maturity value and optional rider covers for critical illness, hospitalisation and major surgery. Enhancements introduced in 2014 include an increase in the number of critical illnesses covered from 15 to 36, an increase in the upper age limit from 45 to 58 years, an annual draw at which five gold sovereigns, five supermarket vouchers of Rs.5,000 each and 10 vouchers of Rs.3,000 each from a fashion retailer will be presented to policyholders and a 'Saubhagya' Loyalty Card that entitles policyholders to a 10% discount

+8%

Gross Written Premium
Life Insurance

Rs. 12 Bn.

from the Ceylinco Healthcare Centre for cancer screening tests such as mammograms, breast scans and pap smear tests and a 10% discount from a leading Salon.

The enhancement of the benefits offered by three of the Life Division's medical plans in the year under review, enable policyholders to increase their cover to keep pace with rising healthcare costs. The 'Family Digasiri Plus' critical illness policy which previously covered 25 critical illnesses now covers 36; payments made in respect of 526 types of surgery under 'Ceylinco Life Major Surgery' have been revised upward, and the daily cash benefit paid under 'Family Hospital Cash' has also been increased. The Family Digasiri Plus policy makes payments on diagnosis in Sri Lanka or overseas and does not require bills to be submitted. In the event of an Angioplasty, 50 per cent of the sum assured up to a maximum of Rs.750,000 is paid.

For policyholders who have Major Surgery cover, we now pay Rs.20,000 in respect of surgeries for which we previously paid Rs.15,000. Surgeries for which we previously paid 15 per cent of the surgery benefit now qualify for 20 per cent of the surgery benefit, while surgeries that earlier qualified for 40 per cent of the benefit now receive 50 per cent. Ceylinco Life Major Surgery pays benefits of up to three times the basic sum assured between a minimum of Rs.100,000 and a maximum of Rs.1 million during the term of the policy. The initial surgery benefit increases by 10 per cent annually. Under the 'Family Hospital Cash' scheme, we have increased the maximum per day benefit from Rs.10,000 to Rs.12,500, and the per day benefit for those admitted to Intensive Care Units (ICUs) from Rs.2,500 to Rs.5,000.

HEALTHCARE

Our subsidiary Ceylinco Healthcare Services Limited (CHSL) which now operates four centres of excellence, the Ceylinco Healthcare Centre specialising in screening for cancer, the Ceylinco Radiation Treatment Unit which introduced the Linear Accelerator to Sri Lanka several years ago, the Ceylinco TomoTherapy Centre, which offers one of the most advanced forms of 3-D image-guided radiation treatment in Sri Lanka and the Ceylinco Diabetes Centre, made satisfactory progress in 2014. The TomoTherapy Centre which commenced operation in October 2013, achieved a milestone in the year under reviewed when it completed the treatment of its 100th patient. The Centre also conducted the first Stereotactic Body Radiation Therapy (SBRT) treatment in Sri Lanka in this period, demonstrating its capability to provide comprehensive radiation solutions in our country.

INTERNATIONAL RECOGNITION

One of the highlights of the year for the Life Division was the international recognition it received when World Finance adjudged Ceylinco Life the 'Best Life Insurance Company in Sri Lanka.' The prestigious UK-based bi-monthly magazine gave us high marks in several areas of assessment including efficiency in processing new business, focus on customer retention, employee and agent training, ensuring best practices within the company, financial performance, market research and measuring customer satisfaction.

THE FUTURE

Conditions in the market will remain challenging in the short to medium term, but we are confident that we have the skill, motivation and commitment to continue to lead the industry in the year ahead. The computation of premium makes an

assumption on interest rates, and this is an area of some concern. Low interest rates also exert pressure on investment income, but we accept that the country's growth is dependent on lower interest rates. Our focus in the short term will be on expanding the size of our sales team with fresh recruitment and initiatives to retain our sales people. There is still a substantial untapped market for life insurance, and we need the numbers to access it and to drive consideration and conversion.

My sincere thanks go to my colleagues on the Board of Directors, the staff, policyholders, shareholders and regulators for their guidance, support and encouragement in the concluded year.



R. Renganathan
Managing Director/CEO
(Life Insurance)

10th. March, 2015

BOARD OF DIRECTORS



Standing Left to Right

(1st Row) : Mr. R. Renganathan - Managing Director / Chief Executive Officer (Life) | Mr. J.G.P. Perera - Chairman | Mr. A.R. Gunawardena - Managing Director / Chief Executive Officer (General)

(2nd Row) Dr. W.C.J. Alwis - Director (Technical) / Chief Technical Officer | Mr. T.N.M. Peiris - Director (Finance) / Head of Finance | Mr.E.T.L. Ranasinghe - Director / Deputy Chief Executive Officer (Life) | Mr. H.D.K.P. Alwis - Director / Deputy Chief Executive Officer (General) | Mr. U. Witharana - Director / Chief Financial Officer (General) | Mr. N.D. Nugawela - Director / Chief Operations Officer (General)

(3rd Row) Gen. C.S. Weerasooriya (Retd.) - Director | Mr. K.I. Dharmawardena - Director | Mr. D.H.J. Gunawardena - Director | Mr. P.A. Jayawardena - Director / Chief Financial Officer (Life) | Mr. P.D.M. Cooray - Director / Head of Human Resources & Training (Life) | Mr. P.M.B. Fernando - Director / Chief Information Officer (General) | Mr. S.R. Abeynayake - Director / Deputy Chief Financial Officer (Life)



BOARD OF DIRECTORS

MR. J.G.P. PERERA

- *Chairman*

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

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

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

MR. A.R. GUNAWARDENA

- *Managing Director / Chief Executive Officer (General)*

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

At The Finance, Mr. Gunawardena was instrumental in initiating the first-ever leasing and project financing division in Sri Lanka. Moreover, he set up the hire purchase scheme for consumer durables and import financing; pioneering concepts in the sphere of finance companies in Sri Lanka. Furthermore, the first ever venture capital company to be established in Sri Lanka, was also his brainchild.

He was appointed Director In Charge of the General Division of Ceylinco Insurance in 1987. He introduced the visionary concept of a direct sales force for the insurance industry in Sri Lanka. His was the idea that transformed the sphere of insurance 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, abundantly available throughout Sri Lanka. Under the aegis of these joint ventures, the L & T Infocity, the largest ever Call Centre in Asia, was established.

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

MR. R. RENGANATHAN

- *Managing Director / Chief Executive Officer (Life)*

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

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

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

He is the Chairman of Ceylinco Healthcare Services Ltd.

MR. H.D.K.P. ALWIS

- *Director / Deputy Chief Executive Officer (General)*

Mr. Alwis joined the Company on 15th. May, 1990 and prior to joining the Company from 1978 he worked

at M/s. Hatton National Bank, Lever Brothers (Ceylon) Limited and Richard Peiris & Company in the field of Sales and Marketing. He joined Ceylinco Insurance (General Insurance Division) as a Regional Manager and was promoted as Assistant General Manager in 1992, as Senior Assistant General Manager in 1996 and as Deputy General Manager in 1998. He was appointed to the Board on the 10th. of January, 2001, and currently serves as the Director / Deputy Chief Executive Officer of Ceylinco Insurance PLC - General Division.

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

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

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

MR. E.T.L. RANASINGHE

- *Director / Deputy Chief Executive Officer (Life)*

Mr. Ranasinghe has 35 years of experience in the mercantile sector in sales, marketing and strategic planning. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, UK. He joined Ceylinco Limited as a

Product Manager in September, 1986 and is one of the pioneer members of the team to set up the Ceylinco Insurance PLC, when the Company commenced operations in 1988.

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

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

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

DR. W.C.J. ALWIS

- *Director (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 and continues in the same position to date.

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

He is one of the past Presidents of the Insurance Association of Sri Lanka (IASL) and the Vice President of the Ceylon Society for Prevention of Accidents (CESPA).

Dr. Alwis was also the President / Chairman of the Executive Board of the Association of Insurers and Reinsurers of Developing Countries (AIRDC) for 2012/2013/2014.

He was conferred a Honorary Doctorate from the University of Middlesex of United Kingdom.

Dr. Alwis is also a Board Member of the Faculty of Science - University of Peradeniya and 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.

MR. P.D.M. COORAY

- *Director / Head of Human Resources & Training (Life)*

Mr. Cooray joined in March, 1985 as the Chief Instructor of the Key Security Services Limited. He has been an employee of Ceylinco Insurance, since its inception. He started his career in the Sri Lankan Air Force as a Commissioned Officer. His career at Ceylinco Insurance commenced as an Assistant Manager (Training), and in January, 1990 he was promoted as Manager (Human Resources), thereafter he held the posts of Assistant General Manager (Administration and Human Resources) and Assistant General Manager (Training). In 1998 he was promoted to the post of Deputy General Manager (Training). Mr. Cooray was appointed as a Director to the Board of Ceylinco Insurance in September, 2001.

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

BOARD OF DIRECTORS

Asian non-member to address the MDRT which is the most prestigious Life Insurance convention in the world.

MR. K.I. DHARMAWARDENA
- Director

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

MR. P.M.B. FERNANDO
- Director / Chief Information Officer (General)
(resigned with effect from 17th. February, 2015)

Mr. Fernando was appointed to the Board in October 2008 and heads the entire IT operation of Ceylinco Insurance PLC - General Division. Mr. Fernando has 15 years experience at International Computers Limited

(ICL). During this period he gained in-depth experience and knowledge in Computer Hardware, Networking and Software. At the time of leaving ICL he held the post of Systems Engineer. He joined Ceylinco Insurance in January 1993.

Mr. Fernando was responsible for setting up the Network which connects all the branches of the General Division through a virtual private network. Further, he was responsible for developing the fully integrated Insurance application including the On the Spot claim settlement process which revolutionized Motor Insurance in Sri Lanka. He was also responsible for setting up of computer systems for Ceylinco insurance overseas operations.

Mr. Fernando has distinctions in NIBM's Diploma in Computer Systems Design and in Computer Applications for Science and Technology from the University of Sri Lanka, Colombo Campus. He also has Diplomas in Business Management (NIBM) and Marketing Management (SLIDA). Further he has also completed the Diploma in Electrical Engineering and Engineering Apprentices' Final at the University of Sri Lanka, Katubedda Campus. Mr. Fernando is a Fellow Member of Institute of Certified Professional Managers.

MR. D.H.J. GUNAWARDENA
- Director

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

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

Mr. Gunawardena is the Chairman of the Audit Committee and a member

of the Remuneration Committee of Ceylinco Insurance PLC. He is an Independent Non Executive Director of Ceylinco Insurance PLC.

MR. P.A. JAYAWARDENA
- Director / Chief Financial Officer (Life)

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

He serves as a Director of Ceylinco Healthcare Services Limited as well.

MR. N.D. NUGAWELA
- Director / Chief Operations Officer (General)

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

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

MR. T.N.M. PEIRIS
- Director (Finance) / Head of Finance

Mr. Nihal Peiris graduated with Honors from the Sri Jayawardenapura University with a Bachelor of Arts Degree (Economics Special) in 1982. He became an Associate Member of the Institute of Chartered Accountants in

1984 and thereafter became a Fellow Member of the Institute. He is also a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

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, principals 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.

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

MR. U. WITHARANA

- *Director / Chief Financial Officer (General)*

Mr. Upali Witharana joined Ceylinco Insurance PLC as an Assistant General Manager – Finance (General Insurance Division) on 04th. January, 1999. He is a Chartered Accountant and is an Associate 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.

GENERAL C.S. WEERASOORIYA (RETIRED)

- *Director*

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

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

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

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

MR. S.R. ABEYNAYAKE

- *Director/Deputy Chief Financial Officer (Life)*

Mr. Ranga Abeynayake counts fifteen years of experience in the field of Finance. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri

Jayawardenepura. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. He joined the Life Division of the Company in March, 1998 as Financial Accountant and held the post of Deputy General Manager (Finance) – Life Insurance, at the time he was appointed to the Board of Ceylinco Insurance PLC from 01st. February, 2011.

MR. S.H.J. WEERASURIYA

- *Director*

(Appointed with effect from 17th. February, 2015 pending IBSL approval).

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

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

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

INCORPORATING THE CONCEPT OF INTEGRATED REPORTING

In compliance with the guidelines of Integrated Reporting as published by the International Integrated Reporting Council (IIRC) we have made our initial attempt to incorporate this concept. In addition to that in compiling our Sustainability Report which is an intrinsic element of integrated reporting we have followed the G4 Guidelines of the Global Reporting Initiative (GRI) incorporating the criteria for the 'Core Option'

We also confirm that the Financial Information included in this Report complies with the Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

In presenting all other information, we have where applicable, conformed to the requirements of the:

Companies Act No. 7 of 2007

Regulations of the Securities and Exchange Commission

Listing Rules of the Colombo Stock Exchange

Regulation of Insurance Industry Act No. 43 of 2000

Regulations of the Insurance Board of Sri Lanka

Inland Revenue Acts and other Statutes

Our compliance with the principles of Corporate Governance is based on the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the regulations of the above mentioned institutions.

External Assurances that the financial statements give a true and fair view of the financial position of the company as at 31st December 2014 have been provided by the Auditor, Ernst and Young. In addition actuarial verification of the General and Life Divisions have been given by the respective Actuaries, M/S K.A. Pandit and Towers Watson Singapore (Pvt) Ltd

In compliance with one of the objectives of Sustainability, namely the conservation of valuable resources thereby reducing our carbon footprint, we have restricted the print version of this Report only to those of our shareholders who have requested for it in writing. To all other shareholders we have sent this Report on a CD-ROM.

The Management and Discussion Analysis in this Report has been made more comprehensive and all inclusive and incorporates the significant features and information required for Integrated Reporting.

The contact point regarding information about this Annual Report is:

Company Secretary
e-mail: ciccosec@ceyins.lk

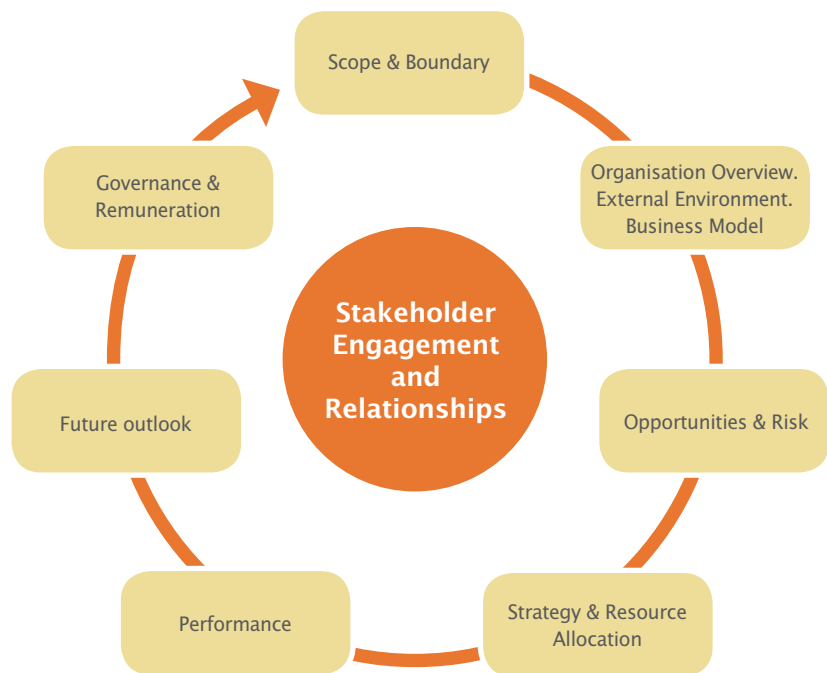
OBJECTIVE OF INTEGRATED REPORTING

THE CREDIBLE PRESENTATION/ COMMUNICATION REGARDING CAPITAL

The Identified Capitals:

- Financial Capital
- Manufactured Capital
- Human Capital
- Intellectual Capital
- Natural Capital
- Social Capital

ELEMENTS AND PRINCIPLES OF INTEGRATED REPORTING



The Elements and Principles of Integrated reporting as described in the accompanying diagram will be found in –

- | | |
|---|---|
| <ul style="list-style-type: none"> • The Reviews of the Chairman and the two Managing Directors/ Chief Executive Officers of the General and Life Divisions respectively. • Stakeholder Engagements and Relationships. • The sections under Management and Discussion Analysis. • Corporate Governance. | <ul style="list-style-type: none"> • The Reports of the - Audit Committee/ Remuneration Committee/ Investment Committees of both General and Life Divisions. • Statement of Directors Responsibility. • Actuarial Reports of General and Life Divisions. • Report of the Auditors. • Financial Statements • Notes to Financial Statements |
|---|---|

STAKEHOLDER ENGAGEMENTS AND RELATIONSHIPS

Stakeholder	What we do	Objective
Shareholders	<ul style="list-style-type: none"> • Publish regulatory financial information through interim reports. • Publish Annual Report conforming to regulatory requirements and mailed to each shareholder in requested format within regulatory time frame. • Hold Annual General Meeting and when necessary, Extraordinary General Meetings in accordance with Companies Act No 07 of 2007 and the Articles of Association of the Company for which regulatory notice is given. • Conduct above meetings in accordance with above mentioned regulatory requirements and permit free and fair discussion on all aspects relating to the published agenda. • Seek shareholder mandate at such meetings on relevant itemized resolutions. • Answer all shareholder questions and requests for clarifications which are within the framework of shareholder Rights and Obligations as determined by the Companies Act No 07 of 2007. • Declare optimum dividends as determined by the Board of Directors having evaluated the company's current performance and profitability and future plans. 	To enhance shareholder loyalty and confidence by providing an attractive Return on Investment thereby adding to shareholder wealth.
Customers	<ul style="list-style-type: none"> • Offer attractive and comprehensive short term and long term insurance portfolios which cater to the needs of all socio- economic groups, island-wide. • Provide a 24/7 Customer Hotline accessible from any part of the island • Increase person-to-person contact between customer and trained, professional company personnel by establishing the most extensive island-wide branch network. • Offer interest free, installment payment of annual premium via Seylan Credit Card or HSBC Credit Card. • Ensure hassle-free, fast, claim settlement. 	<ul style="list-style-type: none"> • To ensure total customer satisfaction, trust, confidence and loyalty. To increase our customer base. To retain our position as Market Leader.

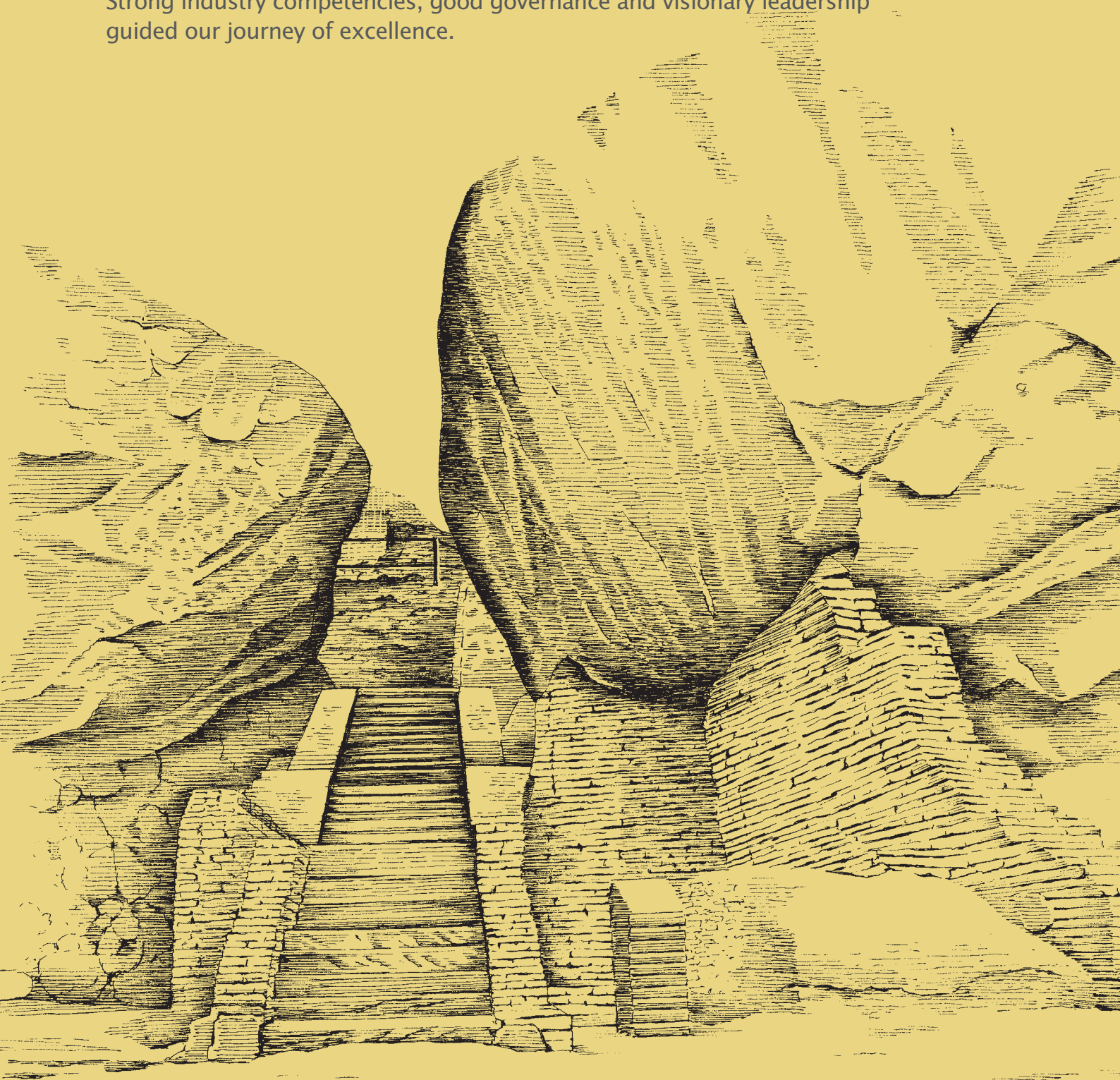
Stakeholder	What we do	Objective
Customers (Contd)	<ul style="list-style-type: none"> • Offer attractive 'No Claim' bonus for motor insurance. • Provide 'Rest Spots' for long distance road travelers. • Offer loyal customers special rewards e.g 'Family Savari'. • Conduct regular customer satisfaction surveys and take prompt, corrective action where necessary. 	<ul style="list-style-type: none"> • To ensure total customer satisfaction, trust, confidence and loyalty. To increase our customer base. To retain our position as Market Leader.
Employees	<ul style="list-style-type: none"> • Ensure that we are an equal opportunity employer • Offer regular training programmes for all categories specially those in sales, underwriting, motor engineers and front office staff. • Offer clear career path progression • Based on stipulated criteria Ceylinco Insurance Employees Share Ownership Trust (CIESOT) holds shares for the sole benefit of employees. (Refer further note under 'Our Employees'. • Offer top performers diverse schemes of Rewards and Recognition. • Offer an attractive package of benefits in addition to and over and above the statutory benefits. • Encourage the enrollment and completion of professional academic qualifications of benefit to the company. • Provide exclusive holiday resorts for employees and their families and friends. • Conduct regular inter-department sports competitions and encourage participation in inter- company sports competitions. 	<p>To have a team of loyal and dedicated professionals with a high level of job satisfaction whose personal career aspirations coincide with the company's objectives, thus becoming long-service employees.</p>

STAKEHOLDER ENGAGEMENTS AND RELATIONSHIPS

Stakeholder	What we do	Objective
Regulators	<ul style="list-style-type: none"> Strictly adhere to all regulations by letter and by spirit. Required Solvency Margins and RBC requirements of Capital Adequacy Ratio are maintained throughout the year Reporting requirements of IBSL complied with properly and timely. Participate in all workshops on new regulations by IBSL and actively involve in industry partnered committees in developing rules/requirements. Take steps to conform to Regulation of Insurance Industry (Amendment) Act No.03 of 2011 regarding segregation. Respond promptly to all queries and requests for clarifications made by Regulators. 	As Market Leader to conduct our business in a most responsible manner observing the principles of 'Good Governance' and through the strict adherence to all regulations to establish a close professional relationship with the regulators.
Government Departments and Government controlled Funds	Make all payments such as taxes, duties, levies and regulatory contributions, accurately and within the specified time frames.	As Market Leader to observe the principles of 'Good Governance' and practice responsible fiscal discipline.
Reinsurers	<ul style="list-style-type: none"> Partner with the most highly rated international reinsurers whose security ratings are in compliance with the minimum security guidelines issued by Insurance Board of Sri Lanka. Maintain a close business relationship based on mutual trust and confidence. Seek advice and guidance on important underwriting business. Exchange information which will be mutually beneficial. 	To seek greater financial stability and manoeuvrability in our insurance transactions.
Financial Institutions	<ul style="list-style-type: none"> Create a firm, long term business relationship based on mutual trust and confidence. Exchange information which will be mutually beneficial. 	To establish financial links by which we can gain financial flexibility and strength to achieve forecasted growth and improve the company's performance.
Community	<ul style="list-style-type: none"> Identify groups which need sustainable assistance in areas of health care, education, water and electricity facilitation. 	To fulfill our commitment to Corporate Social Responsibility in a meaningful manner.

DELIVERING GOOD GOVERNANCE

Strong industry competencies, good governance and visionary leadership
guided our journey of excellence.



MANAGEMENT DISCUSSION & ANALYSIS

A REVIEW OF THE MACRO ECONOMIC ENVIRONMENT/ INSURANCE INDUSTRY/ FINANCIAL PERFORMANCE

MACRO ECONOMIC ENVIRONMENT 2014

The Macro Economic policies of 2014 resulted in a low level of inflation at 3.3% and an economic growth rate close to 7.8% as targeted in the Central Bank's Road map for 2014.

The country saw interest rates reducing by around 2% per annum (200bps) during 2014. The exchange rate was also controlled for the Rupee to depreciate only by around 0.76% during 2014. This was achieved amidst a global economy where the US showed signs of recovery and other major economies like Europe, Russia, China and Australia had low-moderate economic climate.

The positive mindset created by the post war socio economic conditions has generated much opportunities. These are the peace dividends for the nation that resulted in increased business confidence. The country saw Foreign Direct Investments over USD 1 bn and the Colombo Stock Exchange All Share Index rising from 5,913 points to 7,299 points which was a 23.4% growth.

The fiscal policy has targeted capital formation in both hard and soft infrastructure. State investments continued in road & transport, aviation, port, irrigation, telecommunication and knowledge to facilitate the country to emerge as the South Asian Economic Hub. These developments would further facilitate to continue the current economic expansion and sustain the growth momentum when coupled with low energy prices and prospects of economic recovery of country's global trading partners.

EXTERNAL SECTOR PERFORMANCE

The international trade of 2014 saw a trade deficit of USD 8 bn. This deficit was offset by the USD 7 bn remittances and USD 2bn tourism income. Coupled with capital & other movements, the Balance of Payments for 2014 recorded a USD 1.4 bn surplus Vs BOP of USD 985 Mn in 2013. This was reflected in Gross Official Reserves of USD 8.2 bn covering 5.2 months of imports. The years ahead show further growth prospects with success seen in natural gas exploration in the Mannar-basin, International Hotel chains, Heavy Industry investments and market growth for agricultural exports.

GOVERNMENT FINANCE AND MONETARY POLICY

During the first half of 2014, public expenditure management helped the fiscal sector to perform in line with annual targets. Government revenue, as a percentage of estimated GDP declined to 5.4% during the first six months of 2014 compared to 5.6% in same period of 2013. This was mainly due to the decline in excise tax and Economic Service Charge (ESC). Similarly Total expenditure and net lending as a percentage of estimated GDP in first half of 2014 declined to 9.2% in 2014 from 10% in 2013 first half. The overall budget deficit during the first half of 2014 declined to 3.7% of estimated GDP from 4.3% in the same period of 2013. In financing the overall deficit, the government relied more on foreign sources, which accounted for 65.1% of the total financing requirement.

PROSPECTS FOR 2015

Sri Lanka is ranked 16th in the Global Services Location Index (GSLI) in 2014. GSLI assesses the

best destinations in providing off-shoring services for Business Process Outsourcing (BPO). This service sector is poised to grow with the education reform efforts of the government and active participation of international professional and academic bodies in local education industry that has helped to form a knowledge & talent pool sought by international enterprises.

The Sri Lankan economy is projected to grow at 8% in 2015, with all three sectors contributing to this growth. The country looks at further capital formation with projects such as Colombo Port City project and Northern Expressway breaking ground and the expansions to the main airport. Coupled with such public investment projects, the international hotel chains, mixed development projects of local enterprises and new heavy industry projects by private local and overseas joint ventures are expected to expand the economy further.

The improvements to the irrigation systems and renovation and dredging of many irrigation tanks in paddy farming areas coupled with incentives for value added agricultural products is expected to improve the agricultural sectors of the economy.

The above socioeconomic observations in macro environment indicates economic growth in all sectors and covers many geographical areas of the country. This would pave the way to elevate the country as a whole and meet targets of inclusive development.

INSURANCE INDUSTRY REVIEW

The segregation of long-term and general insurance from 2015 is expected to promote greater transparency and policyholder protection in the insurance sector. As your company had followed a similar corporate model, any negative effects would be minimum. However, the sector will have some operational challenges of implementation due to factors such as increased cost in relation to duplication of some functions.

Risk Based Capital (RBC) will be the primary tool for capital regulation from the year 2016. Once introduced, this will be a complete gauge of the capital position of the insurers than the current regulation due to the better matching of regulatory required minimum capital to the risk of the assets and liabilities of each individual business. This could give rise to a case for consolidation of smaller capitalized companies with positive enforcement towards new regulation. Further, the mandatory public listing by 2016 will promote greater transparency and encourage better governance in insurance companies.

The Sri Lankan insurance industry with twenty-one players is an immensely competitive market. Of these twenty-one, twelve companies are composite insurers that provide both Life and Non - Life Insurance solutions. Six engage only in the Non - Life Insurance solutions, while the remaining three cater only to Life Insurance customers. The intense price competition in the industry, increased marketing costs, enhanced customer service coupled with the marginally increased management expenses, has resulted a moderate growth in net income.

As per the provisional data available, during 2014 the total premium income of the insurance industry was Rs.103,091 million, a growth of 6.1% over the Rs.97,108 million recorded in 2013, and it is noted that this growth rate is lower than the 9.3% growth rate achieved in 2013. It is also estimated that in 2014 the Non - Life Insurance GWP has grown by 3.9%, which was down from 9.1% in 2013, whilst the Life Insurance GWP has marginally grown by 9.2%, which again down from 9.6% in the previous year.

The premium income from motor insurance, which constitutes around 62% of the general insurance premium, grew at a moderate pace of 5.5% in the year 2014, compared to the increase of 8.2% in the corresponding period of 2013.

In the Life Insurance sector of the industry, new business (which includes first premium and first year premium) recorded a growth of 8.1% during the year, compared to the 2.0% negative growth recorded in 2013. It is observed that most companies in the industry have recorded an increase in new business during the year and this is a positive indication across the industry. However this growth may hinder factors such as low disposable income and the poor performance of the equity market, etc.

This would be further evidenced by the post-war growth of the insurance industry from the year 2010: 15.1%, 2011: 18.4% to 11.0%: 2012, 9.1% 2013 and 9.2% in 2014 depicts a moderate growth due to the pressure on disposable income in a slowing economy. It is anticipated that low penetration and a low level of vehicle import would lead to a continuation of moderate growth in both sectors in 2015.

FINANCIAL REVIEW

We believe that sound and steady monetary performance underpins stable social and environmental performance and thus it is our capability to deliver constant financial results through the years that has enabled us to deliver positive impacts on our society. The following information details our efforts to maintain sustainable financials during the year 2014, which deliver value to all our stakeholders.

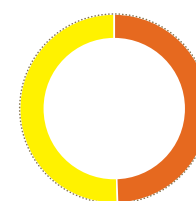
GROSS WRITTEN PREMIUM (GWP)

Securing market leader position, your company repeated sound financial results for 2014. Despite facing tough conditions in the market, we continued our growth drive in all key financial aspects.

The Company achieved an overall GWP of Rs.24,167 million during the year 2014 as against Rs.22,691 million recorded in the previous year. The increase of Rs.1,476 million together by both divisions of the company records a growth of 6.5 % over the previous year. This represents GWP of the Non-Life division of Rs.12,165 million while recording a 5.2% growth over the year 2013. In the same way the GWP of the Life division has increased by 7.9% to Rs.12,003 million. The Life division sold 139,777 new policies during the year 2014.

GROSS PREMIUM COMPOSITION

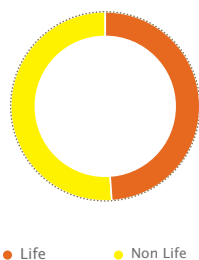
**Total Company
GWP - 2014**



● Life ● Non Life

MANAGEMENT DISCUSSION & ANALYSIS

Total Company GWP - 2013



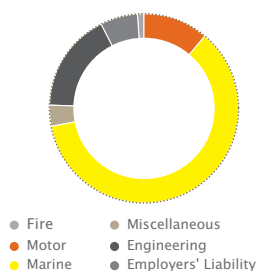
Signifying another milestone during the year, the Company's GWP mix underwent a 50:50 sharing basis between Life and Non - Life divisions.

NON - LIFE DIVISION

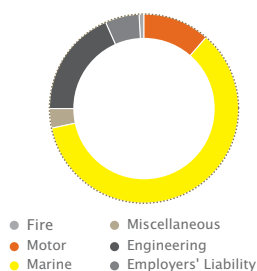
PREMIUM COMPOSITION

Motor insurance premium (VIP) revenue of Rs. 7,411 million represented 61% of the total Non-Life premium income. The balance premium income of Rs. 4,754 million corresponds to 39% of total Non-Life

Non Life Major Classes of Business - 2014



Non Life Major Classes of Business - 2013



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, the miscellaneous class tops the premium income with Rs. 2,067 million and followed by the Fire premium income of Rs. 1,371 million in 2014.

FINANCIAL REVIEW

During the year, the Non - Life division reinsurance outgo increased to Rs. 2,377 million, recording a 1% increase from the Rs. 2,360 million ceded in 2013. As a result of the slight increase, a growth in NRP was recorded in 2014. This has enhanced the NRP growth to 6.3% of the Non - Life division in 2014.

The Net Combined ratio for the year has marginally increased by 1.3% over the year 2013. This was mainly due to the increase in Net Loss ratio by 7.1% compared to the previous year while incremental impact to the Net Combine ratio has set off by decreasing in Net Expenses ratio by 5.0% over the year 2013.

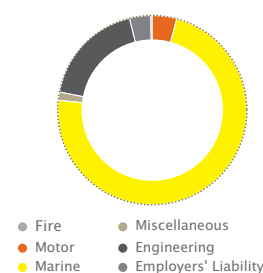
The Non - Life division recorded Rs. 1,521 million as Other Revenue, which comprises Interest and Dividend Income, Fee and Commission Income and Realized/Unrealized Gains from Investments. This achievement was 17.2% higher than the Rs. 1,298 million recorded in 2013, with the key input stemming from Interest and Dividend Income which grew by 16.2% and was recorded Rs.565 million.

NET BENEFITS AND CLAIMS

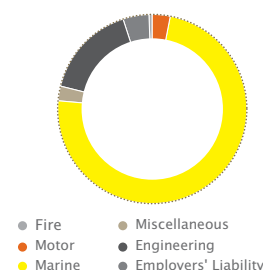
During the year under review, Non - Life division incurred Rs. 5,260 million as net claims for Non - Life Insurance customers, marking a

13.3% increase over the Rs. 4,642 million incurred in 2013. The increase is primarily due to claims in motor class, which accounted for 72.5% of total net claims.

Non Life Net Claims Incurred - 2014



Non Life Net Claims Incurred - 2013



OTHER OPERATING, ADMINISTRATIVE EXPENSES

The Non-Life division spent 30.3% of its GWP as operational and administration expenses, which amounted to Rs. 3,684 million. These expenses, consisting of employee benefits, administration expenses, depreciation, amortization, investment - related expenses and all other expenses not included under underwriting and net acquisition costs, increased by 5.1% over the Rs. 3,505 million recorded in 2013. Increase in utility costs such as electricity and rent on buildings leased by the Non - Life division contributed considerably to this growth. An increase was also experienced in employee benefits, due to the increments given to align them with the industry. In

promotional activities, increase in costs of marketing campaigns and advertising-related costs also contributed to the increase in operational and administration expenses.

PROFIT BEFORE TAX

The Non - Life division achieved a Profit Before Tax (PBT) of Rs. 867 million in 2014, recording a negative growth over the Rs. 980 million achieved in 2013. The main reasons for the negative growth rate are attributable to the increase in claim and administrative expenses of Non - Life Insurance division.

INCOME TAX EXPENSE

The income tax expense of the Non-Life division saw a 13.7% decrease in 2014, declining to Rs. 88 million from Rs. 102 million in 2013. Under the tax regulations of Sri Lanka, Life and Non - Life insurance profits are taxed separately.

SOLVENCY AND TECHNICAL RESERVES

Non Life division was able to maintain a healthy solvency margin over the stipulated level by the Insurance Board of Sri Lanka.

	2014	2013
	Rs. Mn.	Rs. Mn.
Available Solvency Margin	2,843	2,442
Required Solvency Margin	1,958	1,842
Solvency Ratio (Times)	1.45	1.33

LIFE DIVISION

PREMIUM INCOME & LIFE FUND

Gross written premium of the Life Division increased by 7.9% to Rs.12,003 Million. The Life Division sold 139,777 new policies during the year 2014. The growth was hindered by the pressure on disposable income in a slow growth economy.

