We are all about the People
We create relevant solutions for the People
We are the preferred brand of the People
We take pride in serving the Nation and her People

Finally, It's The People !

Ceylinco Insurance PLC
Annual Report 2015

Finally, It's The People !

Through the quagmire of business and profit, lies the truth that is in the final equation, the only reality. We are all about People. We are People, we create relevant solutions for People and we succeed only if we are preferred by People. At Ceylinco Insurance PLC, this home truth is in fact the guiding philosophy. Whether in General or Life Insurance, Education, Hydro Power, Healthcare, our corporate ethos is firmly threaded by a desire to make sense to the stakeholders who are deeply bonded to our brand. Through the years, we have invested boldly in becoming the most sought after people-solution. Not because we saw this as a means for mere growth and profitability, but simply to serve the Nation and her people.

Initially it was the People and…Finally, it is still the People!

Contents

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) upto 31st. May, 2015.

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

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

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

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

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

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

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

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

Mr. A.R. Gunawardena F.C.I.C.
- Managing Director / Chief Executive Officer
(Executive Director)

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. S.H.J. Weerasuriya B.Sc. (Lond.), M.I.C.E., F.I.E. (S.L.), F.S.S.E. (S.L.), C. Eng.
(Non Executive Director)
- appointed with effect from 17th. February, 2015.

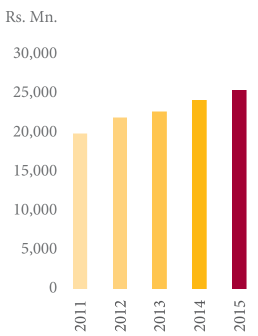
Company Secretary
Mrs. T.N. Jasenthuliyana F.C.I.S. (U.K.), F.C.P.M., F.C.C.S.

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

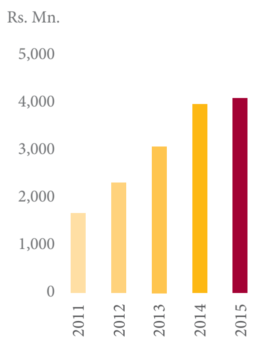
Financial Highlights

	Group		
	2015 Rs.'000	2014 Rs.'000	Change %
Results for the Year			
Gross Written Premium	27,984,159	25,222,854	11
Net Earned Premiums	23,486,332	21,301,922	10.25
Investments and Other Income	8,324,133	8,450,855	(1.50)
Revenue from subsidiaries	2,860,228	2,511,173	13.90
Net income	34,670,693	32,263,950	7.46
Benefits/ claims /operation admin & other expenses	(30,847,944)	(28,446,588)	8.44
Profit Before Share of Associates	3,822,749	3,817,362	0.14
Share of profit of associates	275,724	150,917	82.70
Profit Before Taxation	4,098,473	3,968,279	3.28
Profit After Taxation	3,650,216	2,849,677	28.09
Position at the Year End			
Shareholders' Funds	22,212,630	20,083,610	10.60
Life Insurance Contract Liability	67,157,184	60,021,879	11.89
Non - Life Insurance Contract Liabilities	9,576,722	9,259,497	3.43
Investments	78,749,957	66,832,062	17.83
Total Assets	108,165,034	96,080,187	12.58
Market Capitalisation (Rs. Mn)	33,334	31,103	7.17

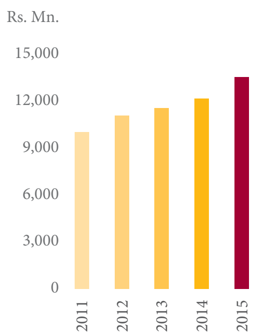
	Group	
	2015 Rs.	2014 Rs.
Per Ordinary Share		
Earnings (Basic)	132.3	96.5
Dividends - Proposed	22.5	20.0
Net Assets (Shareholders' Equity)	840.9	760.3
Market Value at the Year End - Voting	1,410.1	1,378.8
Market Value at the Year End - Non Voting	800.0	550.0
Ratios		
Return on Equity %	15.8	12.7
Dividend Cover (Times)	5.9	4.8
Price Earning (Times) - Voting	10.7	14.3
Price Earning (Times) -Non Voting	6.0	5.7



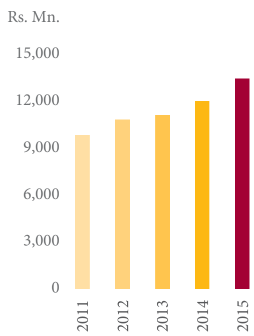
Premium Income
Life & Non Life



Profit before Taxtion



Premium Income
Non Life



Premium Income
Life

	Non - Life Insurance			Life Insurance		
	2015 Rs.'000	2014 Rs.'000	Change %	2015 Rs.'000	2014 Rs.'000	Change %
Results for the Year						
Gross Written Premium	13,557,833	12,164,864	11.45	13,456,827	12,002,524	12.12
Net Claims / Net Benefits	(5,690,518)	(5,259,911)	8.19	(5,956,744)	(4,893,847)	21.7
Increase in Life Insurance Contract Liability	-	-	-	(7,135,304)	(7,256,468)	(1.67)
Investments and Other Income (including reinsurance commission)	1,990,706	1,520,514	30.92	6,744,278	6,826,012	(1.25)
Profit Before Taxation *	1,090,155	867,413	25.68	2,166,684	2,298,086	(5.72)
Profit After Taxation *	896,860	779,637	15.04	2,045,721	1,362,987	50.09

Solvency Margin

	Non - Life Insurance		Life Insurance	
	2015 Rs.Mn	2014 Rs.Mn	2015 Rs.Mn	2014 Rs.Mn
Available Solvency Margin	2,789	2,843	19,509	21,163
Required Solvency Margin	2,114	1,958	2,365	2,016
Solvency Ratio (Times)	1.32	1.45	8.25	10.50

* The profit of Non-Life Insurance (2015) is shown excluding available for sale reserve realisation due to segregation.

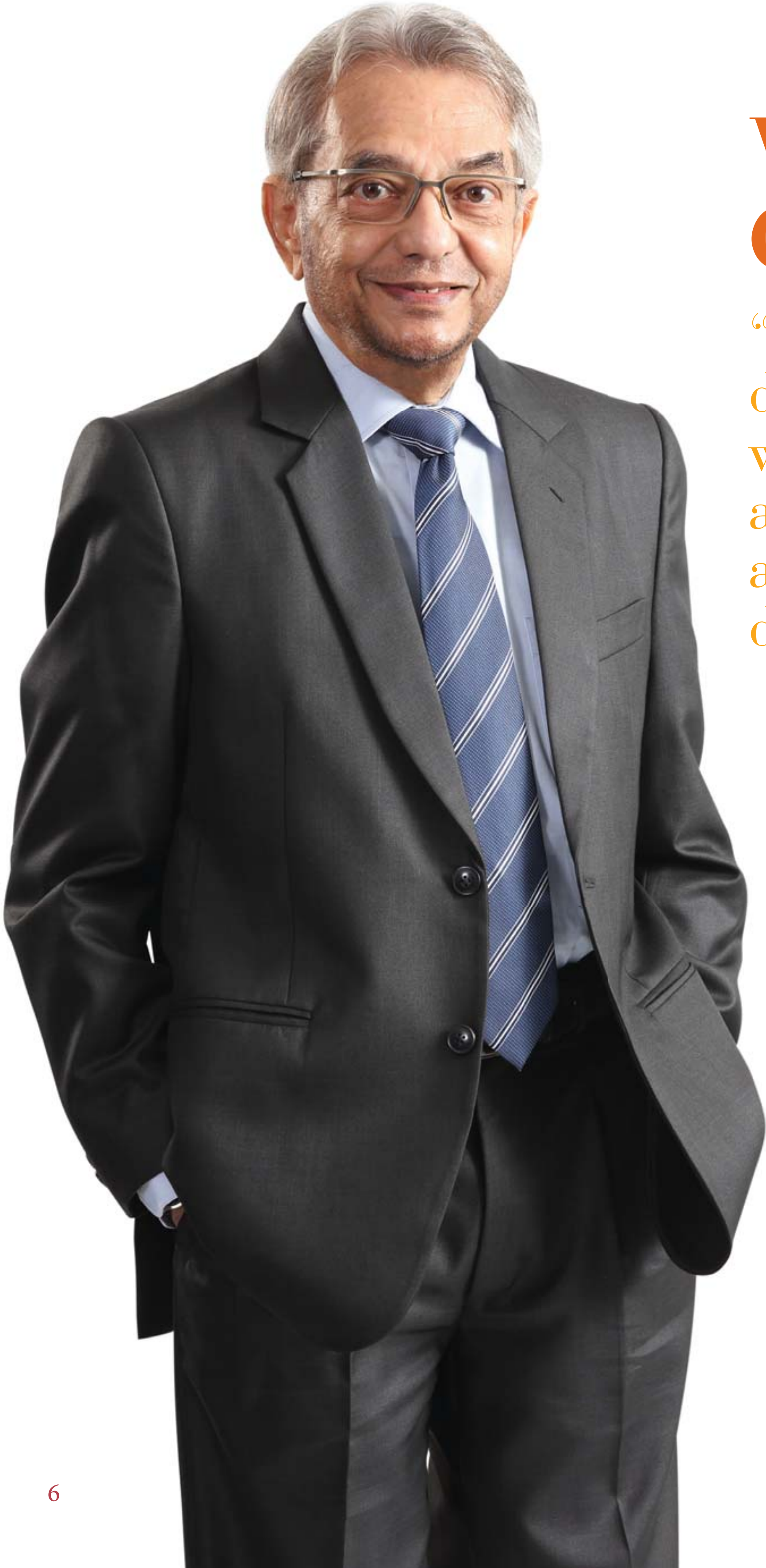
Rs. 3.65 Bn

Profit After Tax

Rs. 22.2 Bn

Shareholders' Funds

Chairman's Review



Winds of Change

"I can't change the direction of the wind, but I can adjust my sails to always reach my destination."

Jimmy Dean
(US entrepreneur and popular TV personality)

As I begin to write this review I am aware that this is a very special Annual Report. This is because it will record the effects of the winds of change which have blown across our company changing its very structure and business.

On 31st May 2015 the final process of segregation of Ceylinco Insurance PLC was completed. On the very next day, 1st June 2015, in a smooth and efficient transition the newly incorporated Ceylinco General Insurance Ltd commenced general insurance business and simultaneously the newly incorporated Ceylinco Life Insurance Ltd commenced life insurance business. In effect the earlier two divisions of Ceylinco Insurance PLC had now become two separate companies. In doing this Ceylinco Insurance PLC complied with Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011 whereby all composite insurance companies had to segregate into two separate companies.

Ceylinco Insurance PLC is now a holding company under which there are the two fully owned subsidiary companies – Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd. In addition there are Ceylinco Insurance Co. (Pvt) Ltd – Maldives, Energy Lanka Holdings Ltd, Ceylinco Investcorp (Pvt) Ltd and CEG Education Holdings (Pvt) Ltd. There are also three Associate companies under Ceylinco Insurance PLC. Thus the holding company of which you are the shareholders has a solid financial base and strong business linkages from which will accrue the most attractive returns on your investments.

It would be relevant in this particular report to recall the history of our company which can be compared to a long voyage during which there were many times when we could not change the direction of the wind but we did adjust our sails to avoid being ship-wrecked and to sail on towards ultimate victory.

This voyage began in 1939 under the flag of 'Ceylon Insurance Company'. In that first year the gross written premium from motor insurance was Rs. 90,008.29 and the total value of claims settled was just Rs. 900. But that, it must be remembered was 77 years ago and these figures must be examined within the context of that period. Just for the record, it was a time when a gallon (not litre) of petrol cost only Rs 2.35 and the leading English newspaper, The Times of Ceylon was priced at 10 cents! Furthermore motor insurance was mainly 'Third Party'. Life insurance commenced in 1941 and in that year the gross written premium was Rs. 415,000. Life Insurance was very competitive because of the active presence of well known foreign insurance companies which were represented by British managed agency houses.

However within 10 years both general insurance and life insurance had overcome all competition and became market leaders. It was when the company was thus sailing along with full blown sails that in 1961 the first winds of change of cyclonic intensity blew over us. That cyclone was the establishment of the government owned Insurance Corporation of Sri Lanka which was vested with the sole monopoly to transact Life Insurance. In 1964 the sole monopoly to transact General Insurance was also vested in the Corporation. Our company had to adjust its sails to catch the wind which had been reduced to a mere whisper. There was no new business. Survival was possible only by servicing the existing business. And that too was gradually decreasing.

Then in 1980 favourable, new winds of change began to blow as a result of the establishment of the National Insurance Corporation. This was also a government owned institution but with the authority to appoint Principal Agents from the private sector. The company was quick to adjust its sails and under the flag of 'Ceylinco Ltd' took advantage of the now steadily blowing wind to take the lead amongst the Principal Agents.

In 1987, consequent to the complete de- nationalization of the insurance industry strong winds of change from a new direction began to blow. Adjusting its sails to catch the full impact of this favourable wind, a new company – Ceylinco Insurance PLC was formed in 1987. It is my duty at this stage to inform you our shareholders, that in this newly formed public company the first Chief Executive Director of the General Division was Mr Ajith Gunawardena and the first Chief Executive Director of the Life Division was Mr Rajkumar Renganathan. Under their leadership the company began to ride on the crest of the waves and in 2004 Ceylinco Insurance PLC wrested the market leadership from the Insurance Corporation. From that year onwards market leadership was retained by the company without a break. Thus these two professionals have led this company for an unbroken period of 29 years of continued growth. I must also mention that during these years shareholder wealth reflected by share price, increased from Rs. 10/- per share to Rs 1,410.10 per share as at end 2015. You as shareholders will no doubt fully understand and appreciate the dedicated and efficient stewardship which has underscored the governance of this company year after year.

And so we come to mid 2015 and experience another – perhaps the most far- reaching of all the winds of change, as a result of segregation.

As we face the future I would like remind you of the advice of that well known philosopher and poet, Oliver Wendell Holmes - "The great thing in this world is not so much where we are, as in what direction we are moving." That direction dear shareholders towards which are moving can be described in just one word. SUCCESS. The success of this company is your success. We will not diminish nor distort that success.

Chairman's Review

Colombo Stock Exchange (CSE) S & P Sri Lanka 20 Index

I am most pleased to announce to you that a decisive indicator of the success of this company is the fact that in December 2015 the CSE included Ceylinco Insurance PLC in the S & P Sri Lanka 20 Index . This means that this company has been selected as one of the country's top 20 blue chip companies. The criteria for selection of a company's shares is based on S & P's global index methodology which includes market capitalization, liquidity and financial viability.

Changes in Operational Structure due to Segregation

Consequent to the completion of the segregation process there has been a change in the operational structure of the company. Therefore a chart showing the Pre-Segregation Operational Structure and a chart showing the Post-Segregation Operational Structure are given elsewhere in this Report preceded by a brief note on the Segregation process.

Market Leadership

I am sure that you as shareholders will join me in congratulating the entire team of Ceylinco Insurance PLC for once again retaining Market Leadership. I am confident that in the 2016 Annual Report we will be able to record that the two fully owned insurance subsidiaries will each be the respective market leader in general insurance and life insurance.

Our Performance - Gross Written Premium (GWP) and Revenue from other Subsidiary Companies

The GWP of the General Insurance Business for the year under review was Rs 13.5 Billion thus recording a most impressive 11.4% growth over the previous year. The GWP of the Life Insurance Business for the year under review was Rs. 13.45 Billion which represents an equally impressive growth of 12.1% over the previous year.

Thus the total GWP from these two fully owned subsidiaries amounted to Rs. 27 Billion representing a 11.8% growth over the previous year, thus successfully overcoming the extremely aggressive competition in the industry.

Rs.27Bn

11.8% Growth

Total Gross Written Premium

"I am most pleased to announce to you that a decisive indicator of the success of this company is the fact that in December 2015 the CSE included Ceylinco Insurance PLC in the S & P Sri Lanka 20 Index."

May I point out that these growth figures take on added significance when you consider the base figures over which that growth is calculated. You as shareholders will realize that these have been one of the best results recorded in recent years and is proof beyond doubt of the efficiency of management.

In addition to this I am also pleased to announce that the total revenue from the other controlled sectors including Power Generation, Education and the Male Insurance Business amounted to Rs 3.3 Billion.

Our Performance – Profitability

Arising from the performance stated above and combined with disciplined and efficient financial management the Profit Before Tax (PBT) of the General Insurance Business for the year under review was Rs. 1.09 Billion. This excludes the Available For Sale (AFS) Reserve Realisation, amounting to Rs. 476 Million. The PBT of the Life Insurance Business for the year under review was Rs 2.17 Billion. The total PBT from the other sectors which I have mentioned above was Rs. 841 Million. Thus the consolidated PBT of the Ceylinco Insurance Group for the year under review was Rs. 4.1 Billion. However what will be of special relevance to you as shareholders is the fact that the Group Profit After Tax increased to Rs. 3.65 Billion which is a most impressive 28% over the previous year.

Proposed Dividend

I would like to dispel any apprehension you as shareholders may have due to the segregation by proposing on behalf of the Board of Directors that a dividend of Rs 22.50 per share be paid. This represents a 12.5% increase over the dividend paid last year. You will recall that this surpasses any previous dividend paid.

International and Local Recognition

Maintaining our leading position in the insurance industry the company has once more during the pre- segregation period and

Rs. 22.50

Per Share

Proposed Dividend

later the two insurance subsidiaries during the post – segregation period, won the highest accolades by way of national and international awards. Amongst these accolades I must mention that in 2015 in which the people's mandate created political history, Ceylinco Insurance PLC was voted by the people for the 9th consecutive year, as 'The People's Insurance Brand of the Year'. The two leading business journals – Business Today and LMD, through their own individual corporate performance evaluations highlighted Ceylinco Insurance PLC. The former rated our company as the only insurance company amongst the 'Top 25 Companies in Sri Lanka' while the latter selected our company as the highest rated insurance company.

Dr Jagath Alwis – Another international recognition

I offer my congratulations to Dr Jagath Alwis who by being appointed as ambassador to the SAARC region by the International Insurance Society has once again brought recognition to the company, the insurance industry and the country.

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 her Board. I would like to make special mention of Ms Damayanthi Fernando, Director General who very professionally finalized our segregation process.

I offer a special word of thanks to Dr Wickrema Weerasuriya Insurance Ombudsman for his diligence, patience and impartiality in dealing with the grievances of customers, thereby restoring the confidence of these customers in the insurance industry.

I now pay tribute to our customers whose continuous and ever increasing loyalty over the years, will always be reciprocated by the two new companies 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 and loyalty which has during certain years been tested and challenged to the core. Yet through it all they fulfilled their responsibilities and held aloft the flag of industrial leadership. I am confident that, that commitment blended with enthusiasm and inspiration, will be much more stronger as we move into the future under our new corporate structures.

I now thank all our Agents and Insurance Brokers who have steadfastly continued to support us by bringing in significant business. Here again I look forward to your support in the future.

To our Reinsurers and Reinsurance Brokers I extend a very special word of appreciation. You are our close, trusted and respected business partners. Throughout the years you 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 am confident that the mutual trust and respect will be continued with added fervour under the new corporate structures.

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. I am pleased to mention that each of them will continue to serve in positions of leadership in their respective new companies.

It is my very pleasant duty to thank the Board of Directors who through their high calibre 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. They will continue to serve on this Board and in addition most of them have been appointed to serve on either of the two Boards of the two new companies.

And finally and most importantly, 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.

J.G.P. Perera
Chairman

01st. April, 2016

Managing Director/Chief Executive Officer's Review

“The yearning to reach the zenith of achievement, the need to evolve and constantly innovate, so that human aspirations may be met better, and the ability to surmount any obstacle, is what best defines us, and consequently, constitutes our greatest strength.”

It is with a sense of profound pleasure that I present this message to you all, our valued shareholders, for it is your tremendous resolve that has made all this possible. As I look back, 2015 was a year filled with challenges, some foreseen and some completely unanticipated. At the beginning of last year, we had to contend with hostile forces that sought to wrest control of your company from capable hands and subject it to arbitrary control. After month upon endless month of unrelenting effort, and finally concluding a long drawn out legal battle, we emerged victorious, as justice prevailed, and finally, CIESOT was ours. Following this emphatic victory, your company was able to distribute the benefits of CIESOT to its deserving and loyal staff, with ex-employees enjoying the benefits as well.

Meanwhile, towards the middle of 2015, we had to abide by IBSL regulations and segregate the company, thus, completely separating the Life and General businesses from the 1st of June 2015 onwards. Your company had anticipated this event and our preparedness held us in good stead, as we went through the process with ease and completed it without any hitches.

I dwell on these two incidents with good reason; so that I may thank the Board of Directors, whose excellent co-operation and never say never attitude, together with the unstinted efforts of all our staff, who as usual rallied around to make the most daunting of hurdles easily surmountable, helped your company through some of the toughest challenges it has faced.

Accordingly, this review will focus its efforts on the five-month period that we operated as a composite insurance company, wholly seven months after segregation.

Ceylinco Insurance PLC – The Holding Company

With the completion of the segregation process of Ceylinco General Insurance and Ceylinco Life Insurance, Ceylinco Insurance PLC transformed to become the holding company, under which companies of several sectors – Insurance, Power, Education, Merchant Banking and Healthcare etc., now operate. Thus, Ceylinco Insurance PLC has now become even stronger and a diversified entity, elevating it to true conglomerate status.

Macro Economic Outlook

At this juncture, it is appropriate to look at the direction of the country’s economy that has been driven by the new government, during the year under review. Undoubtedly, Sri Lanka’s economy has embarked upon a path of transformation to a more sustainable platform and emerged with renewed emphasis on reform and fiscal consolidation.

During the recently concluded Sri Lanka Economic Forum, the future of the country’s economy was described as a services hub, a niche manufacturing destination, to produce goods entwined with regional and global value chains, particularly, light engineering, and as a location for high-value agricultural products and dairy, both to service the rapidly growing tourism sector, and for exports. Lifting the ban on the nation’s seafood products exported to the EU and regaining GSP+ trade concessions, will augur well for Sri Lanka in driving its economy forward. Meanwhile, improving education and developing the technical skills of Sri Lankans will ensure that human capital needs are met as the economy becomes more diversified.

Overview of Sectors

Insurance Sector

Insurance has become one of the most vibrant industries in the country’s economic arena. After the segregation, the total number of insurance companies stand at 29, with 14 General Insurance companies, 12 Life Insurance companies and 3 composite companies yet to complete the segregation process. During 2015, the total premium income of the industry is expected to reach Rs.120.9 billion, recording a significant growth of 17.3%, compared to the 6.1% growth recorded in 2014. The gross written premium of General Insurance will reach Rs.67.4 billion, with a growth of 15.3%, while, similarly, Life Insurance premiums will record a growth of 20%, reaching a premium of Rs.53.5 billion. Motor insurance premiums, the biggest component in General Insurance, grew by 19.1%, recording a premium income of Rs.42.9 billion, while the Non-Motor segment recorded a premium income of Rs.24.4 billion and a growth of 9.2%.

The industry penetration as a percentage of GDP, which is only 1.02%, remains low, compared with several Asian countries. With increased income levels and people being more aware of the benefits derived, the industry should strategise to develop some of the untapped segments, which are also underserved in the rural areas of the country.

With the industry embracing Risk Based Capital and segregation of composite companies, the move will no doubt align our insurance industry with mature and developed markets. Yet, as I have always mentioned, price undercutting and the unfair advantages government entities enjoy, still remain stumbling blocks for the industry to thrive and move on to the next level.

Ceylinco General Insurance recorded magnanimous results during the year under review, recording a premium income of

Managing Director/Chief Executive Officer's Review

Rs.13.5 billion, increasing year on year by Rs.1.4 billion, when compared to 2014, resulting in a remarkable growth of 11.4%. Moreover, the profit before tax stood at Rs.1.1 billion, an increase of 26% over 2014, while the profit after tax was tabulated at Rs.0.9 billion, an increase of 15%.

The year under review saw Ceylinco General Insurance pay claims to the tune of Rs.6.4 billion, as always settling all genuine claims in double quick time, with the figure amounting to an increase year on year of 13%.

Once again Ceylinco General Insurance introduced amazing new innovations and tremendous value additions during 2015, re-establishing a new benchmark for the competition to aspire to. Just as when the On The Spot methodology was first introduced, Ceylinco General Insurance continues to strive for innovations and value additions that are in tune with the actual needs of the people. In 2015, Ceylinco VIP once again added another unique benefit to its unmatched list of value additions, offering an Accidental Health Insurance, worth Rs.4 million, absolutely free to all Ceylinco VIP On The Spot customers.

The 37 'VIP Counters' opened under the City Office of Ceylinco General Insurance and the 20 new 'VIP Counters' attached to the branch network, all opened during 2015, brings the total network of Ceylinco General Insurance to over 400 outlets, easily outmatching the competition. Ceylinco General Insurance, now, more than ever before, believes that a branch presence in each locality is the best way to provide the fastest and most comprehensive service, ensuring exponential growth in the years ahead.

Overseas Insurance Operations

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.

Power Sector

Due to the power crisis during 2000 – 2002, the Government encouraged the development of small hydropower projects by private organisations.

At this juncture, our company, as a strategic diversification policy, decided to venture into the Renewable Energy Sector. The company did extensive research on developing renewable energy projects soon after the liberalisation of the power sector. Although the sector offered reasonable financial returns, the development process of projects was tedious and time consuming.

The first of our small hydro projects was introduced with a few veterans in the industry involved during the post power crisis period (2003 – 2004). The first project was located in Belihul Oya, in Balangoda, with the second one in Loggal Oya, Badulla. After assessing its commercial potential, the company also looked at added benefits, such as reduction of carbon emissions, contributing to a greener environment and opportunities to help communities through development projects in remote areas, where even basic necessities, such as roads, food and education etc. are restricted due to difficult geographical terrains.

Today, your company has invested in three hydropower projects, with a combined capacity of 13.5MW. In addition to the financial returns, the company is proud to announce the benefits to the local community rendered by the projects, where roads have been developed, school buildings constructed, new constructions done to village temples, scholarships offered to school children and the annual donation of books to more than a thousand school children etc.

Education Sector

Education has become one of the fastest growing and most demanding sectors in the service industry in Sri Lanka. Due to the limited access to public sector universities, the private sector has a major role to play in providing similar opportunities available to students in other countries to our own children in Sri Lanka.

The Education Sector, which operates under Ceylinco Insurance PLC, is the largest education conglomerate in Sri Lanka, which consists of American National College (ANC), International College of Business and Technology (ICBT Campus), Wycherley International School, Modern Montessori International and NetAssist, as key players.

Programmes from Montessori Education to Masters in various disciplines are offered at these institutions. Another strong area is student placement to foreign countries, such as the United States, United Kingdom, Australia, Malaysia and the Philippines. Further, we specialise in placing students to Medical Universities based in the USA, Europe, Malaysia and India.

ICBT recently moved to its own, state-of-the-art building in Duplication Road, Bambalapitiya, which is the only purpose-built

Rs.6.4 Bn

Gross Claims Paid (+13%)

"Ceylinco General Insurance stands poised to take on any and all challenges the future will bring, confident in our ability. We have the vision, the know-how and the grit to move ever forward and to weather any storm. We look with optimism to the future and eagerly await the innovations of the future."

building for education in Colombo. A similar building is planned in Kandy during the next financial year. Not simply focused on Colombo, our presence is evident in key cities, such as Kandy, Galle, Matara, Kurunegala, Jaffna and the suburb of Nugegoda.

The total revenue of the Education Sector companies stand at Rs.2.2 billion, with a profit after tax of Rs.285 million, contributed to the group profit.

Accolades Won

The Colombo Stock Exchange included Ceylinco Insurance PLC amongst the S & P Sri Lanka 20 index constituents at the annual index rebalance announced in December 2015. Moreover, during the year under review, Ceylinco Insurance was honoured yet again to be voted by the people of Sri Lanka, as 'The People's Insurance Company', for the 9th consecutive year, while also emerging victorious for the 10th consecutive year in 2016. Once again, Ceylinco Insurance is the only Insurance Company, among the Top 25 Companies in Sri Lanka for 2015, as announced by "Business Today". And, true to form, the LMD rankings announced in December 2015, saw Ceylinco Insurance as the Highest Rated Insurance Company in Sri Lanka.

Thank You

It is my privilege and honour to say thank you to the President, Prime Minister and the Government of Sri Lanka for the bold and constructive measures taken to drive the nation forward, both economically and socially, ensuring that the rule of law and justice prevails at all tiers of socity.

My thanks are also extended for the yeoman service rendered by the Chairperson and officials of the Insurance Board of Sri Lanka, who are always available and ready to provide guidance and support, in the true spirit of partnership, which proves invaluable to your company and the industry as a whole. The Insurance Ombudsman must also be saluted for his tireless efforts and commendable impartiality.