However, Life Fund achieved an impressive growth rate of 13.75% in 2014 and stood at Rs.60,022 Million as at 31st December 2014. This is an increase of Rs.7,256 Million over the previous year.

FINANCIAL REVIEW

In 2014 Rs.1,300 Million was transferred from the Life Policy Holders' Fund to the Share Holders' Fund.

The total assets of the Life Division grew by Rs.7,122 Million and it represented a growth of 11.14% over the previous year. Investment income and the other income of the Life Division improved to Rs.6,826 Million from Rs.6,706 Million in 2013.

NET BENEFITS & CLAIMS

Total Net Claims & Benefits paid by Life Division for the year 2014 was Rs.4,894 Million, compared to the previous year's figure of Rs.4,757 Million. This is an increase of Rs.137 Million over a period of one year.

SOLVENCY AND TECHNICAL RESERVES

Life Division was able to maintain a healthy solvency margin over the stipulated level by the Insurance Board of Sri Lanka.

	2014	2013
	Rs. Mn.	Rs. Mn.
Available Solvency Margin	20,615	20,933
Required Solvency Margin	2,043	1,630
Solvency Ratio (Times)	10.09	12.85

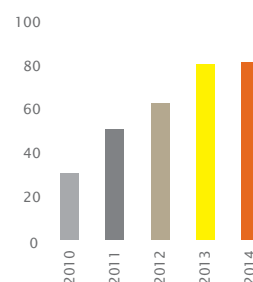
SHARE INFORMATION

		Year ended 31-Dec-2014	Year ended 31-Dec-2013
Net Assets Per Share			
Book value	Rs.	671.00	601.40
Earnings			
Earnings per share	Rs.	81.12	80.20
Price Earnings Ratio (times)			
- Voting		17.00	16.70
Price Earnings Ratio (times)			
- Non Voting		6.80	5.00
Dividends			
Interim & Final Dividend	Rs.	20.00	16.00
Share Price - Voting			
High	Rs.	1,482.66	1,400.00
Low	Rs.	1,186.29	800.50
Last transaction	Rs.	1,378.80	1,340.00

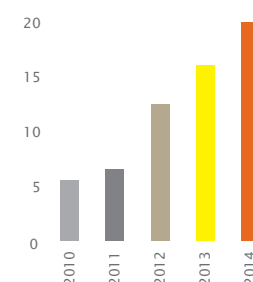
MANAGEMENT DISCUSSION & ANALYSIS

		Year ended 31-Dec-2014	Year ended 31-Dec-2013
Share Price - Non-Voting			
High	Rs.	598.00	430.00
Low	Rs.	380.00	220.00
Last transaction	Rs.	550.00	398.80
Share trading - Voting			
No. of transactions		1,074	1,043
No. of Shares traded		310,274	399,196
Value of shares traded	Rs. Mn.	411.75	468.55
Share trading - Non - Voting			
No. of transactions		738	1,149
No. of Shares traded		774,903	659,380
Value of shares traded	Rs. Mn.	387.60	240.87
Days traded - Voting			
No. of days traded		180	166
Total no. of market days		241	242
% of Market days traded		74.69	68.60
Days traded - Non - Voting			
No. of days traded		175	171
Total no. of market days		241	242
% of Market days traded		72.61	70.66
Market capitalisation - Voting			
Value (Rs. Millions)		27,576	26,800
% of market		0.89	1.09
Market capitalisation - Non- Voting			
Value (Rs. Millions)		3,527.00	2,558.09
% of market		0.11	0.10
Price movements			
CSE All Share Price Index		7,298.95	5,912.78
S&P SL 20 Index		4,089.14	3,263.87
Ceylinco Insurance Share price			
- Voting	Rs.	1,378.80	1,340.00
Ceylinco Insurance Share price			
- Non- Voting	Rs.	550.00	398.80

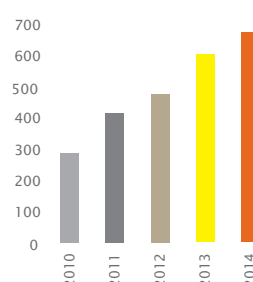
**Earning
Per Share**
Rs.



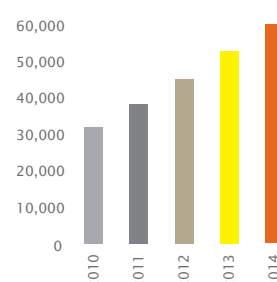
**Dividends
per share**
Rs.



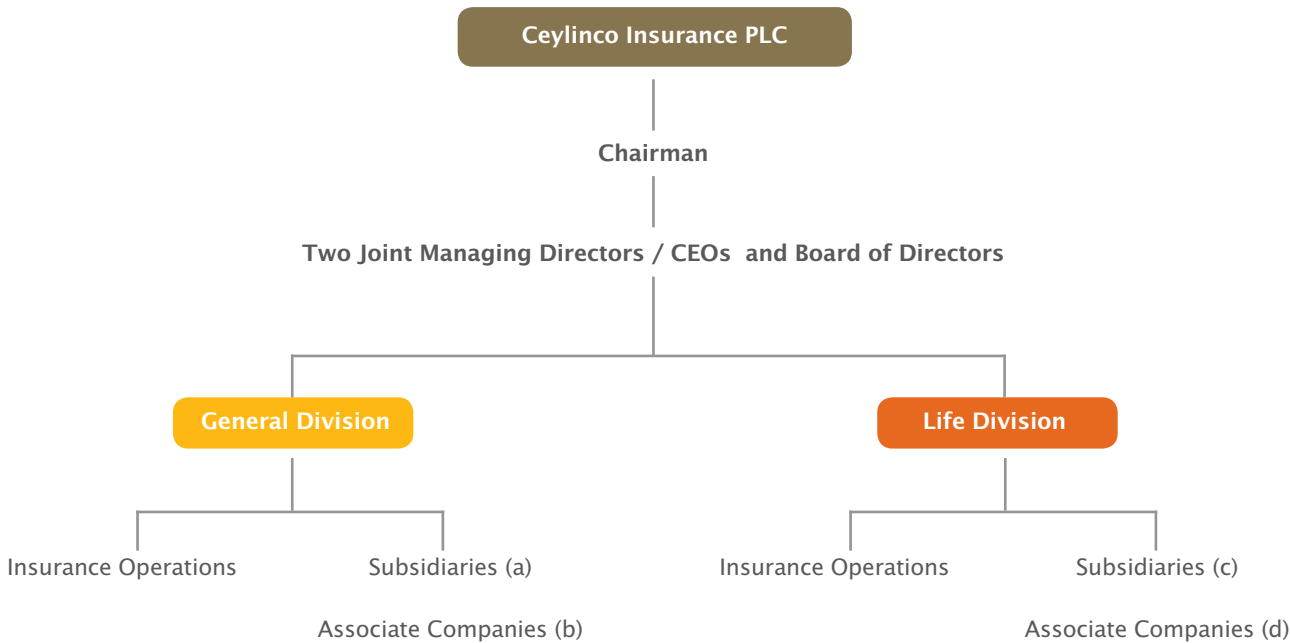
**Net Assets
Per Share**
Rs.



**Long Term
Insurance Fund**
Rs. Mn.



OUR OPERATIONAL STRUCTURE



(a) Subsidiaries

Ceylinco Insurance Co.(Pvt) Ltd (Maldives)
Energy Lanka Holdings Ltd
Ceylinco Investcorp (Pvt) Ltd
CEG Education Holdings (Pvt) Ltd

(b) Associate Companies

Ceylinco Homes International Ltd
Sagarmatha Insurance Ltd (Nepal)
Energy Generators (Pvt) Ltd

(c) Subsidiaries

Serene Resorts Ltd
Ceylinco Seraka Ltd
Ceylinco Healthcare Services Ltd

(d) Associate Companies

Citizens Development Business Finance PLC

MANAGEMENT DISCUSSION & ANALYSIS

NOTE ON SEGREGATION

- By Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011 all composite insurance companies (companies engaged in both General and Life Insurance) were required to segregate into two separate companies, one handling only General insurance and the other handling only Life insurance. The deadline date was 11th February 2015. Ceylinco Insurance PLC as a composite insurance company had no alternative but to adhere to the new regulation.
- As a result of this regulation the Insurance Association of Sri Lanka (IASL) which is the apex body of the insurance industry in Sri Lanka, appointed at its Executive Committee Meeting of 5th October 2011, a sub-committee headed by Dr Jagath Alwis (Director/ Chief Technical Officer of Ceylinco Insurance PLC) and comprising insurance company CEOs, and experts on financial, technical, legal and actuarial matters, to discuss all aspects and impacts of the proposed segregation.
- This sub-committee was also given the mandate to have a continuous dialogue with the Insurance Board of Sri Lanka (IBSL) which is the regulatory body for insurance in Sri Lanka. Of particular focus by this committee at the meetings with IBSL was the possible models by which a company can segregate, the tax implications, the listing requirements and the impact on shareholder value.
- IBSL on its part held numerous discussions with the IASL and other regulatory authorities and also arranged workshops conducted by external insurance consultants – including actuaries and experts from the World Bank.
- Having co-operated and assisted the IASL in this manner, the IBSL on 30th August 2013, issued a set of Guidelines pertaining to the proposed segregation. An important item in these Guidelines was that each composite insurance company could identify the most appropriate model for segregation and submit its proposal to IBSL for approval.
- Ceylinco Insurance PLC then had a series of consultations with its own legal, financial and management experts and selected the most appropriate model taking into consideration such key factors as the present Solvency regulations, the proposed Risk Based Capital requirements, Operational Cost Structures, Gross Premium Valuation for Life business and other factors affecting the future business. One of the primary considerations throughout the consultations was that the selected Segregation Model should create value to you, our Shareholders.
- The selected model was that the present Ceylinco Insurance PLC will be a holding company and that there will be two 100% fully owned separate subsidiary companies formed, one to handle General insurance and the other to handle Life insurance.
- The selected model for segregation was officially communicated to the IBSL and after having got the proposal reviewed by an independent Actuary appointed by IBSL, it gave its formal approval.
- Thereafter Ceylinco Insurance PLC incorporated the two new subsidiary companies namely ‘Ceylinco General Insurance Ltd’ and ‘Ceylinco Life Insurance Ltd’
- Also submitted to IBSL was the requested information about the composition of the Directorates of the new companies, operational structures and other relevant information.
- In accordance with the directions of the IBSL, Ceylinco Insurance PLC made an application to the District Court and obtained approval for the segregation in terms of Section 102 of the Regulation of Insurance Industry Act. Upon receipt of this approval, Ceylinco Insurance PLC applied for licenses from IBSL to carry on the business of General and Life Insurance through its 100% owned subsidiaries namely Ceylinco General Insurance Limited & Ceylinco Life Insurance Limited.
- Subsequently a Shareholder has intervened in the above District Court case and challenged the said order, which at present the Company is defending.
- Ceylinco Insurance PLC also obtained the approval of the Commercial High Court for the transfer of assets, liabilities, employees and for the Novation of the several hundred short term and long term insurance policies/ contracts in favour of the two fully owned subsidiaries.
- In conclusion it must be pointed out that IBSL gave instructions that the name of the proposed holding company cannot use the term ‘Insurance.’ Hence the Board of Directors decided that the name of the holding company will be ‘Ceylinco Investment Holdings PLC’.

- It is relevant at this stage to mention that Ceylinco Insurance PLC fulfilled its obligation to you our shareholders by keeping you informed from time to time of the Segregation progress. The Chairman's Review in the Annual Report of 2013 gave the assurance that "Your interests as shareholders will be safeguarded and you will be presented with the relevant details at an Extraordinary General Meeting for which due notice will be given at the appropriate time." Furthermore item 44 under "Notes to the Consolidated Financial Statements" on page 146 of the same Annual Report described the proposed model and structure. In addition, this same information was communicated to you, our shareholders through the subsequent Quarterly Published Accounts.
- Finally, at the Extraordinary General Meeting (E.G.M.) held on 20.01.2015 at 11.30 a.m. you, our shareholders were given a complete explanation of the Segregation Process and the Order of the Commercial High Court referred to earlier.

MANAGEMENT DISCUSSION & ANALYSIS

SUSTAINABILITY REPORT

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

GENERAL STANDARD DISCLOSURES		
STRATEGY AND ANALYSIS		REMARKS / PAGE REFERENCE
G4-1	Provide a statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	The two MDs/CEOs are in agreement with the importance of Sustainability and committed to the organization's positive contribution to the triple bottom line. Refer to pages 13 -23
ORGANISATIONAL PROFILE		
G4 -3	Report the name of the organization	Refer Page 6
G4 - 4	Report the primary brands and services	Refer Pages 2 - 9 of enclosed booklet
G4 -5	Report the location of the organization's Head Offices	Refer Page 6
G4 -6	Report the number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in this report	Refer Page 41
G4 - 7	Report the nature of ownership and legal form	Refer Page 6
G4 -8	Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries)	Refer Page 48-50
G4-9	Report the scale of the organization, including <ul style="list-style-type: none"> Total No. of employees Total No. of operations Gross Written Premiums Total capitalization broken down in terms of debt and equity Value of services provided 	Refer Pages 53 - 54 Refer Page 48 Refer Pages 4-5 Refer Pages 4 -5
G4 -10	<ul style="list-style-type: none"> Report the total No. of employees by employment contract and gender Report the total No. of permanent employees by employment type and gender Report the total No. of employees by gender 	Refer Pages 53 -54
G4 -11	Report the percentage of total employees covered by collective bargaining agreements	Does not arise
G4 -12	Describe the organization's supply chain	Reinsurers/Brokers/Banks/ Financial institutions/Vehicle Import Agents/Industrial and Household appliance importers and manufacturers/Vehicle spare part suppliers/Motor repair garages/ Hospitals/Advertising Agencies

GENERAL STANDARD DISCLOSURES		
ORGANISATIONAL PROFILE (Contd.)		
G4 -13	Report any significant changes during the reporting period regarding the organization's size structure, ownership or its supply chain including: Changes in the location, operations, facility openings or closures Changes in share capital structure and other capital formation	Refer Pages 84 - 91
COMMITMENTS TO EXTERNAL INITIATIVES		
G4 -14	Report whether and how the precautionary approach or principle is addressed	Refer Pages 62 - 68
G4 -15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	The organization is in agreement with - (a) Principles of Sustainable Insurance (PSI) (b) Principles of GRI (G4)
G4 -16	List memberships of associations and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Views membership as strategic	(a) Ceylon Chamber of Commerce (b) National Chamber of Commerce (c) Insurance Association of Sri Lanka (d) Federation of Afro-Asian Insurers and Reinsurers (FAIR) (e) Association of Insurers and Reinsurers of Developing Countries (AIRDC) Refer page 55
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 -17	List all entities included in the organizations consolidated financial statements or equivalent documents	Refer Page 41
STAKEHOLDER ENGAGEMENT		
G4 -24	Provide a list of stakeholder groups engaged by the organization	Refer Pages 32 - 34
G4 -25	Report the basis for identification and selection of stakeholders with whom to engage	(a) Groups who have the ability to influence the organization's business (b) Groups which are influenced by the organization's business
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Refer Pages 32 - 34 Refer Pages 51 - 54
G4 - 27	Report key topics and concerns that have been raised through stakeholder engagement and how the organization has responded	Refer Pages 32 - 34 Refer Pages 51 - 54

MANAGEMENT DISCUSSION & ANALYSIS

GENERAL STANDARD DISCLOSURES		
REPORT PROFILE		
G4- 28	Reporting period	Calendar year
G4 - 29	Date of the most recent previous report	2013
G4- 30	Reporting cycle	Annual
G4 -31	Provide the contact point for questions regarding the report or its contents	<i>Company Secretary:</i> ciccosec@ceyins.lk
G4- 32	Report the 'in accordance' option chosen	Core
GOVERNANCE		
G4- 34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts	Refer Pages 70 - 80
ETHICS AND INTEGRITY		
G4- 56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Refer Page 47
SPECIFIC STANDARD DISCLOSURES		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	
	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices	None
	Monetary value of significant fines / non monetary sanctions for non-compliance of above	None

OUR CODE OF ETHICAL MARKETING COMMUNICATIONS

As the market leader we are very conscious of our responsibility in strictly adhering to a voluntary Code of Ethical Marketing Communications.

Therefore while we maintain a close and cordial professional relationship with our regulators by readily complying with their directions and taking into serious consideration their advice and observations, we also strictly enforce a voluntary code of ethics based on the Standards of Practice formulated by the American Association of Advertising Agencies (AAAA).

The 5 Point Guideline we adhere to in all Marketing Communications (this includes not only advertising and selling but also all types of publicity) is given below.

- No false or misleading statement will be included.
- No false or inaccurate testimonials will be included.
- No misleading statement will be made regarding price (Premium)
- No claims will be made about product benefits which are false, exaggerated or unsubstantiated.
- No statement or visual will be included which can be deemed to be indecent or which can cause offence to any ethnic, gender, religious or age group.

We are further pleased to state that there has not been a single incident of non-compliance with any regulations whether statutory or voluntary during the year under review.

MANAGEMENT DISCUSSION & ANALYSIS

OUR CUSTOMERS

Markets Served: With a diverse and unparalleled portfolio of insurance products (Details of which are found in the enclosed booklet) and with the largest branch network both General and Life Divisions cater to the needs of the entire spectrum of society.

Our Customer Care Credo which is emphasized during training and observed by all our employees is:

- Our Customers are the most important persons in our business in person, by mail or by telephone.
- Our Customers are not dependent on us. We are dependent on them.
- Our Customers are not an interruption to our work. They are the purpose of it.
- We are not doing them a favour by serving them. They are doing us a favour by giving us the opportunity to serve them.
- Our customers are not outsiders to our business. They are the purpose of it.

- Our customers are not cold statistics. They are flesh and blood humans like us with feelings and emotions like our own.
- Our customers are people who bring us their wants. It is our duty to serve them in such a manner that both we and they will want to have a long term relationship.

A service by its very definition is intangible. But this intangibility is made tangible by the excellent customer care we offer to each and every customer through each and every employee with whom the customer comes into contact.

In providing this service excellence two things are necessary - firstly, it means that company personnel should regularly meet the customer no matter when and where the customer is and secondly it means the customer should be able to meet company personnel whenever and wherever the need arises. Here the key is 'accessibility.' Ceylinco Insurance can confidently claim that it has the most extensive branch network in the industry. As at the end of 2014 the branch network was as follows:

NUMBER OF BRANCHES AND LOCATIONS/REGIONS

General Division	No. of Branches - 189	No. of Service Centres - 195
Life Division	No. of Locations - 142	No. of Regions/ Branches - 257

HIGHLIGHTS OF CUSTOMER CARE - GENERAL DIVISION:

NEW PRODUCTS

A range of new products, specially for motor insurance, with a variety of insurance covers catering to every type of vehicle and to suit every purse and risk, was launched during the year. Please refer to the enclosed booklet for a list of products.

CONVENIENT PREMIUM PAYMENT FACILITY

Customers are offered a unique facility by which Payment of Premiums can be made according to a convenient, interest-free, installment plan through either Seylan Credit Card or HSBC Credit Card

Customer Care Hotline - 011 2393939

This is a 24/7 operating Customer Care Hotline which is accessible from any part of the island with a response time of under 5 seconds. A Customer having the required insurance cover needs to call this number whenever -

- He/she meets with an accident. A motor engineer will then be instructed to be at the accident site under 30 minutes.
- He/she needs road assistance due to a vehicle malfunction.
- When admitted to a nursing home as an 'In Patient'
- Prior to being discharged from the nursing home - so that the company, instead of the customer, can settle the nursing home charges.
- The Call Centre also does a routine 'Follow-Up' on all calls received to ascertain the level of customer satisfaction. The results of this research are given in the table below -

Average number of follow up calls made per day re. an accident	Positive Responses	Negative Responses
275	99.9 %	.1 %

In addition, every branch conducts monthly random surveys to ascertain customer satisfaction levels regarding the overall service given.

Average number Interviewed per branch during 2014	Positive Responses	Negative Responses
385	98.5 %	1.5 %

CLAIM SETTLEMENT

The underpinning strength and consequently the market leadership of General Insurance is the fast settlement of claims. It was this company which introduced 'On- the Spot' whereby a motor claim could be settled at the site of the accident itself. Even in cases of extensive loss or damage such as Fire or Flood, whenever the genuineness is not in doubt an advance settlement is made until a complete assessment of the damages is made. A summary of claims settled during 2014 is as follows -

Class of Business	No. of Claims	Amount Paid (Rs)
Engineering	935	213,266,403
Fire	1,534	338,948,249
Marine	1,016	104,713,857
Miscellaneous	3,506	123,322,339
SuwaSampatha	56,828	580,575,007
Traders Combined	1,253	119,455,013
Others	2,446	64,240,107
Sub Total - Non Motor	67,518	1,544,520,974
Motor	72,134	4,109,385,669
TOTAL	139,652	5,653,906,643

REST SPOTS FOR CUSTOMERS:

A unique contribution towards Customer Care has been the installation of VIP Rest Spots for the exclusive use of customers. These Rest Spots are located along the main highways at Warakapola, Melsiripura, Pussellawa, Kitulgala, Tangalle, Induruwa and Kuruwita. During the course of the year another Rest Spot was installed at Puttalam because of the high popularity of the Colombo-Puttalam-Anuradhapura road. All Rest Spots have 5-Star Hotel type washrooms, pure drinking water and a comfortable sitting area

where customers and their families and friends travelling with them can rest before resuming their journey.

HIGHLIGHTS OF CUSTOMER CARE - LIFE DIVISION:

NEW PRODUCTS

With the objective of increasing the population-wise penetration level of long term insurance a range of newly enhanced products, covering medical benefits, retirement plans and a revised Saubhagya cover for women with attractive new benefits was launched. Please refer

to the enclosed booklet for a list of products.

POLICY HOLDERS INVITED TO 'GO GREEN' AND WIN AN i-PAD

Policy holders were invited to participate in the company's efforts to 'Go Green' by agreeing to receive E documents relating to their policies. As an incentive those who registered for E documents before 31st August 2014 were offered prizes of iPads, Samsung smart-phones and dongles. E documents meant that customers would receive e-mail alerts when a premium payment is due and when such payment is received.

They also have access to details of their policy anytime and from anywhere. Furthermore they are protected against information theft in the event of lost or stolen mail. This method of E documentation significantly helped the company reduce its carbon footprint.

SALES STAFF EQUIPPED WITH TABS

In order to improve the interaction of Sales Agents with Customers, 190 selected Sales Agents were given Tabs. It is planned to provide these devices to the entire sales force within the next few years.

APRIL CASH BONANZA FOR POLICYHOLDERS

14,570 policyholders received an April 'Aluth Avurudhu' bonanza totaling Rs.49.5 million. For the first time policyholders who had completed 25 years with the company had their loyalty rewarded with a special cash bonus of Rs.100/- for every Rs.1,000/- of the sum insured.

MANAGEMENT DISCUSSION & ANALYSIS

FAMILY SAVARI

The iconic customer rewards programme – The all expense paid Family Savari has been expanded and this year.

20 persons from 5 policy holder families toured Japan.

40 persons from 10 policy holder families toured China.

200 persons from 50 policy holder families toured Singapore.

2,000 persons from 500 policy holder families had a day out at Sri Lanka's Leisure World.

FALCK EMERGENCY AMBULANCE SERVICES

Policy holders living in Colombo and the suburbs have been given free membership for the services of Falck – which is the largest emergency ambulance service provider in the world. Offering a 24/7 emergency ambulance service with each ambulance having a team of Emergency Medical Technicians, life saving first-aid can be administered until the patient is admitted to a hospital of the customer's choice.

CLAIM SETTLEMENT

The objective was to settle every valid claim within 30 days of receiving one. During the year under review over 95% of death claims received were settled. Thereby the Life Division created customer satisfaction levels of the highest level and maintained its record of being the best in claim settlement in the Life Insurance Sector of the Industry

Type of Claim	Number	Value (Rs'000)
Death/Accident/Medical/Hospital Cash Claims	15,993	541,714
Customer Benefit Payments	83,957	4,460,285
Total		5,001,999

WHAT OUR CUSTOMERS SAY

- GENERAL INSURANCE



"INSURANCE IS PART AND PARCEL OF DAY-TO-DAY ACTIVITIES IN LIFE, AND MORE IMPORTANTLY, IN A COMMERCIAL ENVIRONMENT. CEYLINCO INSURANCE HAS ALWAYS GIVEN US THE BEST, WITH MINIMUM HASSLE, AND CONVENIENT SOLUTIONS, WHICH SUIT OUR BUSINESS SEGMENT THE MOST."

Mr. Rohan Tudawe
Chairman
Tudawe Brothers (Pvt) Ltd



"WE TRAVEL ALL OVER SRI LANKA FREQUENTLY. 'VIP REST SPOTS' HELP OUR FAMILY TO REST MID-JOURNEY, AND THEN CONTINUE TRAVELLING, REFRESHED. IT IS A WELL-THOUGHT OUT CONCEPT, ESPECIALLY FOR LADIES, WHEN ON A LONG JOURNEY. PLEASE KEEP UP THIS EXCELLENT SERVICE."

Mrs. Udumbara Jayasiri
Chairperson
J U Caterers



"WE WISH TO TAKE THIS OPPORTUNITY TO SINCERELY THANK AND APPRECIATE YOUR TEAM FOR THE ENDLESS SUPPORT THEY HAVE RENDERED TO US AT ALL TIMES. WE NEED TO BRING TO YOUR KIND NOTICE THAT OUR PLANT CAUGHT FIRE, AND THIS DISASTER REALLY HURT US, BOTH EMOTIONALLY, AND FROM A BUSINESS POINT OF VIEW. DURING OUR DARKEST HOUR THE SUPPORT AND CONSOLATION GIVEN TO US BY YOUR TEAM WAS EXCEPTIONAL, AND WE ARE REALLY HAPPY AND PROUD TO BE ASSOCIATED WITH YOUR PRESTIGIOUS COMPANY IN BUSINESS TIES. MOST OF OUR BUSINESSES ARE INSURED WITH CEYLINCO INSURANCE AND WE ARE CONVINCED THAT IT IS UNDOUBTEDLY THE BEST CHOICE."

Mr. Sajad Mowzoon
Managing Director
Pyramid Lanka (Pvt) Ltd

MANAGEMENT DISCUSSION & ANALYSIS

WHAT OUR CUSTOMERS SAY - LIFE INSURANCE



"I'M SHANAKA AND I STUDIED AT MATHALE GOVERNMENT COLLEGE. I WAS PLACED 3RD IN THE DISTRICT FOR THE 2013 MATH STREAM. I'M GRATEFUL TO MY PARENTS AND TEACHERS FOR GUIDING ME TOWARDS THIS ACHIEVEMENT. I WOULD ALSO LIKE TO EXPRESS MY HEARTFELT GRATITUDE TO CEYLINCO LIFE FOR GIVING ME A PRANAMA SCHOLARSHIP."

Shanaka Ramesh Gunasekara



"WHEN I WAS GROWING UP, IT WAS ONLY IN MY HISTORY TEXTBOOKS THAT I SAW FAR OFF PLACES LIKE THE GREAT WALL IN CHINA. VISITING SUCH FANTASTIC PLACES WAS A DISTANT DREAM. BUT MY DREAMS CAME TRUE, AND IT'S ALL BECAUSE OF CEYLINCO LIFE."

Miss. Thisaranie Silva



"CEYLINCO LIFE DONATED A NEW BUILDING FOR OUR SPECIAL EDUCATION UNIT. AS THE SECRETARY TO THE PROVINCIAL EDUCATION MINISTRY, I'M VERY GRATEFUL FOR THIS GENEROUS AND TIMELY DONATION. CEYLINCO HAS SHOWN A COMMITMENT TO GO BEYOND NORMAL BUSINESS OBJECTIVES AND FULFILL THEIR CSR OBLIGATIONS. THE BUILDING WILL PROVIDE SHELTER TO LESS PRIVILEGED CHILDREN IN OUR SOCIETY."

Mr. Mahinda S. Weerasooriya, Secretary
– Ministry of Education
Information Technology & Cultural Affairs,
Sabaragamuwa Provincial Council

OUR EMPLOYEES

First of all we are pleased to confirm that we are an equal opportunity employer.

Our employees are our business ambassadors, our customer contact points, our customer relationship builders. It is they who transform the intangibility of our service into a tangible product.

Therefore training, performance appraisals, recognizing and rewarding and most importantly, identifying and building a career path for our employees are looked upon as a very necessary on-going process.

Training: Training commences for new recruits with a 2 week Induction Programme at which they are familiarized with the history of the company, the insurance industry, products, self-motivation, customer care and the company code of discipline.

Thereafter training continues at departmental, branch or regional level. In this regard it is relevant to point out that many of the branches have in-built training rooms with all modern audio-visual facilities. More importantly on the job training is a continuous process.

A much looked forward to programme is the series of Outbound Adventure Programmes. This is a team building exercise where participants spend two days participating in white water rafting, jungle trekking and mountain climbing.

In addition to the training facilities in their own branches the Life Division now owns a large colonial type bungalow adjacent to its head office for use as a training centre.

Performance Appraisals: Percentage of employees receiving performance and career development reviews by category and frequency.

Employee Category	Frequency
Sales & Marketing	Monthly
Technical	Monthly
All Others	Bi-Annually

MECHANISM FOR EMPLOYEES TO PROVIDE MARKET FEEDBACK AND SUGGESTIONS TO SENIOR MANAGEMENT

Formal Channels

Bi-monthly Development Meetings.

Chaired by: Managing Director/CEO

Participants: Corporate Management

Monthly Regional Meetings

Chaired By: AGM /Regional Manager

Participants: Branch Managers

Weekly Branch Meetings

Chaired By: Branch Manager

Participants: Branch Staff

Weekly Departmental Meetings

Chaired By: Head of Department

Participants: Department Staff

INFORMAL

Branch Visits by MD/CEO, Executive Directors and General Manager (Branches) during which one-to-one discussions are held with staff members.

Code of Conduct: Every employee on being made permanent is given a booklet containing the Company's Code of Conduct which highlights Professionalism, Ethical Customer Relationships, Integrity and Behavioral Norms both during and after working hours.

Identifying Career Paths: It is the responsibility of Branch Managers and Departmental Heads to identify

and provide opportunities for those with promotional potential to attain higher levels in the organizational hierarchy. Such identification and opportunities are mentioned during times of appraisals and where necessary special training programmes are conducted to make candidates suitable for promotion.

Share Ownership: A unique benefit enjoyed by our employees is through the Ceylinco Insurance Employees Share Ownership Trust (CIESOT) which holds shares for the sole benefit of the employees. These shares are allocated annually among eligible employees according to a pre defined criteria which is based on their seniority and designation. Accordingly the dividends received by the Trust is distributed among the eligible employees, thus motivating them by creating a sense of ownership of the company.

In complying with the CSE Listing Rules relating to Employee Share Schemes, CIESOT will be dissolved in 2015 and the benefits will be distributed to all eligible employees who are the beneficiaries as per the Trust Deed.

Rewards and Recognition: The highlight of the year's events for both General and Life divisions is the separately held, Gala Annual Awards Ceremony. In addition to this at Branch Level there are numerous competitions and incentives by which those with exceptional performances are duly recognized and rewarded. A very enthusiastically awaited 'Reward' in the General Division is the annual Bangkok Holiday. In 2014, for the 11th consecutive year over 200 top performers were sent on an all-expenses paid holiday to this internationally popular destination.

MANAGEMENT DISCUSSION & ANALYSIS

Toastmasters Club: The Life Division joined corporate entities around the world which seek to improve the skill of effective public speaking for the personal and professional benefit of their staff with the formation of its own Toastmasters Club. With its first batch of 24 members the Club was ceremonially chartered as a member club of Toastmasters International (TI) district 82, Division E, Area 02.

Holiday Resorts for Employees:

We encourage and support our staff to relax and enjoy their holidays with their families. However it is not everyone who can afford to spend a holiday in a tourist hotel. Therefore the General Division has invested in two holiday resorts. One is a six room resort at Kosgoda with a swimming pool and overlooking an unpolluted beach. A caretaker/ cook is in attendance to prepare all meals. The other resort is a three chalet holiday retreat at Kithulgala. It is in close proximity to the location made famous by the movie 'Bridge over the River Kwai'. Here too a caretaker/ cook is in attendance to look after the needs of guests.

The Life Division has a six bed room holiday bungalow in Nuwara Eliya located on top of a hill and in very close proximity to the park. A caretaker and a cook are in attendance to look after the needs of guests. It is by all standards a cosy, comfortable holiday home.

Sports Activities: We have identified that one of the most effective methods of 'employee bonding' is through sports. Therefore throughout the year inter-regional and inter-departmental sports activities such as cricket, volleyball, netball, football and athletics are held. All categories of staff, including Directors participate. The organization also picks teams for participation in the Mercantile

(Inter Company) Tournaments for Cricket, Rugger and Swimming, in which sports we have had significant successes.

Benefits: A wide package of benefits including health care, voluntary pension schemes, educational incentives and funeral expenses for immediate family members are available to all permanent employees. These and all the other benefits we offer significantly exceed the stipulated Statutory Benefits.

As an additional benefit the General Division in 2012 formed a government approved Banking Co-operative Society to which membership is voluntary

DIVISION OF EMPLOYEES BY PERMANENT / CONTRACT AND GENDER

Permanent Employees	General	Life	Contract Employees	General	Life
Male	2,139	758	Male	841	05
Female	493	166	Female	131	05
Total	2,632	924	Total	972	10

RETURN TO WORK AND RETENTION RATES AFTER PARENTAL (MATERNAL) LEAVE:

	Leave Granted	Returned to Work
General	11	10
Life	01	01

OUR PROFESSIONAL CONTRIBUTION TO THE INDUSTRY

We believe that as the leading insurance company we must be positively involved with the various industry affiliated institutions. To achieve this the following key personnel served in such institutions during 2014:

1. Mr A.R. Gunawardena -

Managing Director/CEO (General)

- Member of the Technical Advisory Committee of the Government Strikes, Riots, Civil Commotion & Terrorism Fund which is functioning under the National Insurance Trust Fund. (NITF)

2. Mr E.T.L. Ranasinghe

- Director/Deputy Chief Executive Officer (Life)

- Alternate Member of the Executive Committee of the Insurance Association of Sri Lanka (IASL).

3. Dr W.C.J. Alwis

- Director (Technical)/Chief Technical Officer

- Alternate Member of the Technical Advisory Committee of the Government Strikes, Riots, Civil Commotion & Terrorism Fund which is functioning under the National Insurance Trust Fund. (NITF)
- Member of the Executive Committee of the Insurance Association of Sri Lanka (IASL)
- Vice President of the Ceylon Society for Prevention of Accidents (CeSPA)

- Immediate Past President and Member of the Executive Board of the Association of Insurers and Reinsurers of Developing Countries (AIRDC)

- Member of the Faculty Board, Faculty of Science, University of Peradeniya

- Member of Faculty of Management Studies, Sabaragamuwa University

4. Mr Upali Witharana

- Director/Chief Financial Officer (General)

- Member of the Financial Technical Sub-Committee of Insurance Association of Sri Lanka (IASL)

5. Mr P.A. Jayawardena

- Director/Chief Financial Officer (Life)

- Alternate Member of the Financial Technical Sub-Committee of Insurance Association of Sri Lanka (IASL)

6. Mr P.M.B. Fernando

- Director/Head of Information Technology (General)

- Member of the Information Technology Sub-Committee of Insurance Association of Sri Lanka (IASL)

7. Mr H.D.A.N. Perera

- General Manager Technical (General)

- Member of the Working Committee of the Government Strikes, Riots, Civil Commotion & Terrorism Fund which is functioning under the National Insurance Trust Fund. (NITF)

- Member of the General Insurance Forum (GIF) of the Insurance Association of Sri Lanka (IASL).

8. Mr Asoka Sirisena

- Senior Assistant General Manager Technical (Life)

- Assistant Secretary of the Sri Lanka Insurance Institute (SLII)
- Member of Life Insurance Forum of the Insurance Association of Sri Lanka (IASL).

MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE SOCIAL RESPONSIBILITY



SAVING LIVES WITH GIFT OF A PORTABLE VENTILATOR TO THE NATIONAL HOSPITAL

The Life Division donated a portable ventilator to Wards 49 and 47B of the National Hospital of Sri Lanka (NHSL) in response to a request from the Consultant Physician in charge.

The portable ventilator is used to provide artificial breathing to critically ill patients at these wards and while they are in transit from the wards to the hospital's Intensive Care Unit (ICU).

DONATION OF HIGH DEPENDENCY UNIT TO NATIONAL HOSPITAL

A surgical High Dependency Unit constructed, furnished and equipped by the Life Division was donated to Ward 6A of the Professorial Surgical Unit of the National Hospital of Sri Lanka (NHSL) as part of our continuing commitment to the healthcare sector.

This unit was donated in response to a request made by the Dean of the Faculty of Medicine of the University of Colombo Prof. Rohan Jayasekara. It is equipped with two ICU beds with their own multi parameter monitors, syringe pumps, infusion pumps and suction apparatus, an air purifier and its own oxygen supply and oxygen cylinder bank. It provides intensive post-operative care to patients who



undergo complex gastrointestinal, hepato-pancreatico-biliary and other general surgical procedures.