My heartfelt thanks are also extended to Shriram City Union Finance Ltd of India and Mitsui Sumitomo Insurance Co. Ltd of Japan for their faith in us, which has resulted in their investing in your company. I have no doubt that we can look forward to a long journey of mutual co-operation and unimagined rewards in the future, as Ceylinco Insurance PLC goes from strength to strength.

My thanks also encompass our Reinsurance partners and Reinsurance brokers, with whom we work very closely and whose reputation is truly world class, as we build upon the decades of trust we have cultivated.

I also extend my sincerest thanks to all our partner universities and institutions, and say boldly, that the future looks truly bright, as the need for education of the highest standard continues to grow exponentially.

To our shareholders, who have continually stood by us and supported us through thick and thin, I also extend my thanks, taking a moment to reflect that their faith in this company has meant that we could climb the highest mountains.

To the staff of Ceylinco Insurance PLC, who are more like family members, I say a tremendous thank you, for all they have done and continue to do. To hold true to the old adage 'Customer is King', we have to treat each and every member of our staff as royalty; only then will they serve the customer to their utmost ability. It is their effort, commitment and loyalty that allow us to forge ahead towards new vistas and new horizons.

Finally, to our growing base of loyal clients, whose immense faith in us, continues to power our unrelenting forward momentum, I say the biggest thank you of all. For, without them, none of our achievements would have been possible. Their belief in us, their trust in us and their loyalty to us, is of paramount importance and the pillar upon which our success is built. So, thank you, once again.

Ceylinco General Insurance stands poised to take on any and all challenges the future will bring, confident in our ability. We have the vision, the know-how and the grit to move ever forward and to weather any storm. We look with optimism to the future and eagerly await the innovations of the future.

A.R. Gunawardena
Managing Director / Chief Executive Officer

01st. April, 2016

Director's Review - Life Insurance

The segregation of the Life and General Insurance operations of Ceylinco Insurance PLC became effective on 1st June 2015, five months later than the date mandated under the Regulation of Insurance Industry Act. Five of the 12 months covered in this review therefore cover the period when the life insurance business of your Company was under the Life Division, and seven months cover the post-segregation period, when the life insurance business was managed by the new company set up as required by law.

Shareholders are fully aware of the reasons for the delay in segregating the two businesses. It was beyond the control of the directors and management of the Company.

Suffice it to say that the challenges thrown at your company by parties with parochial self-serving interests did not distract the Life Division and its successor from focusing on its core business in the year reviewed, and that we ended 2015 as the market leader in our sector for the 12th consecutive year.

Performance

We achieved total income of Rs. 19.9 Bn for the year under review, a healthy growth of 7.26% over 2014. The primary component of our income is Gross Written Premium which improved by a noteworthy 12% to Rs. 13.4 Bn, maintaining our position as the biggest life insurer in the country. Our market share stood at 26% at the end of the third quarter, well ahead of the 19% share of the second largest player in the life insurance business.

We sold 170,007 new policies in 2015, averaging 14,167 a month, which is satisfactory in the context of the conditions that prevailed, particularly the continuing pressure on disposable incomes in many of the target policyholder segments. Sales of retirement plans reached Rs. 1.9 Bn in the 12 months reviewed.

Investment and other income remained flat at Rs. 6.74 Bn, an unsurprising result given the interest rates in effect. However, our investment portfolio increased by a robust 17% in value terms to Rs. 67.1 Bn, while total assets grew by a noteworthy Rs. 9.17 Bn or 12.9% to Rs. 80.2 Bn.

At the end of the year under review, the Ceylinco Life investment portfolio comprised Government Securities (53%); Licensed Private Banks (18%); State Banks (2%); Real Estate (7%); Corporate Debt (19%) and Others (1%). 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).

Life Fund

Our Life Fund posted net growth of Rs. 8 Bn or 13% to Rs. 68 Bn at the end of 2015. Ceylinco Life was the fastest life insurer in the local industry to have a Life Fund of Rs. 60 Bn, a feat it achieved in 2014.

Rs. 19.9 Bn

Total Income (+7.26%)

Profitability of Life Insurance Business

Our life insurance operations generated net profit of Rs. 2 Bn for the year which includes a transfer of Rs. 1.8 Bn from the Life Fund to shareholders.

Solvency

Ceylinco Life has always maintained a solvency ratio that is far in excess of the statutory requirement, and 2015 was no exception. Our admissible assets over total liabilities stood at Rs. 19.5 Bn at the end of the year, 8.25 times the legally mandatory Rs. 2.4 Bn. The solvency margin is one of the most important key performance indicators for a life insurance business because it represents a company's ability to meet the obligations arising from its life insurance contracts.

The prevailing insurance regulations require insurance companies to maintain a solvency margin of not less than 5% of their statutory liabilities at all times.

Overall, I am happy to report that we turned in a characteristically impressive performance, especially when viewed against the challenges we faced and the market dynamics that prevailed. As always, these results reaffirm that Ceylinco Life continues to enjoy the trust and confidence of policyholders and a wide cross section of prospective customers.

Benefits to Policyholders

Benefits to policyholders totalled Rs. 5.9 Bn in 2015, a 22% improvement over the previous year. This included 'Avurudu Cash' bonuses to more than 14,000 policyholders. Other policyholder benefits paid out in the year included Rs. 3.7 Bn in maturity and other survival benefits and claims.

A policyholder benefit that continues to grow in monetary value and societal impact is our annual 'Pranama' scholarships programme. We presented scholarships to the value of Rs. 8 Mn to another 154 bright young Sri Lankans in 2015. With this round of scholarships, our commitment to rewarding and motivating academic and extra-curricular excellence reached Rs. 100 Mn, and had benefited a total of 1,924 children and young adults.

Branch Network

The expansion, consolidation and 'Greening' of our branch network continued apace in the year, with new branches in our own buildings being built to a new environment-friendly model that we have adopted.

Director's Review - Life Insurance

We opened new branch offices in Bandarawela, Batticaloa, Kilinochchi, Ratnapura and Trincomalee in 2015, relocated our branches in Kandy and Matara and commenced construction of new buildings for our branches in Horana, Panadura and Wennappuwa.

All new buildings constructed on owned land are designed to maximise use of natural light and are equipped with solar power and rainwater harvesting facilities, reflecting the Company's commitment to reducing its environment footprint.

The Community

I am proud to report that our focus on addressing some of the pressing needs of the communities we serve remained undiminished in the year reviewed, despite the challenges we faced. Ceylinco Life has always been unwavering in its commitment to good corporate citizenship and our long running projects in the areas of community health and educational infrastructure received further support. Among the community projects of note in 2015 were:

- The construction and donation of classroom buildings to schools in Divulapitiya, Kuruwita, Nuwara-Eliya, Rideegama, Haldummulla and Trincomalee, and the commencement of construction of classrooms for schools in Kilinochchi and Mannar.

- The donation of a sophisticated portable ventilator to the Trincomalee General Hospital to provide ventilatory support to infant, paediatric and adult patients. The ventilator can be used to resuscitate patients after cardiac arrest or cardiac failure, acute pulmonary oedema, respiratory failure due to pneumonia, asthma or Chronic Obstructive Pulmonary Disorder (COPD), ischaemic stroke, intra-cerebral haemorrhage or epileptic fits among others.

Market Expansion

In a market where life insurance is still sold rather than bought due to several factors including the lack of understanding of the product and its value, much effort continues to go into engaging with the masses via interactive promotions. For example, in the eighth edition of the Ceylinco Life 'Family Savari' promotion, which requires no introduction, another 2,260 people from 565 policyholder families visited Switzerland, Dubai and Singapore and the Leisure World theme park in the year reviewed. As has been explained in my reviews of previous years, this promotion provides an opportunity to take the message of life insurance country-wide, attract significant numbers of new policyholders and motivate existing policyholders to keep their policies active.

> "The expansion, consolidation and 'Greening' of our branch network continued apace in the year, with new branches in our own buildings being built to a new environment-friendly model that we have adopted."

We also conducted our regular market expansion campaigns such as the Life Insurance Week (LIW) conducted country-wide in February, the Retirement Planning Month programme conducted in May and the 'Ran Daru Charika' tour of Colombo for children in April. Shareholders will agree that there is never a dull moment at Ceylinco Life!

New Products

We launched an attractive new policy branded 'Ceylinco Life Supreme' in 2015 to spark fresh interest in life insurance. The new policy pays a percentage of the basic sum assured as lump sums every four years without any diminution of the policyholder's maturity entitlements. It offers comprehensive life cover, above average maturity value and optional rider covers for critical illness, hospitalisation or major surgery. This product differs from other life insurance plans as it guarantees to pay the sum assured or the accumulated fund balance, whichever is higher, at maturity or in the event of premature death, with no deductions in respect of the lump sum payments already made.

Awards and Recognition

It gives me great pleasure to report that Ceylinco Life was adjudged the 'Best Life Insurance Company in Sri Lanka' for a second consecutive year by World Finance, the respected UK-based magazine, following an in-depth assessment of our key performance indicators. This prestigious accolade is based on scores accorded to the Company on multiple parameters pertaining to long term insurance. These include underwriting process/process efficiency; policy maintenance – the process of reviewing clients' policies, appropriateness of coverage and cost per policy; exposure to risk; customer retention rate; time taken to settle claims; new customer acquisition rate and financial stability – premium income, life fund and market share.

Locally, the strength of the Ceylinco Life brand was emphatically reaffirmed in 2015 by the Sri Lanka Institute of Marketing (SLIM) which presented us with Silver Awards in two of the top three categories recognised at the annual Brand Excellence Awards. We received the Silver in the Service Brand of the Year category encompassing all areas of business in the Services sector and the Silver in the Local Brand of the Year category, underlining our status as one of Sri Lanka's pre-eminent brands.

I am also pleased to inform shareholders that we set a new record in sales achievement in year under review, with 41 members of our sales team qualifying for membership of the Million Dollar Round Table (MDRT). This is the highest number of MDRT qualifiers produced by Ceylinco Life in a single year. Our congratulations go to all of them.

Besides these achievements, four of our sales professionals won five awards at the 2015 National Sales Congress (NASCO) Awards of the Sri Lanka Institute of Marketing (SLIM). The awards won included the Gold Award in the Sales Executive Category in the Life Insurance Sector, the Award for Most Outstanding Female Sales Person of the Year, the Silver Award in the Frontliner Category in the Life Insurance Sector, the Silver Award in the Territory Manager Category and the Bronze Award in the Sales Executive Category.

Healthcare

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

We are happy to report that the TomoTherapy Centre which commenced operation in October 2013 completed the treatment of its 200th patient in 2015. The Centre has consistently demonstrating its capability to provide comprehensive international standard radiation solutions in our own country.

The Future

The challenges we faced in 2015 have made us stronger and more determined than ever to work tirelessly to fulfil our mission. Competition will intensify, but we will take that in our stride. The regulatory environment pertaining to our industry has changed. We welcome changes such as the risk-based capital concept and the change in the basis of valuation from the net premium basis to the gross premium basis. Conditions in the market will continue to make selling life insurance challenging, but Ceylinco Life has the Products, the People, the Professionalism and the Passion to continue at the helm of the industry.

I thank my colleagues on the Board of Directors, the staff, policyholders, shareholders and regulators for their guidance and support in 2015, and look forward to their continuing goodwill in 2016.

R. Renganathan
Director

01st. April, 2016

Board of Directors

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

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

03. **Mr. R. Renganathan**
- Director

04. **Mr. H.D.K.P. Alwis**
- Director

05. **Mr. E.T.L. Ranasinghe**
- Director

06. **Dr. W.C.J. Alwis**
- Director

07. **Mr. P.D.M. Cooray**
- Director

08. **Mr. K.I. Dharmawardena**
- Director

Board of Directors

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

10. **Mr. P.A. Jayawardena**
- Director

11. **Mr. N.D. Nugawela**
- Director

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

13. **Mr. U. Witharana**
- Director

14. **Gen. C.S. Weerasooriya (Retd.)**
- Director

15. **Mr. S.R. Abeynayake**
- Director

16. **Mr. S.H.J. Weerasuriya**
- Director

Board of Directors

Mr. J.G.P. Perera
- Chairman

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

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

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

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

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

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

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

Mr. R. Renganathan
- Director

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

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

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

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

Mr. H.D.K.P. Alwis

- Director

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

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

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

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

Mr. E.T.L. Ranasinghe

- Director

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

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

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

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

Dr. W.C.J. Alwis

- Director

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

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

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

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

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

He was conferred a 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 in 2014.

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

Mr. P.D.M. Cooray

- Director

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

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

Board of Directors

has addressed many Life Insurance conventions and was the first South Asian non-member to address the MDRT which is the most prestigious Life Insurance convention in the world.

Mr. K.I. Dharmawardena
- Director

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

Mr. D.H.J. Gunawardena
- Director

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

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

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

Mr. P.A. Jayawardena
- Director

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

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

Mr. N.D. Nugawela
- Director

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

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

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

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

He joined Ceylinco Insurance as a Finance Manager in 1989 and was appointed to the Board in August 1990. At present he heads the Finance Division of the Company and Ceylinco General Insurance Limited. He introduced the profit centre concept where all branches and units are monitored according to performance. He has also introduced the Finance & Administrative Manual of the Company which indicates all procedures, 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

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. He also serves as the Deputy Managing Director of Ceylinco General Insurance Limited. In addition to his contribution to the financial management of the Ceylinco Insurance Group, he extends his capabilities by leading a team of professionals in the capacity of the CEO, to successfully develop and manage a number of hydro power projects within the group.

General C.S. Weerasooriya (Retired)

- Director

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

He received his education at 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.

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

Mr. S.R. Abeynayake

- Director

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

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

Mr. S.H.J. Weerasuriya

- Director

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

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

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

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

Mr. 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.