DONATION OF PAEDIATRIC DENGUE HIGH DEPENDENCY UNIT TO JAFFNA TEACHING HOSPITAL

The Life Division donated a fully-equipped and furnished Intensive Care Unit (ICU) that will serve as a dedicated Dengue High Dependency ward for children at the Jaffna Teaching Hospital, the leading hospital in the Northern Province of the country.

This is the third ward of its kind donated by the Division to a state hospital in Sri Lanka.

The Unit of 650 square feet is located within Ward 11, the Professorial Paediatric Unit of the hospital. It comprises of five ICU beds, each allocated an area of 130 square feet. The beds are equipped with bed-head panels with wall oxygen, bedside cupboards, over-bed tables, saline stands and bystander reclining



chairs. The unit is also equipped with five multi-parameter monitors with a centralised system, five infusion pumps, five syringe pumps, three portable suction apparatus units and an air purifying unit.

As part of the project the Life Division undertook the refurbishment of the area allocated from Ward 11 for the new unit. This included minor construction work and painting of the ward. The ceiling of the unit has been embellished with cartoon pictures to create a child-friendly atmosphere for the patients who will be treated at the unit.

DONATION OF 60TH CLASSROOM BUILDING

The Life Division's community initiative to support education in under-served towns and villages across the country reached another milestone in 2014 with the donation of a classroom to Assennawatta Kanishta Vidyalaya, Divulapitiya, taking the total number of schools assisted under the programme to 60.



Other recipient schools in 2014 were the Boragas Sri Pragnasena Maha Vidyalaya Nuwara Eliya, Higgaswatta Primary School Kuruwita, and Dodamgaslanda Royal College, Rideegama.

Commencing with a classroom built for the Tissa Primary School in Lunugamvehera in 2004, the schools infrastructure project has traversed the length and breath of Sri Lanka, assisting schools in diverse locations such as Jaffna, Vavuniya, Trincomalee, Batticaloa, Sittandy, Mollipatana, Ayithyamalai, Embilipitiya, Nivitigala, Beligala, Avissawella, Deniyaya, Kamburupitiya, Bandarawela, Haputale, Rambukkana, Kandy, Pilimalawala, Madulkele, Rikillagaskada, Rajawella, Matale, Galgamuwa, Padaviya, Boraluwewa, Anuradhapura, Moneragala, Anamaduwewa and Matugama.



PROVIDING FREE ACCESS TO DOCTORS WITH 'WAIDYA HAMUWA'

The Life Division conducted 26 medical camps around Sri Lanka in 2014 under its 'Waidya Hamuwa' programme, providing free medical advice to 7,260 people.

The medical checks cover the general condition of the person examined and also include checks on oral and dental condition, vision, hearing, the cardio vascular system, respiratory tract, abdomen, skin, joints and central nervous system. All participants are provided with a medical report containing the doctors' findings and recommendations.



CEYLINCO INSURANCE - GENERAL DISTRIBUTES MUCH NEEDED WATER TO DROUGHT STRICKEN POLONNARUWA

Employees of Ceylinco Insurance - General actively took part in distributing water to several remote areas of the drought stricken Polonnaruwa district in July 2014. During the process, over 8,500 one and a half litre bottles of drinking water were distributed in these areas, in the first phase of the project. Further, following the initial project, water was distributed through bowlers for a period of two weeks, with over 16,000 litres of water provided each day, which amounted to over 220,000 litres in total. The areas covered under this humanitarian project were Gurugodalla, Palliyagodella, Ilukpitiya, Wadigawewa, Meegaswewa, Nikahena, Galadamana and Holsim Village, with the entire distribution process being handled by Ceylinco Insurance staff members.

MANAGEMENT DISCUSSION & ANALYSIS



DISTRIBUTION OF SPECTACLES

In addition to the blood donation camp, 600 spectacles were distributed amongst underprivileged people, which included a comprehensive eye test.



CEYLINCO INSURANCE - GENERAL CONTINUES THE ANNUAL BLOOD DONATION CAMPS

The Employees Union of the General Division continued with the annual Project of organizing Blood Donation Camps in the outstations, culminating with the main event at Head Office. Many employees, and customers, as well as employees of offices in the surrounding areas, came forward enthusiastically, responding to the company's request. All camps were conducted under the supervision of the doctors of the Blood Bank, with many doctors and nurses in attendance.

OUR REWARDS AND RECOGNITION



CEYLINCO INSURANCE FETED FOR THE 3RD CONSECUTIVE YEAR AS THE ONLY INSURER AMONG SRI LANKA'S TOP 25 COMPANIES

Ceylinco Insurance, once again earned the honour of being the only Insurance Company amongst the top 25 companies in Sri Lanka for the year 2013 / 2014, at a recent ceremony held at the Colombo Hilton. This marks the third consecutive year that Ceylinco Insurance has been named amidst the top 25 companies in Sri Lanka, and being the only Insurance Company, during the last three consecutive years, to be amongst the top 25 companies in Sri Lanka, makes the achievement all the more unique.

"Business Today" magazine, in its November issue, announced the Top 25 Companies in Sri Lanka, selected on the basis of impressive financial performance, during the financial year ending December 31st, 2013 and March 31st, 2014. In selecting the Top 25 Companies, the financial criteria under consideration covered revenue, share turnover, profit after tax, growth in turnover, growth in profit, return on equity, growth in earnings per share, market capitalisation, value of shares transacted and value addition. Two years ago, 'Business Today' introduced an assessment method for corporate governance amongst the evaluation criteria. It is widely believed that utilising

such a method is likely to influence better transparency and enhance accountability in public listed companies, enabling restoration of public trust and confidence in the corporate sector of the country. "The Business Today Top 25 are a reflection of the corporates who have shown their strength, perseverance and ability to perform under any circumstance," the November issue of 'Business Today' revealed, outlining the criteria relating to the selection of the country's top companies.



CEYLINCO INSURANCE EMERGED PEOPLE'S CHOICE FOR AN UNPRECEDENTED 8TH CONSECUTIVE YEAR

Ceylinco Insurance, yet again, reaffirmed its position as the undisputed leader in the Insurance industry in Sri Lanka, by winning the 'People's Insurance Brand Of The Year', at the People's Awards-2014 for an unprecedented 8th consecutive year. The accolade, awarded by the Sri Lanka Institute of Marketing (SLIM), in association with Nielsen Lanka (Pvt) Ltd., recognises and honours brands that are closest to the hearts and minds of the Sri Lankan public.

Since its inception eight years ago, in 2006, the concept of the People's Award is unique, in that the Sri Lankan people are the primary and only source of deciding who the winners are across brands, organisations and personalities. The 8th consecutive win for Ceylinco, having not missed

a beat since the commencement of the POP Award, as it is popularly called, confirms its position at the very zenith, as the most preferred insurer, in the sphere of insurance in the island.

Stringent research criteria, followed over a period of six months, from September 2013 to February 2014, interviewing over 2,700 consumers, aged between 18 to 50 years. The random sample of people was taken from all nine provinces island-wide, making it one of the largest research projects in the country. Therefore, the results arrived at, reflect the actual opinions of Sri Lankans from across communities, regions and social strata.



CEYLINCO INSURANCE RECOGNISED AS THE 'BEST INSURANCE COMPANY - SRI LANKA' BY GLOBAL BANKING & FINANCE REVIEW, UK

The reputed Global Banking & Finance Review based in London, announced Ceylinco Insurance as the 'Best Insurance Company - Sri Lanka - 2014'. The Global Banking & Finance Review awards were created to honour companies that stand out in particular areas of expertise, within the Banking and Finance industry in their respective countries. The awards recognise the innovativeness, strategic focus, achievements and the progressive and inspirational changes, within companies in the financial sector. Measured against such stringent

MANAGEMENT DISCUSSION & ANALYSIS

criteria, Ceylinco Insurance has once again reaffirmed its outstanding position, as the torchbearer for the nation's insurance industry.

HIGHEST RANKED INSURANCE COMPANY

Ceylinco Insurance maintained its position as the highest ranked insurance company in Sri Lanka for the 21st consecutive year. The LMD rankings announced in December 2014 placed Ceylinco Insurance in the 21st position amongst all listed company's in the island. Since the inception of LMD rankings, Ceylinco Insurance was able to occupy the top position amongst the insurance companies in the country.

CEYLINCO INSURANCE RECOGNISED AT GLOBAL COMMERCE EXCELLENCE AWARDS 2014

Global Commerce Excellence Awards, which distinguish the corporate entities that made outstanding contributions to the Sri Lankan economy, recognized Ceylinco Insurance at their biennial Awards held in December 2014. The Global Commerce Excellence Awards, organized by the Central Bank of Sri Lanka, focus mainly on the contribution to the national economy and the value created to the Sri Lankan populace by the identified corporate bodies.



GAYAN DE SILVA ADJUDGED BEST FRONT LINER AT NASCO AWARDS

Gayana de Silva, a Financial Advisor attached to the Borella branch of the Life Division was adjudged the Best Front Liner overall at the 2014 National Sales Congress (NASCO) Awards of the Sri Lanka Institute of Marketing (SLIM) and received the Gold Award for the Best Front Liner in the Insurance Sector.

The rare double was one of the highlights of the 2014 edition of the premier event that recognizes sales excellence and rewards and motivates sales professionals to achieve greater heights.



ADJUDGED SRI LANKA'S BEST AT WORLD FINANCE GLOBAL INSURANCE AWARDS

The Life Division was adjudged the Best Life Insurance Company in Sri Lanka for 2014 by World Finance, the prestigious UK-based bi-monthly magazine that provides in-depth coverage and analysis of the financial industry and global economy.

Ceylinco Life scored high in the publication's assessment, which covered efficiency in processing new business, focus on customer retention, employee and agent training, ensuring best practices within the company, financial performance, market research and measuring customer satisfaction.

Managing Director/CEO R.Renganathan received the award on behalf of the company at the London Stock Exchange on Monday, 8th September 2014 ahead of the ceremonial presentation at the 2014 Global Insurance Awards of World Finance scheduled for November this year.

DR. JAGATH ALWIS, DIRECTOR TECHNICAL OF CEYLINCO INSURANCE, HONOURED AS THE 'PERSONALITY OF THE YEAR - 2014'



Dr. Jagath Alwis, Director Technical /Chief Technical Officer of Ceylinco Insurance was honoured as the 'Personality of the Year - 2014', at the 18th Asia Insurance Industry Awards held in Taipei, Taiwan. The prestigious 'Asia Insurance Industry Awards', recognised as the zenith of the Insurance Industry in Asia, is now in its 18th year, having become a much sought-after mark of excellence and peer group endorsement, for insurance companies and professionals in the region. Thus, Dr. Alwis's achievement marks a tremendous honour, both for Ceylinco Insurance and Sri Lanka.

Summarising Dr. Alwis's unmatched contribution to the insurance industry in Sri Lanka, as well as to the international insurance arena, the prestigious 'Asia Insurance Review' magazine, in its introduction, said: "We salute his unstinting contributions to the insurance sector in Sri Lanka and his ability to galvanise various stakeholders towards a shared objective, to

advance the industry's cause, and his leadership in the developing world."

The distinguished selection panel consisted of 33 eminent industry experts, drawn from a cross-section of the industry, representing the European and Asian continents, all of whom are driven by a common spirit to recognise and salute excellence, with the advancement of the insurance industry in mind. Out of a total of fifteen award recipients in multiple categories, nine were won by multinationals operating in Asia; among them were Aon Benfield, Swiss Re, Munich Re, AXA Insurance, Prudential Insurance, Allianz and Australia New Zealand Insurance & Finance.

Dr. Jagath Alwis has presented papers on a plethora of topics at more than thirty International Insurance Conferences, held in Afro-Asian countries, including India, Pakistan, Singapore, Malaysia, the Philippines, China, Bahrain, Zimbabwe and Egypt. He is the immediate Past President

of the Association of Insurers and Reinsurers of Developing Countries (AIRDC). Bestowed with the daunting task of resurrecting and re-animating this prestigious organisation, Dr. Alwis was able to lead the local insurance fraternity to successfully host the 17th Insurance Congress (ICDC) of Developing Countries in Sri Lanka in 2013, while also organising the 18th Congress in Zimbabwe in 2014.

MANAGEMENT DISCUSSION & ANALYSIS

ENTERPRISE RISK MANAGEMENT – GENERAL INSURANCE

“Enterprise risk management is, in essence, the latest name for an overall risk management approach to business risks. Precursors to this term include corporate risk management, business risk management, holistic risk management, strategic risk management and integrated risk management. Although each of these terms has a slightly different focus, in part fostered by the risk elements that were of primary concern to organizations when each term first emerged, the general concepts are quite similar.” (Stephen P. D’Arcy Fellow of the Casualty Actuarial Society)

In fact to be of best use, the overall focus of risk management has to favor a particular risk aspect depending on the nature of business and the emerging social developments. The evolution and growth of the cyberspace and ‘thumb generation’ has brought in new challenges to enterprises of today in addition to the conventional global and natural risks. New dimensions of cyber threats, manipulations and cyber value additions has increased the risks on business enterprises and perceived values.

Given such a volatile domain, businesses have to make a rational assessment on risk tolerance. For this purpose Enterprise Risk Management (ERM) model coupled with capital structure and risk appetite help organizations to make a rational decision on accepted risk levels.



This makes ERM a process with components relating to each other on a framework.

We can have a clear idea by referring to ‘Conning’s ERM Framework and Stages’ illustrated by the following diagram.

The Insurance business is accepting, sharing and managing risks. In this context Enterprise Risk Management (ERM) benefits in:

- Effective management of adverse events or opportunities that impact on our purpose and objectives
- Promoting the efficient use of resources
- The ability to make informed decisions regarding management of potential negative effects of risk and take advantage of potential opportunities
- Improved planning and performance management processes — enabling us to focus on core business service delivery and implement business improvements
- Ability to direct resources to risks of greatest significance or impact

- Greater organizational efficiencies through avoiding ‘surprises’
- Better co-ordination of regulatory and compliance requirements.
- Creation of a positive organizational culture in which people understand their role in contributing to the achievement of objectives.

SIGNIFICANCE OF ERM TO CEYLINCO INSURANCE (GENERAL)

The Insurance business in Sri Lanka has seen fierce competition and the market has brought innovative insurance solutions. This innovative concept change was lead by our Company. Such cutting edge solutions and competition calls for immense talent in risk management as the compensation for the Company is derived from the risk portion that is retained. The higher the retained risk, the higher the returns and the risk. Becoming more customer friendly by providing greater customer benefits would compromise the benefit of this retained risk while increasing the cost of such retention.

While the business of our Company is managing the risks of our clients, this has to be done in a framework of managing the risks involved with

the business operation, reputation, financial assets and information. Thus the ERM of an insurer is truly holistic. This is what makes us review the products, cash flows, re insurance policies, investments and HR training to meet both objectives of :

a) **Managing Risks**

With the objective of ensuring the safety of Company wealth and also effective sharing of customer's underwritten risks. This is because the exposure to risk and the profitability of the Company are correlated both positively and negatively depending on the true incidents materializing.

b) **Enhance business opportunities**

Acceptance of greater risks in the form of risks underwritten or kept open provide opportunities for higher profitability, while exposing the reserves and reputation of the organization and vice versa. Therefore the correct combinations have to be maintained to make use of opportunities while ensuring the organization's financial assets and reputation are not at stake.

INFRASTRUCTURE TO MANAGE THE RISKS OF THE COMPANY

ERM COMMITTEE

Ceylinco Insurance is committed to meet the objectives of all stakeholders. The requirements of the customers are paramount. To meet this and interests of other stakeholders, the framework aligns the business operation with the risk appetite of Share holders and the strengths of the company. Coupling the regulatory guidelines with this helps to mould the best fit Risk – return combination catering to the main requirements of all stakeholders.

The ERM committee has to be knowledgeable and address such diverse and sometimes contradicting requirements, which is a challenging task. To triumph the ERM committee comprises of directors to represent the strategic direction and functional heads to include the tactical and operational interests and situational factors. This top-down and holistic representation helps to analyze the organization's internal and external environment in relation to organization's current position. The findings are discussed at the ERM committee and the risk management mechanisms are agreed.

Some specific and technical aspects need further attention, thus the responsibility is distributed among sub-committees and processes.

- **Risk Management Committee**

The core business of the Company is about providing the framework for people to share their risks. This committee deals with such risk allocation among the clients, Company and reinsurers for sharing with a larger community. The reinsurance and product pricing is looked into for this purpose by this Committee.

- **Investment Committee**

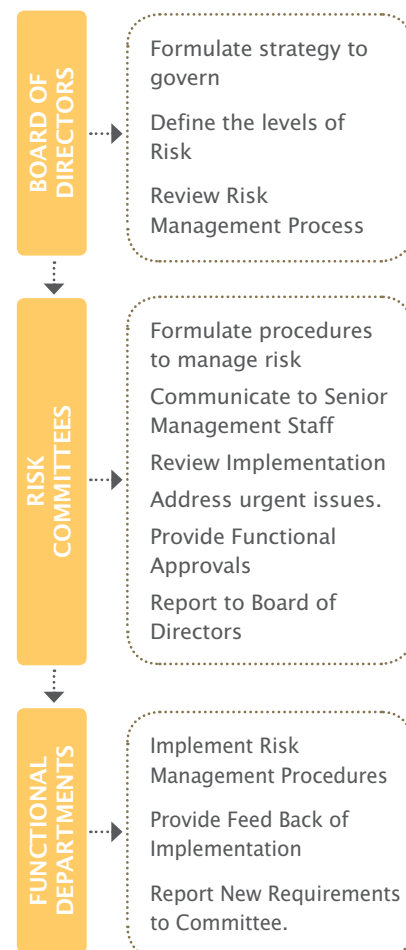
The accumulated financial strength and the financial flexibility of the Company is vital for business success and 'product promise' delivery. The financial assets and strengths are sensitive to the macro economic environment. The Investment Committee reviews the risks arising from macro economic factors and reviews the asset allocation of the General Insurance Fund, performance of the investment portfolios and investment strategies.

- **Audit Committee**

Audit Committee looks at the risk arising from operations, non compliance to business policies, financial reporting and procedures. The Committee ensures effective internal audit procedures and the reporting compliance.

- **Marketing Communication and the Customer Relation Process**

This process connects the policy and product formulation and experience at customer end. This process ensures that the Insurance solutions offered by the Company are in line with the requirements of the market, communication is accurate and the experience at the customer's end is what was promised.



MANAGEMENT DISCUSSION & ANALYSIS

ENTERPRISE RISK MANAGEMENT – LIFE INSURANCE

Enterprise Risk Management (ERM) refers to a process where firstly all risks associated with a company's operations are identified in comprehensive manner in order to achieve corporate targets. It is an integral part of good business practice and then involves the implementation of effective strategies

with a managed and controlled approach in order to mitigate, transfer, avoid and accept those risks or exploit the opportunities pop up from those risks.

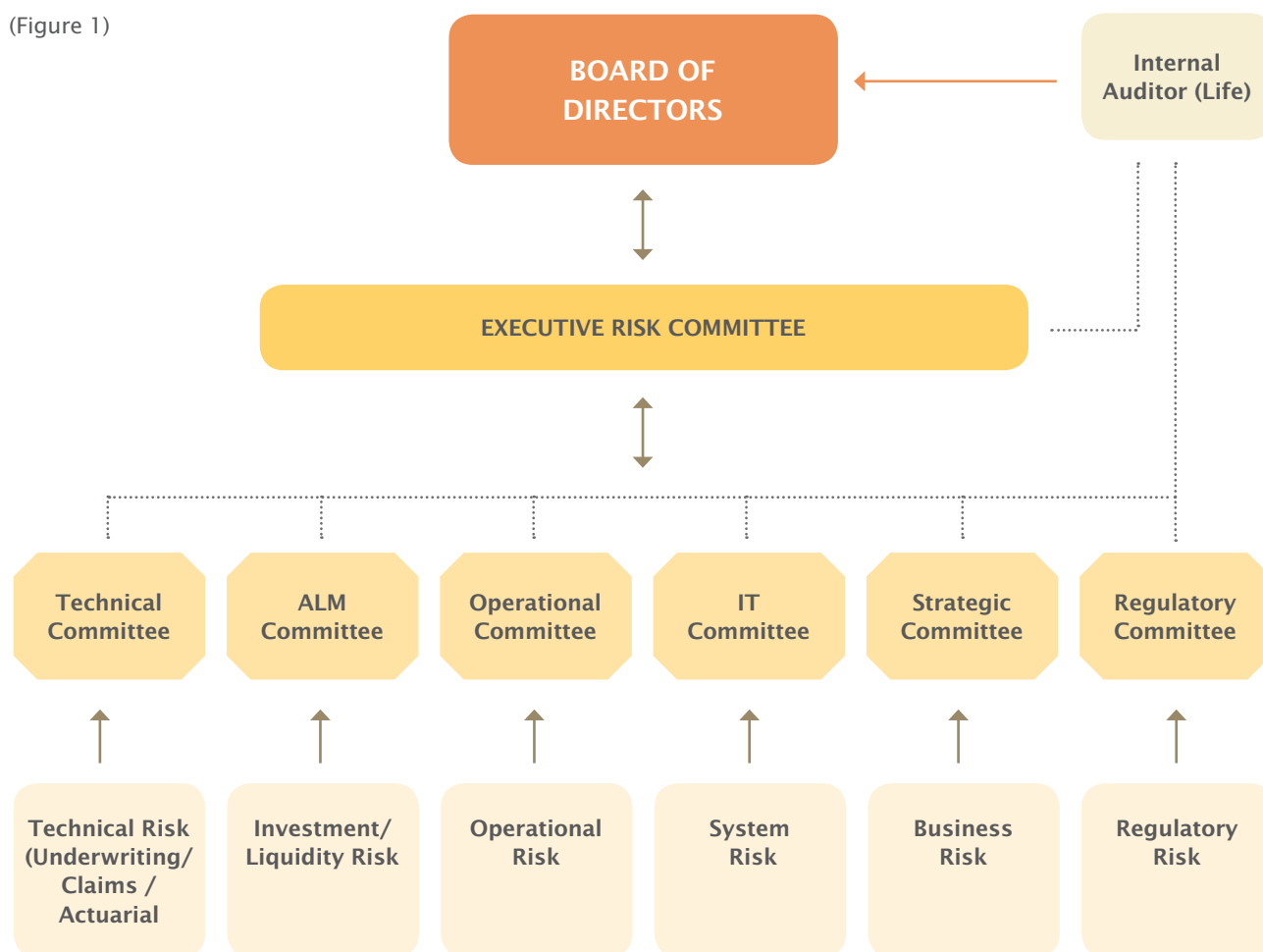
RISK GOVERNANCE STRUCTURE

Risk Governance Structure of Ceylinco Life has been strengthened further to ensure that risk is managed across all the departments in a holistic manner, is integrated into our culture, business practices

and business plans, is inclusive of all levels of staff and is applied in a consistent manner.

Figure 1, which involves strengthening and enhancing risk governance and management practices at all Levels are placed across the organization.

(Figure 1)



THE BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the Life Division's Governance principles and policies. The BOD generally deals with risk management through committees and implements appropriate frames and systems to identify and manage the principal risks of the Life Insurance business and periodically reviews and approves risk policies. Generally, the Board meets quarterly and oversees the progress with the Executive Risks Committee and with the Internal Auditor. The Chief Risk Officer (CRO) is appointed by the Board and is responsible for establishing a proper ERM process. The CRO of Ceylinco Life is Director-Deputy Chief Financial Officer. The CRO takes part at all risk committees discussed below.

THE EXECUTIVE RISK COMMITTEE

The Executive Committee implements the risk management framework through six sub committees. The Executive Risk Committee consists Heads of Divisions including the Internal Audit Division. Meetings are held monthly to discuss risk areas and necessary actions are initiated. Risks that have been discussed in each committee level are discussed and escalated to the Board Level accordingly.

TECHNICAL COMMITTEE

The Technical Committee oversees the risks that emerge from Technical/Underwriting/Claims and Actuarial aspects related to Life Insurance Business.

The Technical Committee is headed by Senior Assistant General Manager (Technical).

ASSET LIABILITY MANAGEMENT COMMITTEE (ALM)

The Asset Liability Management (ALM) Committee oversees the management of Ceylinco Life's balance sheet, in particular its liquidity, capital and funding position and related policies.

The Investment Committee is headed by Senior Manager (Portfolio).

OPERATIONAL COMMITTEE

The Operational Committee monitors the operational risks faced by the Life Operation Business. Operational Risk relates to the risks arising from failed internal processes, people and external events.

The Operational Risk Committee is headed by Deputy General Manager (Operations).

IT COMMITTEE

The IT Committee oversees the risk of losses from computer system defects, faulty computer system operation and illicit use. In managing system risk, we have set our own safety standards for the planning, development, operation, and use of computer systems, and we strive to maintain high-level safety measures relating to information, communication and technology (i.e. ICT risks).

The IT Committee is headed by the Senior Deputy General Manager (ICT) /Chief Information Officer.

STRATEGIC COMMITTEE

The Strategic Committee mainly oversees the Business Risks related to Life Business.

The Business Risk Committee is headed by Deputy General Manager (Marketing).

REGULATORY COMMITTEE

The Regulatory Committee mainly oversees the Risks related to regulatory requirements and compliances.

The Regulatory Committee is headed by Manager (Legal).

INTERNAL AUDITOR

Risk management activities are also supported by the Internal Audit Department. The Internal Audit department carries out independent assessments on adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Ceylinco Life, including those within Risk Management.

The head of the Internal Audit takes part in all committee level discussions and an independent review is made to the Board directly as to whether the decisions and the implementation process have been properly adhered to.

MANAGEMENT DISCUSSION & ANALYSIS

DETERMINE RISK LEVEL

Having assessed the consequence and likelihood of major risks, a risk level will be determined. Risks which may have a larger consequence and a higher likelihood on business operations will have a higher priority rating than those with a minor consequence and lower likelihood.

Likelihood	5	Almost Certain					Critical
	4	Likely			High Risk		
	3	Possible		Medium Risk			
	2	Unlikely	Low Risk				
	1	Rare					
			Insignificant	Minor	Moderate	Major	Critical
			1	2	3	4	5
			CONSEQUENCE				

Risk Level	Risk Treatment Guidelines
Critical	Immediate action is required to actively manage risk and limit exposure
High	Cost / benefit analysis may be required to assess the extent to which risk should be treated - monitor to help ensure the risk does not adversely change over time
Medium	Constant / regular monitoring is required to help ensure risk exposure is managed effectively, disruptions minimized and outcomes monitored
Low	Effectively manage through routine procedures and appropriate internal controls

SUMMARY OF RISK CATEGORIES

Risk Category	Strategy and Control
Business Risk Risks that affect the company objectives are identified as business risks. Business risk arises due to changes in the of internal and external environment from its expected behavior leading to delay or hinders the achievement of company objectives.	Strategic Planning meeting are held on a quarterly basis and addresses all risk areas affecting Objectives of the Life Business. Appropriate decisions are taken by ensuring the set objectives are achieved. Environmental Scanning, market research results and other strategic models are considered for decision making. Carrying out performance evaluation process.
Regulatory Risk Risks arising due to non compliance of relevant laws, regulations, practices or ethical standards.	The Compliance officer oversees the compliance procedure and reports risks arising from rules and regulations. A comprehensive checklist has been incorporated to the monthly reporting mechanism. Regular consultation with in-house legal officers and updating the process is established.
Technical Risks Risks arising in the areas of underwriting, actuarial and claims such as mortality risk, morbidity risk, underwriting risk, reinsurance basis risk, claims settlement risk, customer credit risk, deviation in experience etc. are considered.	Assign Life fund valuation to Towers Watson and defined benefit plans valuation by M/s K.A. Pandit. Determination and application of best estimation and assumptions. Use Algo Financial Modeler for actuarial analysis Review underwriting limits periodically. Staff rotation and training. Pricing is done by from Towers Watson/Milliman actuarial consultants. 100% Tele underwriting process.
Investment/Liquidity Risks Risks related to investment/Liquidity such as Credit Risk of counterparty, Interest risk, Re-investment risk, Inflation risk, concentration risk, Political and social risks are considered.	Investments are reviewed weekly basis for decision making. Ongoing counterparties evaluation (default rating and limits). Continuous Interest and inflation monitoring process against the yield/real rate. Adopt systematic reinvestment system providing higher yield. Maintain Overdraft Facilities, Repo investments to strengthen the liquidity ratio. (For emergency liquidity issues).

MANAGEMENT DISCUSSION & ANALYSIS

Risk Category	Strategy and Control
IT Risks Risks emerge due to technological infrastructure and information systems are addressed. Hacking and Viruses, Data Leakages, Data Pilfering, Data Integrity of Core-systems, Usage of Private Devices, Service Providers support, Critical staff members, Network Vulnerability etc. are some of them	Continuous scanning of the IT control environment and strengthening security activities and measures required. Conduct training and awareness programs for risk related issues. Periodical reviews of agreements, policies and practices. Vendor reviews and assessments. Audit reviews. (IT Audits and Internal audits)
Operational Risks This concerns the risk of generating losses derived from failures or lack of adequacy of internal processes, people or external events. The risk of fraud and errors, risk of business execution failures, risk of circumventing Company policies and authorized limits are a few of them.	Monthly Branch visits and branch audits Job rotation and authorization limits within the approval cycles. Close supervision and appointing custodians for processes and assets. Perform business intelligence practices. Tele underwriting process. Perform internal audits and technical audits. Obtain fidelity guarantee insurance coverage.

BUSINESS CONTINUITY PLANNING

During the year 2014, Ceylinco Life developed its Business Continuity Plan Capabilities in line with the plan. The activities of Ceylinco Life were revisited and were aligned with changes in the business environment and a fresh Business Impact Assessment Document was prepared. The Business Continuity Plan document itself was reviewed and updated.

In respect of Implementation, desktop drills were carried out in all areas to ensure that the respective company personnel know what they are supposed to do in case of an emergency situation. Simulated drills were carried out in Group Insurance and Corporate Investment areas. There was a separate drill where ITC operations were carried out using the Disaster Recovery Infrastructure and all these drills were reviewed to

identify improvement opportunities which would be incorporated into documentation and practiced.

The above activities were carried out under the guidance of Somaratna Consultants, whose project consultant Arjuna Somaratna is a Master of Business Continuity Professional who ensured that these activities are compliant to Disaster Recovery Institute International guidelines and IBSL guidelines on BCP.

GLOBAL SUPPORT

Swiss-reinsurance Company Ltd- one of the major reinsurance partners of the Life Division has extended their support to the ERM process. As a result a few members of the risk management team had an opportunity to visit Swiss-reinsurance Company Ltd during the latter part of the year and could experience a comprehensive understanding of

Swiss-re's risk management process and systems which will help to strengthen the Ceylinco Life's Risk Management process going forward.

REINSURANCE ARRANGEMENTS

RETENTIONS OF RISK UNDER VARIOUS CLASSES OF INSURANCE - (GENERAL INSURANCE)

Class	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/-
Strike, Riots & Civil Commotion	Nil
Terrorism	Nil

Claims above these limits are recoverable under our Reinsurance Programme.

RETENTIONS OF RISK UNDER VARIOUS CLASSES OF INSURANCE - (LIFE INSURANCE)

Class	Maximum Net Retention per Life (Rs.)
Life / Accident	1,000,000/-
Critical Illness	250,000/-

MAJOR TEN REINSURERS - (GENERAL INSURANCE)

Reinsurer	Country of Origin
Swiss Reinsurance Company	Switzerland
Scor Reinsurance Asia - Pacific Pte. Ltd.	France
Lloyd's of London	United Kingdom
R+V Versicherung AG	Germany
Toa Reinsurance Company Limited	Japan
Odyssey Reinsurance Corporation	U.S.A.
General Insurance Corporation (GIC Re)	India
Sirius International Insurance Corporation (Publ)	Sweden
Trust International Insurance & Reinsurance Company B.S.C.	Bahrain
Taiping Reinsurance Co. Ltd.	Hong Kong

REINSURERS - (LIFE INSURANCE)

Reinsurer	Country of Origin
Swiss Reinsurance Company Ltd.	Switzerland
Munich Reinsurance Company	Germany

The security rating of all Reinsurers are in compliance with the minimum security guidelines issued by the Insurance Board of Sri Lanka dated 19.12.2003.

CORPORATE GOVERNANCE

Sound Corporate Governance requires self-discipline and proper execution of duties by all stakeholders. It signifies good governance and eventually depends on the existence of a strong and competent Board of Directors and a team of professional senior management. In addition to that, effectiveness in executing Board responsibilities also comes from personal values and professional ethics. Even though governing bodies can present guiding standards or set out applicable directives, the moral commitment to Good Corporate Governance must mainly come from the heart.

The success of a company is often dependent on having respect for good governance, being inculcated to the organizational culture and people must feel for it deeply. Every stakeholder expects the directors to play a role. As a Director he/she is expected to have self-esteem and confidence to stand up for an independent point of view at the Board presence, because the standards and the Good Corporate Governance practices at any organization depends on its Board of Directors. Hence it is important to do the right thing always when executing Director's responsibilities by being an example to the senior management team.

The Board of Directors of Ceylinco Insurance PLC strongly believes that an organization's long-term success depends on both instinctive strategy as well as high-quality governance. Due to this fact, the Company adheres to both regulatory requirements as well as best practices. 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.

The following section of the Annual Report exhibits the Corporate Governance Compliance details at Ceylinco Insurance PLC and its adherence to the "Code of Best Practice on Corporate Governance" issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka published by the Colombo Stock Exchange.

BOARD OF DIRECTORS

The Company's commitment to uphold the highest standards of corporate governance is driven by the Board of Directors which, led by the Chairman, assumes overall responsibility for the governance of the Company. Each Director identifies himself with a duty to act in good faith and in the best interest of the Company.

The Board of Directors have effective control of the company and they are responsible for enhancing shareholder value, providing necessary guidance and directions in planning of short-term strategies and long-term corporate strategies, reviewing and providing necessary guidance on budgetary planning, corporate governance, statutory compliance, assisting internal audit and integrated risk management and approving investment decisions.

The Board consists of the Chairman (Non-Executive Director), twelve Executive and three other Non-Executive Directors each of whom brings a strong and in-depth mix of knowledge, business skills and experience to the Board's negotiations.

Please refer pages 26 to 29 for profiles of the members of the Board of Directors.

BOARD APPOINTMENTS

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

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

ROLE OF THE CHAIRMAN

The Non-Executive Non Independent Chairman is responsible for chairing and managing the operations of the Board while ensuring effective participation of all Directors. The Chairman is responsible for providing leadership to the Board and ensuring that proper order and effective discharge of Board functions are carried out at all times by the Board Members.

ROLE OF THE CHIEF EXECUTIVE OFFICERS

The Chief Executive Officer of the General Division and the Chief the Executive Officer of Life Division are responsible to the Board for managing the General Insurance business and Life Insurance business of the Company. The executive responsibility for the functioning of the Company's business including implementation of strategies approved by the Board

and developing and recommending to the Board the business plans and budgets that support the Company's strategy has been entrusted to the two CEOs.

BOARD MEETINGS AND ATTENDANCE

During the year eight Board meetings were held. Decisions were also approved through circular resolutions when deemed appropriate. During the year 2014, the Board maintained an excellent record of attendance at the meetings. The number of Board meetings and Sub-Committee meetings held during 2014, together with individual attendance, is given on page 85.

BOARD PERFORMANCE

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

BOARD INTERACTION WITH SHAREHOLDERS

The Board of Directors encourages its shareholders to attend and to actively participate at the AGM. The Board of Directors invites the external auditors to be present at the AGM to answer any queries raised by shareholders. The Board of Directors also arranges for the Chairmen and/or members of the Board Sub-Committees to be available at the AGM to answer queries raised by

shareholders. All items of business to be considered at the AGM are included with the Notice of Meeting.

DIRECTORS' REMUNERATION

The Remuneration Committee is empowered to recommend the agreed terms and conditions, financial package and retirement plans of the Directors. Such decisions are reviewed and approved by the Board of Directors. Directors' remuneration in respect of the company for the year 2014 is given in note 44 to the Financial Statements.

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

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.1	Two or one third of Directors, whichever is higher, should be Non – Executive Directors.	Will be Complied with	Five required, among the Board of Directors, only 4 Directors are Non-Executive Directors.
7.10.2 (a)	Two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be “independent”.	Complied	The Board comprises three independent Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Director to submit a declaration of his/her independence or non independence in the prescribed format.	Complied	The Non Executive Directors have submitted the declaration.
7.10.3 (a)	The names of Directors determined to be independent should be disclosed in the annual report.	Complied	Please refer page 6
7.10.3 (b)	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report.	Not applicable	No such determination required.
7.10.3 (c)	A brief resume of each Director including the areas of expertise should be published in the annual report.	Complied	Please refer pages 26 - 29
7.10.3 (d)	Provide a brief 'resume' of new Director appointments to the Board.	Complied	A brief resume of each such new appointment has been provided to the CSE as specified

CORPORATE GOVERNANCE

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.5	A listed company shall have a Remuneration Committee.	Complied	Please refer page 76
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non-Executive Directors majority of whom shall be independent whichever is higher.	Complied	The Remuneration Committee consists of two independent Non Executive Directors
	One Non Executive Director shall be appointed as Chairman of the Committee by the Board	Complied	Mr. K.I. Dharmawardena functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the Remuneration of the Chief Executive Officers and the Executive Directors.	Complied	Please Refer Page 76
7.10.5 (c)	The annual report should set out: The names of Directors comprising the Remuneration Committee	Complied	Please refer page 73
	A statement of remuneration policy	Complied	Please refer page 76
	The aggregate remuneration paid to Executive and Non Executive Directors.	Complied	Please refer page 173
7.10.6	A listed Company shall have an Audit Committee	Complied	Please refer pages 74 - 75
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors or a Non-Executive Director a majority of whom shall be independent, whichever is higher.	Complied	The Audit Committee consists of two independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied	Mr. D.H.J. Gunawardena functions as the Chairman of the Audit Committee
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied	Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK)
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings	Complied	Please refer Pages 74 -75
7.10.6 (b)	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied	Please refer pages 74 -75
7.10.6 (c)	The annual report should set out: The names of the Directors who comprise the Audit committee	Complied	Please refer page 73
	The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination.	Complied	Please refer pages 74 -75
	A report by the Audit Committee setting out the manner of compliance of the functions during the period.	Complied	Please refer pages 74 -75

BOARD COMMITTEES

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

	Audit Committee	Remuneration Committee
Chairman (<i>Non-Executive</i>)	Mr. D.H.J. Gunawardena	Mr. K.I. Dharmawardena
Members (<i>Non-Executive</i>)	Mr. K.I. Dharmawardena	Mr. D.H.J. Gunawardena
Secretary	Mrs. T.N. Jasenthuliyana	Mrs. T.N. Jasenthuliyana
Invitees	CEO Director – Finance Chief Financial Officer GM – Finance Head of Internal Audit External Auditors	CEO Director – Finance
Agenda	Available	Available
Planned Frequency	Quarterly	Bi-annually
Notice for meeting	As per agreed annual calendar	As per agreed annual calendar
Professional Advice	Available	Available
Terms of Reference	Available	Available
Objectives	<p>Review and make recommendations to the Board for approval of annual accounts of the Company including the quarterly financial statements.</p> <p>Review the effectiveness of the risk management and internal control processes and make recommendations for improvement.</p> <p>Review the compliance with financial reporting requirements and other relevant legislation.</p> <p>Review the corporate compliance with the Regulation of the Insurance Industry Act, Regulation of the Insurance Board of Sri Lanka and other applicable regulations.</p> <p>Review internal and external audit plans and reports of internal and external auditors and follow up on recommendations.</p> <p>Review the scope of annual audit and its fee with the External Auditors and the Management.</p> <p>Determine the External Auditors fee and make recommendations to the Board on their appointment and their ceasing to hold office.</p>	<p>Review and approve the remuneration policy applicable to the employees of the company in line with industry benchmarks.</p> <p>Ensure that the company has acceptable performance appraisal systems for all employees.</p> <p>Review and recommend to the Board the remunerations to be paid to Directors and Senior Management.</p>

REPORT OF THE AUDIT COMMITTEE

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

The Board Audit Committee is authorized to seek any information as deemed necessary, from the management and the staff of the Company. It is also authorized to review;

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

The Terms of Reference of the Audit Committee are defined in the Charter of the Board Audit Committee which is reviewed annually.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee is comprised of two Independent, Non-Executive Directors, in line with the composition requirements specified in the Direction. The Chairman of the Audit Committee is a Fellow Member of the

Chartered Institute of Management Accountants (UK).

The following Directors serve/served on the Audit Committee:

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

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

MEETINGS AND ATTENDANCE

The Audit Committee met four times during the year. Attendance by the Committee members at each of these meetings is given in the table on page 87 of the Annual Report.

The Director Finance and Chief Financial Officers of Life and General Divisions attended the meetings of the Committee by invitation. The Head of Internal Audits of Life and General Divisions and the General Manager - Finance, also attended the meetings on invitation. Other officials were invited to attend the meetings on a need basis. On the invitation of the Committee, the External Auditors, Messrs Ernst & Young, attended two meetings during the year.

INTERNAL AUDIT

During the year, the Audit Committee reviewed the independence, objectivity & performance of the internal audit function and the adequacy of its resources. Internal audit reports submitted to the committee, facilitated the process of reviewing the effectiveness of internal control systems in the company. Audit findings presented in the reports were prioritized based on risk levels. Progress on the implementation of internal audit recommendations were regularly verified by the Committee. During the year, the committee took steps

to further improve on the internal control systems, thereby enhancing the overall control environment.

EXTERNAL AUDIT

During the year, the Committee had a meeting with the External Auditor to review the scope and time lines set out in the external audit plan and to understand in greater detail, the methodology adopted by the External Auditors. Discussions were also held between the Committee, the management and the External Auditors with a view to co-ordinating the audit effort and ensuring that the External Auditors received the required information and assistance from all relevant parties.

The Committee also examined the Report of the Auditors and the Management Letters issued by them, in discussion with both the External Auditors and the management, and continuously monitored the action taken by the management to implement the recommendations.

The Audit Committee also reviewed the audit fees payable to the External Auditors and made its recommendation for approval to the Board. The Committee also reviewed the other services provided by the External Auditors to ensure that their independence as auditors was not compromised.

COMPLIANCE WITH FINANCIAL REPORTING, STATUTORY AND REGULATORY REQUIREMENTS

The Committee reviews the Quarterly Regulatory Compliance Reports submitted to the Committee and observes that the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of conduct have been followed. Any instances of non compliance are included in the Audit Committee's reports to the


Board of Directors and followed up to ensure that appropriate corrective action is taken. The Committee also reviewed the quarterly interim and year-end financial statements prior to submission for Board Approval.

CONCLUSION

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

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

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2015, subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena

Chairman - Audit Committee

20th. February, 2015

REPORT OF THE REMUNERATION COMMITTEE

The Board appointed Remuneration Committee comprised of a minimum of four Board members as set out below and other Board members and employees have been present at meetings by invitation of the Committee except when matters relating to the member concern were discussed.

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

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

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

Mr. P. A. Jayawardena (Director / Chief Financial Officer - Life Insurance) - Member

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

The two independent Non-Executive Directors are free from any business or any other relationship which may interfere with the execution of their independent judgment. The Remuneration Committee formally met twice during the year 2014. The attendance of Committee members at meetings is stated in the table on page 87.

The overall focus and responsibilities of the Remuneration Committee are :

- Reviewing/approving the Remuneration Policy of the Company
- Reviewing and making recommendations to the Board on remuneration, perquisites and allowances of the Directors

- Development of policies on reviewing of performance appraisal of staff members and on succession planning
- Maintaining and developing competitive and attractive remuneration package for employees at all levels on par with industry standards
- Ensuring that no Director is involved in setting his own remuneration package

In discharging its responsibilities, the Committee has carefully reviewed and made recommendations with regard to the remuneration policy of the Company. The Committee also recommended improvements on the structuring of remuneration packages that would attract, motivate and retain high quality individuals with the required skills.

The proceedings of the Committee meetings have been regularly circulated to and confirmed by the Board of Directors.

On behalf of the Remuneration Committee.



K.I. Dharmawardena
Chairman - Remuneration Committee

20th. February, 2015

REPORT OF THE INVESTMENT COMMITTEE

– GENERAL

OBJECTIVE

The Enterprise Risk Management framework of the General division has entrusted the Investment Committee with the responsibility of managing the risks associated with the Investments of the company. The Portfolios of the General division has three competing objectives namely; Income, Liquidity and Regulatory requirements. Achieving desirable results in all three fronts is a highly challenging one. The main objective of the Investment Committee is to ensure that the portfolios of the General Division are in conformity with the interest of the business enterprise and the macro environment, especially as the portfolios are exposed to interest rate, exchange rate and equity & commodity price volatility risks.

FUNCTIONING

First most important objective of the Investment Committee is to set investment strategies to align the portfolios with the market opportunities and the macro economic climate. For this purpose, the committee discusses the latest economic data such as interest rates, inflation, exchange rate, GDP and country's external financial performances at the investment committee meetings. Interest rates dropped by approximately 350bps during 2014. This drop created opportunities as well as increased the subsequent risk levels after each slab. The committee took a balanced view on absolute results of investment decisions that could be made and opportunity costs and benefits associated.

The Committee in January foresaw the reducing pattern of the yield curve that was to be driven mainly by substitution of local credit by USD denominated credit and the low inflation coupled with need for credit growth. Accordingly the portfolio

was allowed to be turned around on and reducing portfolio duration note. However with the drop of rates and strong GDP growth of almost 8%, it was prudent to expect the inflation to reduce at a slower phase. The year end inflation figure saw one of the lowest seen at 3.3% levels. After the interest rate drop experienced in August 2014, the portfolios were shifted to much shorter durations by looking at the risks and opportunity combination. The expectancy for the interest rate drop and flattening by August was associated with all investment decisions. As such the longer tenure investments were seldom at the latter part of the year. The prudent decisions helped the Company's Government Security portfolio to out perform the average Government Security yield in 2014.

The economic growth remained strong in 2014. The Committee was of the view that the CSE was sluggish to respond due to the irrational sentiments of some investors in 2013. However the investors began to realize the intrinsic value of shares and the stock market performed well in 2014. The company's rational selection of shares and the diversity of the portfolio helped realize gains at different stages with the value increase of industries allowing marching between industry stocks for better gains. With this the Company's equity portfolio out-performed the All Share Index in 2014.

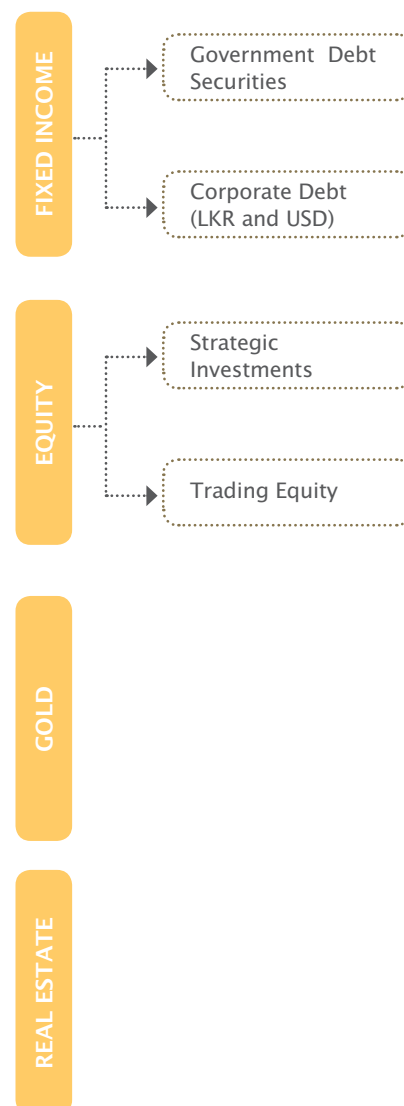
The implementation of the above strategies was warranted by strong performance of the core business; Insurance. The business growth, operational & financial efficiencies resulted in an increase in the total assets under management.

The Investment / Treasury management unit performed very well and earned above average portfolio returns in both Fixed Income and

Equity portfolios as said above. The performance was supported by the guidelines and investment policies set by the investment committee. The treasury management unit does in house research on the macro economy and business cash flows. The findings are viewed with the investment guidelines to formulate and implement portfolio strategies at the Investment Committee.

PORTFOLIOS

The Investment committee sets direction for following portfolios.



REPORT OF THE INVESTMENT COMMITTEE – GENERAL

MEMBERS

Mr. Nihal Peiris - Director / Head of Finance (Chairman of Committee)

Mr. Upali Witharana - Director / Chief Financial Officer (General Insurance)

Mr. Herschel Gunawardena - Non Executive Director

Mr. Mangala Boyagoda - Consultant

Mr. Nilantha Piyadasa - General Manager (Finance – Branches)

Mr. Kasun Nanayakkara - Deputy General Manager (Ceylinco Investcorp – Treasury /Fund Management Unit for General Division)

MEETINGS

The Committee held six (one in every two months) meetings for 2014 as scheduled. Snap meetings were called for any important decision. As mentioned above the decisions to adjust portfolio durations, making corporate debt investments and strategy on equity portfolio were important decisions reached at the meetings held during 2014.



T.N.M. Peiris

Chairman – Investment Committee (General)

20th. February, 2015

REPORT OF THE INVESTMENT COMMITTEE

– LIFE

The Investment committee of Ceylinco Insurance Life Division oversees the sacred life insurance fund, which stands as a giant, at LKR 60.02 Billion as at 31st December 2014. This thriving portfolio is acclaimed as the fastest life insurance fund to cross the key milestone of LKR 60 Billion, during the year 2014.

SUMMARY OF THE MACRO ECONOMY

2014 was a year where the pass through effects of the previous year's monetary policy decisions were visible.

The Sri Lankan economy continued its steady growth momentum recording over 7.4% growth in 2014 whilst inflation remained at low single digit levels for the sixth consecutive year, declining to 2.1% by the year-end. Gross official reserves stood at USD 8.2 Billion as at end December 2014, which is equivalent to 5.2 months of imports.

Driven by the positive sentiment and developments in key macro economic variables, interest rates started to decline at a higher pace, with one-year Treasury bills ending the year at 6% against 9.6% in 2013. Credit to the private sector picked up during the later part of the year, recording an expansion of more than Rs.150 billion for the year.

LIFE INSURANCE FUND AND ITS STRATEGIES

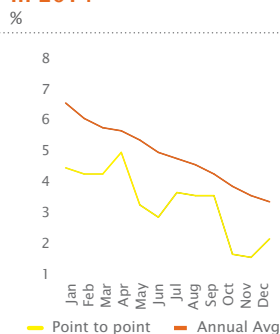
The investment division of Ceylinco Life, with the recommendations and guidance of the Investment committee, manages one of the largest and thriving portfolios in Sri Lanka.

This fund, which has become a safe haven for policyholders, was the fastest to reach the much acclaimed

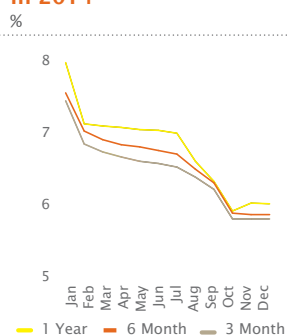
LKR 60 Billion mark, is proof of the trust placed by all Sri Lankans on Ceylinco Life and its investments.

With an objective to provide secure, steady and attractive returns, this sacred fund is invested prudently, meeting the strict regulatory requirements, while serving diverse and varied risk preferences.

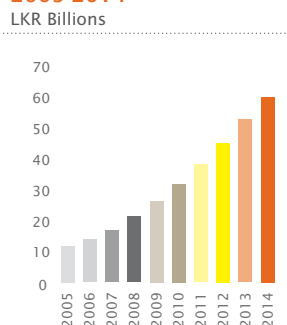
Inflation in 2014



T- Bill rates in 2014



Life Fund 2005-2014

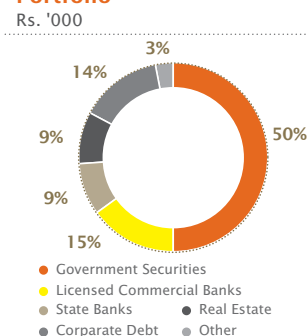


QUALITY OF INVESTMENTS

Risk and Return, although carrying an inherent trade-off, are two aspects which hold paramount importance in crafting an investment strategy. Ceylinco Life takes utmost responsibility in providing the best investment solutions to maintain an optimum and cautious balance between the two aspects, risk and return.

In order to emphasise on the quality of Life Fund investments, the below pie-chart elaborates the asset allocation of investments of the Life division as at 31st December 2014.

Investments Portfolio



INVESTMENT COMMITTEE

The investment committee comprises of five (5) members out of which, four (4) are directors and the company Actuary. To supplement the collective expertise and to provide an in-depth insight on the financial markets and their movements, a veteran from the industry is also invited to attend the investment committee meetings.

The following members served on the Investment committee during the year,

REPORT OF THE INVESTMENT COMMITTEE – LIFE

1. **Mr. R. Renganathan**
- *Managing Director/CEO – Life*
2. **Mr. E.T.L. Ranasinghe**
- *Director/Deputy CEO – Life*
3. **Mr. P.A. Jayawardena**
- *Director/ CFO – Life*
4. **Mr. S.R. Abeynayake**
- *Director/ Deputy CFO – Life*
5. **Mr. S. Kumarapperuma**
- *Senior AGM – Actuarial*

The committee members contribute immensely and add value to the investment decision making process through their vast knowledge and diverse experience in various fields and industries. In addition, the committee obtains external professional advice on matters within the purview of the committee.

MEETING AND ATTENDANCE

In contrary to popular practice in the industry, the Investment Committee of Ceylinco Life meets weekly, recognizing the prominence of the investment decision making function, to proactively craft investment strategies with a minimum lead time, and to timely meet the challenges posed from ever-changing global and domestic macro-economic landscapes.

The investment committee meetings are organized by the officers of the investment division and it is chaired by the Managing Director/ CEO of Ceylinco Life. Management representatives from the areas of Investment, Actuarial, Systems and Marketing attend the meetings on invitation of the committee.



R. Renganathan
Chairman
- *Investment Committee (Life)*

10th. March, 2015

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 95.

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

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

COMPLIANCE REPORT

In respect of the Financial Year ended 31st December, 2014 of Ceylinco Insurance PLC:

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

T.N. Jasenthuliyana

(Mrs.) T.N. Jasenthuliyana
Company Secretary / Senior Assistant General Manager
20th. February, 2015

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 2015 to 2016 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD

T.N. Jasenthuliyana

Mrs. T. N. Jasenthuliyana
Company Secretary / Senior Assistant General Manager

20th. February, 2015

FINANCIAL CALENDAR 2015

Annual Report 2014	20th. March, 2015
Annual General Meeting	22nd. April, 2015
Final Dividend Proposed	22nd. April, 2015
Ex-Dividend From	23rd. April, 2015
Final Dividend Payable	05th. May, 2015
Interim Report - 1st. Quarter	15th. May, 2015
Interim Report - 2nd. Quarter	14th. August, 2015
Interim Report - 3rd. Quarter	13th. November, 2015
Interim Report - 4th. Quarter	29th. February, 2016

THE COURAGE OF OUR CONVICTIONS

Whatever the odds, our resilient, positive attitude
has always won through...



REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the Audited Statements of Income, Comprehensive Income, Changes in Equity, Cash Flow and the Statement of Financial Position of Ceylinco Insurance Group for the year ended 31st. December, 2014, and the Report of the Auditors thereon.

Review of Operations

The Chairman's and the Joint Managing Directors' Reviews of General and Life Divisions on pages 8 to 23 contain a detailed description of General and Life Insurance operations carried out in the year under review and projected developments.

Principal Activities of the Group

The principal activities of the Group constitute underwriting all classes of General Insurance, Life Insurance, Management of Investment, Health Care Operations, Education and Power Generation.

Results of the Financial Year

	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit After Taxation (After Non - Controlling Interest)	2,547,949	2,609,177	2,142,624	2,118,389
Add : Balance Brought Forward	11,800,609	8,030,833	10,539,452	7,298,361
Changes in Ownership in Group Companies	(7,812)	9,519	-	-
Excess of equity acquired over consideration on Energy Generators (Pvt). Ltd.	-	42,576	-	-
Revaluation Reserve -Transfer on Disposal	-	198,171	-	198,171
Other Comprehensive Income for the Period	(304,968)	1,240,514	(294,574)	1,254,713
Effect on Depreciation due to reassessment of useful lives	126,001		126,001	
Funds Available for Appropriation	14,161,779	12,130,790	12,513,503	10,869,634
Appropriation :				
Dividend Paid - Final	(422,632)	(330,181)	(422,632)	(330,181)
Unappropriated Profit Carried Forward	13,739,147	11,800,609	12,090,871	10,539,452

Transfer to Reserves and Provisions

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

Share Capital

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

The Stated Capital of the Company as at 31st. December, 2014 was Rs. 1,324,822,000/= and is represented by issued and fully paid 20,000,000 voting ordinary shares and 6,414,480 non voting ordinary shares.

Dividends

The Directors recommend a first and final dividend of Rs. 20/= per share for the year ended 31st. December, 2014, payable on 05th. May, 2015.

Directors

Messrs. J.G.P. Perera, A.R. Gunawardena, R. Renganathan, H.D.K.P. Alwis, E.T.L. Ranasinghe, W.C.J. Alwis, P.D.M. Cooray, K.I. Dharmawardena, P.M.B. Fernando, D.H.J. Gunawardena, P.A. Jayawardena, N.D. Nugawela, T.N.M. Peiris, U. Witharana, Gen. C.S. Weerasooriya (Retired) and S.R. Abeynayake were the Directors of the Company during the financial year ended 31st. December, 2014.

In accordance with the Articles of Association of the Company, Messrs. K.I. Dharmawardena, N.D. Nugawela and T.N.M. Peiris retire by rotation and being eligible, offer themselves for re-election.

Mr. P.M.B. Fernando resigned with effect from 17th. February, 2015.

Mr. Saroja Hemakumara Jayawickrema Weerasuriya was appointed to the Board with effect from 17th. February, 2015, subject to Insurance Board of Sri Lanka (IBSL) granting approval. If approval is granted, Mr. Saroja Hemakumara Jayawickrema Weerasuriya, being a Director appointed in February, 2015 is eligible and offers himself for re-election.

Ordinary Resolutions were approved by the Shareholders at the last Annual General Meeting of the Company held on 31st. March, 2014 for the election of Mr. Juvanel Godwin Peter Perera and Gen. Chandrika Sirilal Weerasooriya as Directors being over 70 years, wherein the age limit specified in Section 210 of the Companies Act No. 07 of 2007 will not apply. Their appointments will be valid for one year from the appointed date.

In accordance with the Companies Act No. 07 of 2007, Mr. J.G.P. Perera has to retire thereafter and being eligible offers himself for re-election. Mr. Perera being a Director was 77 years of age in December, 2014, a Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Mr. Juvanel Godwin Peter Perera be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Juvanel Godwin Peter Perera.

In accordance with the Companies Act No. 07 of 2007, Gen. C.S. Weerasooriya has to retire and being eligible offers himself for re-election. Gen. Weerasooriya being a Director was 71 years of age in December, 2014, a Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Gen. Chandrika Sirilal Weerasooriya be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya.

Directors' Meetings

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

Names of Directors	No. of Board Meetings attended
Mr. J.G.P. Perera	08
Mr. A.R. Gunawardena	08
Mr. R. Renganathan	08
Mr. H.D.K.P. Alwis	06
Mr. E.T.L. Ranasinghe	08
Dr. W.C.J. Alwis	05
Mr. P.D.M. Cooray	07
Mr. K.I. Dharmawardena	06
Mr. P.M.B. Fernando	08
Mr. D.H.J. Gunawardena	08
Mr. P.A. Jayawardena	08
Mr. N.D. Nugawela	08
Mr. T.N.M. Peiris	07
Mr. U. Witharana	08
Gen. C.S. Weerasooriya (Retd.)	06
Mr. S.R. Abeynayake	08

REPORT OF THE 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. Directors' Interest in Shares of the Company are as follows:

	Voting Shares		Non Voting Shares	
	as at 31.12.2014	as at 31.12.2013	as at 31.12.2014	as at 31.12.2013
Mr. J.G.P. Perera	NIL	NIL	NIL	NIL
Mr. A.R. Gunawardena (Mr. A.R. Gunawardena 130 voting shares and 55 non voting shares; and joint with Mrs. K.S. Gunawardena 119,359 voting shares and 8,600 non voting shares) (Mrs. K.S. Gunawardena 14,900 voting shares and 7,702 non voting shares)	119,489	119,489	8,655	8,655
Mr. R. Renganathan (Mr. R. Renganathan 121,124 voting shares and joint with Mrs. T.R.S. Renganathan 3,626 voting shares)	124,750	124,750	NIL	NIL
Mr. H.D.K.P. Alwis Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis	861	861	2,000	2,000
Mr. E.T.L. Ranasinghe	7,098	7,098	NIL	NIL
Dr. W.C.J. Alwis	526,692	526,692	219,041	219,041
Mr. P.D.M. Cooray (Mr. P.D.M. Cooray 6,050 voting shares and joint with Mrs. J.M.F. Cooray 144 voting shares)	6,194	6,194	NIL	NIL
Mr. K.I. Dharmawardena Waldock Mackenzie Limited / Mr. K.I. Dharmawardena	28 10,736	28 10,736	NIL NIL	NIL NIL
Mr. P.M.B. Fernando (Mrs. M.H.M. Dissanayake 10,300 voting shares)	500	500	1,000	1,000
Mr. D.H.J. Gunawardena	NIL	NIL	NIL	NIL
Mr. P.A. Jayawardena	1,316	1,316	134	134
Mr. N.D. Nugawela	1,200	1,200	510	510
Mr. T.N.M. Peiris (Mrs. P.S. Peiris 212 voting shares)	22,492	22,492	2,000	2,000
Mr. U. Witharana	500	500	512	512
Gen. C.S. Weerasooriya (Retd.)	NIL	NIL	NIL	NIL
Mr. S.R. Abeynayake	7,858	7,858	200	200

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

Directors' Interest in Contracts

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

Corporate Governance

The Audit Committee held four meetings and the Remuneration Committee held two meetings during the year 2014.

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

Name of Committee Member	Audit Committee	Remuneration Committee
Mr. D.H.J. Gunawardena	04	02
Mr. K.I. Dharmawardena	02	02
Mr. T.N.M. Peiris	04	02
Mr. P.A. Jayawardena	03	01
Mr. U. Witharana	03	Non Member

The three Non Executive “independent” Directors have duly submitted to the Board their declarations as to their “independence”, and the other Non Executive Director also has submitted his declaration. These have been tabled at the Board Meetings.

Analysis of Shareholders

(Voting)

Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1 to 1,000	2,006	467,076	2.34
1,001 to 5,000	340	641,850	3.21
5,001 to 10,000	49	342,564	1.71
10,001 to 50,000	30	534,391	2.67
50,001 to 100,000	1	61,561	0.31
100,001 to 500,000	3	422,096	2.11
500,001 to 1,000,000	7	4,506,612	22.53
Over 1,000,000	4	13,023,850	65.12
Total as at 31st. Dec. 2014	2,440	20,000,000	100.00

Analysis of Shareholders

(Non - Voting)

Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1 to 1,000	1,211	297,351	4.64
1,001 to 5,000	85	205,396	3.20
5,001 to 10,000	20	159,263	2.48
10,001 to 50,000	14	399,365	6.22
50,001 to 100,000	4	309,598	4.83
100,001 to 500,000	8	1,582,928	24.68
500,001 to 1,000,000	1	628,105	9.79
Over 1,000,000	1	2,832,474	44.16
Total as at 31st. Dec. 2014	1,344	6,414,480	100.00

REPORT OF THE DIRECTORS

The percentage of "Public Holding" (as per Circular number 05/2013 of 30/12/2013 of the Colombo Stock Exchange) is 73.31% of the issued voting share capital (represented by 2,421 shareholders).

Analysis of Shareholdings

Institutional / Non - Institutional

Shareholder Category	Number of Shareholders	Total Shareholdings	Holdings %
(Voting)			
Individuals	2,293	3,451,554	17.26
Institutions	147	16,548,446	82.74
	2,440	20,000,000	100.00
(Non - Voting)			
Individuals	1,282	1,260,105	19.64
Institutions	62	5,154,375	80.36
	1,344	6,414,480	100.00

Donations

During the year charitable donations amounting to Rs. 15.2 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. 701.5 Million.

Capital Expenditure & Capital Commitments

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 837 Million.

The 20 major shareholders as at 31.12.2014**(Voting)**

Shareholder	Holding as at 31/12/2014 No. of Shares	% of the issued share Capital as at 31/12/2014	Holding as at 31/12/2013 No. of Shares
Ciesot (Private) Limited	4,571,891	22.86	4,571,891
Global Rubber Industries (Private) Limited	4,450,135	22.25	4,364,395
Banque Pictet & Cie SA	2,136,100	10.68	2,136,100
Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund)	1,865,724	9.33	1,853,941
Mr. Prabhash Subasinghe	912,981	4.56	912,981
Ceylinco Insurance PLC A/C No. 04 (Pension Fund)	737,900	3.69	737,900
Global Sea Foods (Private) Limited	632,110	3.16	627,024
Ceylinco Insurance PLC – A/C No. 05 (The Pension Trust Fund of Ceylinco Insurance PLC)	607,529	3.04	548,936
Citizens Development Business Finance PLC	564,000	2.82	564,000
Dr. Watuthanthrige Chakrine Jagath Alwis	526,692	2.63	526,692
Castle Realty (Private) Limited	525,400	2.63	525,400
Ceylinco Insurance PLC – A/C No. 07 (Gratuity Trust Fund of Ceylinco Insurance PLC – Life Division)	181,613	0.91	83,951
Mr. Rajkumar Renganathan (Mr. R. Renganathan 121,124 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares)	124,750	0.62	124,750
Mr. Ajith Rohan Gunawardena (Mr. A.R. Gunawardena 130 shares and joint with Mrs. K.S. Gunawardena 119,359 shares)	119,489	0.60	119,489
People's Leasing & Finance PLC / C.D. Kohombanwickramage	61,561	0.31	* see below
Mr. Jivaka Lalith Bhupendra Kotelawala (Mr. J.L.B. Kotelawala 36,745 shares and joint with Mrs. S.P.C. Kotelawala 18,141 shares)	54,886	0.27	54,886
The Finance Company Ltd. (Employees' Medical Fund)	36,284	0.18	36,284
HSBC Intl Nom Ltd-BBH-Matthews Emerging Asia Fund	35,056	0.18	34,935
Mrs. Lai Ming Ukwatte and Mr. Chandana Ukwatte	29,600	0.15	30,000
Mr. C. Moolchand	27,645	0.14	27,645

* Waldock Mackenzie Limited / Mr. Chamila Damion Kohombanwickramage 38,380

REPORT OF THE DIRECTORS

The 20 major shareholders as at 31.12.2014

(Non Voting)

Shareholder	Holding as at 31/12/2014 No. of Shares	% of the issued share Capital as at 31/12/2014	Holding as at 31/12/2013 No. of Shares
Pershing LLC S/A Averbach Grauson & Co.	2,832,474	44.16	2,650,132
J.B. Cocoshell (Pvt.) Ltd.	628,105	9.79	539,551
Ceyfco Property Company (Private) Limited	352,411	5.49	754,322
Bharath Investments (Pte.) Ltd.	269,200	4.20	269,200
Dr. Watuthanthrige Chakrine Jagath Alwis	219,041	3.41	219,041
Banque Pictet & Cie SA	200,000	3.12	200,000
Mr. Piyadasa Rathnayaka	175,000	2.73	175,000
Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund	144,930	2.26	36,150
Gold Investment Limited	118,500	1.85	118,500
E.W. Balasuriya & Company (Private) Limited	103,846	1.62	100,400
Waldock Mackenzie Ltd./ M.T. Moosajee	99,778	1.56	99,778
Askold (Private) Limited	80,000	1.25	80,000
Waldock Mackenzie Ltd. / Mr. M.Z.M. Wafik	68,915	1.07	75,508
Mr. Husein Nuruddain Esufally	60,905	0.95	56,405
Global Rubber Industries (Private) Limited	50,000	0.78	-
Mr. Murtaza Ali Jafferjee	46,000	0.72	45,878
Mr. Gulzar Hussein Ibrahim Jafferjee	45,000	0.70	45,000
Mr. Isaac Morris Dabah	44,900	0.70	44,900
Waldock Mackenzie Ltd. / Mr. H.M.S. Abdulhussein	34,279	0.53	58,735
Mr. Weligama Palliya Gurunnanselage Harsha Sanjaya De Silva	32,000	0.50	-

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the “Notes to Financial Statements”. (Pages 131 to 134)

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. 6.8 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 & Unusual Items

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

In the opinion of the Directors, no item, transaction or event of a material nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially, the results of the operations of the Company for the current financial year. However, the Company has complied with the guidelines given by the Insurance Board of Sri Lanka in relation to Splitting of Composite Insurance Companies as explained in Note 45.

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, 2014, there were 3,556 employees in the permanent service of the Company.

Actuarial Valuation – Life Fund

The last actuarial valuation of the Life Fund was done as at 31.12.2014. In accordance with the Actuarial Report dated 10th. March, 2015 a surplus of Rs. 1,300 Million was transferred to life shareholders' fund from life policyholders' fund.

The next statutory valuation is due for the financial year ended 31st. December, 2015.

Actuarial Valuation - General Insurance

- 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 31.12.2014.

After reviewing the relevant information and Actuarial studies the Actuaries have recommended to make a net IBNR/IBNER provision of Rs. 200.9 Million. The Company has already made this provision in the accounts as at 31.12.2014.

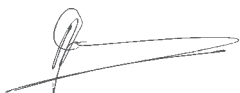
Auditors

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 33 on page 160 to the Financial Statements.

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

BY ORDER OF THE BOARD



A. R. Gunawardena

Managing Director / Chief Executive Officer (General Insurance)



R. Renganathan

Managing Director / Chief Executive Officer (Life Insurance)



Mrs. T. N. Jasenthuliyana

Company Secretary / Senior Assistant General Manager

10th. March, 2015



*Company Secretary /
Senior Assistant General Manager*

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 01.01.2014 to 31.12.2014 in which this company has had transactions during the year 2014

Name of Company		Mr. A.R. Gunawardena	Mr. R. Renganathan	Mr. H.D.K.P. Alwis	Mr. E.T.L. Ranasinghe	Dr. W.C.J. Alwis	Mr. P.A. Jayawardena	Mr. N.D. Nugawela	Mr. T.N.M. Peiris	Mr. U. Witharana	Mr. S.R. Abeynayake	Mr. P.M.B. Fernando	Mr.D.H.J. Gunawardena
1	American Education Centre Ltd.	✓		✓		✓				✓			
2	Ceyhydro Developers (Pvt.) Ltd.	✓		✓				✓	✓	✓			
3	Ceylinco Health Care Services Ltd.		✓		✓		✓						
4	Ceylinco Insurance Company (Pvt.) Ltd. (Maldives)	✓		✓		✓		✓	✓	✓			
5	Ceylinco Investcorp (Pvt.) Ltd.	✓		✓		✓		✓	✓	✓			
6	Ceylinco Seraka Ltd.		✓				✓						
7	Ceypower Cascades (Pvt.) Ltd.	✓		✓				✓		✓		✓	
8	CGL Educational Services (Ceylinco Group Library)	✓				✓			✓				
9	Citizens Development Business Finance PLC										✓		✓
10	Energy Generators (Pvt.) Ltd.	✓		✓		✓		✓	✓	✓			
11	International College of Business & Technology Ltd.	✓		✓		✓			✓	✓			
12	Serene Resorts Ltd.		✓		✓						✓		
13	Ultratech Cement Lanka (Pvt.) Ltd.	✓								✓			
14	Energy Lanka Holdings Ltd.	✓		✓		✓		✓	✓	✓			
15	CEG Education Holdings (Pvt.) Ltd.	✓		✓		✓				✓			
16	Net Assist International (Pvt.) Ltd.	✓				✓				✓		✓	
17	St Nicholas' Education Services Ltd.	✓		✓		✓				✓		✓	

ACTUARIAL REPORT (GENERAL)

PARTNERS :

D. K. PANDIT

B.Sc., LL.B., A.I.A. (London), F.I.A.I. (00131)

APPROVED VALUER

REGD. NO. CAT7X-3 OF 1988

AKSHAY PANDIT

B.Sc., A.I.A.I. (00300)

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M/S. K. A. PANDIT

CONSULTANTS & ACTUARIES

(ISO 9001:2008 CERTIFIED)

(ISO 27001:2005 CERTIFIED)

CERTIFICATE

As Consulting Actuaries to the Ceylinco Insurance PLC, 4th Floor, "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, 2014.

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 productwise. 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 31-12-2014 to be provided by the Ceylinco Insurance PLC in respect of its non-life business are estimated as LKR 200,979,105 equal to 2.15% of the Net Earned Premium of LKR 9,359,976,983 as on 31-12-2014. IBNR Claims Reserves as calculated seems adequate and may be provided accordingly. We also certify that the Ceylinco Insurance PLC meets the Liability Adequacy Test as required under SLFRS-4 satisfactorily.

N. K. Parikh

(N. K. PARIKH)

(PARTNER)

Mumbai, India,

Dated: 09/02/2015

N. K. PARIKH

F.I.A.I. (00132)

ACTUARIAL REPORT (LIFE)

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10 March 2015

To the Directors of Ceylinco Insurance PLC

Actuarial Valuation as at 31 December 2014

I have carried out an actuarial valuation of the Life Fund of Ceylinco Insurance PLC ("the Company") as at 31 December 2014. I hereby certify that:

- 1 I have satisfied myself about the accuracy of the valuation data furnished to me by making a number of reasonableness checks;
- 2 Adequate and proper reserves have been provided as at 31 December 2014 for all known liabilities in respect of the long term business of the Life Fund, taking into account all bonus declared as at that date;
- 3 The Company has adequate resources to cover the solvency margin, calculated in accordance with the Solvency Margin (Long Term Insurance) Rules 2002 that were introduced in September 2002 and amended in March 2011 and July 2012; and
- 4 The Life Fund liabilities so provided are backed by assets whose value, as included and extracted from the audited accounts of the Company for the year ended 31 December 2014, is in excess of those liabilities.

Yours faithfully



Mark Birch

Fellow of the Institute and Faculty of Actuaries

Towers Watson Singapore Pte Ltd

REPORT OF THE AUDITORS



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

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eysl@ik.ey.com
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BW/WRR/KAS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CEYLINCO INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylinco Insurance PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, 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,
 - The financial statements of the Company give a true and fair view of the financial position as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

As required by Section 47(2) of the regulation of insurance industry Act, No.43 of 2000, the accounting records of the Company have been maintained in the manner required by the rules issued by the IBSL give a true and fair view of the financial position.