Incorporating the Concept of Integrated Reporting

In our last Annual Report (2014) we made our initial attempt to comply with the guidelines of Integrated Reporting as published by the International Integrated Reporting Council (IIRC).We are pleased to mention that this compliance is continued in this Annual Report. Similarly 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 wish to 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 have been provided by the Auditor, Ernst and Young. In addition actuarial verification of the General and Life Divisions until the date of segregation (Please see Note 47 on Segregation) 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 in 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

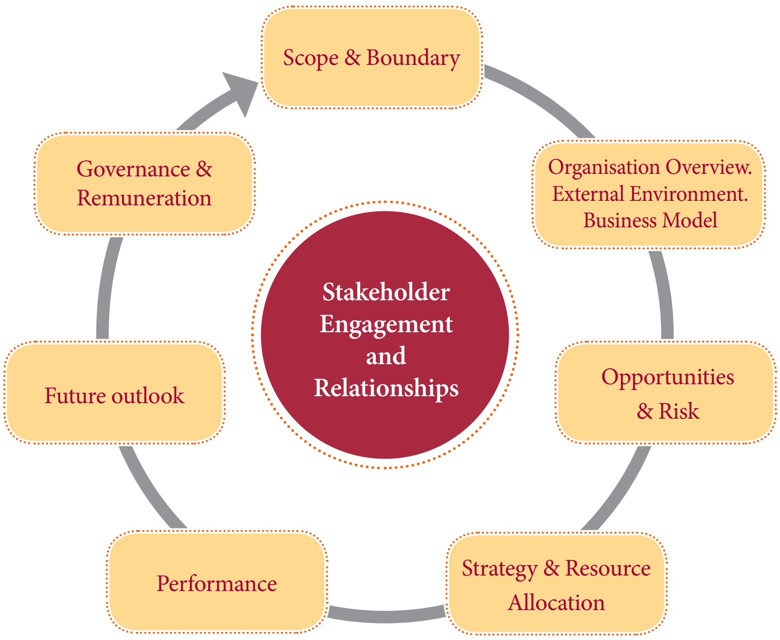
Objective of Integrated Reporting

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 –

- The Reviews of the Chairman and Managing Director/ Director - Life respectively.
- Stakeholder Engagements and Relationships.
- The sections under Management and Discussion Analysis.
- Corporate Governance.
- The Reports of the - Audit Committee/ Remuneration Committee/ Investment Committees.
- Statement of Directors Responsibility.
- Financial Statements
- Notes to Financial Statements

Stakeholder Engagements and Relationships

Consequent to Segregation – Item marked * is applicable only to Ceylinco Insurance PLC. Items marked ** are applicable to Ceylinco Insurance PLC until 31.05.15 and to Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd from 01.06.15 onwards. Items marked *** are applicable to all 3 companies

Stakeholder	What we do	Objective
Shareholders *	• Publish regulatory financial information through interim reports. • Publish Annual Report conforming to regulatory requirements and mailed to each shareholder in requested format within regulatory time frame. • Hold the AGM before scheduled date and EGMs when necessary, both in accordance with Companies Act No 07 of 2007 and the Articles of Association of the Company. • Conduct above meetings in accordance with above mentioned regulatory requirements and permit free and fair discussion on all aspects relating to the published agenda. • Seek shareholder mandate at such meetings on relevant itemized resolutions. • Answer all shareholder questions and requests for clarifications which are within the framework of shareholder Rights and Obligations as determined by the Companies Act No 07 of 2007. • Declare optimum dividends as determined by the Board of Directors having evaluated the company's current performance, profitability and future plans.	To enhance shareholder loyalty and confidence by providing an attractive Return on Investment thereby adding to shareholder wealth.
Customers **	• 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. • Provide On-Line premium payment. • Increase person-to-person contact between customer and trained, professional company personnel by establishing the most extensive island-wide branch network. • Ensure hassle-free, fast, claim settlement.	To ensure total customer satisfaction, trust, confidence and loyalty. To increase our customer base. To retain our position as Market Leader.
	• Offer interest free, instalment payment of annual premium via credit cards for motor insurance. • Offer attractive 'No Claim' bonus for motor insurance. • Provide 'Rest Spots' for long distance road travellers. • Offer loyal life insurance customers attractive bonus payments and special rewards e.g. Family Savaris. • Conduct regular customer satisfaction surveys and take prompt, corrective action where necessary.	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
Employees **	• 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 and special training programmes. • Offer top performers diverse schemes of Rewards and Recognition. • Offer an attractive package of benefits over and above the statutory benefits. • Encourage the enrolment 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.	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.
Regulators **	• Strictly adhere to all regulations by letter and in spirit. • Required Solvency Margins and RBC requirements of Capital Adequacy Ratio are maintained throughout the year. • To comply with reporting requirements of IBSL in a proper and timely manner. • Participate in all workshops on new regulations by IBSL and actively involve in industry partnered committees in developing rules/requirements. • Respond promptly to all queries and requests for clarifications made by Regulators.	As respective market leaders in general and life insurance, to conduct business in a most responsible manner observing the principles of 'Good Governance' and through the strict adherence to all regulations to establish a close professional relationship with the regulators.
Government Departments and Government controlled Funds ***	• Make all payments such as taxes, duties, levies and regulatory contributions, accurately and within the specified time frames.	As market leaders to observe the principles of 'Good Governance' and practice responsible fiscal discipline.
Reinsurers **	• Partner with the most highly rated international reinsurers whose security rating 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 ***	• 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**	• Identify groups which need sustainable assistance in areas of health care, education, water, electricity facilitation and housing.	To fulfil our commitment to Corporate Social Responsibility in a sustainable and meaningful manner.

Leading from the Front

Management Discussion and Analysis

Management Discussion and Analysis

Macro Economic Environment 2015

The Sri Lankan economy recorded a growth of 5.6 % in the first half of 2015 with positive contribution from agriculture, industry and service related activities. Agriculture, Forestry and Fishing related economic activities rebounded, recording a growth of 3.3% during the first half of 2015, compared to the contraction of 0.7% in the corresponding period of 2014. The revival of agricultural activities was mainly a result of the significant improvement in the paddy sector amidst negative growth rates recorded in relation to tea, rubber and spices. Meanwhile, Industry related activities, which contracted by 4.5 % in the first half of 2014, recorded a growth of 1.3 % in the first half of 2015. The recovery in manufacturing activities mainly contributed to this growth, while construction activities as well as mining and quarrying contracted. The growth momentum of services related activities continued, with an expansion of 7.1% during the first half of 2015, compared to 4.2% in the first half of the previous year. The acceleration of value added in services was driven by real estate, financial services, and wholesale and retail trade activities as well as other personal services.

External Sector Performance

Trade deficit widened marginally during 2015, while earnings from tourism increased significantly. Meanwhile, workers' remittances recorded a marginal decline in 2015. The major source of inflows to the financial account of the BOP during 2015 were the issuance of two international sovereign bonds and swap arrangement of the Reserve Bank of India.

Earnings from exports continued a downward trend and in 2015 recording a 5.6% decline, year-on-year, to US dollars 626 million, led by textile and garments and tea exports. Export earnings from textile and garments, which contribute nearly 44% to the total exports, declined for the third consecutive month by 2.2% in December 2015, reflecting low exports to both EU and USA markets. Lower demand for tea exports continued throughout the year 2015 due to economic and geo-political developments in the main tea export destinations. Accordingly, earnings from tea exports in 2015 dropped by 17.7% reflecting declines in both export volume and average price levels compared to the previous year.

Expenditure on imports declined by 2.5% to US dollars 18,935 million. Significant decline recorded in fuel import bill due to lower oil prices and lower thermal power generation. On a cumulative basis, the trade deficit during 2015 expanded marginally by 1.7% to US dollars 8,430 million over 2014. Earnings from tourism grew by 22.6%, year-on-year, to US dollars 549 million in 2015.

The workers' remittances decreased marginally by 0.5% to US dollars 6,980.3 million in 2015 compared to US dollars 7,017.8 million in 2014. This marginal decline of workers' remittances during this period could be partly attributable to the continued decline in international oil prices and the stagnating growth in the Middle Eastern countries. The long-term loans to the Government registered a net inflow of US dollars 463.1 million in 2015, compared to the net inflow of US dollars 645.7 million recorded in 2014. For the year 2015, the overall BOP is estimated to have recorded a deficit of US dollars 1,489 million compared to a surplus of US dollars 1,369 million recorded in 2014. Sri Lanka's gross official reserves as at end December 2015 amounted to US dollars 7.3 billion, equivalent to 4.6 months of imports while total foreign assets amounted to US dollars 9.3 billion, equivalent to 5.9 months of imports.

Government Finance and Monetary Policy

Government revenue as a percentage of estimated GDP increased slightly to 6.4% during the first seven months of 2015, compared to 5.8% of GDP in the corresponding period in 2014, and mainly due to an increase in revenue from import related taxes. Revenue from import duties, and excise taxes on motor vehicles, liquor, cigarettes and tobacco as well as the Nation Building Tax (NBT) on domestic economic activities recorded an increase. A decline in revenue was observed from corporate and non-corporate income taxes and value added tax (VAT).

Total expenditure and net lending as a percentage of estimated GDP increased to 10.8% during the first seven months of 2015, compared to 10.4% of GDP recorded in the same period in 2014, as a combined outcome of the overrun in recurrent expenditure and a decline in public investment.

As a result, during the first seven months of 2015, the overall budget deficit is estimated to have declined to 4.5% of estimated GDP from 4.6% of GDP in the corresponding period in 2014. In financing the overall fiscal deficit during the first seven months of the year, the government relied entirely on domestic sources, as net foreign financing recorded a repayment during this period, mainly due to comparatively low disbursement of foreign project loans and net outflow of foreign investments in Government securities. In domestic financing, net borrowings from the banking sector increased significantly to Rs.299.2 billion, compared to the annual estimate of Rs.70 billion in the Budget for 2015.

Colombo Consumers' Price Index (CCPI, 2006/2007=100) based headline inflation decelerated to 2.8 %, on a year-on-year basis, in December 2015 from 3.1 % in November 2015, and annual average headline inflation was 0.9 %. Inflation declined as a result of the downward price revisions in key consumer items, including energy, low commodity prices in the global market and improved domestic supply conditions.

During the first nine months of 2015, the Central Bank continued to maintain a relatively relaxed monetary policy stance with the view of supporting economic activity in the backdrop of persistently low levels of inflation. The low interest rate environment driven by the continuously relaxed monetary policy stance encouraged the demand for bank credit by the private sector reflecting the effective pass-through of monetary policy actions into the broader economy. However, The Central Bank continued to monitor developments in inflation and output of the economy vis-à-vis the monetary developments for the early identification of possible threats to economic and price stability.

Insurance Industry Review

The economic expansion in Sri Lanka presents both opportunities and challenges to the insurance industry. Since insurance is all about trust, insurance players have to believe innovation in insurance products, and public confidence is the key for the growth of the insurance industry. The Insurance Board of Sri Lanka (IBSL) closely monitors each insurance company, requiring them to provide certain information on a quarterly basis. Going forward, the IBSL intends to implement risk-based capital assessment, which is similar to the Central Bank's measurement of financial institutions' capital adequacy.

Risk Based Capital (RBC) will be the primary tool for capital regulation from year 2016. Once introduced, it 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 and individual business. This could give rise to a case for consolidation of smaller capitalised companies, with positive enforcement towards new regulation. Further, the mandatory public listing by 2018 will promote greater transparency and encourage better governance in insurance companies.

As per the provisional data available, during 2015, the total premium income of the insurance industry was Rs.120,968 million, a growth of 17.3% over the Rs.103,091 million recorded in 2014, and it is noted that this growth rate is higher than the 6.1% growth rate achieved in 2014. It is also estimated that in 2015, the Non - Life Insurance GWP has grown by 15.3%, which was up from 3.9% in 2014, while the Life Insurance GWP has significantly grown by 20.0%, which is again up from 9.2% in the previous year.

The premium income from motor insurance, which constitutes around 64% of the general insurance premium, grew at a higher rate of 19.1% in 2015, compared to the 5.5% in the corresponding period of 2014. This was mainly due to new registrations of motor vehicles during the year 2015.

In the Life Insurance sector of the industry, new business (which includes first premium and first year premium), recorded a growth of 17.9% during the year, compared to the 8.1% growth recorded in 2014. It is observed that most companies of the industry have recorded an increase in new business during the year, and this is a positive indication across the industry.

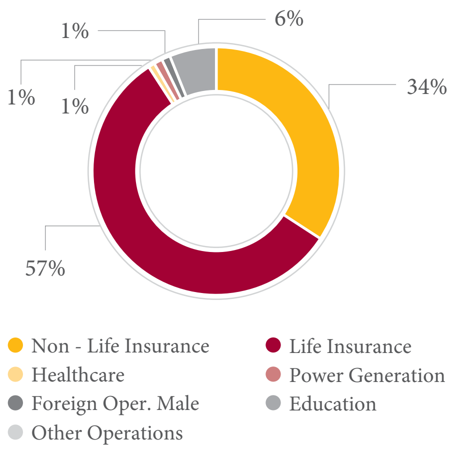
Group Finance Review

Group Financial Review Revenue

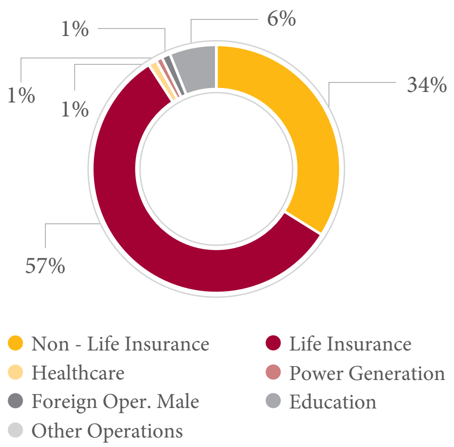
In the year under review, Group revenue increased by 7.5% to Rs. 34,671 billion [2014 Rs. 32,264 billion] with primary contributions from the Insurance sector.

Revenue originating from domestic sources was Rs. 34,317 billion [2014 Rs.31,862 billion]. Group revenue, inclusive of associate company revenue, also increased by 7.8% to Rs. 34,947 billion [2014 Rs. 32,415 billion].

Group Revenue Composition 2015



Group Revenue Composition 2014



Revenue from associate companies increased by 83 % to Rs. 276 million compared to the Rs. 151million in the previous year mainly due to an increase in revenue contribution from Citizens Development Business Finance PLC.

Management Discussion and Analysis

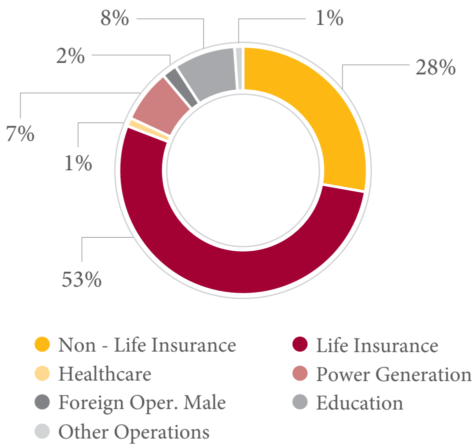
In addition to the discussion on the financial performance as reported, Group performance at a recurring level – where the impacts of Available for Sale Reserve realization due to transfer of assets on segregation to new General Insurance Company will be excluded, as these do not arise as a result of the Group's ongoing core operations.