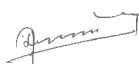
10th March 2015
Colombo

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

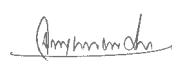
As at 31 December	Page No	Note	Group		Company	
			2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Assets						
Goodwill	130	6	193,162	193,162	-	-
Intangible Assets	130	7	45,170	46,731	34,950	34,535
Deferred Expenses	130	8	722,682	662,475	689,581	627,043
Property, Plant and Equipment	131	9	9,889,427	9,350,410	6,781,520	6,457,164
Investment Properties	134	10	2,715,711	2,506,608	2,715,711	2,506,608
Investment in Subsidiaries	135	11(a)	-	-	1,526,752	1,326,552
Investment in Associates	136	11(b)	1,530,998	1,405,291	397,399	410,415
Financial Instruments						
Held to Maturity Financial Assets	138	12(a)	32,124,826	27,778,104	31,913,874	27,415,888
Loans and Receivables	138	12(b)	19,082,446	22,812,034	18,447,316	22,462,979
Available-For-Sale Financial Assets	138	12(c)	11,158,754	5,047,753	11,122,225	4,587,066
Financial Assets at Fair Value Through Profit or Loss	139	12(d)	219,327	270,404	219,327	270,404
Employee Gratuity Benefit Asset	142	13	1,315,548	1,384,492	1,315,548	1,384,492
Employee Pension Benefit Asset	146	14	1,539,742	1,350,822	1,539,742	1,350,822
Reinsurance Receivables	148	15	2,505,273	2,437,149	2,162,743	2,249,396
Income Tax Receivables	148	16(a)	997,602	1,394,774	997,179	1,394,351
Deferred Tax Assets	149	16(b) & (c)	58,916	488,692	48,465	472,378
Insurance Receivables	151	17	5,355,991	4,482,135	4,702,499	4,074,515
Accrued Income	151	18	4,564,548	4,177,519	4,551,220	4,177,519
Other Assets	151	19	1,052,542	836,010	700,534	565,946
Cash and Cash Equivalents	151	20	1,007,522	799,618	640,740	445,981
Total Assets			96,080,187	87,424,184	90,507,325	82,214,055
Equity and Liabilities						
Equity Attributable to Equity Holders of Parent						
Stated Capital	152	21 (a)	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings			13,739,147	11,800,609	12,090,871	10,539,452
Other Reserves	152	21 (b)	2,892,787	2,602,521	2,687,640	2,399,506
Revaluation Reserves			2,126,854	2,120,849	1,621,398	1,620,646
Total Ordinary Shareholders' Equity			20,083,610	17,848,801	17,724,731	15,884,426
Non-Controlling Interests			762,469	550,728	-	-
Total Equity			20,846,079	18,399,529	17,724,731	15,884,426
Liabilities						
Life Insurance Contract Liabilities	153	22(a)	60,021,879	52,765,411	60,021,879	52,765,411
Unit Linked Fund & Other funds-Life			228,873	190,452	228,873	190,452
Non Life Insurance Contract Liabilities	153	22(b)	9,259,497	8,392,748	8,745,212	8,045,773
Employee Gratuity Benefit Liability	143	13	127,106	103,505	-	-
Deferred Revenue			205,905	182,872	151,764	133,322
Borrowings	155	23	951,992	1,538,495	346,001	263,496
Other Financial Liabilities	155	24	84,157	1,777,441	75,000	1,765,000
Deferred Tax Liabilities	150	16(d)	82,198	77,001	-	-
Reinsurance Payables			855,084	806,384	492,091	541,066
Trade and Other Payables	155	25	3,417,417	3,190,346	2,721,774	2,625,109
Total Liabilities			75,234,108	69,024,655	72,782,594	66,329,629
Total Equity and Liabilities			96,080,187	87,424,184	90,507,325	82,214,055

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 108 to 174 which form an integral part of the Financial Statements.

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

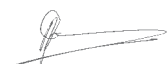


Upali Witharana
Chief Financial Officer -Non Life Insurance



P.A.Jayawardene
Chief Financial Officer -Life Insurance

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



A.R.Gunawardena
Managing Director/Chief Executive
Officer (Non-Life Insurance)



R.Renganathan
Managing Director/Chief Executive
Officer (Life Insurance)



T.N.M.Peiriris
Director-Finance

CONSOLIDATED INCOME STATEMENT

Group						Company		
As at 31 December	Page No	Note	2014 Rs.'000	2013 Rs.'000	Change %	2014 Rs.'000	2013 Rs.'000	Change %
Net Income	157	26(c)	32,263,950	30,396,748	6	29,421,722	27,714,379	6
Gross Written Premiums	156	26(a)	25,222,854	23,691,376	6	24,167,388	22,691,190	7
Premiums Ceded to Reinsurers	156	26(b)	(3,509,044)	(3,384,844)	4	(2,663,892)	(2,616,053)	2
Net Written Premiums			21,713,810	20,306,532	7	21,503,496	20,075,137	7
Net Change in Reserve for Unearned Premium			(411,888)	(406,902)	1	(428,300)	(365,521)	17
Net Earned Premium			21,301,922	19,899,630	7	21,075,196	19,709,616	7
Revenue from Subsidiaries			2,511,173	2,397,313	5			
			23,813,095	22,296,943		21,075,196	19,709,616	
Fees and Commission Income	157	27	724,667	457,203	59	588,680	377,601	56
Investment Income	158	28	7,485,035	7,397,542	1	7,527,252	7,423,332	1
Realised Gains	158	29	170,879	157,426	9	160,320	155,512	3
Fair Value Gains and Losses	158	30	70,274	48,318	45	70,274	48,318	45
Fair Value Gain on Change in Control of Subsidiary			-	39,316		-	-	
Other Revenue			8,450,855	8,099,805		8,346,526	8,004,763	
Gross Benefits and Claims Paid	159	31(a)	(10,879,181)	(10,532,351)	3	(10,655,905)	(10,411,469)	2
Claims Ceded to Reinsurers	159	31(b)	1,011,889	1,148,321	(12)	825,806	975,584	(15)
Gross Change in Contract Liabilities	159	31(c)	(7,705,078)	(7,882,608)	(2)	(7,527,607)	(7,773,242)	(3)
Change in Contract Liabilities Ceded to Reinsurers	159	31(d)	97,597	205,136	(52)	(52,520)	155,451	(134)
Net Benefits and Claims			(17,474,773)	(17,061,502)		(17,410,226)	(17,053,676)	
Cost of Sales of Subsidiaries			(616,231)	(642,816)	(4)	-	-	
Acquisition Cost	160	32	(2,515,627)	(2,412,182)		(2,458,191)	(2,367,638)	
Other Operating and Administrative Expenses	160	33	(7,751,152)	(7,215,303)	7	(6,358,080)	(6,022,363)	6
Finance Cost	160	34	(88,805)	(127,116)	(30)	(29,725)	(10,206)	191
Total Benefits, Claims and Other Expenses			(28,446,588)	(27,458,919)		(26,256,223)	(25,453,883)	
Profit Before Share of Associates			3,817,362	2,937,829		3,165,499	2,260,496	
Share of Profit of Associates	136	11(b)	150,917	143,421	5	-	-	
Profit Before Tax			3,968,279	3,081,250	29	3,165,499	2,260,496	40
Income Tax Expense	161	35	(1,118,602)	(211,590)	429	(1,022,875)	(142,107)	620
Profit for the Year			2,849,677	2,869,660	(1)	2,142,624	2,118,389	1
Profit Attributable to:								
Equity Holders of the Parent			2,547,949	2,609,177		2,142,624	2,118,389	
Non-Controlling Interests	162	36	301,728	260,483		-	-	
			2,849,677	2,869,660		2,142,624	2,118,389	
Basic/Diluted Earnings Per Share	163	37	96.46	98.78		81.12	80.20	
Dividend Per Share - Proposed	163	38	20.00	16.00		20.00	16.00	

The above Income Statement is to be read in conjunction with the notes to the Financial Statements on pages 108 to 174 which form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December			Group		Company	
	Page No	Note	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Profit for the Year			2,849,677	2,869,660	2,142,624	2,118,389
Other Comprehensive Income	163	39				
Exchange Differences on Translating Foreign Operations			5,136	6,510	-	-
Revaluation Surplus/ (Deficit) During the Year			(784)	245,928	-	208,553
Net Gain/(Loss) on Available-For-Sale Assets			360,228	224,635	362,138	136,167
Actuarial Gain/ (Loss) on Defined Benefit Plans			(275,787)	1,186,049	(265,273)	1,211,251
Income Tax relating to Components of Other Comprehensive Income			(96,417)	(19,539)	(102,553)	(22,562)
Other Comprehensive Income for the Year, Net of Tax			(7,624)	1,643,583	(5,688)	1,533,409
Total Comprehensive Income for the Year, Net of Tax			2,842,053	4,513,243	2,136,936	3,651,798
Total Comprehensive Income Attributable to:						
Equity Holders of the Parent			2,539,252	4,258,133	2,136,936	3,651,798
Non-Controlling Interests			302,801	255,110	-	-
			2,842,053	4,513,243	2,136,936	3,651,798

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 108 to 174 which form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equityholders of the Parent								
	Stated Capital	Revaluation Reserves	Other Retained Reserves	Retained Earnings	Available-for-Sale Reserve	Foreign Currency Translation Reserve	Total Ordinary Share-Holders' Equity	Non-Controlling Interests	Total Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance As At 1st January 2013	1,324,822	2,137,318	2,057,437	8,030,833	324,892	(6,548)	13,868,754	564,737	14,433,491
Net Profit for the Year	-	-	-	2,609,177	-	-	2,609,177	260,483	2,869,660
Other Comprehensive Income for the Year	-	181,702	-	1,240,514	222,834	3,906	1,648,956	(5,373)	1,643,583
Total Comprehensive Income for the Year	-	181,702	-	3,849,691	222,834	3,906	4,258,133	255,110	4,513,243
Final Dividend of Parent Company	-	-	-	(330,181)	-	-	(330,181)	-	(330,181)
Dividend of Subsidiary Company	-	-	-	-	-	-	-	(35,583)	(35,583)
Changes in Control in Subsidiaries	-	-	-	9,519	-	-	9,519	(233,536)	(224,017)
Revaluation Reserve Transfer on Disposal of Property, Plant & Equipment	-	(198,171)	-	198,171	-	-	-	-	-
Excess of Equity acquired over consideration on Energy Generators (Pvt) Ltd. (Refer note 11.a.1)	-	-	-	42,576	-	-	42,576	-	42,576
Balance As At 31st December 2013	1,324,822	2,120,849	2,057,437	11,800,609	547,726	(2,642)	17,848,801	550,728	18,399,529
Net Profit for the Year	-	-	-	2,547,949	-	-	2,547,949	301,728	2,849,677
Other Comprehensive Income for the Year	-	6,005	-	(304,968)	287,185	3,082	(8,697)	1,073	(7,624)
Total Comprehensive Income for the Year	-	6,005	-	2,242,981	287,185	3,082	2,539,252	302,801	2,842,053
Final Dividend of Parent Company	-	-	-	(422,632)	-	-	(422,632)	-	(422,632)
Dividend of Subsidiary Companies	-	-	-	-	-	-	-	(87,430)	(87,430)
Changes in Control in Subsidiaries	-	-	-	3,630	-	-	3,630	(3,630)	-
Change in Associate ownership	-	-	-	(11,442)	-	-	(11,442)	-	(11,442)
Effect on Depreciation due to reassessment of useful lives	-	-	-	126,001	-	-	126,001	-	126,001
Balance As At 31st December 2014	1,324,822	2,126,854	2,057,437	13,739,147	834,911	440	20,083,610	762,469	20,846,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital	Revaluation Reserves	Other Retained Reserves	Retained Earnings	Available-for Sale Reserve	Ordinary Share- Holders' Equity Rs.'000
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance As At 1st January 2013	1,324,822	1,674,993	2,057,437	7,298,361	207,197	12,562,810
Net Profit for the Year	-	-	-	2,118,389	-	2,118,389
Other Comprehensive Income for the Year	-	143,824	-	1,254,713	134,872	1,533,409
Total Comprehensive Income for the Year	-	143,824	-	3,373,102	134,872	3,651,798
Final Dividend Paid	-	-	-	(330,181)	-	(330,181)
Revaluation Reserve Transfer on Disposal of Property, Plant & Equipment	-	(198,171)	-	198,171	-	-
Balance As At 31st December 2013	1,324,822	1,620,646	2,057,437	10,539,452	342,069	15,884,426
Net Profit for the Year	-	-	-	2,142,624	-	2,142,624
Other Comprehensive Income for the Year	-	752	-	(294,574)	288,134	(5,688)
Total Comprehensive Income for the Year	-	752	-	1,848,050	288,134	2,136,936
Final Dividend Paid	-	-	-	(422,632)	-	(422,632)
Effect on Depreciation due to reassessment of useful lives	-	-	-	126,001	-	126,001
Balance As At 31st December 2014	1,324,822	1,621,398	2,057,437	12,090,871	630,203	17,724,731

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group		Company	
As at 31 December		2014	2013	2014	2013
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities					
Premiums/Revenue received from Customers		27,460,024	25,323,019	24,104,091	22,250,968
Reinsurance Premiums (net of Commission) Paid		(2,899,072)	(3,001,522)	(2,151,595)	(2,342,994)
Commission Paid		(2,414,698)	(2,352,868)	(2,357,262)	(2,308,324)
Claims and Benefits Paid		(10,998,348)	(10,651,881)	(10,624,752)	(10,409,456)
Reinsurance Receipts in respect of Claims & Benefits		1,362,407	1,270,806	877,601	960,722
Interest and Dividends Received		7,209,405	4,843,178	7,248,837	4,859,057
Other Operating Cash Payments		(9,023,476)	(8,487,981)	(7,238,310)	(6,858,032)
Other Income		130,813	176,617	85,463	192,533
Contributions to Gratuity Fund/Gratuity payments		(147,986)	(138,243)	(143,781)	(134,435)
Income Taxes Paid		(124,476)	(118,062)	(39,796)	(62,271)
Interest paid		(111,968)	(60,627)	(29,725)	(10,206)
Net Cash Flows from Operating Activities (Note A)		10,442,625	6,801,424	9,730,771	6,137,562
Cash Flows from Investing Activities					
Investments in/Proceeds from Subsidiaries/Associates		-	(20,684)	(187,180)	-
Acquisition of Financial Investments		(323,765,195)	(157,319,185)	(321,913,299)	(155,926,831)
Proceeds from sale of Investment Property		120,685	237,900	120,685	237,900
Proceeds from Financial Investments		317,351,588	149,423,912	315,235,322	148,580,930
Acquisition of Property, Plant & Equipment		(1,259,845)	(1,462,059)	(841,132)	(891,227)
Acquisition /Disposal of Intangible Assets		(11,600)	21,810	(11,600)	21,852
REREPO Borrowings (net)		(1,690,000)	1,765,000	(1,690,000)	1,765,000
Proceeds from Disposal of Property, Plant & Equipment		108,286	490,100	91,320	486,100
Net Cash Flows from Investing Activities		(9,146,081)	(6,863,206)	(9,195,884)	(5,726,276)
Cash Flows from Financing Activities					
Term Loan		(749,182)	603,292	-	-
Dividends Paid to Equityholders		(513,836)	(365,763)	(422,632)	(330,180)
Net Cash Flows from Financing Activities		(1,263,018)	237,529	(422,632)	(330,180)
Increase / (Decrease) in Cash & Cash Equivalents (Note B)		33,526	175,736	112,255	81,106
Note A.					
Reconciliation of Profit before tax with Net Cash Flows from Operating Activities					
Profit before tax		3,968,281	3,081,251	3,165,499	2,260,496
Adjustments for:					
Depreciation		486,434	411,754	286,659	241,538
Amortisation of Intangible Assets		13,159	14,400	11,185	12,035
Change in Trade and Other Receivables		(1,160,319)	(4,456,107)	(861,493)	(4,193,216)
Change in Reinsurance Receivable		(52,790)	(133,056)	104,316	(6,506)
Increase in Life Insurance Funds		7,294,889	7,687,101	7,294,889	7,687,101
Increase in Non - Life Insurance Provisions		804,211	593,028	636,901	437,803
Change in Trade and Other Payables		(600,188)	154,964	(842,743)	(28,914)
Realised gain		(33,190)	(157,426)	(22,632)	(155,512)
Fair value Gain recorded in Income Statement		5,248	(87,634)	6,277	(48,318)
Foreign Exchange gain/loss		(7,216)	(6,674)	(8,291)	(6,674)
Income Tax Paid		(124,977)	(118,062)	(39,796)	(62,271)
Share of profits of Associates		(150,917)	(182,115)	-	-
Net Cash Flows from Operating Activities		10,442,625	6,801,424	9,730,771	6,137,562
Note B.					
Cash and Cash Equivalents at 1st January		485,631	309,895	182,484	101,378
Cash and Cash Equivalents at 31st December	Note C	519,157	485,631	294,739	182,484
Increase / (Decrease) in Cash and Cash Equivalents		33,526	175,736	112,255	81,106
Note C					
Cash at Bank		966,590	761,032	603,167	410,949
Cash in Hand		40,932	38,586	37,573	35,032
Bank Overdraft		(488,365)	(313,987)	(346,001)	(263,497)
		519,157	485,631	294,739	182,484

INSURANCE REVENUE ACCOUNT - COMPANY

As at 31 December	Glossary Items	2014 Rs.'000	2013 Rs.'000	Change %
Non - Life Insurance				
Gross Written Premium	20	12,164,864	11,568,284	5.16
Net Earned Premium	31	9,359,977	8,842,712	5.85
Net Claims Incurred	36	(5,259,911)	(4,641,733)	13.32
Underwriting and Net Acquisition Costs (Including Reinsurance)	43 and 2	(570,376)	(724,493)	(21.27)
Underwriting Result	55	3,529,690	3,476,486	
Other Operating, Investments Related and Administrative Expenses		(3,684,496)	(3,505,144)	5.12
Investment and Other Income		1,022,541	1,009,183	1.32
Interest Expense		(321)	(389)	(17.34)
Profits From Operations After Interest Expense		867,413	980,136	(11.50)
Key Ratios Non - Life Insurance				
Net Loss Ratio	33	56.20	52.49	7.06
Net Expense Ratio	32	45.46	47.84	(4.96)
Net Combined Ratio	30	101.66	100.33	1.32
Life Insurance				
Gross Written Premium	19	12,002,524	11,122,906	7.91
Net Written Premium (Net of Reinsurance Premium)	35	11,715,219	10,866,904	7.81
Investment and Other Income Attributable to Policyholders		6,616,538	6,455,962	2.49
Net Benefits Payable		(4,893,847)	(4,757,321)	2.87
Increase in Long Term Insurance Fund		(7,256,468)	(7,654,622)	(5.20)
Commissions	13	(1,389,842)	(1,353,905)	2.65
Operating and Administrative Expenses Attributable to Policyholders		(2,707,107)	(2,497,239)	8.40
Interest Expense		(29,394)	(9,779)	200.58
Tax expenses		(755,099)	-	-
Surplus from Life Insurance Business	25	1,300,000	1,050,000	23.81
Surplus From Life Insurance Business		1,300,000	1,050,000	23.8
Investment & Other Income not Attributable to Policyholders		209,475	250,379	(16.34)
Operating and Administrative Expenses not Attributable to Policyholders		33,512	(20,019)	267.4
Tax expenses		(180,000)	(39,973)	350.3
Profit After Tax		1,362,987	1,240,387	9.88

SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - LIFE DIVISION

As at 31 December	Note	Page No	2014 Rs.'000	2013 Rs.'000
Assets				
Intangible Assets	01	104	2,198	4,609
Property, Plant & Equipment	02	104	4,760,394	4,596,053
Investment Property	03	105	1,805,269	1,502,000
Investments in Subsidiaries	04	105	621,000	521,000
Investments in Associates	05	105	271,925	271,922
Financial Instruments				
Held-to-Maturity Financial Assets	06(a)	105	31,913,874	27,415,888
Loans and Receivables	06(b)	106	16,026,211	19,595,998
Available-for-Sale Financial Assets	06 (c)	106	6,352,046	1,174,561
Financial Assets at Fair Value through Profit or Loss	06(d)	106	219,328	270,404
Employee Pension Benefit Asset			749,964	752,517
Employee Gratuity Benefit Asset			417,401	430,405
Loans to Policyholders			1,507,143	1,064,478
Reinsurance Receivable	07	106	27,974	62,106
Deferred Tax Asset			-	274,418
Other Assets	08	106	1,558,708	1,922,282
Accrued Income	09	107	4,286,992	3,885,512
Cash and Cash Equivalents			547,896	201,859
Total Assets			71,068,323	63,946,012
Equity and Liabilities				
Equity and Reserves				
Stated Capital - Non Voting	10	107	358,752	358,752
Retained Earnings	11	107	7,445,110	6,356,328
Revaluation Reserve			936,981	936,229
Available-for-Sale Financial Assets Reserve			149,706	(22,916)
Total Equity			8,890,549	7,628,393
Liabilities				
Insurance Provision - Long Term	12	107	60,021,879	52,765,411
Insurance Provision - Unit Linked			221,381	190,135
Family Takafull Contract Liability			1,414	90
Individual Investment Fund ISF			6,078	227
Obligation to Repurchase Securities			75,000	1,765,000
Deferred Tax Liability			96,653	-
Other Liabilities	13	107	1,393,258	1,258,464
Reinsurance Payable			16,110	74,796
Bank Overdraft			346,001	263,496
Total Liabilities			62,177,774	56,317,619
Total Equity and Liabilities			71,068,323	63,946,012

NOTES TO THE SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - LIFE DIVISION

01 Intangible Assets

	Computer Software (Rs.'000)	Total (Rs.'000)
Cost		
At 1 January 2014	279,487	279,487
At 31 December 2014	279,487	279,487
Less:		
Accumulated Amortization		
At 1 January 2014	274,878	274,878
Amortization	2,411	2,411
At 31 December 2014	277,289	277,289
Carrying Amount		
At 31 December 2013	4,609	4,609
At 31 December 2014	2,198	2,198

02 Property, Plant & Equipment

	Freehold Land (Rs.'000)	Building (Rs.'000)	Motor Vehicles (Rs.'000)	Office Equipment (Rs.'000)	Computer Equipment (Rs.'000)	Furniture & Fittings (Rs.'000)	Total (Rs.'000)
Cost							
At 1 January 2014	2,187,200	1,749,500	371,613	419,452	472,084	269,227	5,469,077
Additions/Transfers	142,526	67,214	151,014	32,909	17,507	23,396	434,566
Disposals/Transfers	-	(298,620)	(86,018)	(8,465)	(5,856)	(26,754)	(425,713)
At 31 December 2014	2,329,726	1,518,094	436,609	443,896	483,735	265,869	5,477,929
Less:							
Accumulated Depreciation							
At 1 January 2014	-	-	135,051	191,453	413,258	160,304	900,066
Depreciation	-	30,568	56,323	33,850	21,250	18,318	160,309
Disposals/Transfers	-	-	(48,102)	(5,899)	(5,842)	(23,243)	(83,086)
Reinstatement of Fully Depreciated Assets	-	-	(16,462)	(4,235)	(84,284)	(21,020)	(126,001)
At 31 December 2014	-	30,568	126,810	215,169	344,382	134,359	851,288
Add:							
Capital Work in Progress							
At 1 January 2014	-	27,043	-	-	-	-	27,043
Additions during the year	-	106,710	-	-	-	-	106,710
At 31 December 2014	-	133,753	-	-	-	-	133,753
Carrying Amount							
At 31 December 2013	2,187,200	1,776,542	236,562	227,999	58,827	108,923	4,596,053
At 31 December 2014	2,329,726	1,621,279	309,799	228,727	139,353	131,510	4,760,394

03 Investment Property

	2014 (Rs.'000)	2013 (Rs.'000)
Balance at the Beginning of the Year	1,502,000	2,068,806
Fair Value Gains	-	16,194
Transfers During The Year	298,620	(583,000)
Additions	4,649	-
Balance at the End of the Year	1,805,269	1,502,000

04 Investment In Subsidiaries

	2014		2013	
	No of Shares	Cost (Rs.'000)	No of Shares	Cost (Rs.'000)
Ceylinco Health Care Services Ltd	52,100,000	521,000	52,100,000	521,000
Ceylinco Seraka Ltd	5,000	-	5,000	-
Serene Resorts Ltd	1,500,000	-	1,500,000	-
Ceylinco Life Insurance Ltd	10,000,050	100,000		
		621,000		521,000

05 Investment In Associates

	No. of Shares	2014 Cost (Rs.'000)	Fair value (Rs.'000)	No. of Shares	2013 Cost (Rs.'000)	Fair value (Rs.'000)
Citizens Development Business Finance PLC - Voting	14,642,163	271,925	1,371,971	14,642,163	271,922	614,971
		271,925	1,371,971		271,922	614,971

06 Financial Instruments

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

	Note	2014 (Rs.'000)	2013 (Rs.'000)
Financial instruments			
Held-to-maturity financial assets	06(a)	31,913,874	27,415,888
Loans and receivables	06(b)	16,026,211	19,595,998
Available-for-sale financial assets	06(c)	6,352,046	1,174,561
Financial assets at fair value through profit or loss	06(d)	219,328	270,404
Total financial instruments		54,511,460	48,456,852

06(a) Held-to-Maturity Financial Assets

Amortized Cost

	2014 (Rs.'000)	2013 (Rs.'000)
Treasury Bills	-	646,950
Treasury Bonds	24,754,289	19,776,087
Debentures - Quoted	7,159,585	6,992,851
Total held-to-maturity financial assets at amortized cost	31,913,874	27,415,888

NOTES TO THE SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - LIFE DIVISION

06(b) Loans and Receivables

Amortized Cost

	2014 (Rs.'000)	2013 (Rs.'000)
Staff Loans other than vehicle loans	171,045	173,656
Vehicle Loans	386,404	242,668
Repo Investments	123,738	17,621
Debentures (unquoted)	450,000	575,000
Term deposits	15,014,804	18,669,564
Staff Loan Amortization	(119,780)	(82,511)
Total loans and receivables at amortized cost	16,026,211	19,595,998

06(c) Available-for-Sale Financial Assets

Fair Value

	2014 (Rs.'000)	2013 (Rs.'000)
Treasury Bill	63,599	275,220
Treasury Bond	5,851,189	530,290
Debentures - Quoted	296,577	224,050
Long Term Investments - Quoted	4,081	8,401
Long Term Investments -Unquoted	4,714	4,714
Preference Shares	131,886	131,886
Total available-for-sale financial assets at fair value	6,352,046	1,174,561

06(d) Financial assets at Fair Value Through Profit or Loss

Fair Value

	2014 (Rs.'000)	2013 (Rs.'000)
Treasury Bonds	202,176	184,293
Short term Investments - Quoted	17,152	86,111
Total financial assets at fair value through profit or loss	219,328	270,404

07 Reinsurance Receivable

	2014 (Rs.'000)	2013 (Rs.'000)
Re-Insurance Receivable - Swiss	16,070	30,001
Re-Insurance Receivable - Munich	11,904	32,105
Total reinsurance assets	27,974	62,106

08 Other Assets

	2014 (Rs.'000)	2013 (Rs.'000)
Advances, Deposits & Prepayments	91,341	87,314
Notional tax Receivable	1,035,040	1,412,968
WHT Receivable	-	53,569
Inventories	76,556	78,867
Premium Receivable	176,510	180,248
Pre- paid staff expenses	114,945	80,498
Amount due from Non Life Division	64,316	28,818
	1,558,708	1,922,282

09 Accrued Income

	2014 (Rs.'000)	2013 (Rs.'000)
Held-to-maturity financial assets	1,060,589	838,191
Loans and receivables	3,107,462	3,025,785
Available-for-sale financial assets	96,554	15,871
Financial assets at fair value through profit or loss	22,387	5,665
	4,286,992	3,885,512

10 Ordinary Share - Non Voting

	2014 (Rs.'000)	2013 (Rs.'000)
2,050,010 Ordinary Shares - Non Voting	358,752	358,752
	358,752	358,752

11 Retained Earnings

	2014 (Rs.'000)	2013 (Rs.'000)
At the Beginning of the Year	6,356,328	4,647,025
Transfer From Policy Holders During the year	1,300,000	1,050,000
Share Holders Profit / (Loss)	62,987	190,387
Effect on Assets Re-Assessment of Fully Depreciated Assets	126,001	198,171
Dividend Paid	(192,800)	(150,625)
Other Comprehensive Income	(207,406)	421,370
	7,445,110	6,356,328

12 Insurance Provision - Long Term Fund

	2014 (Rs.'000)	2013 (Rs.'000)
At the Beginning of the Year	52,765,411	45,110,789
Additions during the year	8,556,468	8,704,622
Transfer to Shareholders' Funds during the year	(1,300,000)	(1,050,000)
	60,021,879	52,765,411

13 Other Liabilities

	2014 (Rs.'000)	2013 (Rs.'000)
Creditors & accruals	735,069	646,472
Amounts due to related Companies	-	37,155
Death Claim Payable	102,208	74,044
Policyholders payments in Advance	400,973	355,597
Agency commission payable	155,008	145,196
	1,393,258	1,258,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

1.1 General

Ceylinco Insurance Company PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and whose shares are publicly traded on the Colombo Stock Exchange. The registered office of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. The main places of business of life insurance is located at "Ceylinco Life Tower", 106, Havelock Road, Colombo 05 and 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 06

In the annual report of the board of directors and in the financial statements, "the Company" refers to Ceylinco Insurance PLC as the holding company and "the Group" refers to the companies whose accounts have been consolidated therein.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka except one subsidiary and one associate which are incorporated and domiciled in the Republic of Maldives and Republic of Nepal respectively.

1.2 Principal Activities and Nature of Operations

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

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Date of Authorization for Issue

The consolidated financial statements of Ceylinco Insurance PLC for the year ended 31 December 2014 was authorized for issue in accordance with a resolution of the board of directors on 10th March, 2015.

2 Basis of Preparation

2.1 Statement of Compliance

The consolidated financial statements of the Group 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.

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
- Financial assets and financial liabilities that 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 an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that 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 asset or liability

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

2.4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The consolidated financial statement comprises the financial statement of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Especially, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries touring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

Transactions Eliminated on Consolidation

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

Business Combination

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

2.4.2 Associates(equity accounted investees)

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

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

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

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

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

3 Significant Accounting Policies

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

(a) Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

(b) Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. DAC for life insurance is amortised over the expected life of the contract as a constant percentage of expected premiums.

DAC for general insurance is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortization is recorded in the income statement. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

(c) Intangible Assets

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

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

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

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

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

(d) Segment Reporting

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

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

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

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

(e) Financial Assets*Initial recognition and measurement*

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

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

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

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

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

The Group evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the 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 Group has the positive intention and ability to hold until maturity.

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

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) The Group has transferred substantially all the risks and rewards of the asset; or
 - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(f) **Impairment of Financial Assets**

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may

include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default

or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other

financial reorganisation and where observable data indicate that there is a measurable decrease in the

estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

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

Available-for-sale financial investments

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

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

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

(g) Offsetting of Financial Instruments

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

(h) Fair Value of Financial Instruments

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

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.

(i) Reinsurance

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

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

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

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

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.

If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and is recognized in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the re-insurer.

(j) Insurance Receivables

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

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

(k) Taxes

- *Income Tax*

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

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

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

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Subsidiaries of the Company, are tax exempt and tax liable under concessionary rates (Please refer Note No. 36).

- **Deferred Tax**

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it

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

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

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

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

- **Sales Taxes and Premium Taxes**

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

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

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

(I) **Investment Properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred

if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

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

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

(m) Investment in Subsidiaries

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

(n) Investments in Associates

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

(o) Property, Plant and Equipment

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

(iii) Depreciation

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

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

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Item	Useful Life
Buildings	50-70 Years
Improvement on Leasehold Building	04-06 Years
Furniture and Fittings	05-10 Years
Office Equipment	03-10 Years
Computer Equipment	02-05 Years
Motor Vehicles	04-05 Years
Plant & Machinery/Project Equipment	04-33 Years
Civil Construction	57-60 Years
Medical Equipments	05 Years
Electric Equipment	05 Years

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

(iv) **Revaluations**

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

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

(v) **De-recognition**

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

(p) **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

Books



- First in First out Basis

(bb) **Gold**

Gold is measured at realizable value

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

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

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

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

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

(r) **Cash and Cash Equivalents**

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

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

(s) **Leasing**

Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement

of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

(t) Foreign Currency Transactions

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

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

(i) Transactions and Balances

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

(ii) Group Companies

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

(u) Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits less the discounted value of the expected net premiums. The liability is based on mortality tables and discount rates prescribed by the insurance regulator (IBSL).

Adjustments to the liabilities at each reporting date are recorded in the income statement. The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

(v) Non-life Insurance Contract Liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability

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is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognised. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

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

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

(w) Financial Liabilities – Initial Recognition and Subsequent Measurement

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial liabilities as follows:

Interest bearing loans and borrowings

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

Derecognition of financial liabilities

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

(x) Insurance payables

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

Derecognition insurance payables

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

(y) Provisions-General

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

(z) Defined Contribution Plans

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

(aa) Pensions and Other Post-Employment Benefits

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

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

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

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

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

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

However, according to the Payment of Gratuity Act No. 12 Of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the company. The provision is externally funded.

(bb) Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(cc) Stated Capital

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

(dd) Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

(ee) Earnings Per Share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary

shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

(ff) Gross Written Premium

(1) Non Life Insurance

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

(2) Life Insurance

Gross premium on life insurance contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

(gg) Reinsurance Premium

(1) Non Life Insurance

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

(2) Life Insurance

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

(hh) Unearned Premiums- Non Life Insurance

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(ii) *Revenue from Other Operations*

(1) Healthcare Segment

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

(2) Services

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

(3) Power Generation

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

(4) Education Services

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

(jj) *Acquisition Costs*

(1) Non Life Insurance

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

(2) Life Insurance

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

(kk) *Claims*

(1) Non Life Insurance

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inwards reinsurance business. The liability covers claims

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

Actuarial valuation is performed on an annual basis.

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

(2) Life Insurance

Death claims are recorded on the basis of the notification received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

(3) Reinsurance on Claims

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

(ll) *Other Income*

(1) Rental Income

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

(2) Fees and Commission Income

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

(3) Investment Income

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

Investment income also includes 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 amortised cost and are recorded on occurrence of the sale transaction.

(mm) Finance Cost

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

(nn) Cash Flow Statement

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

3.1 Use of Judgments, Estimates and Assumptions

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

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

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

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

Critical Accounting Judgments, Estimates and Assumptions	Disclosure Note	Reference Page
Impairment of assets (Income Tax)	16 (a)	148
Unearned premium and deferred acquisition cost	8(a), 22 (b).2	130 & 154
Insurance provision - Life	22(a)	153
Reserve for gross outstanding claims	22 (b)	153
Valuation of investment property	10	134
Deferred tax -Utilization of tax losses	16 (b)	149
Measurement of defined benefit obligation	13	142

4 Standards Issued but Not Yet Effective

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

(i) SLFRS 9 – Financial Instruments : Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01st January 2015. However, the effective date has been deferred subsequently.

(ii) SLFRS 14 –Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognize regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognize such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01st January 2016.

(iii) 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 1 Construction contracts and IFRIC 13 Customer Loyalty Programme. This standard is effective for the annual periods beginning on or after 01st January 2017.

None of these new standards and interpretation are expected to have an effect on the Consolidated Financial of the Group/Financial Statements of the Company, except for SLFRS 9 and 15. Pending the detailed review of such standards, the extent of the impact has not been determined by the management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment Information

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

The life insurance segment offers a wide range of whole life, term assurance, unitised pensions, guaranteed pensions, pure endowment pensions and mortgage endowment products.

The non-life insurance segment comprises of products namely motor, fire, engineering, marine, employers' liability and miscellaneous.

Healthcare segment includes Healthcare centre for Cancer Screening, Radiation Treatment units and Diabetes Centre.

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

Education Services segment includes primary, secondary, high education courses through various subsidiary companies.

Power generation segment business is to generate and distribute hydro power to the national grid.

Other segment includes investment management & hotel services.