Earnings Before Interest and Tax (EBIT)

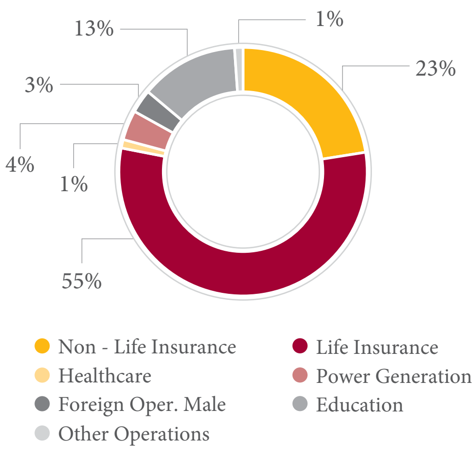
Accordingly, the recurring EBIT for the year under review decreased by 1.0% to Rs. 3,947 billion compared to the Rs. 3,985 billion in the previous year. In terms of composition of EBIT, Insurance was the primary contributor with a 81% contribution, followed by Education sector 8% and Power Generation Services with contribution of 7%.

The following graphs depict that Group EBIT, indicating each sector contribution over the two-year period.

Group EBIT Composition 2015

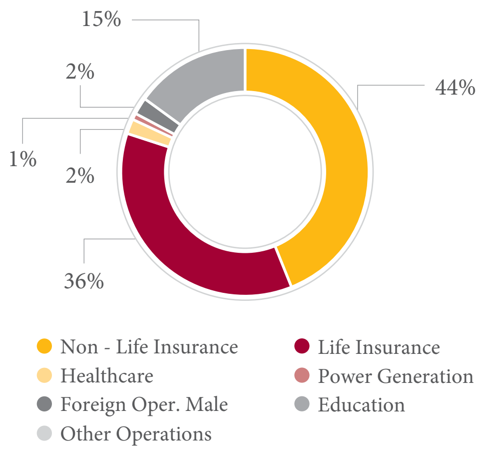


Group EBIT Composition 2014

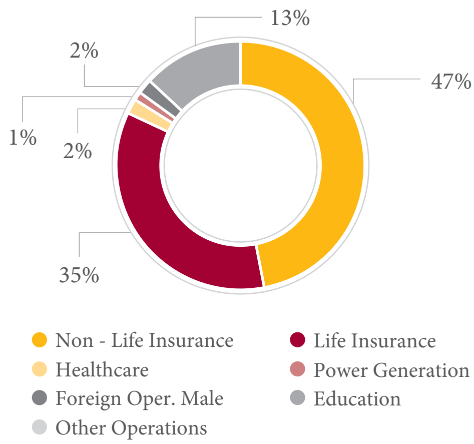


During the year under review, the combined administrative, distribution and other expenses increased by 8.7% to Rs. 8,342 billion as against Rs. 7,672 billion in the previous year due to increased operational activity across the Group, demonstrating the concerted effort and focus on managing the cost base of the Group in an optimum manner. Investment income related to Life Insurance amounting to Rs. 6,478 billion [2014 Rs. 6,524 billion], net of related costs, is classified under operating segment results on the basis that investment income from the life insurance funds is considered as operational income.

Composition of Group Expenses 2015



Composition of Group Expenses 2014



Sector Performance Review

Insurance Industry Sector

The Government of Sri Lanka permitted the private sector to enter the Insurance Industry in 1988. Ceylinco Insurance PLC commenced operations on 14th January 1988, having inherited the expertise in insurance acquired by Ceylon Insurance Company Limited. The Company started its insurance operations in both Life & General business segments. Though these two segments have always been operating independently, to the outsiders it was as one company.

As per the Regulation of Insurance Industry (Amendment) Act No.3 of 2011, Ceylinco Insurance PLC had segregated into two insurance companies with effect from 01st June 2015. Thereby Ceylinco General Insurance Limited and Ceylinco Life Insurance Limited have commenced their operations since 01st June 2015 as fully own subsidiary companies of Ceylinco Insurance PLC, after obtaining licenses from the Insurance Board of Sri Lanka.

Ceylinco Life Insurance Limited

Our Vision

"To take the message of Life Insurance to every Sri Lankan and provide protection to every family".

Our Purpose

"To become the most trusted and acclaimed Life Insurance Company in Sri Lanka by providing need-based Life Insurance solutions to all our customers and creating successful partnerships with our stakeholders whilst recognizing and rewarding the members of the Ceylinco Life family."

We are engaged in the underwriting of long term insurance (life insurance) and under our direct control there are three subsidiary companies. Serene Resorts Limited serves as our own residential training centre. Ceylinco Seraka Limited offers investment advisory services, while Ceylinco Healthcare Services Limited caters to healthcare needs. We have also invested in an associate company, Citizens Development Business Finance PLC, which offers various financial services to the country.

We established our leadership position in the Life Insurance segment in 2004 by surpassing all Life Insurance companies in terms of premium income. We have continued to be the market leader for 12 consecutive years with a premium income of Rs. 13,457 billion as at end 2015. Of this, Rs 1,857 billion was contributed from our Retirement Plans indicating our strength in this segment.

We have the largest branch network of over 250 branches island wide. Although physically we have approximately 150 branches, each branch has 3 to 4 Branch Managers overlooking different regions.

We have the largest active sales force in the industry; over 4,000 sales agents. Over 1,000 sales agents are equipped with tabs, laptops, etc to provide a convenient, efficient and speedy service to our customers. We have a special scheme in place to provide them with the tabs and laptops.

Premium Income & Life Fund

Gross written premium of the Life Segment increased by 12.1% to 13,457 million. The Life Segment sold 170,007 new policies during the year 2015. The growth was slowed down by the pressure on disposable income in a slow growth economy.

However, Life Fund achieved an impressive growth rate of 13.3% in 2015 and stood at Rs. 68,011 million as at 31st December 2015. This is an increase of Rs. 7,989 million over the previous year.

In 2015 Rs.1,800 million transferred from Life Policy Holders' Fund to the Share Holders' Fund. The total assets of the Life Segment grew by Rs. 9,167 million and it represented a growth of 12 % over the previous year.

Net Benefits & Claims

Total Net Claims & benefits paid by Life Segment for the year 2015 was Rs. 5,957 million compared to the previous year figure of Rs. 4,894 million. This is an increase of Rs. 1,063 million over a period of one year.

Solvency Margin

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

	2015 Rs.' million	2014 Rs.' million
Available Solvency Margin	19,509	21,163
Required Solvency Margin	2,365	2,016
Solvency Ratio (Times)	8.25	10.50

Ceylinco General Insurance Limited

Gross Written Premium (GWP)

Securing market share already gained, your company repeated sound financial results for 2015. Despite facing tough conditions in the market, we continued our growth drive in all key financial aspects. Gross written premium of the General Segment increased by 11.4 % to 13,558 million compared to the 12,165 in year 2014.

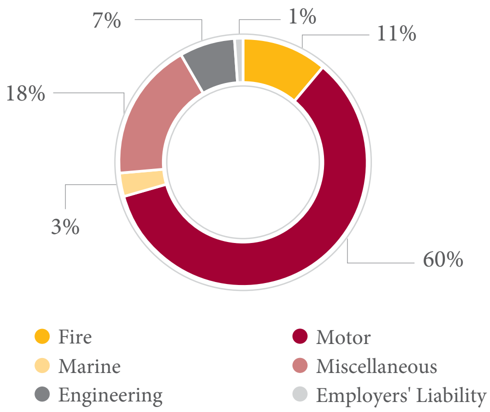
Premium Composition

Motor insurance premium (VIP) revenue of Rs. 8,067 million represented 59.5 % of the total Non-Life premium income. The balance premium income of Rs. 5,491 million corresponds to 40.5% of total Non-Life premium income of the company, obtained through all other classes of business such as Fire, Marine, Health and Miscellaneous.

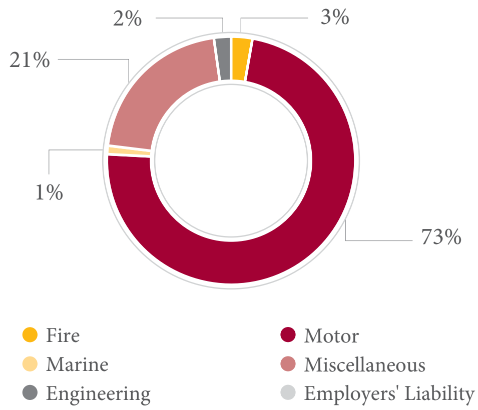
There is no significant change in product composition during the year compared to the previous year. Apart from motor insurance, miscellaneous class tops the premium income with Rs. 2,496 million and followed by the Fire premium income of Rs. 1,434 million in 2015.

Management Discussion and Analysis

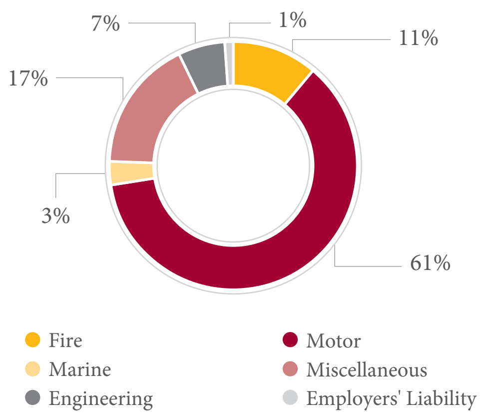
Gross Premium Composition 2015



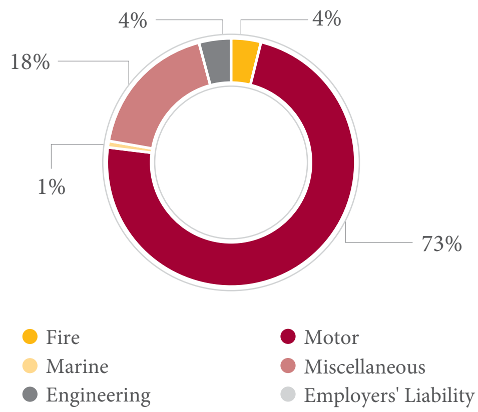
Net Claims 2015



Gross Premium Composition 2014



Net Claims 2014



During the year, Non - Life segment reinsurance outgo increased to Rs. 2,987 million, recording a 25.7 % increase from the Rs. 2,377 million ceded in 2014. As a result of the slight increase a growth in NRP recorded in 2015. This has enhanced the NRP growth to 7.9 % of the Non - Life segment in 2015.

The Net Combined ratio for the year has decreased by 1.64 % over the year 2014. This was mainly due to the decrease in Net Loss ratio by 0.26 % compared to the previous year and decreasing in Net Expenses ratio by 3.31% over the year 2014.

Non – Life segment recorded Rs. 1,991 million as Other Revenue, which comprises Interest and Dividend Income, Fee and Commission Income and Realized Gains from Investments. This achievement was 30.9 % higher than the Rs. 1,521 million recorded in 2014.

Net Benefits and Claims

During the year under review, Non – Life segment incurred Rs. 5,691 million as net claims for Non - Life Insurance customers, marking a 8.2 % increase over the Rs. 5,260 million incurred in 2014. The increase is primarily due to claims in motor class, which accounted for 72.6 % of total net claims.

Other Operating, Administrative Expenses

The Non-Life segment spent 26.9 % of its GWP as operational and administration expenses, which amounted to Rs. 3,656 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 1.4% over the Rs. 3,606 million recorded in 2014. This clearly demonstrates the concerted effort and focus on managing the cost base of the Non-Life segment in an optimum manner. While controlling incremental impact in utility costs such as electricity and rent on buildings leased by the Non – Life segment, able to increase in employee benefits, to align them with the industry.

Profit Before Tax

The Non – Life division achieved a Profit Before Tax (PBT) of Rs. 1,090 million in 2015, recording a positive growth of 25.7% over the Rs. 867 million achieved in 2014.

Income Tax Expense

The income tax expense of the Non-Life segment saw a 119.3 % increase in 2015, amounting to Rs. 193 million from Rs. 88 million in 2014.

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.

	2015 Rs.' million	2014 Rs.' million
Available Solvency Margin	2,789	2,843
Required Solvency Margin	2,114	1,958
Solvency Ratio (Times)	1.32	1.45

Energy Lanka Holdings Limited

Energy Lanka Holdings Limited (ELHL) is a holding company of two Hydro Power generation subsidiaries.

The generated power is supplied to the National Grid and for which long term SPPA (Standard Power Purchase Agreement) have been signed with Ceylon Electricity Board.

The salient features of the above projects are given below.

	Ceypower Cascades (Pvt) Ltd	Ceyhydro Developers (Pvt) Ltd
Share holding of ELHL	95.45%	98.60%
Location	Belihuloya, Balangoda	Loggaloya, Passara
Capacity	2.4 MW	4.0MW
Date Commissioned	15.10.2005	18.06.2008

Education Sector

CEG Education Holdings Pvt Ltd

CEG Education Holdings Pvt Ltd is a holding company involved in establishing, managing and controlling education institutions. It has subsidiaries namely International College of Business & Technology Ltd (ICBT Campus) , American Education Centre Limited (ANC Education),Wycherley International School Pvt Ltd., Netassist International Pvt Ltd., ANC Modern Montessori International Pvt Ltd and CEC Events Pvt Ltd.

Investment Management Sector

Ceylinco Investcorp Private Limited

Ceylinco Investcorp Private Limited is a subsidiary of Ceylinco Insurance PLC., in to financial services as the in-house Investment banking unit for Ceylinco General Insurance Ltd. The company operates in three main business areas of;

a) Trading and Portfolio Management in government securities & Equity

b) Project financing

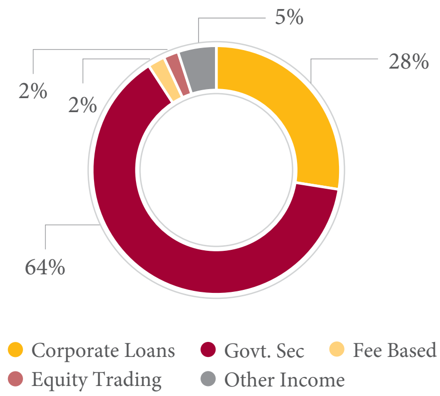
c) Treasury / Fund Management of Ceylinco General Insurance Ltd;

The company has been an active participant in the secondary market for government debt securities since its inception in 2004 and has weathered many economic cycles, sailing strong and creating wealth.