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

5 Segment Information (cont'd)

Segment Income Statement For The Year Ended 31 December 2014

	Life Insurance Rs.'000	Non-life Insurance Rs.'000	Healthcare Rs.'000	Foreign Operation Male Rs.'000	Education Rs.'000	Power Generation Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	12,002,524	12,164,864	-	1,055,466	-	-	-	-	25,222,854
Premiums Ceded to Reinsurers	(287,305)	(2,376,587)	-	(845,152)	-	-	-	-	(3,509,044)
Change in Reserve for Unearned Premium	-	(428,300)	-	16,412	-	-	-	-	(411,888)
Net Premiums	11,715,219	9,359,977	-	226,726	-	-	-	-	21,301,922
Income from Subsidiaries	-	-	279,185	-	1,916,618	271,362	67,364	(23,356)	2,511,173
Fees and Commission Income	90,707	497,973	-	148,606	-	-	7,830	(20,449)	724,667
Investment Income	6,524,269	1,002,983	-	26,231	44,214	15,302	9,107	(137,071)	7,485,035
Realised Gains	140,762	19,558	2,259	-	6,800	1,500	-	-	170,879
Fair Value Gains and Losses	70,274	-	-	-	-	-	-	-	70,274
Other Revenue	6,826,012	1,520,514	281,444	174,837	1,967,632	288,164	84,301	(180,876)	10,962,028
Segment Revenue	18,541,231	10,880,491	281,444	401,563	1,967,632	288,164	84,301	(180,876)	32,263,950
Gross Benefits and Claims Paid	(5,001,999)	(5,653,906)	-	(223,276)	-	-	-	-	(10,879,181)
Claims Ceded to Reinsurers	108,152	744,266	-	186,083	-	-	-	-	1,038,501
Gross Change in Contract Liabilities	(7,256,468)	(271,139)	-	(177,471)	-	-	-	-	(7,705,078)
Change in Contract Liabilities Ceded to Reinsurers	-	(79,132)	-	150,117	-	-	-	-	70,985
Cost of Sales of Subsidiaries	-	-	(67,235)	-	(474,644)	(40,060)	(34,292)	-	(616,231)
Net Benefits and Claims	(12,150,315)	(5,259,911)	(67,235)	(64,547)	(474,644)	(40,060)	(34,292)	-	(18,091,004)
Acquisition Cost	(1,389,842)	(1,068,349)	-	(57,436)	-	-	-	-	(2,515,627)
Other Operating and Administrative Expenses	(2,673,584)	(3,684,497)	(182,356)	(150,131)	(973,845)	(88,396)	(19,990)	21,648	(7,751,152)
Finance Costs	(29,404)	(321)	(18,147)	(29)	(40,859)	(22,156)	(45)	22,156	(88,805)
Other Expenses	(4,092,830)	(4,753,167)	(200,503)	(207,596)	(1,014,704)	(110,552)	(20,035)	43,804	(10,355,584)
Segment Benefits, Claims and Other Expenses	(16,243,145)	(10,013,078)	(267,738)	(272,143)	(1,489,348)	(150,612)	(54,327)	43,804	(28,446,588)
Share of Profit of Associates	-	-	-	-	-	-	150,917	-	150,917
Segment Results	2,298,086	867,413	13,706	129,420	478,284	137,552	180,891	(137,072)	3,968,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment Information (cont'd)

Segment Income Statement For The Year Ended 31 December 2013

	Life Insurance Rs.'000	Non-life Insurance Rs.'000	Healthcare Rs.'000	Foreign Operation Male Rs.'000	Education Rs.'000	Power Generation Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	11,122,906	11,568,284	-	1,000,186	-	-	-	-	23,691,376
Premiums Ceded to Reinsurers	(256,002)	(2,360,051)	-	(768,791)	-	-	-	-	(3,384,844)
Change in Reserve for Unearned Premium	-	(365,521)	-	(41,381)	-	-	-	-	(406,902)
Net Premiums	10,866,904	8,842,712	-	190,014	-	-	-	-	19,899,630
Income from Subsidiaries	-	-	238,618	-	1,674,272	418,995	91,510	(26,082)	2,397,313
Fees and Commission Income	88,361	289,240	-	87,662	-	-	3,438	(11,498)	457,203
Investment Income	6,454,172	969,160	18,756	21,533	32,194	13,831	598	(73,386)	7,436,858
Realised Gains	108,495	47,017	-	181	1,733	-	-	-	157,426
Fair Value Gains and Losses	55,312	(6,994)	-	-	-	-	-	-	48,318
Other Revenue	6,706,340	1,298,423	257,374	109,376	1,708,199	432,826	95,546	(110,966)	10,497,118
Segment Revenue	17,573,244	10,141,135	257,374	299,390	1,708,199	432,826	95,546	(110,966)	30,396,748
Gross Benefits and Claims Paid	(4,863,444)	(5,548,025)	-	(120,882)	-	-	-	-	(10,532,351)
Claims Ceded to Reinsurers	106,123	944,569	-	97,629	-	-	-	-	1,148,321
Gross Change in Contract Liabilities	(7,654,622)	(118,620)	-	(109,366)	-	-	-	-	(7,882,608)
Change in Contract Liabilities Ceded to Reinsurers	-	80,343	-	124,793	-	-	-	-	205,136
Cost of Sales of Subsidiaries	-	-	(95,886)	-	(446,880)	(52,676)	(47,374)	-	(642,816)
Net Benefits and Claims	(12,411,943)	(4,641,733)	(95,886)	(7,826)	(446,880)	(52,676)	(47,374)	-	(17,704,318)
Acquisition Cost	(1,353,905)	(1,013,733)	-	(44,544)	-	-	-	-	(2,412,182)
Other Operating and Administrative Expenses	(2,517,219)	(3,505,144)	(122,060)	(152,056)	(807,525)	(106,717)	(17,278)	12,698	(7,215,303)
Finance Costs	(9,817)	(389)	(107)	(755)	(49,438)	(91,458)	(34)	24,882	(127,116)
Other Expenses	(3,880,941)	(4,519,266)	(122,167)	(197,355)	(856,963)	(198,175)	(17,312)	37,580	(9,754,601)
Segment Benefits, Claims and Other Expenses	(16,292,884)	(9,160,999)	(218,053)	(205,181)	(1,303,843)	(250,851)	(64,686)	37,580	(27,458,919)
Share of Profit of Associates	-	-	-	-	-	-	143,421	-	143,421
Segment Results	1,280,360	980,136	39,321	94,209	404,356	181,975	174,281	(73,386)	3,081,250

5 Segment Information (cont'd)

Segment Statement of Financial Position at 31 December 2014

	Life Insurance Rs.'000	Non-life Insurance Rs.'000	Healthcare Rs.'000	Foreign Operation Male Rs.'000	Education Rs.'000	Power Generation Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets (Incl. Goodwill)	2,198	32,752	-	-	200,526	2,857	-	-	238,333
Property, Plant & Equipment	4,760,396	2,021,124	604,786	3,780	1,130,500	1,353,709	15,131	-	9,889,426
Investment Property	1,805,271	910,440	-	-	-	-	-	-	2,715,711
Investment in Associates	271,925	125,474	-	-	-	86,639	1,006,614	40,346	1,530,998
Investments in Subsidiaries	621,000	905,752	-	-	-	-	990	(1,527,742)	-
Financial Instruments	54,511,460	7,191,282	2,075	414,920	123,599	217,844	292,528	(168,354)	62,585,354
Reinsurance Assets	27,974	2,134,769	-	342,530	-	-	-	-	2,505,273
Insurance/Trade Receivables	1,683,652	3,018,847	9,313	340,003	170,735	112,945	20,496	-	5,355,991
Other Assets	7,287,794	10,640,328	9,268	189,025	429,487	139,246	9,065	(7,445,112)	11,259,101
Total Assets	70,971,670	26,980,768	625,442	1,290,258	2,054,847	1,913,240	1,344,824	(9,100,862)	96,080,187
Insurance Contract Liabilities	60,250,752	8,745,212	-	514,285	-	-	-	-	69,510,249
Other Liabilities	9,275,481	1,956,266	138,660	497,681	858,683	277,392	292,683	(7,572,984)	5,723,859
Total Liabilities	69,526,233	10,701,478	138,660	1,011,966	858,683	277,392	292,683	(7,572,984)	75,234,108

Segment Statement of Financial Position at 31 December 2013

	Life Insurance Rs.'000	Non-life Insurance Rs.'000	Healthcare Rs.'000	Foreign Operation Male Rs.'000	Education Rs.'000	Power Generation Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets (Incl. Goodwill)	4,609	29,926	328	-	201,545	3,485	-	-	239,893
Property, Plant & Equipment	4,596,053	1,861,113	658,510	4,198	835,093	1,386,016	9,429	-	9,350,410
Investment Property	1,502,000	1,004,608	-	-	-	-	-	-	2,506,608
Investment in an Associate	271,922	138,494	-	-	-	68,723	886,837	39,316	1,405,291
Investments in Subsidiaries	521,000	805,552	-	-	-	-	990	(1,327,542)	-
Financial Instruments	48,456,851	6,279,486	64,098	379,416	108,790	15,353	804,451	(200,150)	55,908,295
Reinsurance Assets	62,106	2,187,290	-	187,753	-	-	-	-	2,437,149
Insurance/Trade Receivables	1,244,726	2,829,789	6,392	219,717	139,867	41,468	176	-	4,482,135
Other Assets	7,286,747	9,488,120	11,050	126,638	375,975	156,418	5,789	(6,356,334)	11,094,403
Total Assets	63,946,012	24,624,378	740,378	917,722	1,661,270	1,671,463	1,707,672	(7,844,710)	87,424,184
Insurance Contract Liabilities	52,955,546	8,045,773	-	346,975	-	-	-	-	61,348,294
Other Liabilities	9,718,396	1,966,245	262,229	376,632	818,349	279,983	779,866	(6,525,339)	7,676,361
Total Liabilities	62,673,942	10,012,018	262,229	723,607	818,349	279,983	779,866	(6,525,339)	69,024,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5A Summarized information of Significant Subsidiaries

Summarized Income Statement for the year ended 31st December 2014:

	Energy Lanka Holdings	CEG Education Holdings
Revenue	288,164	1,967,632
Cost of Sale	(40,060)	(474,644)
Administrative Expenses	(88,396)	(973,845)
Finance Cost	(22,156)	(40,859)
Profit Before Tax	137,552	(478,284)
Profit for the year from Continuing Operation		
Total Comprehensive Income	121,124	446,929
Attributable to non-controlling interests	3,580	249,797
Dividends paid to non-controlling interest	11,359	61,453

Summarized Income Statement for the year ended 31st December 2013:

	Energy Lanka Holdings	CEG Education Holdings
Revenue	280,303	1,708,199
Cost of Sale	(32,705)	(446,880)
Administrative Expenses	(79,348)	(807,526)
Finance Cost	(24,969)	(49,438)
Profit Before Tax	143,281	404,355
Profit for the Year from Continuing Operation		
Total Comprehensive Income	132,030	344,154
Attributable to Non-Controlling Interests	4,893	189,405
Dividends paid to Non-Controlling Interests	3,645	26,837

Summarized Statement of Financial Position as at 31 December 2014:

	Energy Lanka Holdings	CEG Education Holdings
Current Assets	263,171	723,821
Non-Current Assets	1,382,713	1,331,026
Current Liability	120,644	520,420
Non-Current Liability	154,862	338,263
Total Equity	1,370,378	1,196,164

Summarized Statement of Financial Position as at 31 December 2013:

	Energy Lanka Holdings	CEG Education Holdings
Current Assets	213,239	624,632
Non-Current Assets	1,415,646	1,036,638
Current Liability	106,336	440,402
Non-Current Liability	173,647	377,947
Total Equity	1,348,902	842,921

Summarized Statement of Cash Flows information for the year ended 31 December 2014:

	Energy Lanka Holdings	CEG Education Holdings
Operation	109,630	431,353
Investing	(10,016)	(386,678)
Financing	(114,649)	(150,434)
Net Increase /(Decrease) In cash and cash equivalents	15,035	(105,759)

Summarized Statement of Cash Flows information for the year ended 31 December 2013:

	Energy Lanka Holdings	CEG Education Holdings
Operation	115,575	407,305
Investing	(17,706)	(116,421)
Financing	(78,374)	(120,115)
Net Increase /(Decrease) In cash and cash equivalents	19,495	170,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Goodwill

	Group	
	2014 Rs.'000	2013 Rs.'000
Cost		
At 1 January	193,162	193,162
Cost - Acquisition of Subsidiaries	-	-
At 31 December	193,162	193,162
Accumulated Impairment		
At 1 January	-	-
At 31 December	-	-
Carrying amount		
At 31 December	193,162	193,162

The amount represents Goodwill reflected in the CEG Education Holdings (Pvt) Ltd.'s books which is included under the education operating segment. The Group performs its annual impairment test as at 31 December of each financial year. The Group considers the net assets position and future cashflows of each operating segment when reviewing for the indicators of impairment. As at 31 December 2014, there were no any significant indicators for potential impairment of goodwill and impairment of the assets of the operating segments.

7 Intangible Assets

	Note	Lease Hold Right Rs.'000	Group Computer Software & License Rs.'000	Total Rs.'000	Company Computer Software & License Rs.'000	Total Rs.'000
Cost						
At 1st January 2014		9,250	340,347	349,597	318,595	318,595
Cost capitalised		-	11,600	11,600	11,600	11,600
At 31 December 2014		9,250	351,947	361,197	330,195	330,195
Accumulated Amortisation and Impairment						
At 1st January 2014		5,767	297,099	302,866	284,060	284,060
Amortisation	33	627	12,534	13,161	11,185	11,185
At 31 December 2014		6,394	309,633	316,027	295,245	295,245
Carrying amount						
At 1st January 2014		3,483	43,248	46,731	34,535	34,535
At 31 December 2014		2,856	42,314	45,170	34,950	34,950

8 Deferred Expenses

	Group Deferred Acquisition Costs (DAC) Insurance Contracts Rs.'000	Company Deferred Acquisition Costs (DAC) Insurance Contracts Rs.'000
At 1 January 2014	662,475	627,043
Expenses deferred	1,215,618	1,161,103
Amortisation	(1,155,411)	(1,098,565)
At 31 December, 2014	722,682	689,581

9 Property, Plant and Equipment Group

	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Cost/Valuation									
At 1st January 2014	3,246,126	2,852,340	2,363,368	889,161	756,705	857,402	662,400	34,764	11,662,266
Additions/Transfers	108,802	751,896	(600,777)	399,640	105,535	62,918	50,248	380,307	1,258,569
Disposals	-	(301,748)	(13,916)	(124,661)	(16,964)	(42,529)	(29,750)	-	(529,568)
At 31 December 2014	3,354,928	3,302,488	1,748,675	1,164,140	845,276	877,791	682,898	415,071	12,391,267
Accumulated Depreciation									
At 1st January 2014	-	93,668	393,340	285,641	402,821	735,120	401,266	-	2,311,856
Depreciation	-	80,619	80,982	136,178	81,773	54,279	52,603	-	486,434
Disposals	-	(2,999)	(13,519)	(79,682)	8,143	(58,878)	(23,514)	-	(170,449)
Effect of Remeasurement of useful lives	-	-	-	(16,462)	(4,235)	(84,284)	(21,020)	-	(126,001)
At 31 December 2014	-	171,288	460,803	325,675	488,502	646,237	409,335	-	2,501,840
Carrying Amount									
At 1st January 2014	3,246,126	2,758,672	1,970,028	603,520	353,884	122,282	261,134	34,764	9,350,410
At 31 December 2014	3,354,928	3,131,200	1,287,872	838,465	356,774	231,554	273,563	415,071	9,889,427

Company

	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Cost/Valuation									
At 1st January 2014	2,650,954	2,599,986	43,970	751,489	538,849	776,673	500,278	27,042	7,889,241
Additions/Transfers	142,526	91,497	2,937	352,120	44,153	53,316	43,800	106,710	837,059
Disposals	-	(298,620)	(664)	(108,511)	(10,796)	(15,456)	(26,932)	-	(460,979)
At 31 December 2014	2,793,480	2,392,863	46,243	995,098	572,206	814,533	517,146	133,752	8,265,321
Accumulated Depreciation									
At 1st January 2014	-	479	24,451	200,500	266,922	646,664	293,061	-	1,432,077
Depreciation	-	47,778	3,668	106,398	43,659	47,303	37,853	-	286,659
Disposals	-	(28)	(608)	(61,825)	(7,840)	(15,220)	(23,413)	-	(108,934)
Effect of Remeasurement of useful lives	-	-	-	(16,462)	(4,235)	(84,284)	(21,020)	-	(126,001)
At 31 December 2014	-	48,229	27,511	228,611	298,506	594,463	286,481	-	1,483,801
Carrying Amount									
At 1st January 2014	2,650,954	2,599,507	19,519	550,989	271,927	130,009	207,217	27,042	6,457,164
At 31 December 2014	2,793,480	2,344,634	18,732	766,487	273,700	220,070	230,665	133,752	6,781,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Property, Plant and Equipment (Contd.)

9.1 Details of Freehold Land & Building of Company

Addresses	Building Sq. Ft.	Land Extent	Cost/ Valuation Rs.'000	Value of Land Rs.'000
Non - Life Insurance				
282, High Level Road, Kottawa	2,625	Condominium	8,000	3,700
97, Baudhdhaloka Mawatha, Gampaha	10,436	A-0-R-0-P 16.50	73,000	41,250
42/1, Mihidu Mawatha, Kurunegala	7,600	A-0-R-0-P 8.2	74,000	20,500
583/ 63 Liyanagemulla, Seeduwa	34,465	A-3-R-1-P .3.6	144,000	110,000
60 ,Yovunpitiya Watte, Gnanawimala Mawatha. Kosgoda , Balapitiya	7,776	A-0-R-1-P 29	49,000	10,350
63, Janadhipathi Mawatha, Colombo 1.	-	A-0-R-0-P 13.84	90,000	90,000
3rd,4th, 7th & 11th Floors of Ceylinco House Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.	43,468		580,566	-
46/34, "VIP Centre", Nawam Mawatha, Colombo 2.	19,534	A-0-R-0-P 19.00	245,000	152,000
Panagoda	2,500	A-0-R-0-P 20.3	2,900	-
72, Pamunuwa, Maharagama	-	A-0-R-0-P 31	500	500
Madabawita, Warakapola	650	A-0-R-0-P 20.00	6,000	3,750
Malangama, Kuruwita	650	A-0-R-0-P 15.00	6,400	4,500
Induruwa, Kosgoda	650	A-0-R-0-P 24.30	8,600	6,074
Ibbagamuwa, Melsiripura	650	A-0-R-1-P 00.00	8,500	6,000
Unakuruwa , Tangalle	650	A-0-R-1-P 38.88	5,800	3,000
Bibiliya, Kithulgala	5,577	A-1-R-3-P 27.00	23,600	7,830
Ibbanwewa, Pussellawa	650	A-0-R-0-P 11.60	5,540	2,900
Puttalam -South, Mundel		A-0-R-0-P-20.0	7,118	1,400
Total			1,338,524	463,754

Land and Buildings of the Non-Life Division as at 31st December 2013, other than at Panagoda, No.72 Pamunuwa , Maharagama were assessed as at 31st December 2013 by Mr.W.M.Chandrasena Incorporated valuer. Land and Buildings of the Life Division as at 31st December 2013 were revalued by incorporated valuer Mr. W.M.Chandrasena (AIV) The net revaluation surplus was transferred to Revaluation Reserve.

9. Property, Plant and Equipment (Contd.)

Addresses	Building Sq. Ft.	Land Extent	Cost/ Valuation Rs.'000	Value of Land Rs.'000
Life Insurance				
115, Greens Road, Negombo.	13,169	A-0-R-0-P-15.00	58,000	35,500
63, Janadhipathi Mawatha, Colombo 1.		A-0-R-0-P-13.84	90,000	90,000
60, Colombo Road, Kaluwella, Galle	13,984	A-0-R-0-P-16.09	90,000	40,000
54, Harichchandra Mawatha, Anuradhapura	23,100	A-0-R-1-P-10.68	123,000	38,000
Serene Resorts, Bopitiya Road, Uswetakeiyyawa	38,176	A-02-R-03-P-30	239,172	94,000
No. 06, Station Road, Matara	2,682	A-0-R-0-P-25.88	48,000	44,000
Main Street, Tissamaharama	8,468	A-0-R-1-P-0	50,000	18,000
Dharmapala Mawatha, Rathnapura	3,044	A-0-R-0-P-35.5	51,000	42,000
No. 264, Galle Road, Panadura		A-0-R-0-P-23	30,000	30,000
No. 423, Main Street, Kalutara	12,000	A-0-R-0-P-32.75	111,000	29,500
No. 327, Badulla RD, Bandarawela		A-0-R-0-P-17.01	12,000	12,000
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.2	860,000	194,000
Block No. 32, Mistry Hills, Nuwara Eliya	5,400	A-0-R-0-P-26.9	26,000	5,000
No.15, Rexdias Mawatha, Wennappuwa		A-0-R-0-P-37.4	26,000	26,000
No. 91, Bauddhaloka Mawatha, Gampaha	8,975	A-0-R-0-P-32.5	142,000	71,000
40, Rajapihilla Mawatha, Kurunegala	10,485	A-0-R-0-P-15.5	109,000	20,000
No. 90/4, Kurunegala Road, Chilaw		A-0-R-0-P-30.0	15,000	15,000
No. 38, Abdul Gafoor Mawatha, Colombo 03		A-0-R-1-P-4.5	245,000	245,000
No. 406, Galle Road Rawatawatta, Moratuwa	7,544	A-0-R-0-P-39.73	76,000	59,000
No. 37,39 & 41, Vannarpannai, South East in the Parish of Vannarpannai, Jaffna	4,144	A-0-R-1-P-7.9	68,000	60,000
No.22, Lloyd's Avenue, Batticaloa		A-0-R-0-P-23.83	24,000	24,000
No.2, Gower Street Colombo-05	5,210	A-0-R-1-P-27.25	366,000	353,000
No. 20 & 22/3 Kandy Road, Trincomalee		A-0-R-1-P-20	36,000	36,000
No.38,38B Rajapilla Road, Kurunegala		A-0-R-0-P-23.93	29,344	29,344
No.92 & 98 Jampettah Street, Colombo-13	17,000	A-0-R-1-P-11.22	168,383	107,500
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.40	593,620	470,000
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	121,137	101,719
No.274, Panadura Road, Horana		A-0-R-0-P-25.5	40,163	40,163
Total			3,847,819	2,329,726
Company -Total			5,186,343	2,793,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Property, Plant and Equipment (Contd.)

9.2 Fully Depreciated Property, Plant and Equipment

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

As at 31 December 2014	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Plant and Machinery	29,706	10,235	3,832	2,037
Computer Equipment	107,203	442,759	76,280	409,795
Office Equipments	101,843	133,057	10,123	41,072
Furniture and Fittings	136,798	153,904	17,311	93,222
Motor Vehicles	10,110	97,311	-	77,053
	385,660	837,266	107,546	623,179

10 Investment Properties

	Note	Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
At 1 January		2,506,608	3,178,308	2,506,608	3,178,308
Additions/Transfers		373,303	(443,000)	373,303	(443,000)
Disposal		(164,200)	(237,900)	(164,200)	(237,900)
Fair Value Gains	30	-	9,200	-	9,200
At 31 December		2,715,711	2,506,608	2,715,711	2,506,608

Details of Investment Property of Company

	Building Sq. Ft.	Extent Perches	Value of Land Rs.'000	Value of Building Rs.'000	Total Rs.'000
Non - Life Insurance					
No.2, R.A.De Mel Mawatha,Colombo-04	12432	A-0-R-0-P-11	104,289	49,044	153,333
No,34, Muhandiram ED Dabare Mawatha, Colombo-05 (7 Apartments)	10206		-	189,082	189,082
Wewa Road,Wickramasinghepura,Battaramulla (8 Houses)	21805	A-0-R-0-P-81.25	59,790	117,660	177,450
Matagoda Road, Hendala, Wattala (1 House)	2362	A-0-R-0-P-9	3,375	8,725	12,100
Siyaneperu, Horogolla, Nittambuwa		A-0-R-0-P-12.5	3,875	-	3,875
Averihena, Thalagama (8 Houses)	24652	A-0-R-0-P-103	60,310	116,290	176,600
Dehiwela 138/1 & 138 Galle Road, Mount Lavinia		A-0-R-0-P-27.55	58,000	-	58,000
Liyanagemulla, Seeduwa		A-2-R-2-P-21.5	80,000	-	80,000
598, Galle Road, Colombo-03	6022	A-0-R-0-P-11.0	43,500	16,500	60,000
Sub Total			413,139	497,301	910,440

Life Insurance

	Building Sq. Ft.	Extent Perches	Value of Land Rs.'000	Value of Building Rs.'000	Total Rs.'000
Nuwara Eliya, Block No.07 Mistry Hills		A-0-R-0-P-13.5	5,000	-	5,000
No. 36, Talbot Town, Lane 1, Galle	7196	A-0-R-0-P-20	64,000	26,000	90,000
No.27, Fifth Cross Street, Nambimulla, Ambalangoda	4614	A-0-R-0-P-20	40,000	13,000	53,000
No. 115, Green Road, Negombo		A-0-R-0-P-37.5	80,000	-	80,000
No.63, King Street, Kandy	14670	A-0-R-1-P-1.25	209,000	41,000	250,000
No.45, Anagarika Dharmapala Mawatha, Matara	7211	A-0-R-0-P-26.44	74,000	16,000	90,000
No. 401, Main Street, Panadura	5790	A-0-R-1-P-4.12	110,000	4,000	114,000
No. 428, R. A. De Mel Mawatha, Colombo 03	8300	Condominium	-	102,000	102,000
No. 60, Park Street, Colombo 02	34854	A-0-R-1-P-2.82	275,000	183,000	458,000
No. 70, Park Street, Colombo 02	4510	A-0-R-0-P-0	-	123,620	123,620
7th Floor of Ceylinco House	4908		-	84,651	84,651
6th Floor of Ceylinco House	11323		-	180,000	180,000
5th Floor of Ceylinco House	11320		-	175,000	175,000
Sub Total			857,000	948,271	1,805,271
Company Total			1,270,139	1,445,572	2,715,711

As at 31st December 2013, investment properties were valued by qualified valuer Mr.W.M.Chandrasena.

The fair value of investment property reflects the actual market value as at reporting date.

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility. (value of the property amounting to Rs.153Mn).

11(a) Investment in Subsidiaries**Investments in Subsidiaries (Unquoted)****Company**

	% of Direct Holding		Number of Shares		Cost	
	2014	2013	2014	2013	2014 Rs.'000	2013 Rs.'000
Serene Resorts Ltd.	100%	100%	2,000,000	2,000,000	-	-
Ceylinco Seraka Ltd	5%	5%	5,000	5,000	-	-
Ceylinco Healthcare Services Ltd.	99%	99%	52,100,000	52,100,000	521,000	521,000
Ceylinco Investcorp (Pvt) Ltd.	75%	75%	112,500	112,500	1,125	1,125
Ceylinco Insurance Company (Pvt) Ltd (Maldives)	60%	60%	9,339	9,339	42,723	42,723
Energy Lanka Holdings Ltd	100%	100%	166,603,438	166,603,438	666,414	666,414
International College of Business & Technology Ltd.	6%	6%	150,000	150,000	1,500	1,500
Ceylinco General Insurance Ltd.	100%	0%	501,000	-	100,200	-
Ceylinco Life Insurance Ltd.	100%	0%	10,000,050	-	100,000	-
CEG Education Holdings (Pvt) Ltd	63%	63%	2,912,499	2,912,499	64,007	64,007
American Education Centre Ltd.	13%	13%	460,000	460,000	4,600	4,600
Preference shares						
International College of Business and Technology Ltd.-10%			195,828	195,828	1,958	1,958
International College of Business and Technology Ltd.-08%			2,322,500	2,322,500	23,225	23,225
					1,526,752	1,326,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11.a.1 At the end of year 2013, Ceylinco Insurance PLC group's ownership in Energy Generators (Pvt) Ltd (EGL) has reduced due to the new shares issued to outside shareholders of EGL and thereby becoming an associate of Ceylinco Insurance PLC from subsidiary investment. Accordingly the investment in EGL was accounted on equity basis and necessary adjustments were made.

All Subsidiaries' except Ceylinco Insurance Company (Pvt) Ltd Maldives, the principal place of business is Sri Lanka. Ceylinco Insurance Company (Pvt) Ltd -Maldives's principal place of business is Maldives.

Ceylinco General Insurance Ltd. and Ceylinco Life Insurance Ltd are companies incorporated in order to transfer general and life Insurance businesses subsequent to segregation when approved by IBSL.

11(b) Investment in Associates

Company/Group Investments in Associates

Company	% Holding		Number of Shares		Value	
	2014	2013	2014	2013	2014 Rs.'000	2013 Rs.'000
Quoted Investments						
Citizens Development Business Finance PLC	36%	36%	16,495,450	16,815,991	304,885	317,901
Unquoted Investments						
Ceylinco Homes International Ltd.	33%	33%	1,305,000	1,305,000	13,050	13,050
Sagarmatha insurance Ltd	20%	20%	516,637	224,624	18,557	18,557
Energy Generators (Pvt)Ltd.	24%	24%	86,483,872	86,483,872	60,907	60,907
Company / Group Investments in Associates (At Cost)					397,399	410,415
Group						
Excess of Equity acquired over consideration						
Ceylinco Homes International Ltd.					13,218	13,218
Citizens Development Business Finance PLC					14,485	14,485
Group's share of Associates Companies Retained Assets						
Ceylinco Homes International Ltd.					21,292	20,789
Sagarmatha Insurance Ltd					104,918	94,574
Citizens Development Business Finance PLC					852,701	743,771
Energy Generators (Pvt)Ltd.					100,838	81,892
Investment in Energy Generators (Pvt) Ltd by Subsidiary					26,147	26,147
Group Investments in Associates (Equity Basis)					1,530,998	1,405,291
Share of Associate's Statement of Financial Position						
Total Assets					12,043,853	10,684,452
Total Liabilities					(10,512,855)	(9,279,161)
Net Assets					1,530,998	1,405,291
Share of Associate's Revenue and Profit						
Revenue					2,219,755	1,878,508
Profit					150,917	143,421

All associate companies' except Sagarmatha Insurance Ltd principal place of business is in Sri Lanka. Sagarmatha Insurance Ltd's principal place of business is Nepal

12. Financial Instruments and Fair Values of Financial Instruments

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

		Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Held to maturity financial assets	12(a)	32,124,826	27,778,104	31,913,874	27,415,888
Loans and receivables	12(b)	19,082,446	22,812,034	18,447,316	22,462,979
Available-for-sale financial assets	12(c)	11,158,754	5,047,753	11,122,225	4,587,066
Financial assets at fair value through profit or loss	12(d)	219,327	270,404	219,327	270,404
Total Financial Instruments		62,585,353	55,908,295	61,702,742	54,736,337

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

	Group				Company			
	2014		2013		2014		2013	
	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Held to maturity financial assets	32,124,826	33,671,465	27,778,104	28,308,358	31,913,874	33,460,513	27,415,888	28,025,936
Loans and receivables	19,082,446	19,082,446	22,812,034	22,812,034	18,447,316	18,447,316	22,462,979	22,462,979
Available-for-sale financial assets	11,158,754	11,158,754	5,047,753	5,047,753	11,122,225	11,122,225	4,587,066	4,587,066
Financial assets at fair value through profit or loss	219,327	219,327	270,404	270,404	219,327	219,327	270,404	270,404
Total Financial Instruments	62,585,353	64,131,992	55,908,295	56,438,549	61,702,742	63,249,381	54,736,337	55,346,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Financial Instruments and Fair Values of Financial Instruments (cont'd)

(a) Held to Maturity Financial Assets

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Fair value				
Treasury Bills	210,952	655,385	-	655,385
Treasury Bonds	26,078,810	20,426,532	26,078,810	20,426,532
Term Deposits	-	282,422	-	-
Debentures - Quoted	7,381,703	6,944,019	7,381,703	6,944,019
Total Held to Maturity Financial Assets at Fair Value	33,671,465	28,308,358	33,460,513	28,025,936
Amortised Cost				
Treasury Bills	210,952	726,744	-	646,950
Treasury Bonds	24,754,289	19,776,087	24,754,289	19,776,087
Term Deposits	-	282,422	-	-
Debentures - Quoted	7,159,585	6,992,851	7,159,585	6,992,851
Total Held to Maturity Financial Assets at Amortised Cost	32,124,826	27,778,104	31,913,874	27,415,888

(b) Loans and Receivables

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Receivables from related parties	43,398	271,646	-	133,910
Staff Vehicle loans	266,624	175,751	266,624	175,751
Staff Loans other than vehicle loans	403,680	367,902	401,605	366,141
Repo Investment	189,337	46,453	123,738	17,621
Debentures - Unquoted	690,000	822,000	690,000	822,000
Term Deposits	17,489,407	21,128,282	16,965,349	20,947,556
Total Loans and Receivables at Amortised Cost	19,082,446	22,812,034	18,447,316	22,462,979

(c) Available-For-Sale Financial Assets

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Treasury Bond & Bills	9,358,215	3,548,516	9,358,215	3,102,767
Unquoted Share Investment	687,622	556,401	671,326	556,401
Unquoted preference share investment	161,886	161,886	161,886	161,886
Quoted debentures	467,688	395,160	467,688	395,160
Quoted Share Investment	139,520	128,321	119,287	113,383
Unit Trust Investments	343,823	257,469	343,823	257,469
Total Available-For-Sale Financial Assets at Fair Value	11,158,754	5,047,753	11,122,225	4,587,066

12. Financial Instruments and Fair Values of Financial Instruments (cont'd)**(d) Financial Assets at Fair Value Through Profit or Loss**

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Fair value				
Treasury Bonds	202,176	184,293	202,176	184,293
Short Term Investment - Quoted	17,151	86,111	17,151	86,111
Total Financial Assets at Fair Value Through Profit /(Loss)	219,327	270,404	219,327	270,404

(e) Carrying Values of Financial Instruments - Company

	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
At 1st January 2014	27,415,888	22,462,979	4,587,066	270,404	54,736,337
Purchases	5,759,028	54,182,052	161,737,520	10,647,377	232,325,977
Maturities	(8,067,579)	(58,158,400)	(123,430,422)	-	(189,656,401)
Disposals	-	-	(27,012,681)	(10,736,831)	(37,749,512)
Fair value gains recorded in the income statement	-	-	113,886	65,749	179,635
Fair value gains recorded in other comprehensive income	-	(39,315)	379,074	-	339,759
Reclassification *	5,210,000	-	(5,210,000)	-	-
Movement in impairment allowance	-	-	-	-	-
Amortisation adjustment	1,596,537	-	(42,218)	(27,372)	1,526,947
At 31 December 2014	31,913,874	18,447,316	11,122,225	219,327	61,702,742

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

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments

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

For unquoted equity investments 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.

* The Management has reclassified Financial Instruments to HTM in order to meet long term liabilities assuming that the entity has the intention and ability to hold the investment until the maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Financial Instruments and Fair Values of Financial Instruments (cont'd)

(f) Determination of Fair Value and Fair Values Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

Company	2014				2013			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total fair value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total fair value Rs.'000
Financial assets								
Financial Assets at Fair Value Through Profit/Loss								
Equity securities	17,151	-	-	17,151	86,111	-	-	86,111
Debt securities	202,176	-	-	202,176	184,293	-	-	184,293
	219,327	-	-	219,327	270,404	-	-	270,404
Available-For-Sale Financial Assets:								
Equity securities	119,287	-	671,326	790,613	113,383	-	556,401	669,784
Debt securities	10,169,726	-	161,886	10,331,612	3,755,396	-	161,886	3,917,282
	10,289,013	-	833,212	11,122,225	3,868,779	-	718,287	4,587,066
Total Financial Assets	10,508,340	-	833,212	11,341,552	4,139,183	-	718,287	4,857,470
Financial Liabilities								
Repo Borrowings	75,000	-	-	75,000	1,765,000	-	-	1,765,000

12. Financial Instruments and Fair Values of Financial Instruments (cont'd)**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:

Company

	At 1 January 2014 Rs.'000	Total gains/(loss) recorded in other comprehen- sive income Rs.'000	Additions/ Settlements Rs.'000	At 31 December 2014 Rs.'000
Financial Assets				
Available-For-Sale Financial Assets:				
Debt securities	161,886	-	-	161,886
Equities	556,401	114,925	-	671,326
Total Level 3 financial assets	718,287	114,925	-	833,212

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

	Carrying Amount 31/12/2014 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000	Carrying Amount 31/12/2013 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000
Debt Securities	161,886	16,188	161,886	16,188
Equity Securities	671,326	67,133	556,401	55,640
	833,212	83,320	718,287	71,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Gratuity Benefit Liability/(Asset)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Current service cost	106,692	91,284	89,380	74,510
Interest cost on benefit obligation	180,532	162,991	171,115	156,279
Expected return on plan assets	(309,965)	(212,195)	(309,965)	(212,195)
	(22,742)	42,079	(49,470)	18,593
Net actuarial gain/ (loss) recognised in the other comprehensive income	214,691	(786,407)	215,769	(810,919)

The amounts recognised in the statement of financial position at the reporting date are as follows:

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Present value of the defined benefit obligation	(1,963,415)	(1,715,158)	(1,963,415)	(1,715,158)
Fair value of plan assets	3,278,963	3,099,651	3,278,963	3,099,651
Total Net Defined Benefit Asset	1,315,548	1,384,492	1,315,548	1,384,492

The Movement in the Defined Benefit Liability is as follows:

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
At 1 January	1,818,663	1,480,029	1,715,158	1,420,714
Current service cost	106,692	91,284	89,380	74,510
Interest cost	180,532	162,991	171,115	156,279
Benefits paid	(101,490)	(95,377)	(97,284)	(91,569)
Actuarial (gains)/ losses	86,124	179,736	85,046	155,224
At 31 December	2,090,521	1,818,663	1,963,415	1,715,158
Defined Gratuity Benefit obligation of the company	(1,963,415)	(1,715,158)		
Gratuity Liability -Subsidiaries	127,106	103,505		

The Gratuity benefit Liability is valued by M/S.K.A.Pandit Actuarial valuer, at the reporting date.