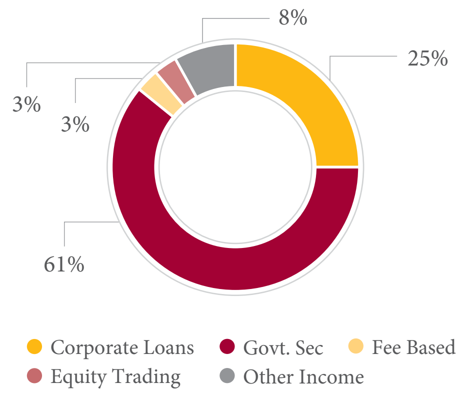
The year 2015 was another successful year for the company as it achieved the targeted results in a year with mixed fortunes that created volatility in interest rates driven by the local economic stimulus and world economic changes. The status core of the factors affecting interest rates were shaken with the low economic performances in China and the U.S interest rate revision expectations that haunted the whole of year 2015 which finally materialized in December. Both saw capital shifts from Asia Pacific region creating many imbalances in the Sri Lankan capital markets as well.

The main income generator for 2015 was the activities in the government securities portfolio management followed by the income from project financing. Government securities contributed 64% of the total income while representing 61% of the net income. The project financing was accountable for 28% of the total income and contributed 25% of net income.

Total Income Mix



Net Income Mix



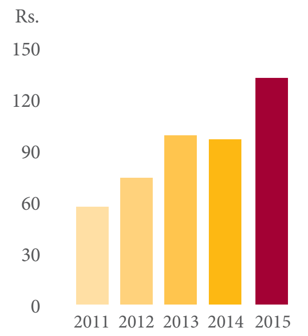
The treasury management function created above average results for the Insurance company portfolios. Further although low in total portfolio size, the equity trading resulted in a very high positive income while the ASPI growth was a negative for 2015.

In summary, the total income of the company grew by 4.25% in 2015 from Rs.70.8 million to Rs.73.8 million, recording a net profit of Rs.16.5 million and the company's Total assets recorded Rs.941 million as at 31st December 2015, with Net assets of Rs.37.4 million.

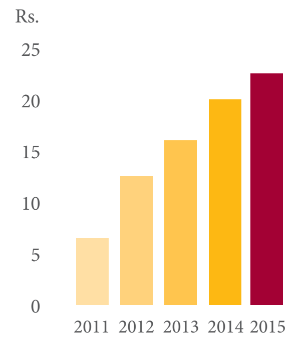
Management Discussion and Analysis

Share Information

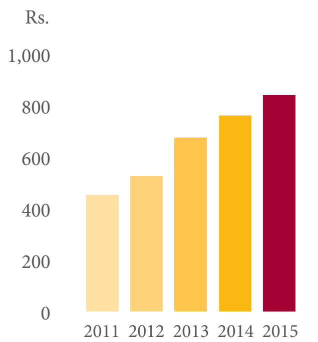
		Year ended 31-Dec-2015	Year ended 31-Dec-2014
NET ASSETS PER SHARE			
Book value	Rs.	840.90	760.30
EARNINGS			
Earnings per share	Rs.	132.30	96.50
Price Earnings Ratio (times) – Voting		10.70	14.30
Price Earnings Ratio (times) - Non Voting		6.00	5.70
Dividends			
Interim & Final Dividend	Rs.	22.50	20.00
Share Price – Voting			
High	Rs.	1,923.92	1,482.66
Low	Rs.	1,286.62	1,186.29
Last transaction	Rs.	1,410.10	1,378.80
Share Price - Non-Voting			
High	Rs.	850.00	598.00
Low	Rs.	509.53	380.00
Last transaction	Rs.	800.00	550.00
Share trading – Voting			
No. of transactions		823	1,074
No. of Shares traded		3,607,441	310,274
Value of shares traded	Rs. Mn.	5,750.00	411.75
Share trading - Non – Voting			
No. of transactions		801	738
No. of Shares traded		593,989	774,903
Value of shares traded	Rs. Mn.	391.00	387.60
Days traded – Voting			
No. of days traded		162	180
Total no. of market days		239	241
% of Market days traded		67.78	74.69
Days traded - Non – Voting			
No. of days traded		163	175
Total no. of market days		239	241
% of Market days traded		68.20	72.61
Market capitalisation – Voting			
Value (Rs. Millions)		29,712	27,576
% of market		1.01%	0.89%
Market capitalisation - Non- Voting			
Value (Rs. Millions)		5,131.50	3,527.00
% of market		0.17	0.11
Price movements			
CSE All Share Price Index		6,894.50	7,298.95
S&P SL 20 Index		3,625.69	4,089.14
Ceylinco Insurance Share price - Voting	Rs.	1,485.60	1,378.80
Ceylinco Insurance Share price - Non - Voting	Rs.	800.00	550.00



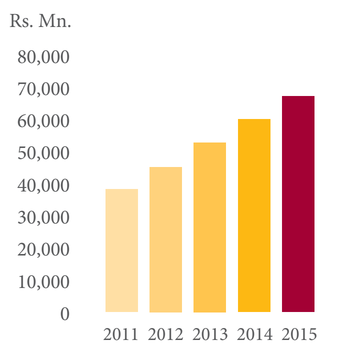
Earnings Per Share



Dividends Per Share



Net Assets Per Share



Long Term Insurance Fund

A 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 was 11th February 2015.

  Ceylinco Insurance PLC being a composite insurance company had to adhere to the new regulation.

- Ceylinco Insurance PLC selected a segregation model by which the existing company, namely Ceylinco Insurance PLC will be a holding company and the two divisions namely General Insurance Division and Life Insurance Division will become two fully owned subsidiary companies. One of the primary considerations in selecting this model was that it will create value to you, our shareholders.

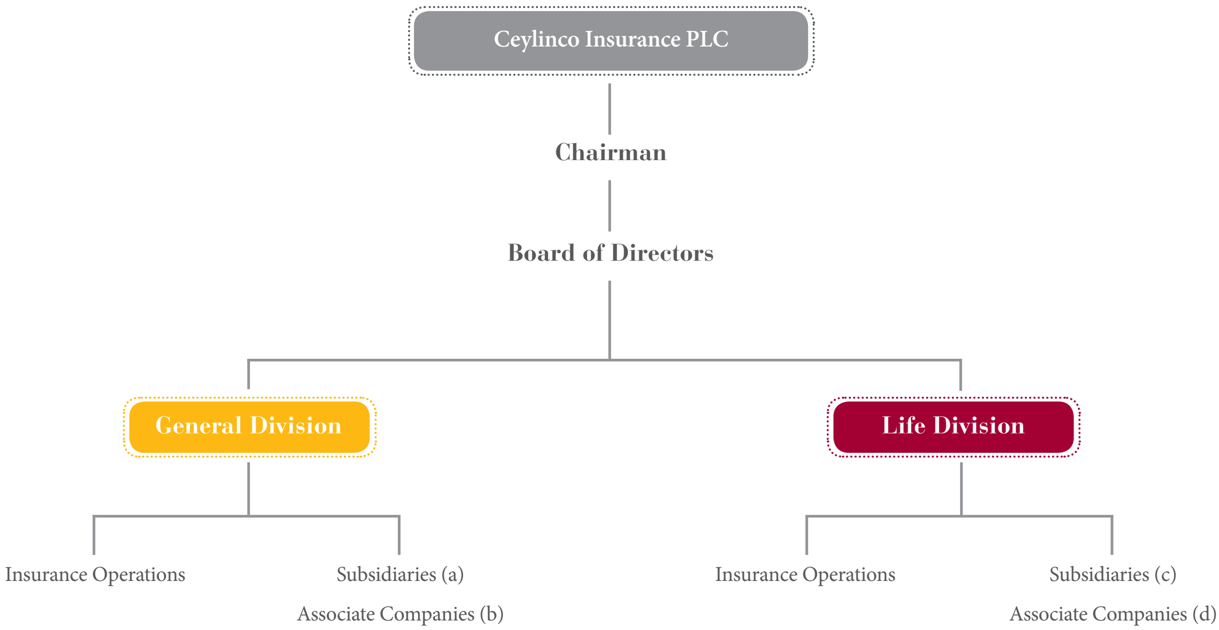
- Upon receiving approval from the Insurance Board of Sri Lanka (IBSL) for the proposed model, Ceylinco Insurance PLC incorporated two new subsidiary companies, namely Ceylinco General Insurance Limited and Ceylinco Life Insurance Limited to carry out general insurance and life insurance respectively.

- Subsequently IBSL granted two licences. One to Ceylinco General Insurance Ltd to carry out general insurance business and the other licence to Ceylinco Life Insurance Ltd to carry out life insurance business.

- On 31st May Ceylinco Insurance PLC ceased to carry out any insurance business and on 1st June in a smooth and efficient transfer of operations the two new companies commenced their respective insurance business. Thus successfully completing the segregation process.

- The Operational Structures of Ceylinco Insurance PLC prior to 1st June and post 1st June are given in the following pages.

Operational Structure –Pre Segregation (until 31st May 2015)



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

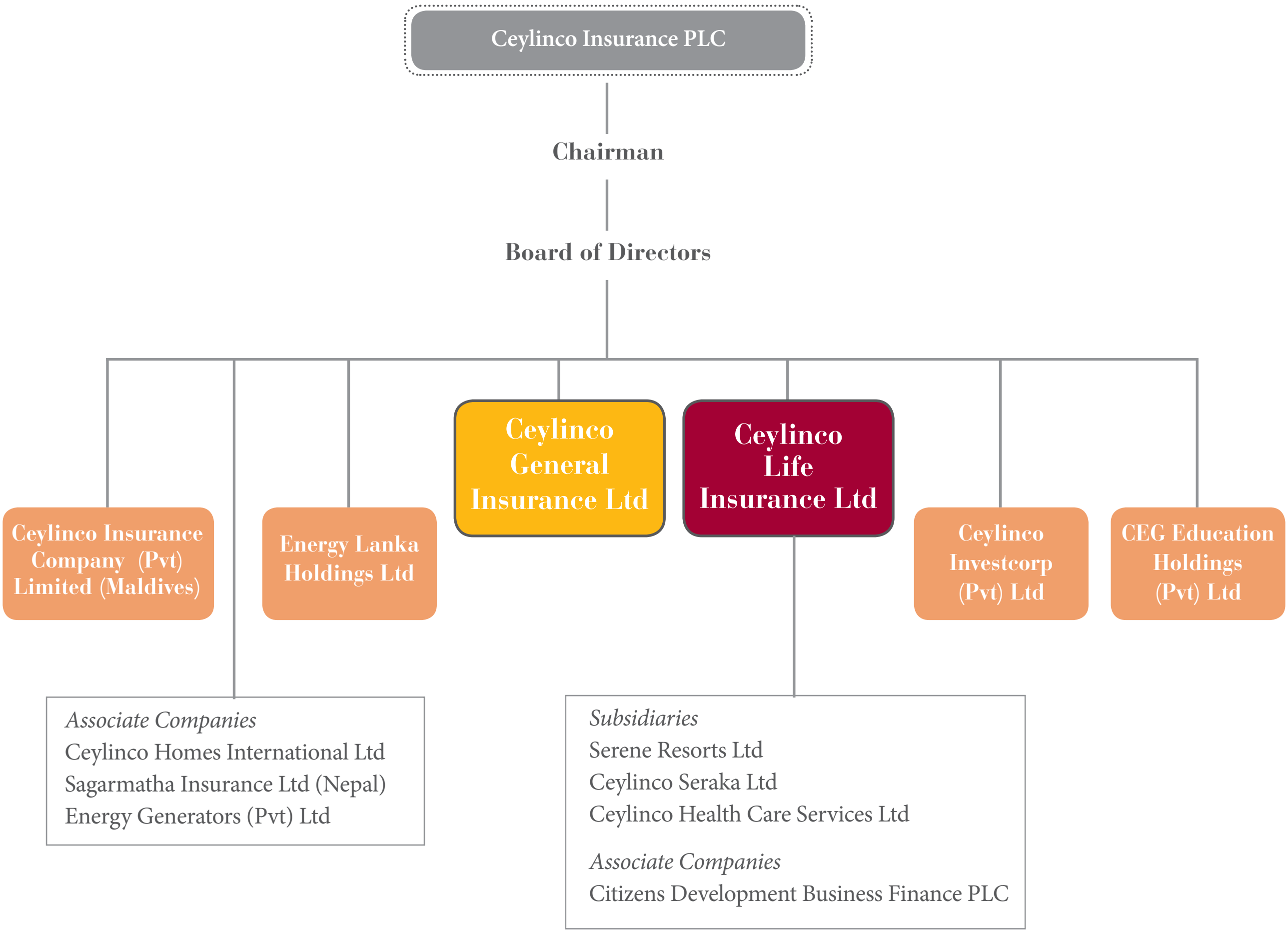
(b) Associate Companies
Ceylinco Homes International Ltd
Sagarmatha Insurance Ltd (Nepal)
Energy Generators (Pvt) Ltd

(c) Subsidiaries
Serene Resorts Ltd
Ceylinco Seraka Ltd
Ceylinco Healthcare Services Ltd

(d) Associate Companies
Citizens Development Business Finance PLC

Management Discussion and Analysis

Operational Structure - Post Segregation (From 1st June 2015)



Sustainability Report

This report is in accordance with Global Reporting Initiative G4 (Core) Guidelines. As a result of Segregation it is confined to the period 1st Jan – 31st May 2015

GENERAL STANDARD DISCLOSURES		
STRATEGY AND ANALYSIS		REMARKS / PAGE REFERENCE
G4-1	Provide a confirmation that the most senior decision maker of the organization is in agreement about the relevance of sustainability and the organization's strategy for addressing sustainability.	The two MDs/CEOs are in agreement with the importance of sustainability and committed to the organization's positive contribution to the triple bottom line.
ORGANISATIONAL PROFILE		
G4 -3	Report the name of the organization.	Refer Corporate Information
G4 - 4	Report the primary brands.	General Div. Main Brand: VIP on the Spot motor insurance. Life Div. products use Brand Name : 'Ceylinco Life'
G4 -5	Report the location of the organization's Head Offices.	Refer Corporate Information
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 Operational Structures
G4 - 7	Report the nature of ownership and legal form.	Refer Corporate Information
G4 -8	Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries.	Refer Section on 'Our Customers'
G4-9	Report the scale of the organization, including: 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 following Sections- 'Our Employees' 'Our Customers' 'Financial Highlights' 'Financial Information'
G4 -10	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 'Our Employees'
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

Management Discussion and Analysis

GENERAL STANDARD DISCLOSURES		
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 ' A Note on Segregation'
COMMITMENTS TO EXTERNAL INITIATIVES		
G4 -14	Report whether and how the precautionary approach or principle is addressed.	Refer "Enterprise Risk Management'
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 'Our Professional Contribution to the Industry'
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 -17	List all entities included in the organizations consolidated financial statements or equivalent documents.	Refer 'Operational Structures'
STAKEHOLDER ENGAGEMENT		
G4 -24	Provide a list of stakeholder groups engaged by the organization.	Refer 'Stakeholder Engagements and Relationships'
G4 -25	Report the basis for identification and selection of stakeholders with whom to engage.	(a) Groups who have the ability to influence the organization's business (b) Groups which are influenced by the organization's business
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Refer 'Stakeholder Engagements and Relationships'
G4 – 27	Report key topics and concerns that have been raised through stakeholder engagement and how the organization has responded.	Refer ' Stakeholder Engagements and Relationships'
REPORT PROFILE		
G4- 28	Reporting period	Calendar year
G4 - 29	Date of the most recent previous report	2014
G4- 30	Reporting cycle	Annual
G4 -31	Provide the contact point for questions regarding the report or its contents.	Company Secretary ciccosec@ceyins.lk
G4- 32	Report the 'in accordance' option chosen	Core

GENERAL STANDARD DISCLOSURES		
GOVERNANCE		
G4- 34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts.	Refer 'Corporate Governance'
ETHICS AND INTEGRITY		
G4- 56	Describe the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Refer 'Our Code of Ethical Marketing Communications' and 'Corporate Governance'
SPECIFIC	STANDARD DISCLOSURES	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	
	Total number of legal actions for anti-competitive behaviour, anti- trust and monopoly practices	NONE
	Monetary value of significant fines / non monetary sanctions for non-compliance of above	NONE
G4- PR9	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type and outcomes	NONE
	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type and outcomes	NONE
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	NONE
	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	NONE

Our Code of Ethical Marketing Communications

As the market leader Ceylinco Insurance PLC and subsequently after Segregation, both Ceylinco General Insurance Limited and Ceylinco Life Insurance Limited are very conscious of the 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.

Our Customers

Markets Served: Ceylinco Insurance PLC and later consequent to Segregation, both Ceylinco General Insurance Ltd. and Ceylinco Life Insurance Ltd offer a diverse and unparalleled portfolio of innovative and value added insurance products catering to the needs of every socio-economic group. Complementing this diversity of products are the two trained, professionalized sales teams and the two island-wide branch networks, thereby bringing insurance to the very door-step of the customer.

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. Of special focus is that the highest priority is given to prompt, hassle-free claim settlement.

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.' Both Ceylinco General Insurance and Ceylinco Life Insurance can confidently claim that they have the most extensive branch network in the industry.

Our Employees

This note is applicable only for the period prior to Segregation namely 01.01.15 to 31.05.15 Consequent to Segregation all employees of the General Division and all employees of the Life Division were issued with letters titled 'Employment Status' whereby they were respectively transferred to the newly incorporated Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd with effect from 01.06.15.

We are confirmed as 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.

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

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 Behavioural 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.

Rewards and Recognition: The highlight of the year's events for both Ceylinco General Insurance Limited and Ceylinco Life Insurance Limited have been 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.

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.

Ceylinco Life Insurance Limited has a six bed room holiday bungalow in N'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, Swimming , in which sports we have had significant successes.

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

Division of Employees by Permanent / Contract and Gender

Permanent Employees	General	Life	Contract Employees	General	Life
Male	1,848	754	Male	181	05
Female	455	170	Female	33	02
TOTAL	**2,303**	**924**	**TOTAL**	**214**	**07**

Return to work and retention rates after parental (maternal) leave:

	Leave Granted	Returned to Work
General	06	05
Life	04	02 On Leave

Management Discussion and Analysis

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 2015.

NOTE: The company designations given against each Director/ Senior Manager are applicable only for the period prior to Segregation, namely 01.01.15 to 31.05.15. However after segregation - from 01.06.15 onwards these Directors and Senior Managers continued to serve in the same institutions by virtue of the new positions they held in Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd.

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)
   - Ambassador for SAARC region of the International Insurance Society
   - Member of the Executive Committee of the Insurance Association of Sri Lanka (IASL)
   - Vice President of the Ceylon Society for Prevention of Accidents (CeSPA)
   - A former 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)**
   - Member of the Financial Technical Sub-Committee of Insurance Association of Sri Lanka (IASL)

6. **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).

7. **Mr Asoka Sirisena -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).

Corporate Social Responsibility

'Meditation Kuti' Donated To Kataragama Monastery

A 'Meditation Kuti' was constructed at the Kataragama Monastery premises, and officially handed over by the employees of Ceylinco General Insurance. The 'Meditation Kuti' is to be patronised by local and foreign devotees and used for meditation and Dhamma reference purposes. The donation fulfils a long-felt need by the many thousands who flock to Kataragama.

Looking After The Deserving

The wife of 35-year old Mr P.D.R. Kumara, employed as an office aid, suffers from an acute neuro-condition and is paralysed, requiring regular visits to hospitals. However, as there is no pathway leading to their home, even getting a three-wheeler is out of the question, compelling Kumara to diligently carry his wife over a kilometre to the roadway through muddy land each week. Understanding the acuteness of the situation, a donation was made to help Mr. Kumara, in order to find an alternate home close to the main road.

Washrooms Constructed For Methsevana Children's Home, Handapangala

Two individual washrooms, for boys and girls, were constructed at the 'Methsevana' Children's Home in Handapangala, which houses over 40 mentally and physically handicapped children. Most of these children had been deserted by their parents and have no place to go, while the parents of the others cannot afford to give them nourishment or the required medical facilities.

Refreshment Centres For Pilgrims

As witnessed over the last several years, Refreshment Centres were organised by Ceylinco General Insurance for the benefit of pilgrims at prominent Buddhist, Christian, Muslim and Hindu festivals across the country. These Refreshment Centres are greatly appreciated by the religious dignitaries, as well as pilgrims, as most such devotees travel long distances to attend these festivals.

Two Washrooms Donated To Keragala Sangaraja Maha Vidyalaya

Two washrooms were constructed to benefit children in the primary section of Keragala Sangaraja Maha Vidyalaya in Keragala, Henegama. This had been a pressing need for the school, as primary students had to walk a long distance for sanitary facilities. Further, several signage boards, with selected lessons from the curriculum of the grade five scholarship, were also donated for the benefit of students, who sit for the year five scholarship examination.

Assistance For A Deserving Young Athlete

Ceylinco General Insurance stepped forward to support a talented young athlete Ms Yamani Dulanjali. of Ginigathhena, a Gold medal winner of 400 m event at 1st Asian Youth Games, who lacked even basic facilities in her makeshift home in Udubulathgama, Ginigathhena. She had made a public appeal through a TV channel for assistance, in order to continue her sport. She lived in extreme poverty with her parents and was in a situation where she could not continue her sport, when she made the appeal. Ceylinco General Insurance provided her with all the amenities for her home, so that she can focus on her athletics career.

Donation of classroom to Haldummulla school

The company came to the aid of the Haldummulla Vidyalaya in the Haputale Division of the Badulla District by building a classroom block for students of Grade 4. The 600 square-foot classroom building donated to the school was the 64th such classroom building donated by the company to a rural school in Sri Lanka. Haldummulla Vidyalaya has a student population of 269 in Grades 1 to 11, and a teaching staff of 27. The school had four single storied buildings before our donation of a fifth building.

The classroom donated by Ceylinco Life to Haldummulla Vidyalaya

Helping hospital and school in Trincomalee

Coinciding with the opening of our new custom-designed, four-storey eco-friendly office building in Trincomalee, we donated a sophisticated portable ventilator to the Trincomalee General Hospital, and built a classroom for St Mary's College, Trincomalee. The Newport HT70® ventilator from Newport Medical, USA, offers exceptional mobility, safety and ease of use for invasive and non-invasive ventilatory support for infant, paediatric and adult patients. It can be used to resuscitate patients after cardiac arrest or cardiac failure, acute pulmonary oedema, respiratory failure due to pneumonia, asthma or Chronic Obstructive Pulmonary Disorder (COPD), ischaemic stroke, intra-cerebral haemorrhage, or epileptic fits among others.

The classroom building constructed and donated to St. Mary's College at Dockyard Road, Trincomalee, has helped ease congestion at the school, which accommodates 1,700 students and 96 teachers.

(Above) Ceylinco Life Managing Director/CEO Mr R. Renganathan unveils the commemorative plaque on the building donated to St. Mary's College Trincomalee and (Below) Mr Renganathan, Directors of Ceylinco Life and representatives of the Trincomalee General Hospital at the presentation of the ventilator.

'Anniversary Package' from Ceylinco Diabetes Centre

A comprehensive, literally head-to-toe medical check for diabetes and associated health complications was offered at an unbeatable concessionary rate throughout May 2015 by the Ceylinco Diabetes Centre to celebrate its 11th anniversary. Comprising of a series of blood, urine and other diagnostic tests, physical examinations and an assessment by a doctor, the anniversary package also entitled purchases to several free checks and discounts including a free Total Foot Assessment for vascular and neurological complications, an eye test, a dental check-up and a book on diabetes control, and a 40 per cent discount on the purchase of a Glucometer from the Centre.

Surpassing 200 TomoTherapy patient treatments

Ceylinco Healthcare Services Ltd. (CHSL), completed 200 patient treatments at its TomoTherapy Centre in Colombo, which marked its second anniversary in October 2015. The Centre which broke new ground in Sri Lanka when it performed the first Stereotactic Body Radiation Therapy (SBRT) treatment in the country in its first year of operation, has now carried out five such treatments, demonstrating its capability to offer highly advanced radiation solutions.

The Ceylinco Radiation Treatment Unit, also owned by CHSL, introduced the Linear Accelerator to Sri Lanka in September 2007 and had treated more than 2,950 patients with it by end October 2015. The Linear Accelerator, and TomoTherapy unit which followed, represent the most advanced treatment techniques available in Sri Lanka in the sphere of radiation oncology.

Management Discussion and Analysis

Accolades

Sri Lankans Vote Ceylinco Insurance Their Undisputed Choice For The 9th Consecutive Year

Sri Lankans young and old voted Ceylinco Insurance their undisputed choice yet again, by selecting Ceylinco as the 'People's Insurance Brand Of The Year', at the People's Awards — 2015, for an unprecedented 9th consecutive time. Being bestowed the honour of being the distinct leader in the Insurance industry in Sri Lanka once again, Ceylinco Insurance has not missed a beat since the commencement of the POP Award, as it is popularly called, winning every time, confirming its position at the very zenith, as the most preferred insurer, in the sphere of insurance in Sri Lanka.

The Sri Lanka Institute of Marketing (SLIM), in association with Nielsen Lanka (Pvt) Ltd., recognise and honour brands that are closest to the hearts and minds of the Sri Lankan people. Since its inception nine years ago, in 2006, the concept of the People's Award is unique, in that the Sri Lankan people voice their opinion, and that they are the primary and only source of deciding who the winners are across brands, organisations and personalities.

Research criteria, followed over a period of six months, interviewed over 3,000 consumers, aged between 18 and 50 years. The random sample of people was taken from all provinces island-wide: undoubtedly one of the largest research projects in the country. Therefore, the results arrived at, reflect the true voice of Sri Lankans from across communities, regions and social strata.

Ceylinco Insurance Feted For The 4th 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 2014 / 2015, at a gala ceremony held at the Colombo Hilton. The occasion marked the fourth consecutive year that Ceylinco Insurance came out ahead in the insurance arena in the island, achieving a truly unique feat.

Announcing the Top 25 Companies in Sri Lanka, the October 2015 issue of the Business Today magazine, outlined the stringent criteria that needed to be fulfilled, including an impressive financial performance during the financial year ending December 31st, 2014 and March 31st, 2015. The financial information being reviewed for the selection process covered several aspects, which included: revenue, share turnover, profit after tax, growth in turnover, growth in profit, return on equity, growth in earnings per share, market capitalisation, value of shares transacted and value addition. Meanwhile, three years ago, 'Business Today' introduced an assessment method to evaluate corporate governance amongst the considered criteria, and it was and continues to be, widely believed that utilising such a method is likely to influence better transparency and enhance accountability in public listed companies, enabling continued public trust and confidence in the corporate sector of the country. "The Business Today Top 25; the leaders of corporate Sri Lanka, have a great responsibility. They have the experience, the ability, and the impetus to become global companies. The market is not only Sri Lanka, but overseas as well", the October 2015 issue of 'Business Today', commented in relation to the nation's corporate echelon.

Highest Ranked Insurance Company in LMD 100

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 2015 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 included in S&P Sri Lanka index by SEC

The Colombo Stock Exchange included Ceylinco Insurance PLC amongst the S & P Sri Lanka 20 index constituents made by S&P Dow Jones Indices at the annual index rebalance announced in December 2015.

The index includes the largest 20 stocks, by total market capitalization, listed on the CSE that meet minimum size, liquidity and financial viability thresholds. The constituents are weighted by float-adjusted market capitalization, subject to a single stock cap of 15%, which is employed to reduce single stock concentration.

The S&P Sri Lanka 20 has been designed in accordance with international practices and standards. All stocks are classified according to the Global Industry Classification Standard, which was co-developed by S&P Dow Jones indices and MCSI and is widely used by market participants throughout the world.

To be eligible for inclusion, a stock must have minimum adjusted market capitalization of 500 million Sri Lankan Rupees, a six month average daily value traded of Rs 1 million, have been traded at least 10 days of each month for the three months prior to the rebalancing reference date, and have positive net income over the 12 months prior to the rebalancing reference date.

World Finance's 'Best Life Insurer in Sri Lanka' award

World Finance, the respected UK-based magazine, reaffirmed Ceylinco Life as the 'Best Life Insurance Company in Sri Lanka' for a second consecutive year in 2015, after an in-depth assessment of key performance indicators. This prestigious accolade is based on scores accorded to the company on multiple parameters pertaining to long term insurance. These include underwriting process/process efficiency; policy maintenance – the process of reviewing clients' policies, appropriateness of coverage and cost per policy; exposure to risk; customer retention rate; time taken to settle claims; new customer acquisition rate and financial stability – premium income, life fund and market share.