13. Gratuity Benefit Liability (cont'd)

The movement in the plan assets is as follows:

	Company	
	2014 Rs.'000	2013 Rs.'000
At 1 January	(3,099,651)	(1,929,047)
Expected return on plan assets	(309,965)	(212,195)
Actuarial gains	130,724	(966,143)
Benefit Paid	(70)	7,735
At 31 December	(3,278,962)	(3,099,651)

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

	2014 Rs.'000	2013 Rs.'000
Treasury bonds/bills	251,677	176,902
Investment in Shares	2,571,633	2,640,466
Corporate debentures	30,000	43,000
Other Assets	425,652	239,283
Total plan assets	3,278,962	3,099,651

Gratuity funds's plan assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 2,571,632,971 as at the reporting date.(2013- Rs. 2,484,280,940)

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

	2014	2013
Future salary increases	8.50%	8.50%
Discount rate	10.00%	11.00%
Expected rate of return on plan assets	10.00%	11.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2014	Amount charges to Profit or Loss					Remeasurement gains/(Losses) in other comprehensive income						
	1-Jan-14	Service cost	Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	contribution by employers	31-Dec-14
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,715,158)	(89,380)	(171,115)	(260,495)	97,284	-	-	-	(85,045)	(85,045)	-	(1,963,414)
Fair value of plan assets	3,099,651	-	-	-	70	309,965	-	-	(130,724)	(130,724)	-	3,278,962
Benefit assets/(Liability)	1,384,493	-	-	(260,495)	97,354	309,965	-	-	(215,769)	(215,769)	-	1,315,548

2013	Remeasurement gains/(Losses) in other comprehensive income											
	Amount charges to Profit or Loss											
	1-Jan-13	Service cost	Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	contribution by employers	31-Dec-13
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,420,714)	(74,510)	(156,279)	(230,789)	91,569	-	(94,793)	3,241	(63,672)	(155,224)	-	(1,715,158)
Fair value of plan assets	1,929,048	-	-	-	(7,735)	212,195	-	-	966,143	966,143	-	3,099,651
Benefit assets/(Liability)	508,334	-	-	(230,789)	83,834	212,195	(94,793)	3,241	902,471	810,919	-	1,384,493

A quantitative sensitivity analysis for significant assumptions as at 31-December 2014 is shown below:

Sensitivity level	Discount Rate		Future salary increment rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Impact on defined benefit obligation	(104,714)	120,664	121,256	(106,981)

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

	2014 Rs.'000	2013 Rs.'000
Within the next 12 Months	37,860	592,802
Between 2 and 5 Years	140,189	404,180
Between 5 and 10 Years	450,498	872,593

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years. (2013: 9 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Pension Benefit Assets

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

2014 changes in the defined benefit obligation, fair value of plan assets and unrecognised past service costs :

	Amount charged to Profit or loss				
	1st January 2014	Service cost	Net Interest	Sub total Included in Profit/Loss	Benefit paid
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined benefit Obligation	(1,162,306)	(13,512)	(116,231)	(129,743)	23,456
Fair value of plan assets	2,513,128	-	-	-	(23,456)
Total recognised benefit (liability) / Asset	1,350,822	-	-	(129,743)	-

	Amount charged to Profit or loss				
	1st January 2013	Service cost	Net Interest	Sub total Included in Profit/Loss	Benefit paid
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined benefit Obligation	(1,003,838)	(13,838)	(110,422)	(124,260)	26,132
Fair value of plan assets	1,582,891	-	-	-	(26,132)
Total recognised benefit (liability) / Asset	579,053	-	-	(124,260)	-

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

Projected pension benefit obligation has been valued based on projected unit cost method.

Actuarial gains and losses have been recognised immediately in the Statement of Other Comprehensive Income.

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

		2014	2013
Discount rate		10%	10%
Rate of return on Plan Assets	Current	10%	10%
	Previous	10%	11%
Salary Escalation rate	Scheme A	0%	0%
	Scheme B, C & D	10%	10%
Attrition rate		1%	1%
Retirement age	Scheme A	60 Yrs	60 Yrs
	Scheme B, C & D	55Yrs	55Yrs
Mortality Table		PA 90	PA 90

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs 2,581,744,020/- at the Reporting date. (2013 - Rs 2,428,396,240/-)

Remeasurement gains/(losses) in other comprehensive income

Return on plan assets (excluding amounts in net interest expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	Contributions by employer	31st December 2014
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
-	-	-	96,653	96,653	-	(1,171,939)
251,313	-	-	(147,415)	(147,415)	118,111	2,711,681
251,313	-	-	(50,762)	(50,762)	118,111	1,539,742

Remeasurement gains/(losses) in other comprehensive income

Return on plan assets (excluding amounts in net interest expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	Contributions by employer	31st December 2013
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
-	-	(80,785)	20,445	(60,341)	-	(1,162,306)
174,118	-	-	674,884	674,884	107,368	2,513,128
174,118	-	(80,785)	695,329	614,543	107,368	1,350,822

A quantitative sensitivity analysis for significant assumption as at 31 December 2014 as shown below

Sensitivity level	Discount Rate		Future Salary increment rate		Life Expectancy	
	Increase	Decrease	Increase	Decrease	Increase by 1 year	Decrease by 1 year
	1%	1%	1%	1%		
Impact on define benefit obligation (Rs. 000)	(66,804)	75,478	6,909	(6,535)	21,525	(21,939)

Following are expected payments from the defined benefit pension obligation on the future years

	2014 Rs.000	2013 Rs.000
Within the next 12 Months	136,393	69,454
Between 2 and 5 Years	383,313	271,125
Between 5 and 10 Years	652,017	327,915

The average duration of defined benefit plan obligating at the end of the reporting period is 15 years (2013: 15 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Reinsurance Receivables

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Reinsurance of insurance contracts	2,505,273	2,437,149	2,162,743	2,249,396
Total Reinsurance Receivables	2,505,273	2,437,149	2,162,743	2,249,396

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

16. Taxation

(a) Tax Receivable

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
At 1 January	1,394,774	819,894	1,394,351	846,058
Amounts recorded in the income statement	(780,045)	(165,865)	(701,515)	(94,708)
Notional tax recognised	229,054	691,384	229,049	616,346
Payments made on-account during the year	153,819	49,361	75,294	26,655
At 31 December	997,602	1,394,774	997,179	1,394,351

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.

16. Taxation (cont'd)

(b) Deferred Tax Asset- Company

	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Losses carried forward (* Including reclassification)	-	-	321,891	94,396	131,142	453,032
Temporary Difference from Retirement Benefit Liability	28,549	(43,463)	(90,141)	(47,013)	549,868	488,276
Temporary Difference from Property Plant and Equipment Revaluation reserve (* Including reclassification)	-	-	89,610	15	(401,453)	(311,841)
Available for sale financial assets	-	64,729	-	-	(163,475)	(163,475)
Available for sale financial assets	74,004	1,296	-	-	(67,618)	6,386
Deferred Tax Expense/(Income)	102,553	22,562	321,360	47,398	-	-
Deferred Tax Asset					48,465	472,378

Total Deferred Tax Assets

	Company	
	2014 Rs.'000	2013 Rs.'000
At 1 January	472,378	542,339
Amounts recorded in the income statement	(321,360)	(47,399)
Amounts recorded in other comprehensive income	(102,553)	(22,562)
At 31 December	48,465	472,378

(c) Deferred Tax Asset- Group

	Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Losses carried forward (* Including reclassification)	-	-	319,722	46,360	182,865	502,587
Temporary Difference from Retirement Benefit Liability	28,451	(45,983)	(91,556)	(49,408)	560,185	497,080
Temporary Difference from Property Plant and Equipment Revaluation reserve (* Including reclassification)	-	-	99,156	42,056	(453,043)	(353,886)
Available for sale financial assets	-	64,729	-	-	(163,475)	(163,475)
Available for sale financial assets	74,003	1,296	-	-	(67,618)	6,386
Deferred Tax Expense/(Income)	102,454	20,042	327,323	39,008	-	-
Deferred Tax Asset					58,916	488,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Taxation (cont'd)

Total Deferred Tax Assets

	Group	
	2014 Rs.'000	2013 Rs.'000
At 1 January	488,692	547,741
Amounts recorded in the income statement	(327,323)	(39,008)
Amounts recorded in other comprehensive income	(102,454)	(20,042)
At 31 December	58,916	488,692

(d) Deferred Tax Liabilities- Group

	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Temporary Difference from Retirement Benefit Obligation	-	-	(735)	(754)	2,737	2,003
Temporary Difference from Property Plant and Equipment Revaluation reserve	-	-	2,629	(4,550)	(13,937)	(11,308)
Temporary Difference from Retained Reserves of Associates	(6,037)	(503)	-	5,899	(29,527)	(35,564)
Deferred Tax Expense/(Income)	-	-	9,340	6,122	(41,472)	(32,132)
Deferred Tax Liability	(6,037)	(503)	11,234	6,717	-	-
Total Deferred Tax Liability					(82,198)	(77,001)

	Group	
	2014 Rs.'000	2013 Rs.'000
At 1 January	77,001	70,787
Amounts recorded in the income statement	11,234	6,717
Amounts recorded in other comprehensive income	(6,037)	(503)
At 31 December	82,198	77,001

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

17 Insurance Receivables

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Due from policyholders	5,042,502	4,294,232	4,702,499	4,074,515
Due from Trade Debtors	313,489	187,903	-	-
Total Insurance Receivables	5,355,991	4,482,135	4,702,499	4,074,515

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

Year	Group			Company		
	Below 60 days	Above 60 days	Total	Below 60 days	Above 60 days	Total
2014	2,885,482	963,366	3,848,848	2,550,042	645,314	3,195,356
2013	2,756,422	661,235	3,417,657	2,402,671	607,366	3,010,037

18 Accrued Income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Held to Maturity Investments	1,060,589	838,193	1,060,589	838,193
Financial assets at fair value through profit or loss	22,387	5,666	22,387	5,666
Loans & Receivables	3,329,554	3,212,904	3,316,226	3,212,904
Available for sale investments	152,018	120,756	152,018	120,756
	4,564,548	4,177,519	4,551,220	4,177,519

19 Other Assets

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Advances, Deposits & Prepayments	546,985	394,968	377,853	272,197
Inventories	122,130	123,600	100,503	102,238
Gold	2,491	2,491	2,491	2,491
Deferred staff benefits	174,889	142,461	174,889	142,461
Other Receivables	206,047	172,490	44,798	46,559
	1,052,542	836,010	700,534	565,946

20 Cash and Cash Equivalents

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Cash in hand and at Bank	1,007,522	799,618	640,740	445,981
Total Cash and Cash Equivalents	1,007,522	799,618	640,740	445,981

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21(a) Stated Capital

		Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Classes of Shares					
97,500,000 Ordinary Shares					
2,500,000 Unclassified Shares					
100,000,000 Non Voting Ordinary Shares					
Issued & Fully Paid					
Ordinary shares - Voting	(21 (aa))	200,000	200,000	200,000	200,000
Ordinary shares - Non Voting	(21 (ab))	1,122,534	1,122,534	1,122,534	1,122,534
Share Premium	(21 (ac))	2,288	2,288	2,288	2,288
		1,324,822	1,324,822	1,324,822	1,324,822

The holders of ordinary shares - voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21.(aa) Ordinary Shares - Voting

Balance as at January	200,000	200,000	200,000	200,000
20,000,000 Ordinary Shares Voting	200,000	200,000	200,000	200,000

21.(ab) Ordinary Shares - Non - Voting

Balance as at January	1,122,534	1,122,534	1,122,534	1,122,534
6,414,480 Ordinary shares - NonVoting	1,122,534	1,122,534	1,122,534	1,122,534

21.(ac) Share Premium

Balance as at year end	2,288	2,288	2,288	2,288
	2,288	2,288	2,288	2,288

21.(b) Other Reserves

		Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Other Retained Reserves		2,057,437	2,057,437	2,057,437	2,057,437
Available for Sale Reserve		834,911	547,726	630,203	342,069
Foreign Currency Translation Reserve		440	(2,642)	-	-
		2,892,787	2,602,521	2,687,640	2,399,506

Available for sale reserve includes Rs. 149,706,000 [2013 - (Rs.19,813,000)] in relation to Investments of the Life policy holders.

22 Insurance Contract Liabilities

Group

	Note	2014 Rs.'000	2013 Rs.'000
Life insurance Contract	22(a)	60,021,879	52,765,411
Non-life insurance contracts	22(b)	9,259,497	8,392,748
Total Insurance Contract Liabilities		69,281,376	61,158,159

Company

	Note	2014 Rs.'000	2013 Rs.'000
Life insurance Contract	22(a)	60,021,879	52,765,411
Non-life insurance contracts	22(b)	8,745,212	8,045,773
Total Insurance Contract Liabilities		68,767,091	60,811,184

Unearned premium reserve included in non-life insurance contract liabilities had been presented on net basis. Liability Adequacy Test has been performed in accordance with SLFRS -4 Insurance Contracts requirements.

22.(a) Life Insurance Contract Liabilities

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
At 1 January 2014	27,505,820	25,259,591	52,765,411
Gross Premium Income	5,241,753	6,760,771	12,002,524
Premiums ceded to reinsurers	(14,215)	(273,091)	(287,306)
Liabilities paid for death, maturities, surrenders, benefits and claims	(2,219,016)	(2,674,832)	(4,893,848)
Investment return	3,833,972	2,720,048	6,554,020
Reinsurance commission income	3,654	58,863	62,517
Other operating and Admin Expenses	(1,606,790)	(1,884,810)	(3,491,600)
Underwriting and net Acquisition Cost	(804,670)	(585,172)	(1,389,842)
Net Transfer to Shareholder	(123,519)	1,176,481	(1,300,000)
At 31 December 2014	31,816,990	28,204,889	60,021,879

22.(b) Non-Life Insurance Contract Liabilities

Group	Note	2014 Insurance Contract Liabilities Rs.'000	2013 Insurance Contract Liabilities Rs.'000
Provision for reported claims by policyholders		3,253,596	2,787,926
Provision for claims IBNR/IBNER		215,783	226,591
Outstanding claims provision	22 (b).1	3,469,379	3,014,517
Provision for unearned premiums	22.(b).2	5,790,118	5,378,231
Total non life insurance contract liabilities		9,259,497	8,392,748

Company	Note	2014 Insurance Contract Liabilities Rs.'000	2013 Insurance Contract Liabilities Rs.'000
Provision for reported claims by policyholders		2,864,624	2,579,495
Provision for claims IBNR/IBNER		200,979	214,969
Outstanding claims provision	22 (b).1	3,065,603	2,794,464
Provision for Unearned Premiums	22.(b).2	5,679,609	5,251,309
Total Non Life Insurance Contract Liabilities		8,745,212	8,045,773
Non-life Technical Reserves		6,150,718	5,671,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22.b.1 Outstanding Claims Provision

Group	2014			2013		
	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	3,014,517	2,375,044	639,473	2,782,053	2,093,041	689,012
Claims incurred in the current accident year	6,474,722	1,182,705	5,292,017	6,003,643	1,175,719	4,827,924
Other movements in claims incurred in prior accident years	(143,746)	(176,711)	32,965	(103,309)	67,321	(170,630)
Claims paid during the year	(5,876,114)	(903,740)	(4,972,374)	(5,667,870)	(961,037)	(4,706,833)
At 31 December	3,469,379	2,477,298	992,081	3,014,517	2,375,044	639,473

Company	Note	2014			2013		
		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		2,794,464	2,187,290	607,174	2,675,843	2,031,838	644,005
Claims incurred in the current accident year		5,863,207	658,850	5,204,357	5,508,055	793,029	4,715,026
Other movements in claims incurred in prior accident years		61,838	6,284	55,554	158,590	232,278	(73,688)
Claims paid during the year	31(a) & 31 (b)	(5,653,906)	(717,655)	(4,936,251)	(5,548,024)	(869,855)	(4,678,169)
At 31 December		3,065,603	2,134,769	930,834	2,794,464	2,187,290	607,174

Reinsurance receivable on paid claims are included under above Reinsurance receivables amounting to Rs. 246,998,000 in 2013 and Rs. 37,490,000 in 2014 respectively.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claim reserve have been actuarially computed by M/S K.A.Pandit - Consultants and Actuaries. The valuation is performed on an annual basis.

The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

22.b.2 Provision for Unearned Premiums

Group	2014 Insurance Contract Liabilities Rs.'000	2013 Insurance Contract Liabilities Rs.'000
At 1 January	5,378,231	4,971,328
Premiums written in the year	9,990,369	9,439,629
Premiums earned during the year	(9,578,482)	(9,032,726)
At 31 December	5,790,118	5,378,231

Company	Insurance Contract Liabilities Rs.'000	Insurance Contract Liabilities Rs.'000
At 1 January	5,251,309	4,885,788
Premiums written in the year	9,780,055	9,208,233
Premiums earned during the year	(9,351,755)	(8,842,712)
At 31 December	5,679,609	5,251,309

23 Borrowings

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Bank Overdraft	488,365	313,987	346,001	263,496
Borrowings	463,627	1,224,508	-	-
Total borrowings	951,992	1,538,495	346,001	263,496

(a) Current borrowings

Short-term loans were obtained at variable rates and it is assumed that the carrying value approximates fair value.

The assets pledged against borrowings are disclosed in Note 43

24 Other financial liabilities

		Group		Company	
	Note	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Repo borrowings		75,000	1,765,000	75,000	1,765,000
Lease Creditors	24.1	9,157	12,441	-	-
		84,157	1,777,441	75,000	1,765,000

24.1 Lease Creditors - Group

As at 31st December 2014

	Not later than one year Rs.'000	Later than one year and not later than five years Rs.'000	Later than five years Rs.'000	Total Rs.'000
Total of future minimum lease payments	6,090	5,582	-	11,672
Present Value of minimum lease payments	4,226	4,931	-	9,157

As at 31st December 2013

Total of future minimum lease payments	3,283	14,478	-	17,761
Present Value of minimum lease payments	477	11,964	-	12,441

25 Trade and other payables

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Policyholders payment in advance	400,973	355,597	400,973	355,597
Agency commission payable	640,497	592,453	616,782	567,261
Payables to related parties	-	123,886	-	97,336
Government Levies	161,505	123,080	161,505	123,080
Trade Creditors & Accrued Expenses	2,112,234	1,921,286	1,440,306	1,407,791
Death Claims payable	102,208	74,044	102,208	74,044
	3,417,417	3,190,346	2,721,774	2,625,109

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

All amounts are payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Net premiums

(a) Gross premiums on insurance contracts

	Notes	Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Life insurance	26 (a) 2	12,002,524	11,122,906	12,002,524	11,122,906
Non-life insurance	26 (a) 1	13,220,330	12,568,470	12,164,864	11,568,284
Gross written premiums		25,222,854	23,691,376	24,167,388	22,691,190

(b) Premiums ceded to reinsurers on insurance contracts

	Notes	Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Life insurance	26 (b) 2	287,305	256,002	287,305	256,002
Non-life insurance	26 (b) 1	3,221,739	3,128,842	2,376,587	2,360,051
Premiums ceded to reinsurers		3,509,044	3,384,844	2,663,892	2,616,053

Gross Written Premium

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

26.a.1 Non - Life Insurance

	Group			Company		
	2014 Rs.'000	2013 Rs.'000	Change %	2014 Rs.'000	2013 Rs.'000	Change %
Fire	1,875,805	1,778,773	5%	1,370,957	1,330,812	3%
Motor	7,455,519	7,013,994	6%	7,411,446	6,973,422	6%
Marine	692,987	626,849	11%	415,545	374,745	11%
Miscellaneous	2,268,581	2,321,658	-2%	2,067,032	2,142,070	-4%
Engineering	794,999	736,569	8%	767,445	656,608	17%
Employers' Liability	132,439	90,627	46%	132,439	90,627	46%
	13,220,330	12,568,470	5%	12,164,864	11,568,284	5%

The Gross written premium of 2014 includes Rs.69,017,415 and US\$ 230,296 (2013- Rs.38,591,859 and US\$ 243,403) which are collected on behalf of co-insurance partners.

	Group			Company		
	2014 Rs.'000	2013 Rs.'000	Change %	2014 Rs.'000	2013 Rs.'000	Change %
26.a.2 Life Insurance	12,002,524	11,122,906	8%	12,002,524	11,122,906	8%
Total Gross Written premium	25,222,854	23,691,376	6%	24,167,388	22,691,190	7%
Annualised New Business Life premium	3,723,051	3,521,574	6%	3,723,051	3,521,574	6%

Premium Ceded to Reinsurers**26.b.1 Non- Life Insurance**

	Group			Company		
	2014 Rs.'000	2013 Rs.'000	Change %	2014 Rs.'000	2013 Rs.'000	Change %
Fire	1,622,993	1,511,079	7%	1,139,179	1,086,902	5%
Motor	164,923	152,899	8%	164,923	153,276	8%
Marine	390,880	361,086	8%	148,507	153,419	-3%
Miscellaneous	484,982	592,300	-18%	392,487	529,757	-26%
Engineering	546,292	500,123	9%	519,822	425,342	22%
Employers' Liability	11,669	11,355	3%	11,669	11,355	3%
	3,221,739	3,128,842	3%	2,376,587	2,360,051	1%
National Insurance Trust Fund						
Compulsory Reinsurance Cessions	325,323	302,412	8%	325,323	302,412	8%
Strike , Riots, Civil Commotion	639,869	565,281	13%	639,869	565,281	13%
Foreign Reinsurers	2,157,751	2,191,920	-2%	1,312,599	1,423,129	-8%
Local coinsurance partners	98,796	69,229	43%	98,796	69,229	43%
	3,221,739	3,128,842	3%	2,376,587	2,360,051	1%
26.b.2 Life Insurance						
Foreign Reinsurers	287,305	256,002	12%	287,305	256,002	12%
Total Premium Ceded to Reinsurers	3,509,044	3,384,844	4%	2,663,892	2,616,053	2%

26.c Net Income

Net income represents total Net Earned premium, Other Revenue and Revenue from subsidiaries (group).

27 Fees and commission income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Reinsurance commission income	709,096	435,354	560,490	347,692
Other fees	15,571	21,849	28,190	29,909
Total fees and commission income	724,667	457,203	588,680	377,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Investment income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Rental income from investment properties	77,441	62,469	77,441	62,469
Profit on disposal of shares in associate	1,029	-	-	-
Financial assets at fair value through profit or loss (held for trading purposes)				
Interest income	70,606	58,926	70,606	58,926
Held to maturity financial assets interest income	3,191,114	3,194,414	3,177,304	3,175,236
Available-for-sale financial assets				
Interest income	878,299	334,640	878,299	334,567
Dividend income	246,076	125,052	377,594	236,134
Loans and receivables interest income	2,783,997	3,377,382	2,736,297	3,325,309
Interest Income from Staff Loan	47,602	37,146	47,602	37,146
Other operating revenue	188,871	207,513	162,109	193,545
Total investment income	7,485,035	7,397,542	7,527,252	7,423,332

29 Realised gains

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Property, Plant and equipment				
Realised gains	16,552	142,126	5,993	140,212
Available-for-sale financial assets				
Realised gains				
Equity securities	22,597	7,799	22,597	7,799
Debt securities	131,730	7,501	131,730	7,501
Total realised gains for available-for-sale financial assets	154,327	15,300	154,327	15,300
Total realised gains	170,879	157,426	160,320	155,512

30 Fair value gains and losses

	Notes	Group		Company	
		2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Fair value gains on investment properties	10	-	9,200	-	9,200
Fair value gains on financial assets at fair value through profit or loss (held for trading purposes)		70,274	39,118	70,274	39,118
Total fair value gains and losses		70,274	48,318	70,274	48,318

31 Net benefits and claims

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
(a) Gross benefits and claims paid				
Life insurance contracts	5,001,999	4,863,444	5,001,999	4,863,444
Non-life insurance contracts	5,877,182	5,668,907	5,653,906	5,548,025
Total gross benefits and claims paid	10,879,181	10,532,351	10,655,905	10,411,469
(b) Claims ceded to reinsurers				
Life insurance contracts	(108,152)	(106,123)	(108,152)	(106,123)
Non-life insurance contracts	(903,737)	(1,042,198)	(717,654)	(869,461)
Total claims ceded to reinsurers	(1,011,889)	(1,148,321)	(825,806)	(975,584)
(c) Gross change in contract liabilities				
Change in life insurance contract liabilities	7,256,468	7,654,622	7,256,468	7,654,622
Change in non-life insurance contract outstanding claims provision	448,610	227,986	271,139	118,620
Total gross change in contract liabilities	7,705,078	7,882,608	7,527,607	7,773,242
(d) Change in contract liabilities ceded to reinsurers				
Change in non-life insurance contract outstanding claims provision	(97,597)	(205,136)	52,520	(155,451)
Total change in contract liabilities ceded to reinsurers	(97,597)	(205,136)	52,520	(155,451)
Net benefits and claims	17,474,773	17,061,502	17,410,226	17,053,676
Net benefits and claims - Non Life Insurance	5,324,458	4,649,559	5,259,911	4,641,733
Net benefits and claims - Life Insurance	12,150,315	12,411,943	12,150,315	12,411,943
	17,474,773	17,061,502	17,410,226	17,053,676
Gross claims and benefits (Excluding Life fund increase)				
Claims - death, disability and hospitalisation	541,714	565,299	541,714	565,299
Policy Maturities	2,947,292	2,892,398	2,947,292	2,892,398
Interim payments on Anticipated Endowment plans	714,925	686,008	714,925	686,008
Surrenders	722,419	655,748	722,419	655,748
Cash Bonus expenses	49,568	38,978	49,568	38,978
Annuities	26,081	25,013	26,081	25,013
	5,001,999	4,863,444	5,001,999	4,863,444
Reinsurance recoveries	(108,152)	(106,123)	(108,152)	(106,123)
Life Insurance net claims and benefits	4,893,847	4,757,321	4,893,847	4,757,321
Non - Life Net claims incurred				
Gross Claims Incurred	6,325,792	5,896,893	5,925,045	5,666,645
Reinsurance Recoveries	(1,001,334)	(1,247,334)	(665,134)	(1,024,912)
Total Net Claims incurred	5,324,458	4,649,559	5,259,911	4,641,733
The analysis by major classes of business is as follows-non-life				
Fire	236,678	146,398	222,919	149,257
Motor	3,828,575	3,410,972	3,816,331	3,403,107
Marine	95,177	118,611	67,525	115,153
Miscellaneous	971,678	737,798	956,384	742,627
Engineering	190,679	218,022	195,081	213,831
Employer's Liability	1,671	17,758	1,671	17,758
	5,324,458	4,649,559	5,259,911	4,641,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Acquisition costs

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Fees and commission expenses	2,578,165	2,458,520	2,520,729	2,413,976
Deferred expenses	(689,580)	(627,042)	(689,580)	(627,042)
Amortisation of deferred expenses	627,042	580,704	627,042	580,704
	2,515,627	2,412,182	2,458,191	2,367,638

33 Other operating and administrative expenses

		Group		Company	
	Notes	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Reversal of Impairment in value of Investments		6,277	(5,836)	6,277	(5,836)
Amortisation of intangible assets	7	13,161	14,400	11,185	12,035
Depreciation on property and equipment	9	486,434	428,266	286,659	241,538
Other Operating Expenses		2,608,613	2,491,372	2,245,616	2,173,738
Auditors' remuneration		10,210	11,034	6,659	6,384
Employee benefits expense	33 (a)	3,525,234	3,173,246	2,923,087	2,687,549
Net foreign exchange adjustments		1,075	2,969	-	-
Selling expenses		1,061,193	1,089,367	840,188	898,473
Legal Expenses	33 (b)	23,575	6,755	23,203	5,332
Donations		15,380	3,730	15,207	3,150
Total other operating and administrative expenses		7,751,152	7,215,303	6,358,080	6,022,363

33 (a) Employee benefits expense

	Notes	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Wages and salaries including bonus & incentives		3,009,339	2,616,533	2,522,605	2,210,756
Employees' Provident Fund		244,964	221,777	213,976	195,380
Employees' Trust Fund		61,241	55,437	53,500	48,843
Defined gratuity benefit & Pension costs		(155,126)	(54,245)	(183,744)	(81,813)
Other staff related cost		364,816	333,744	316,751	314,383
Total employee benefits expense	33	3,525,234	3,173,246	2,923,087	2,687,549

CIESOT (Pvt) Limited, owns 22.86% of the shares of Ceylinco Insurance PLC and it was incorporated exclusively to act as a Trustee to manage a Trust Fund for the benefit of Employees of Ceylinco Insurance PLC. The Trustees manage and distributes the benefits to Employees as per the Trust Deed executed for the purpose.

33. (b) Legal Expenses

The significant increase in legal expenses are mainly attributed to legal costs incurred in relation to regulatory compliances on Segregation and the legal costs incurred in defending the cases by a few shareholders on company's activities.

34 Finance costs

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Current borrowings				
Interest expense on bank overdraft	29,841	10,556	29,725	10,206
Interest expense on loans	58,964	116,560	-	-
Total finance cost	88,805	127,116	29,725	10,206

35 Income Tax Expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

(a) Current year tax charge

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Current tax				
Income tax	433,232	181,393	355,779	116,775
(Over)/under provision in respect of previous year	346,814	(15,528)	345,736	(22,067)
Total current tax	780,045	165,865	701,515	94,708
Deferred tax				
Origination of temporary differences (note 16 b,c and d)	338,557	45,725	321,360	47,399
Total income tax expense	1,118,602	211,590	1,022,875	142,107

(b) Tax recorded in other comprehensive income (see Note 39)

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Deferred tax	96,417	19,539	102,553	22,562
Total tax charge to other comprehensive income	96,417	19,539	102,553	22,562

**(c) Reconciliation of tax charge
Company**

	2014 Rs.000	2013 Rs.000
Profit for the period	2,142,624	2,118,389
Total income tax expense	1,022,875	142,107
Profit liable for income tax	3,165,499	2,260,497
Profits from Life Insurance business	435,096	(1,240,387)
Profits Liable for income tax	3,600,595	1,020,109
Income tax using the Company's domestic tax rate 28.00%	1,008,167	285,631
Tax exempt income	(532,822)	(112,887)
Net non-deductible/(deductible) expenses	54,381	82,299
Tax effect of loss claimed for the year	(191,573)	(138,268)
Tax savings on current tax loss	17,626	-
Current Income Tax	335,779	116,775
(Over)/Under Provision of Previous Years	345,736	(22,067)
Deferred tax charge/(reverse)	321,360	47,399
	1,022,875	142,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Income tax expense (cont'd)

Group

Reconciliation of effective tax rate

	2014 Rs.000	2013 Rs.000
Profit for the period	2,849,677	2,869,660
Total income tax expense/(income)	1,118,602	211,590
Profit before income Tax	3,968,279	3,081,250
Profit from Life business	435,096	(1,240,387)
Accounting (profits)/losses of subsidiaries exempt from taxes	(44,966)	17,655
Accounting (profits)/losses of subsidiaries which are tax losses	(56,944)	24,894
Profits liable for income tax	4,301,465	1,883,412
Income tax using the Company's domestic tax rate 28%	1,204,410	527,355
Tax exempt income	(628,779)	(178,649)
Net non-deductible/(deductible) expenses	32,074	(26,029)
Tax effect of Loss claimed for the year	(192,100)	(141,284)
Tax savings on current tax loss	17,626	
	433,231	181,393
(Over)/Under Provision of Previous Years	346,814	(15,528)
Deferred tax charge/(reverse)	338,557	45,725
	1,118,602	211,590

*Taxable profits of Long-Term insurance business is computed on investment income less management expenses and allowable expenses.

Ceylinco Health Care Services Ltd is liable to pay 12% on its business income & 28% on its investment income."

The Statutory income from business of Ceypower Cascades (Pvt) Ltd is liable for 12% tax on the income for the year of assessment 2013/2014. Other income of the Company is liable for taxation at the normal rate.

The Statutory income from business of Cey Hydro Developers (Pvt) Ltd is exempt from income tax for a period of 5 years from the date of commercial operations under the section 17(2) of BOI Act, No. 4 of 1978. The exemption continues until year of assessment 2013/2014. Other income of the Company is liable for taxation at the normal rate.

36 Non Controlling Interests (NCI)

36 (a) Accumulated balances of Non-Controlling Interest

Name of Company	2014 Rs.000	2013 Rs.000	Effective ownership by NCI %
Ceylinco Healthcare (Pvt) Ltd	759	691	0.80%
Ceylinco Insurance (Pvt) Ltd -Maldives	111,317	77,646	40%
Ceylinco Investcorp (Pvt) Ltd	7,483	6,417	25%
Energy Lanka Holdings Ltd	30,869	42,278	0%
CEG Education Holdings Ltd	612,041	423,697	37%
	762,469	550,729	

36(b) Profit allocated to Non-Controlling Interest

Name of the Company	2014 Rs.000	2013 Rs.000
Ceylinco Healthcare (Pvt) Ltd	69	369
Ceylinco Insurance (Pvt) Ltd -Maldives	44,734	33,378
Ceylinco Investcorp (Pvt) Ltd	4,138	1,865
Energy Lanka Holdings Ltd	3,580	4,893
CEG Education Holdings Ltd	249,207	198,782
Energy Generators (Pvt) Ltd	-	21,196
	301,728	260,483

37 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.

	Group		Company	
	2014	2013	2014	2013
Profit for the year (Rs.'000)	2,547,949	2,609,177	2,142,624	2,118,389
Number of Ordinary Shares ('000)	26,414	26,414	26,414	26,414
Basic/Diluted Earnings per Ordinary Share (Rs.)	96.46	98.78	81.12	80.20

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.

38 Dividends paid and proposed

	Company	
	2014 Rs.'000	2013 Rs.'000
Final Proposed Dividend (Rs.'000)	528,290	422,632
No. of Shares in issue for the year ('000)	26,414	26,414
Dividend per share		
Proposed Final (Rs.)	20.00	16.00

The Board of Directors has proposed a Final dividend of Rs. 20/- per share for the year ended 31st December, 2014 which is to be approved by the shareholders at the Annual General Meeting to be held on 22nd April 2015. 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, 2014.

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

39 Income tax effects relating to other comprehensive income

Company	2014			2013		
	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000
Net gain/(loss) on Available-for-sale financial assets	362,138	(74,004)	288,134	136,167	(1,295)	134,872
Actuarial gain on defined benefit plans	(265,273)	(29,301)	(294,574)	1,211,251	43,462	1,254,713
Revaluation surplus/(Deficit) during the year	-	752	752	208,553	(64,729)	143,824
Total	96,865	(102,553)	(5,688)	1,555,971	(22,562)	1,533,409

Group	2014			2013		
	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000
Exchange differences on translating foreign operations	5,136	-	5,136	6,510	-	6,510
Net gain/(loss) on Available-for-sale financial assets	360,228	(74,004)	286,224	224,635	(1,295)	223,340
Actuarial gain on defined benefit plans	(275,787)	(29,202)	(304,989)	1,186,049	45,982	1,232,031
Revaluation surplus/(Deficit) during the year	(784)	6,789	6,005	245,928	(64,226)	181,702
Total	88,793	(96,417)	(7,624)	1,663,122	(19,539)	1,643,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Risk management framework

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The 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 strategies adopted timely ensures the risk management function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory environment and macro economic changes. The 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 Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.
- The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance board of Sri Lanka. (IBSL). New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to capital management

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

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of capital such as reinsurance.

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group 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 interest 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.

41. Insurance and financial risk**41.(a) Insurance risk**

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

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme.

All reinsurance is designed to mitigate the group's net exposure to a single claim as well as to catastrophe losses.

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

41.a.(1) Life insurance contracts

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Death and maturity benefits of endowment products are subject to a guaranteed minimum amount. For contracts with DPF the guaranteed minimum may be increased by the additions such as bonuses.

The main risks that the Group is exposed to are as follows:

Mortality risk – risk of loss arising due to policyholder death experience being different than expected

Morbidity risk – risk of loss arising due to policyholder health experience being different than expected

Investment return risk – risk of loss arising from actual returns being different than expected

Expense risk – risk of loss arising from expense experience being different than expected

Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that premium charged takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to revive individual policies and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group. For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

41.a.2 Non-Life Insurance

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

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

41.a.2 Non-life insurance contracts

The non-life insurance principally issues the following types of general insurance contracts: motor, marine, engineering, fire, suwa sampatha and miscellaneous products. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the non-life. Further on the spot

claims settlement procedures also helps to reduce the exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The non-life has also limited its exposure by arranging reinsurance contracts with rated Reinsurers internationally.

41.b Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Life Division's exposure to credit risk:

- Credit risk policy is set based on the the assessment and IBSL determination. Accordingly Life Division has the maximum amounts and limits that may be advanced to counterparties by reference to their long-term credit ratings. Policy is monitored at each reporting date or when required for changes in the risk environment.
- Reinsurance is placed with counterparties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The following processes/activities of General division reduces the credit risk of finaical instruments

- Credit risk polciy is based on the IBSL determination.The maximum exposures to each type of financial instrument is limited based on the polciy.
- 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.

	Notes	2014		2013	
		Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000
Financial instruments					
Held-to-maturity financial assets	12(a)				
Debt securities		32,124,826	31,913,874	27,778,104	27,415,888
Loans and receivables	12(b)				
Debt securities		18,368,744	17,779,087	21,996,735	21,787,177
Other		713,702	668,229	815,299	675,802
Available-for-sale financial assets	12(c)				
Equity securities		857,142	790,613	714,722	669,784
Debt securities		10,301,612	10,331,612	4,333,031	3,917,282
Financial assets at fair value through profit or loss	12(d)				
Equity securities		17,151	17,151	86,111	86,111
Debt securities		202,176	202,176	184,293	184,293
Reinsurance assets	15	2,505,273	2,162,743	2,437,149	2,249,396
Insurance receivables	17	5,355,991	4,702,499	4,482,135	4,074,515
Cash and cash equivalents	20	1,007,522	640,740	799,618	445,981
Total credit risk exposure		71,454,139	69,208,724	63,627,197	61,506,229

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41. Insurance and financial risk (cont'd)

Industry analysis

31 December 2014

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Assets						
Held-to-maturity financial assets						
Debt securities	7,116,015	24,797,859	-	-	-	31,913,874
	7,116,015	24,797,859	-	-	-	31,913,874
Loans and receivables						
Term Deposits	16,965,349	-	-	-	-	16,965,349
Repo Investments	-	123,738	-	-	-	123,738
Unquoted Debentures	690,000	-	-	-	-	690,000
Staff and vehicle Loans	-	-	-	-	668,229	668,229
Other Loans	-	-	-	-	-	-
	17,655,349	123,738	-	-	668,229	18,447,316
Available-for-sale financial assets						
Equity securities	11,647	-	137,886	657,760	30,000	837,293
Debt securities	467,687	9,702,039	51,686	11,592	51,928	10,284,932
	479,334	9,702,039	189,572	669,352	81,928	11,122,225
Financial assets at fair value through profit or loss						
Equity securities	498	-	121	16,532	-	17,151
Debt securities	-	202,176	-	-	-	202,176
	498	202,176	121	16,532	-	219,327
Total credit risk exposure	25,251,196	34,825,812	189,693	685,884	750,157	61,702,742

31 December 2013

	Financial Services Rs.000	Government Rs. 000	Services Rs. 000	Manufacturing Rs. 000	Others Rs. 000	Total Rs. 000
Held-to-maturity financial assets						
Debt securities	6,992,851	20,423,037	-	-	-	27,415,888
	6,992,851	20,423,037	-	-	-	27,415,888
Loans and receivables						
Term Deposits	20,947,556	-	-	-	-	20,947,556
Repo Investments	-	17,621	-	-	-	17,621
Unquoted Debentures	822,000	-	-	-	-	822,000
Staff and vehicle Loans	-	-	-	-	541,892	541,892
Other Loans	-	-	-	-	133,910	133,910
	21,769,556	17,621	-	-	675,802	22,462,979
Available-for-sale financial assets						
Equity securities	30,800	-	10,232	564,386	64,366	669,784
Debt securities	652,629	3,102,767	-	-	161,886	3,917,282
	683,429	3,102,767	10,232	564,386	226,252	4,587,066
Financial assets at fair value through profit or loss						
Equity securities	77,490	-	84	65	8,472	86,111
Debt securities	-	184,293	-	-	-	184,293
	77,490	184,293	84	65	8,472	270,404
Total credit risk exposure	29,523,326	23,727,718	10,316	564,451	910,526	54,736,337

41. Insurance and financial risk (cont'd)

The below table indicates the rating of investments as at 31st December 2013 & 2014.

31 December 2014	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	24,754,289	2,141,000	-	4,221,255	-	643,990	-	-	99,770	-	-	-	53,570	31,913,874
Loans and receivables	2,108,738	3,235,100	3,629,387	4,696,000	250,000	1,610,000	200,000	-	1,810,050	-	-	-	908,041	18,447,316
Available-for-sale financial assets														-
Equity securities	505	-	3,896	-	-	-	-	-	1,634	-	-	-	805,783	811,818
Debt securities	9,358,217	2,480	161,110	188,122	-	80,975	25,000	-	-	-	-	-	494,503	10,310,407
Financial assets at fair value through profit or loss														
Equity securities	47	29	54	453	25	15,998	-	-	-	3	-	-	542	17,151
Debt securities	202,176	-	-	-	-	-	-	-	-	-	-	-	-	202,176
Total	36,423,972	5,378,609	3,794,447	9,105,830	250,025	2,350,963	225,000	-	1,911,454	3	-	-	2,262,439	61,702,742
31 December 2013														
Financial instruments														
Held-to-maturity financial assets														
Debt securities	20,423,038	2,141,000	-	3,976,704	-	643,990	77,817	-	99,770	-	-	-	53,569	27,415,888
Loans and receivables	3,226,508	8,961,000	2,240,589	4,732,974	250,000	100	755,077	1,366,929	244,000	-	-	-	685,802	22,462,979
Available-for-sale financial assets														-
Equity securities	-	-	2,533	-	-	-	-	-	233	-	-	-	653,903	656,669
Debt securities	3,102,767	50	111,110	150,000	-	50,000	24,000	-	60,000	-	-	-	432,470	3,930,397
Financial assets at fair value through profit or loss														
Equity securities	59	-	77,416	84	36	28	-	-	-	-	-	-	8,488	86,111
Debt securities	184,293	-	-	-	-	-	-	-	-	-	-	-	-	184,293
Total	26,936,665	11,102,050	2,431,648	8,859,762	250,036	694,118	856,894	1,366,929	404,003	-	-	-	1,834,232	54,736,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41.c. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. Even at a catastrophic events liquidity risk of Life Division is low as the cash inflow is greater than cash outflow

The following policies and procedures are in place to mitigate the Life Division's exposure to liquidity risk:

- Assessment and determination of Liquidity risk in order to maintain optimal liquidity mix.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The liquidity risks in General division 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 payouts, mitigate any possible liquidity concerns.

41.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 Group 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.

41.e. Operational risks

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

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process.

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

42. 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. However, there is a tax appeal relating on VAT on reinsurance recoveries. (Note 16)

(b) Capital commitments and operating leases

The Group has no capital commitments as at the reporting date.

The Company (General Division) has committed to pay operating lease rentals on vehicles amounting to Rs.546,070,374 (2013-Rs. 435,804,084)

The Company (Life Division) has committed to pay an amount of Rs.177,504,737/- as at the reporting date under contract entered into on Capital expenditure projects.

43. Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.'000	Included under
Building-Non Life Division	Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (Note 9)	153,000	Investment Property
Fixed Deposit-Non Life Division	Pledged to Seylan Bank PLC to obtain bank overdraft facilities.	61,700	Loans & Receivables
Unquoted shares - Non-Life Division	Mortgaged to Seylan Bank PLC by Energy Generators (Pvt) Ltd to obtain loan facility	60,907	Investment in Associates
Treasury Bonds-Life Division	Pledged to Seylan Bank PLC to obtain banking facilities.	141,000	Held to Maturities
Repo Investment-Life Division	Pledged to Bank of Ceylon PLC to obtain banking facilities.	81,600	Loans & Receivables
Motor vehicles-CEG Education Holdings Ltd Group	Loan facilities obtained from People's Leasing Finance PLC	13,197	Property, Plant & Equipment
Land & Buildings -CEG Education Holdings Ltd Group	Loan facilities from Commercial Bank of Ceylon PLC, The Finance PLC, Sampath Bank PLC and Seylan Bank PLC	680,573	Property, Plant & Equipment
Fixed Deposits -CEG Education Holdings Ltd. Group	Loan facilities from Seylan Bank PLC	47,342	Other Current Financial assets

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44. Related Party Disclosures

44.1	Related Party Transaction	Nature of Transaction	Amount of transactions / outstanding balances (Rs.)	
			2014	2013
(i)	(a) The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows			
	Directors			
	Mr.J.G.P.Perera, Mr. A.R.Gunawardena, Mr. R.Renganathan, Mr.H.D.K.P.Alwis, Mr.W.C.J.Alwis, Mr.P.D.M.Cooray, Mr.P.M.B.Fernando, Mr.P.A.Jayawardena, Mr.Nugewela, Mr.T.N.M.Peiris, Mr.E.T.L. Ranasinghe Mr.D.W.P Upali, Mr.K.I.Dharmawardena, Mr.D.H.J.Gunawardena, Gen. C.S. Weerasooriya (Retd.), Mr.S.R. Abeynayake	Aggregated amounts of premium received from the group companies under normal terms of insurance contracts	17,278,568	21,006,356
		Aggregated amounts of claim paid to the group companies under normal terms of insurance contracts	-	645,668
	(b) Transactions with Associate Companies			
	Citizen Development Business Finance PLC	Insurance Premium received	7,015,907	2,277,835
	Citizen Development Business Finance PLC	Dividend Received	39,533,840	42,217,380
	Citizen Development Business Finance PLC	Claims payment	811,694	-
	Citizen Development Business Finance PLC	Sales of shares	13,016,000	-
	Citizen Development Business Finance PLC	Interest Received	39,254,101	-
	(c) Transaction entered into where the company has the ability to control the other party as subsidiaries are listed below;"			
	American Education Centre Pvt Ltd	Dividend Received	11,101,250	4,948,750
	American Education Centre Pvt Ltd	Insurance Premium received	7,040,088	5,264,886
	Ceylinco Investcorp (Pvt.)Ltd.	Fund Management fee paid	1,620,000	1,620,000
	Ceylinco Investcorp (Pvt.)Ltd.	Insurance Premium received	-	56,482
	Ceylinco Investcorp (Pvt.)Ltd.	Dividend Received	4,050,000	2,250,000
	Ceypower Cascades (Pvt)Ltd	Insurance Premium received	1,642,775	1,644,411
	CEG Education Holdings (Pvt) ltd	Insurance Premium received	-	203,342
	CEG Education Holdings (Pvt) ltd	Dividend Received	25,269,990	13,299,995
	Energy Lanka Holdings (Pvt)Ltd.	Dividend Received	88,299,838	24,990,520
	Energy Generators (Pvt)Ltd.	Dividend Received	13,232,032	-
	Energy Generators (Pvt)Ltd.	Insurance Premium received	4,506,226	7,463,917
	International College of Business & Technologies Ltd.	Insurance Premium received	4,089,479	2,345,513

44.1	Related Party Transaction	Nature of Transaction	Amount of transactions / outstanding balances (Rs.)	
			2014	2013
	International College of Business & Technologies Ltd.	Dividend Received	5,412,656	5,412,656
	Ceylinco Insurance Company (Pvt) Ltd - Maldives	Dividend received	20,479,994	12,709,023
	Ceylinco Health Care Services Ltd	Medical Fees for staff & Customers	27,018,899	6,934,984
	Ceylinco Health Care Services Ltd	Insurance Premium received	3,228,780	3,553,533
	Ceylinco Health Care Services Ltd	Rent Income	1,998,005	-
	Ceylinco Seraka Ltd	Service Charges	2,905,000	12,103,236
	Serene Resorts Ltd	Training Expenses	5,706,000	21,473,476
	Netassist International (Pvt) Ltd	Insurance Premium received	-	474,273
(ii)	Key Management Personnel Compensation			
	Key Managerial Persons include members of the Board of Directors;	Short-term employee benefits received from the Company (Salaries, Bonus, Medical expenses etc.)	401,053,781	353,748,420
		Short-term employee benefits received from the Subsidiaries	56,414,000	46,788,000
		Other long term /post employment / Statutory benefits (EPF, ETF,Gratuity & Pension)	190,481,217	134,866,158
(iii)	Other related party transactions			
	These are non insurance related transactions entered into with related companies.			
(a)	Non Life Division			
	CGL Education Services Ltd.	Contribution paid	-	1,813,050
	Ultratech Cement Lanka (Pvt)Ltd.	Dividend Received	126,000,000	72,000,000
44.2	(a)	Balance outstanding as at 31 December 2014 in respect of premium receivables from related entities		
	Non Life Division		2014	2,013
	Name of the company		Amount (Rs.)	Amount (Rs.)
	Citizen Development Business Finance PLC		-	11,604
	(b)	Investment in Fixed Deposits		
	Citizen Development Business Finance PLC		-	148,500,000
	(c)	Investments/ (Maturity) in Debentures		
	Citizen Development Business Finance PLC		(193,000,000)	99,770,000
	(d)	Investment in associate		
	No restrictions are placed on the ability of the associate to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.			
	No guarantees or collaterals were provided to the associate.			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Segregation

Composite Insurance companies are required to segregate their business into General insurance and Life insurance by 2015 February as per the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. As per the guidelines of Insurance Board of Sri Lanka (IBSL) on splitting, the Company has complied with necessary steps and obtained District Court approval and submitted to IBSL. Subsequently, a shareholder has challenged the District Court Judgement and presently the Company is defending the same. Therefore, the date of segregation is yet to be approved by IBSL.

Since the Company has not been able to segregate the business due to the facts mentioned above, the disclosure requirements of the "Guidelines on the presentation and disclosure- segregation of the life and general insurance business under Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 issued by Institute of Chartered Accountants of Sri Lanka" are not applicable.

46 Events after the reporting date

Super Gain Tax

The Minister of Finance announced at the interim budget proposal on 29 January 2015, an additional one off tax of 25% to be charged on profits of entities earned in excess of Rs.2,000 mn for the year of assessment 2013/2014. The Group made a profit in excess of such amount for such year, and accordingly may be liable to pay such additional tax in the future. Eventhough, clarity on the computation of such taxes as at the date these financial statements were authorized for issue are not finalised, no estimate on tax liability is made.

Except for the above and the information presented in Note 38, no circumstances have arisen since the reporting date which require adjustment or disclosure in the financial statements.

QUARTERLY ANALYSIS 2014

Consolidated Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.14 Rs.'000	2nd quarter Apr- Jun.14 Rs.'000	3rd quarter Jul- Sep.14 Rs.'000	4th quarter Oct- Dec.14 Rs.'000	Total Jan- Dec.14 Rs.'000
Gross written premiums	6,400,913	5,772,926	6,298,280	6,750,735	25,222,854
Premiums ceded to reinsurers	(882,345)	(836,996)	(861,550)	(928,153)	(3,509,044)
Net written premiums	5,518,568	4,935,930	5,436,730	5,822,582	21,713,810
Net change in Reserve for unearned premium	(408,587)	152,148	(159,769)	4,320	(411,888)
Net Earned premium	5,109,981	5,088,078	5,276,961	5,826,902	21,301,922
Revenue from Subsidiaries	651,119	595,240	606,989	657,825	2,511,173
	5,761,100	5,683,318	5,883,950	6,484,727	23,813,095
Investment and Other Income	1,972,583	2,086,317	2,205,735	2,186,220	8,450,855
Net income	7,733,683	7,769,635	8,089,685	8,670,947	32,263,950
Net benefits and claims	(2,365,983)	(2,433,900)	(2,654,250)	(2,764,172)	(10,218,305)
Increase in Life Insurance Fund	(2,189,233)	(2,302,672)	(2,372,873)	(391,690)	(7,256,468)
Acquisition cost	(654,935)	(629,324)	(658,308)	(573,060)	(2,515,627)
Cost of sales of subsidiaries	(170,541)	(163,796)	(178,353)	(103,541)	(616,231)
Other operating and administrative expenses	(1,947,984)	(2,045,395)	(2,022,973)	(1,734,800)	(7,751,152)
Finance cost	(56,568)	(36,806)	(34,130)	38,699	(88,805)
Total benefits, claims and other expenses	(7,385,244)	(7,611,893)	(7,920,887)	(5,528,564)	(28,446,588)
Profit before share of associates	348,439	157,742	168,798	3,142,383	3,817,362
Share of profit of associates	55,250	17,668	75,592	2,407	150,917
Profit before tax	403,689	175,410	244,390	3,144,790	3,968,279
Income tax expense	(36,996)	(12,547)	(24,660)	(1,044,399)	(1,118,602)
Profit for the year	366,693	162,863	219,730	2,100,391	2,849,677

Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.14 Rs.'000	2nd quarter Apr- Jun.14 Rs.'000	3rd quarter Jul- Sep.14 Rs.'000	4th quarter Oct- Dec.14 Rs.'000	Total Jan- Dec.14 Rs.'000
Gross written premiums	6,099,034	5,555,517	6,081,831	6,431,006	24,167,388
Premiums ceded to reinsurers	(647,399)	(656,673)	(691,419)	(668,401)	(2,663,892)
Net written premiums	5,451,635	4,898,844	5,390,412	5,762,605	21,503,496
Net change in Reserve for unearned premium	(398,437)	127,037	(167,926)	11,026	(428,300)
Net Earned premium	5,053,198	5,025,881	5,222,486	5,773,631	21,075,196
Investment and Other Income	1,903,080	2,015,442	2,167,920	2,260,084	8,346,526
Net Income	6,956,278	7,041,323	7,390,406	8,033,715	29,421,722
Net benefits and claims	(2,349,371)	(2,421,058)	(2,621,793)	(2,761,536)	(10,153,758)
Increase in Life Insurance Fund	(2,189,233)	(2,302,672)	(2,372,873)	(391,690)	(7,256,468)
Acquisition cost	(641,575)	(614,107)	(643,877)	(558,632)	(2,458,191)
Other operating and administrative expenses	(1,597,442)	(1,687,281)	(1,664,841)	(1,408,516)	(6,358,080)
Finance cost	(36,730)	(23,194)	(23,260)	53,459	(29,725)
Total benefits, claims and other expenses	(6,814,351)	(7,048,312)	(7,326,644)	(5,066,916)	(26,256,223)
Profit before tax	141,927	(6,989)	63,762	2,966,799	3,165,499
Income tax expense	(23,743)	279	(4,324)	(995,087)	(1,022,875)
Profit/ (Loss) for the year	118,184	(6,710)	59,438	1,971,712	2,142,624

QUARTERLY ANALYSIS 2013

Consolidated Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.13 Rs.'000	2nd quarter Apr- Jun.13 Rs.'000	3rd quarter Jul- Sep.13 Rs.'000	4th quarter Oct- Dec.13 Rs.'000	Total Jan- Dec.13 Rs.'000
Gross written premiums	6,084,983	5,577,312	6,070,641	5,958,440	23,691,376
Premiums ceded to reinsurers	(815,800)	(774,092)	(926,432)	(868,520)	(3,384,844)
Net written premiums	5,269,183	4,803,220	5,144,209	5,089,920	20,306,532
Net change in Reserve for unearned premium	(380,121)	119,510	(150,976)	4,685	(406,902)
Net Earned premium	4,889,062	4,922,730	4,993,233	5,094,605	19,899,630
Revenue from Subsidiaries	595,461	559,365	574,856	667,631	2,397,313
	5,484,523	5,482,095	5,568,089	5,762,236	22,296,943
Investment and Other Income	1,732,247	1,918,240	1,969,757	2,044,207	7,664,451
Net income	7,216,770	7,400,335	7,537,846	7,806,443	29,961,394
Net benefits and claims	(2,389,076)	(2,367,129)	(2,471,700)	(2,178,975)	(9,406,880)
Increase in Life Insurance Fund	(1,884,159)	(2,123,145)	(2,097,486)	(1,549,832)	(7,654,622)
Acquisition cost (Net)	(651,693)	(617,925)	(623,254)	(83,956)	(1,976,828)
Cost of sales of subsidiaries	(122,243)	(159,450)	(160,604)	(200,519)	(642,816)
Other operating and administrative expenses	(1,754,836)	(1,884,303)	(1,868,015)	(1,708,149)	(7,215,303)
Finance cost	(33,702)	(26,043)	(27,439)	(39,932)	(127,116)
Total benefits, claims and other expenses	(6,835,709)	(7,177,995)	(7,248,498)	(5,761,363)	(27,023,565)
Profit before share of an associate	381,061	222,340	289,348	2,045,080	2,937,829
Share of profit of an associate	66,521	19,850	42,099	14,951	143,421
Profit before tax	447,582	242,190	331,447	2,060,031	3,081,250
Income tax expense	(56,701)	(29,539)	(34,088)	(91,262)	(211,590)
Profit for the year	390,881	212,651	297,359	1,968,769	2,869,660

Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.13 Rs.'000	2nd quarter Apr- Jun.13 Rs.'000	3rd quarter Jul- Sep.13 Rs.'000	4th quarter Oct- Dec.13 Rs.'000	Total Jan- Dec.13 Rs.'000
Gross written premiums	5,857,889	5,380,513	5,827,476	5,625,312	22,691,190
Premiums ceded to reinsurers	(633,497)	(616,273)	(751,153)	(615,130)	(2,616,053)
Net written premiums	5,224,392	4,764,240	5,076,323	5,010,182	20,075,137
Net change in Reserve for unearned premium	(381,094)	106,970	(127,746)	36,349	(365,521)
Net Earned premium	4,843,298	4,871,210	4,948,577	5,046,531	19,709,616
Investment and Other Income	1,698,252	1,884,295	1,927,199	2,147,325	7,657,071
Net Income	6,541,550	6,755,505	6,875,776	7,193,856	27,366,687
Net benefits and claims	(2,377,739)	(2,363,965)	(2,461,916)	(2,195,434)	(9,399,054)
Increase in Life Insurance Fund	(1,884,159)	(2,123,145)	(2,097,486)	(1,549,832)	(7,654,622)
Acquisition cost (Net)	(641,569)	(606,813)	(613,364)	(158,200)	(2,019,946)
Other operating and administrative expenses	(1,465,023)	(1,598,839)	(1,549,322)	(1,409,179)	(6,022,363)
Finance cost	(13,255)	(8,787)	(15,413)	27,249	(10,206)
Total benefits, claims and other expenses	(6,381,745)	(6,701,549)	(6,737,501)	(5,285,396)	(25,106,191)
Profit before tax	159,805	53,956	138,275	1,908,460	2,260,496
Income tax expense	(39,271)	(26,606)	(9,575)	(66,655)	(142,107)
Profit for the year	120,534	27,350	128,700	1,841,805	2,118,389

TEN YEAR SUMMARY

Statement of Financial Position

(values are to the nearest rupees thousand)

YEAR	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Group Assets										
Intangible Assets	45,170	46,731	76,706	73,827	90,704	135,077	154,284	90,390	106,077	-
Property, plant and equipment	9,889,427	9,350,410	8,751,457	7,394,394	6,995,865	6,183,990	6,194,867	5,359,296	3,991,823	3,288,689
Investments	66,832,062	59,820,194	52,071,307	47,646,298	34,312,558	26,587,015	24,175,139	18,941,220	16,261,196	14,593,030
Other assets	19,313,528	18,206,848	12,189,006	10,935,986	10,345,841	10,507,756	9,582,762	7,975,817	6,352,847	4,256,005
Total Assets	96,080,187	87,424,183	73,088,476	66,050,505	51,744,968	43,413,838	40,107,052	32,366,723	26,711,943	22,137,724
Equity and Liabilities										
Issued share capital	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	202,288	202,288	202,288
Retained earnings	13,739,147	11,800,609	8,030,833	5,931,099	3,141,183	2,713,687	2,121,641	1,721,178	1,255,536	888,250
Revaluation Reserve	2,692,787	2,602,521	2,375,781	2,306,812	2,364,215	2,007,437	2,007,437	2,007,437	1,307,437	1,108,839
Minority interest	2,126,854	2,120,849	2,137,318	2,149,541	1,344,336	828,560	828,560	574,458	578,708	578,971
Total capital and reserve	20,083,610	17,848,801	13,868,754	11,912,274	8,174,556	6,874,506	6,282,460	4,505,361	3,543,969	2,778,348
Liabilities										
Insurance provision - Life	762,469	550,728	564,737	460,473	152,070	85,680	37,713	39,670	36,129	18,928
Unit Linked Fund	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141	26,449,967	21,300,965	16,835,054	13,897,411	11,899,647
Insurance provision - Non- Life	228,873	190,452	157,657	146,659	115,269	102,671	101,428	69,829	18,254	-
Other Liabilities	9,259,497	8,392,748	7,753,381	7,107,745	6,609,196	6,077,091	6,229,654	6,011,650	5,475,714	3,840,528
	5,723,859	7,676,044	5,633,158	8,219,881	4,825,736	3,823,922	6,154,833	4,905,160	3,740,463	3,600,272
Total Liabilities	75,234,108	69,024,655	58,654,985	53,677,758	43,418,342	36,453,652	33,786,880	27,821,693	23,131,842	19,340,447
Total Equity and liabilities	96,080,187	87,424,184	73,088,476	66,050,505	51,744,968	43,413,838	40,107,053	32,366,724	26,711,940	22,137,723
Long Term - Supplemental										
Assets										
Intangible Assets	2,198	4,609	15,105	42,396	82,695	135,077	154,284	90,390	106,077	-
Property, plant and equipment	4,760,395	4,596,053	3,906,294	3,396,144	3,090,739	2,763,072	2,414,207	2,197,883	1,782,929	1,493,974
Investments	57,209,653	50,751,773	44,198,752	40,410,190	29,836,507	23,361,974	19,421,328	14,893,802	13,018,389	11,143,958
Other assets	9,096,076	8,593,577	4,771,500	4,845,898	3,991,859	4,383,642	3,041,298	2,203,246	1,328,237	976,758
Total Assets	71,068,322	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117	19,385,321	16,235,632	13,614,690
Liabilities										
Insurance provision - Life	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141	26,449,967	21,300,965	16,835,054	13,897,411	11,899,647
Unit linked Fund and other funds	228,872	190,135	157,657	146,659	115,269	102,671	101,428	69,829	18,254	-
Equity and Other Liabilities	10,817,572	10,990,466	7,623,205	10,344,494	5,018,390	4,091,127	3,628,724	2,480,438	2,319,967	1,715,043
Total Liabilities	71,068,322	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117	19,385,321	16,235,632	13,614,690
Investor Information										
Return on net assets (%)	19.76	17.26	16.75	14.09	13.76	12.84	10.42	23.16	23	23
Net assets per share (Rs.)	760.33	675.72	525.04	450.98	309.47	262.62	237.84	225.27	177	139
Market price per share 31st December										
Voting (Rs.)	1,379	1,340	855	747	381	220	200	185	167	75
Non-Voting (Rs.)	550	398	330	343	270	134	145	-	-	-
Earnings per share	96	98	74	57	36	26	21	50	41	31
Price earnings (times) - Voting (Rs.)	14	13	11	13	10	8	9	4	4	2
Price earnings (times) - Non Voting (Rs.)	5	4	4	6	7	5	7	-	-	-
Market capitalisation (Rs.Mn)	31,103	29,358	19,238	17,134	9,352	5,261	4,930	3,700	3,350	1,500
Dividend per share (Rs.)	20	16	13	7	6	5	3	3	2.50	2.70
Employee Information										
Revenue per employee (Rs.Mn)	9.1	9.3	8.1	7.4	5.4	5.3	5.5	4.9	4.7	4.4
Net profit per employee (Rs. 000)	1,116	947	699	547	302	242	180	310	274	238
Number of employees Nos.	3,556	3,253	3,321	3,067	3,744	3,649	3,645	3,360	3,015	2,617

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

Investments include financial instruments for the years 2011, 2012, 2013 and 2014.

TEN YEAR SUMMARY

Statement of Comprehensive Income

(values are to the nearest rupees thousand)

YEAR	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Non- Life										
Gross written Premium	12,164,864	11,568,284	11,093,583	10,041,212	9,224,608	9,081,297	11,287,233	10,350,684	9,561,249	8,033,193
Net earned premium	9,359,977	8,842,712	8,622,152	7,782,907	7,249,160	7,691,395	8,445,196	7,770,598	7,065,229	5,545,423
Investment income and other income	1,022,541	1,009,183	736,134	674,463	438,080	482,853	606,068	510,173	397,912	316,062
Net claims	(5,259,911)	(4,641,733)	(4,556,428)	(4,475,745)	(4,339,864)	(4,677,027)	(4,766,689)	(4,380,504)	(4,220,634)	(3,306,866)
Acquisition Expenses (net of reinsurance commission)	(570,376)	(724,493)	(709,502)	(589,533)	(478,770)	(511,595)	(581,211)	(565,862)	(537,214)	(497,347)
Operating & Administrative expenses	(3,684,496)	(3,505,144)	(3,283,927)	(2,712,239)	(2,498,266)	(2,607,201)	(3,366,099)	(2,607,414)	(2,157,533)	(1,615,387)
Operating profit before Interest Expenses	867,735	980,525	808,429	679,853	370,341	378,425	337,265	726,991	547,760	441,885
Life										
Gross written Premium	12,002,524	11,122,906	10,829,470	9,833,905	8,786,121	7,522,328	8,257,279	6,847,185	5,717,887	4,793,650
Net written premium	11,715,219	10,866,904	10,576,066	9,597,478	8,639,853	7,395,301	8,060,219	6,649,593	5,462,394	4,653,655
Investment income and other income	6,735,305	6,617,979	4,754,938	3,889,608	3,454,269	3,352,433	2,639,208	1,526,900	1,200,559	972,481
Net claims and benefit	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)	(2,685,361)	(2,698,277)	(2,113,092)	(1,762,458)	(1,946,001)	(1,452,636)
Commission (net of reinsurance commission)	(1,299,135)	(1,265,544)	(1,356,742)	(1,237,818)	(1,171,497)	(1,079,487)	(1,244,224)	(1,036,412)	(795,339)	(747,423)
Increase in Life Insurance fund	(7,256,468)	(7,654,622)	(6,765,658)	(6,335,332)	(5,418,174)	(4,417,313)	(4,374,916)	(2,933,386)	(1,991,776)	(1,854,855)
Operating & Administrative expenses	(2,673,584)	(2,517,219)	(2,213,918)	(2,163,561)	(2,217,267)	(2,056,891)	(2,517,582)	(2,043,840)	(1,635,423)	(1,354,774)
Operating profit before Interest Expenses	2,327,490	1,290,177	1,003,805	804,080	601,823	495,766	449,613	400,397	294,414	216,448
Total Business (Group)										
Gross written premium	25,222,854	23,691,376	22,636,715	20,216,205	18,020,408	16,675,601	20,087,177	17,536,819	15,279,136	12,826,843
Revenue	32,263,950	30,396,748	27,114,875	22,933,515	20,272,380	19,369,887	20,098,842	16,603,530	14,207,996	11,560,622
Net earned Premium	21,301,922	19,899,630	19,322,492	17,457,253	15,930,153	15,175,328	16,580,852	14,466,377	12,527,623	10,199,078
Benefit losses and expenses	(18,192,049)	(17,704,318)	(15,871,737)	(13,894,730)	(14,063,375)	(13,360,812)	(13,096,401)	(10,695,940)	(9,504,502)	(7,893,137)
Other revenue	10,962,028	10,497,118	7,792,383	5,476,262	4,274,722	4,130,665	3,463,427	2,137,152	1,680,373	1,361,544
Operating and administrative expenses	(10,266,779)	(9,627,485)	(9,045,433)	(7,429,293)	(4,989,690)	(4,994,844)	(6,205,001)	(4,784,789)	(3,853,417)	(3,003,620)
Operating profit before interest expenses	3,906,167	3,064,945	2,197,705	1,609,492	1,151,811	950,336	742,876	1,122,800	850,078	663,865
Interest Expenses	(88,805)	(127,116)	(55,726)	(42,704)	(92,112)	(93,597)	(99,583)	(82,078)	(36,506)	(47,179)
Income from Associates	150,917	143,421	180,494	111,189	70,945	26,138	11,452	2,816	12,924	7,130
Profit before Taxation	3,968,279	3,081,250	2,322,473	1,677,977	1,130,644	882,877	654,745	1,043,538	826,496	623,816
Income Tax Expenses	(1,118,602)	(211,590)	(227,794)	(140,147)	(129,030)	(188,401)	(169,430)	(30,339)	-	-
Profit for the year	2,849,677	2,869,660	2,094,679	1,537,830	1,001,614	694,476	485,315	1,013,199	826,496	623,816

Note: Financial information for the years 2010,2011,2012 , 2013 and 2014 are based on LKAS/SLFRS and balance years are based on SLAS.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

- 1 Acquisition Expenses - Long Term Insurance**
All expenses which vary with and are primarily related to, the acquisition of new insurance contracts.
- 2 Acquisition Expenses - General**
All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.
- 3 Actuary**
An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.
- 4 Actuarial Valuation**
A determination by an actuary at a specific date of the value of a life insurance Company's assets and its liabilities. The purpose of a valuation is to ensure that the Company holds adequate assets to fund the Company's liabilities.
- 5 Admissible Assets**
Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Board of Sri Lanka under the regulation of Insurance Industry Act No. 43 of 2000 (No 50 and No. 51)
- 6 Annuity**
A series of regular payments. Annuities include annuities, where payments are made at definite times and life annuities where payments depend on the survival of an annuitant. A life Annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.
- 7 Beneficiary**
The person or financial institution (for e.g. a trust fund) named in the policy as the recipient of insurance money in the event of the policyholder's death.
- 8 Bonus**
Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract and is declared as a percentage of the sum assured.
- 9 Claims**
The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.
- 10 Claims Incurred**
The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve (No.18) at the beginning and end of the accounting period.
- 11 Claims Incurred But not Reported (IBNR)**
A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.
- 12 Claims Outstanding - Long Term Insurance**
The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.
- 13 Commission**
Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.(No.1 and No.2)
- 14 Deferred Acquisition Expenses / Deferred Acquisition Expense Reserve**
Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- 15 Dividend Cover**
Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.
- 16 Earned Premium**
Written premium (No.56) adjusted by the unearned premium reserve (No.55) at the beginning and end of the accounting period.
- 17 Earnings Per Share**
Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

18 Gross Claims Reserve - General

The amount provided, including claims incurred but not reported (No.11) and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

19 Gross Written Premium - Life

Premium to which the insurer is contractually entitled and receivable in the accounting period.

20 Gross Written Premium - General

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

21 Insurance

Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

22 Insurance Provision - General

This comprises of the gross claims reserve (No.18), unearned premium reserve (No.55) net of re-insurance and the deferred acquisition expenses

23 Insurance Provision - Long Term

The funds or funds to be maintained by an insurer in respect of its Long Term insurance business in accordance with the Regulation of Insurance Industry Act.

24 Interim Payments

Periodic payments to the policyholders on a specific type of policy.

25 Life Surplus

The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

26 Lapsed Policy

A policy terminated at the end of the grace period because of non - payment of premiums.

27 Long Term Insurance

Commonly referred to life insurance contracts, as opposed to annual Non - Life insurance policies.

28 Market Capitalisation

Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.

29 Maturity

The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.

30 Net Combined Ratio - General

This ratio indicates the profitability of the insurer's operations by combining the net loss ratio (No. 33) with net expense ratio.

31 Net Earned Premium

Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium (No. 55)

32 Net Expense Ratio - General

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

Formula :

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

33 Net Loss Ratio - Non Life

A formula used by insurers to relate net claims incurred (No.36) to net earned premium (i.e. after deducting relevant reinsurance)

Formula:

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

34 Net Assets Per Share

Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.

35 Net Written Premium

Gross Written Premium (No.19 and No.20) less reinsurance payable (No.42)

36 Net Claims Incurred

Claims incurred (No.10) less reinsurance recoveries.

37 Non Life Insurance

Non Life Insurance and General Insurance have the identical meaning.

38 Policy

The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

39 Policy Loan

Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the

policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

40 Price Earning Ratio

Market Price of a share divided by earnings per share.

41 Premium

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

42 Reinstatement

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

43 Reinsurance

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

44 Reinsurance Commission

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

45 Reinsurance Premium

The premium payable to the reinsurer.

46 Segment

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

47 Return on Shareholders' Equity

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

48 Return on Total Assets

Profits after Tax divided by Total assets attributable to Shareholders.

49 Revenue Reserve

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

50 Rider

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

51 Solvency Margin - Life

The difference between the value of assets and the value of liabilities, required to be maintained by the insurer who carries on Long Term insurance business as defined in the Regulation of Insurance Industry Act No.43 of 2000.

52 Solvency Margin - Non Life

The solvency margin is the difference between the value of the admissible assets and the value of the liabilities, required to be maintained by any insurer who carries on general insurance business. The minimum solvency margin shall not be less than the highest of the following.

- (a) Rs.50 Million; or
- (b) A sum equivalent to 20% of Net written premium; or
- (c) A sum equivalent to 40% of the average net outstanding claims for the three years immediately preceding the current year.

53 Surplus

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

54 Surrender

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

55 Underwriting Result

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

56 Unearned Premium / Unearned Premium Reserve

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

57 Written Premium

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

NOTICE OF MEETING

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Shareholders of the Company will be held on Wednesday, 22nd. April, 2015 at 10.30 a.m. at the "West Wing" - Level 05, "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, 2014 and the Report of the Auditors thereon.
- To declare a Dividend for the year ended 31st. December, 2014.
- To re-elect Mr. Kolitha Indrajith Dharmawardena, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Nugent Duncan Nugawela, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Telge Nihal Mahinda Peiris, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- Subject to receiving the approval of the Insurance Board of Sri Lanka, to re-elect Mr. Saroja Hemakumara Jayawickrema Weerasuriya as a Director, who retires at the Annual General Meeting, being a Director appointed in February, 2015.

- To re-elect Mr. Juvanel Godwin Peter Perera, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

"Resolved that Mr. Juvanel Godwin Peter Perera who will be 78 years in December, 2015 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Juvanel Godwin Peter Perera."

- To re-elect Gen. Chandrika Sirilal Weerasooriya (Retired), who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

"Resolved that Gen. Chandrika Sirilal Weerasooriya (Retired) who will be 72 years in December, 2015 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya."

- To authorise the Directors to determine payments for charitable purposes for the year 2015.

- 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

J.N. Jasenthuliyana

(Mrs.) Thushara N. Jasenthuliyana
Company Secretary / Senior Assistant
General Manager

18th. March, 2015

Note :

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

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company at 5th. Floor - "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1, before 10.30 a.m. on 20th. April, 2015.

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

It is proposed to post ordinary dividend warrants on 05th. May, 2015 and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 23rd. April, 2015.

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