SLIM Brand Excellence Awards

The strength of the Ceylinco Life brand was emphatically reaffirmed by the Sri Lanka Institute of Marketing (SLIM) in 2015 which presented the company with Silver awards in two of the top three categories recognised at the annual Brand Excellence Awards. Ceylinco Life received the Silver in the Service Brand of the Year category encompassing all areas of business in the Services sector, and the Silver in the Local Brand of the Year category, underlining its status as one of Sri Lanka's pre-eminent brands. The highly competitive SLIM Brand Excellence Awards recognise brand strength in terms of financial performance, and brand health based on consumer research. An in-depth assessment of a company's brand building processes is part of the judging process.

The Ceylinco Life team receives the Silver for Service Brand of the Year at the SLIM Brand Excellence Awards 2015.

Management Discussion and Analysis

Record 40 MDRT qualifiers in 2015

Ceylinco Life set a new record in sales achievement in 2015, with 40 of the company's sales team qualifying for membership of the Million Dollar Round Table (MDRT). This is the highest number of MDRT qualifiers produced by the company in a single year. Of the 40 qualifiers, Mrs. R. S. Panagoda received the prestigious Court of the Table (COT) membership. The 2015 meeting of the MDRT was held in New Orleans, Louisiana, U.S.A, and was attended by more than 8,500 elite life insurance and financial professionals from over 50 countries around the world.

Our MDRT qualifiers for 2015 with the Directors of the company.

Our Sales Officers win 5 NASCO Awards

Four of our sales professionals won five awards at the 2015 National Sales Congress (NASCO) Awards of the Sri Lanka Institute of Marketing (SLIM). The top performer among them was Ms. Nadeeka Jayamali who received the Gold Award in the Sales Executive Category in the Life Insurance sector and also won the award for Most Outstanding Female Sales Person of the Year, which is the single award for females encompassing all three awards categories -- Frontliner, Sales Executive and Territory Manager. The other winners from Ceylinco Life were Mrs. R. S. Panagoda of Corporate Sales who won the Silver Award in the Frontliner Category in the Life Insurance sector, and Messrs. W. S. R Fernando who won the Silver Award in the Territory Manager Category and R. P. Edirisinghe who took the Bronze Award in the Sales Executive Category.

Ceylinco Life's four winners at the 2015 NASCO Awards (from left) Ms. Nadeeka Jayamali, W. S. R Fernando, R. P. Edirisinghe and Mrs. R. S. Panagoda.

The Year's Events

Ceylinco General Insurance

Ceylinco General Insurance Unveils New Website

Conceptualised with a more compact view of products, services, news and other information useful for investors and potential investors, Ceylinco General Insurance unveiled its new website in 2015. Designed in a manner that will help clients know us better and provide a good idea of who we are and what we do as a company, the new site will also be a useful tool for students pursuing business studies and other projects.

Ceylinco VIP Introduces Rs.4 Million Emergency Hospitalisation Cover Absolutely Free For All Policyholders

In a landmark move, Ceylinco General Insurance announced yet another breakthrough in Motor Insurance, with a Rs.4 million Emergency Hospitalisation Insurance Cover, provided absolutely free of charge to its Ceylinco VIP On The Spot customers. It will include a cover of Rs.1.3 million for hospitalisation expenses, in the event of a road traffic accident within Sri Lanka, and for follow-up treatment overseas, if necessary on medical recommendation. Further, in the event of a policyholder travelling overseas, he or she will be entitled to a hospitalisation cover, due to any medical emergency, up to Rs.1.3 million, and Rs.2.6 million for hospitalisation expenses due to an accident, up to 15 days per trip. Furthermore, overseas travellers will be entitled to a Personal Accident Cover of Rs.1.3 million, which will include Death and Total Permanent Disablement covers, while overseas, and Permanent Partial Disablements will be covered up to Rs.650,000/-. The benefits announced is applicable to comprehensive policyholders of Ceylinco VIP On The Spot, who have insured their Cars, Vans, Jeeps, Double Cabs, Buses and Lorries. Similarly, comprehensive motorcycle policyholders will be entitled to a Hospitalisation Cover of Rs.300,000/-, in the event of a road traffic accident within Sri Lanka, and all the benefits applicable for vehicles, in the event of travelling overseas. Third party customers too will benefit with a cover of Rs.200,000/- for hospitalisation, in the event of a road traffic accident within Sri Lanka for vehicles, and Rs.100,000/- for motorcycles.

In the case of individual customers, the insured will be entitled to this revolutionary benefit, while corporate customers or fleet owners must name an individual (user or driver) as beneficiary.

Ceylinco Suwa Sampatha Monthly Introduced

CEYLINCO SUWA SAMPATHA MONTHLY

2015 saw the introduction of Ceylinco Suwa Sampatha Monthly, aimed at fulfilling the health insurance requirements of employees of small and medium-scale organisations. It offers unique benefits at an affordable premium.

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

Ceylinco General Insurance Fetes Top Achievers

Ceylinco General Insurance once again recognised and handsomely rewarded its energetic and dedicated sales team at its Annual Sales Conference and Awards Ceremony for 2014. The gala event bore witness to a truly outstanding cadre of dynamic individuals, whose top performers were feted with outstanding performance awards, and rewarded for going above and beyond the call of duty. The Ceylinco General Insurance team, recognised as the largest sales force in the industry, is renowned for its highly motivated dynamism, and consistent delivery of exceptional service to customers.

Management Discussion and Analysis

The event, held under the theme: “No One And Nothing Will Stop Us From Going Ever Forward”, was attended by well over 1,200 sales personnel, attached to the City Office, the over 400-strong branch network and other senior staff members. At the event, over 500 sales personnel, who had excelled in their performance during the year 2014, received awards, accorded on evaluations conducted through a demanding performance criteria. The top performers were categorised into Bronze, Silver and Gold categories, rising to the zenith, the much-coveted ‘Hall of Fame’. Along with the valuable rewards in these categories, an individual member, who was inducted into the prestigious Hall of Fame, received a brand new BMW vehicle, while two members,who achieved a premium income of over Rs.500 million, over a three-year period, received two brand new houses.

Twin Destinations: Vietnam And Thailand, Included In Annual Staff Trip

For the 12th successive year, Ceylinco General Insurance rewarded its loyal and dedicated staff with the much looked-forward to overseas tour in May 2015. A new destination; Ho Chi Min City in Vietnam was added to the tour as an option, where 50 staff members arrived there first, and was later joined by 150 staff members, who travelled to Thailand direct. The members of the staff to be so rewarded were selected in recognition of their exceptional contribution during 2014, which included staff from all categories: senior managers to office assistants. A full day’s workshop was also held in Thailand, with the entire group in attendance, while several sightseeing tours and cultural excursions were undertaken.

The tour itself serves to motivate and encourage staff to reach greater heights, in order to qualify to be a member of the touring team. This is amply evident, as the qualifying criteria needs to be more and more stringent every year, due to the increased number of staff members reaching the cut-off level.

Annual Family Get-Together & Inter-Department Cricket Tournament

The Annual Inter-Department / Region Cricket Tournament was held in August 2015 at the BRC grounds, with 24 teams representing the regions, as well as the City Office. While stiff competition for the ‘Ajith Gunawardena Challenge Trophy’ abounded, the City Office ‘C’ team managed to win the trophy, while the Southern Region emerged runners-up. It was the ideal opportunity for staff members to meet and mix and make merry, as over 1,400 employees and their families participated at this colourful, gala event, which turned out to be an unforgettable day.

Annual Musical Extravaganza

A Grand musical show, which was an inclusion to the annual family get-together for the third year running, was held in December 2015. Organised by the Employees Union of Ceylinco General Insurance, the event was an overwhelming success, with all those present enjoying it to the utmost. 'Wayo' and several other guest artistes performed at the 'family musical show', which boasted a carnival atmosphere, with food stalls, and games for the children aplenty. Members of the staff, who had excelled in mercantile sector sports activities, representing the company, were also recognised and were presented with trophies. All in all it was a truly colourful and enjoyable event, which will no doubt linger in memory throughout the year.

Ceylinco General Insurance Partners Major Events

Ceylinco General Insurance partnered with several corporate events held during the year; as most of our clients are a part of these annual events, our participation as a strategic partner, reiterated our commitment towards the development of the corporate echelons of the country.

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

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

- **Colombo Maritime Conference**
  Held for the first time in Sri Lanka in 2015, this event attracted a huge participation from the maritime and shipping industries all over the world. Realising the significance for local business and dynamic growth, Ceylinco Insurance was the insurance partner of the event.

Succession Planning And Extensive Training For Senior Staff

Ceylinco General Insurance embarked on a rigorous training programme for 85 of its senior management staff, which was held over a period of six months. The programme involved individual assessments by world-renowned coaches and was conducted by top training experts in the country. Training was conducted in four groups. The programme was designed as a management development programme for the succession plan of the company. According to the feedback received, it was a huge success in the aspects of motivation and gearing individuals to take over the helm of the company, when the need arises.

Management Discussion and Analysis

Ceylinco General Insurance Partners With 'V' Awards

'V Awards' is a project initiated by the National Steering Committee on Volunteering, in collaboration with United Nations Volunteers and 'News 1st', to mark the 10th anniversary of the International Year of Volunteers in 2011. The concept behind the project is to recognise individuals who make extraordinary and selfless contributions to society at large and reward the most outstanding volunteer at the national level. Ceylinco General Insurance joined this initiative as a partner.

Continuing this tradition of recognising, honouring and inspiring acts of volunteerism, the third edition of the volunteer awards: 'V-Awards 2015', concluded with a grand finale at the Nelum Pokuna Theatre. Over 600 nominations reached the V-Awards Secretariat, and following a comprehensive and independent evaluation process, 10 volunteers were shortlisted as finalists for their work to be celebrated at the ceremony. Hearing impaired himself; Kasun Jayathunga from Matara, was named Volunteer of the Year, for his volunteer initiatives aimed at reducing inequalities endured by the deaf community. 29 year old Danesh Maduranga was named Youth Volunteer of the Year for his rural community development initiatives, carried out through his foundation, whilst Anuradha Nilupul was awarded the thematic award for V-Awards 2015, 'Volunteering for Disaster Risk Reduction' for volunteering for the conservation of the Bolgoda River eco-system.

3rd Party Insurance Via Dialog

During the year under review, Sri Lanka's premier telecommunications service provider, Dialog Axiata, added further value to its innovative mobile insurance offering, with the introduction of third party motor insurance, together with Ceylinco General Insurance.

At the outset, the mobile vehicle insurance is available for motorcycles, and subscribers simply need to follow a few instructions to activate their third party insurance via Dialog. This service is open to all Dialog mobile subscribers, and the insurance premiums can be added to users' monthly mobile bills or deducted from pre-paid credit, and the customer will receive the insurance card via post, within 48 hours. Incidentally, Ceylinco 3rd party insurance is the only 3rd party insurance that offers compensation, in the event the motorcycle is condemned due to an accident, and pays compensation up to the market value of the motorcycle.

The launch of third party insurance cover via mobiles follows the successful introduction of accident and hospitalisation cover via mobile phones, which is popular amongst all segments of Sri Lankans. Mobile Insurance provides greater convenience to customers, as they can obtain insurance cover and make payments on the go, with the benefit of safety and security for life and property.

57 New 'VIP Counters' Added To Network By City Office And Branches

City Office Departments of Ceylinco General Insurance opened 27 New 'VIP Counters' in the suburbs of Colombo in 2015. These were opened to cater to the growing demand in general insurance and to provide easy access and convenience to discerning customers. Placed at convenient locations, these mini-branches offer all classes of general insurance policies to the people in the respective localities, thus, bringing insurance services much closer to their lives.

Meanwhile, 20 new 'VIP Counters' were added to the extensive network of Ceylinco General Insurance branches, increasing the network to over 370 branches.

Total Network Of General Division Exceeds 400

With the 27 'VIP Counters' opened under the City Office of Ceylinco Insurance General and the 20 new 'VIP Counters' attached to the branch network, opened during 2015, the total network of Ceylinco General Insurance exceeds 400 outlets. This is easily the largest network of any insurer in the island, and the staff attached to it now exceed 1,800 people, which further serves to provide employment opportunities to the discerning youth of Sri Lanka.

The Year's Events

Ceylinco Life Insurance

Honouring our highfliers

Outstanding career success achieved by our top achievers through Olympian - like commitment and effort was honoured in gala style at our 2015 annual awards. A total of 173 awards in the form of certificates, medals, trophies and overseas holidays was presented at this glamorous event. More than 1,300 members of the company's sales team were in the audience at the BMICH to cheer on their highflying colleagues. John Cardus, Head of Global Underwriting – Life and Health at Swiss-Re Services Ltd. UK was the Chief Guest. The top award winners were: Best Branch Head – Mr S Dharshan of the Colombo North 01 branch; Best Unit Head – Ms T Shopana of the Nelliaddy Branch and Best Sales Consultant - A I P Manjula of the Ambalantota 02 Branch.

Our top highfliers of 2014 with the company's Managing Director/ CEO Mr. R. Renganathan (Left) and John Cardus of Swiss-Re UK (Right).

Our delegation at APLIC 2015 in Bali

Ceylinco Life was well represented at the 2015 Asia Pacific Life Insurance Congress (APLIC) in Bali, Indonesia, with a delegation of 20 Business Development Managers from the company. Life insurance professionals from eight countries participated in this annual event, to share insights and experiences as part of their continuous professional development. The conference focused mainly on sales techniques, prospecting and after sales service.

Members of the Ceylinco Life delegation at the 2015 APLIC in Bali.

New eco-friendly office in Bandarawela

We opened our new eco-friendly four–storey purpose-designed branch building on company owned land in Bandarawela, strengthening the company's presence in the Badulla district and demonstrating our commitment to the environment. The 8,880 square foot new office building at 327, Badulla Road, Bandarawela accommodates five sub branches of the company with over 80 sales and non-sales staff and offers ample parking space for customers. The building's energy requirements are provided entirely by solar power, with energy efficient air conditioning and lighting systems minimising consumption of electricity. A rain water harvesting facility provides water for the washrooms, which also use water recycled via a sewerage treatment plant, reducing the threat of earth slips in the vicinity.

The new Ceylinco Life branch at Bandarawela (left) and the formal opening of the branch by our Managing Director / CEO Mr R. Renganathan in the presence of directors and senior management.

Work begins on Green branch in Horana

We commenced construction of a new branch building in Horana, adopting the new eco-friendly model developed by the company for branches being constructed on company-owned land. The new two-storey building of 5,870 square feet will be constructed at No 274, Panadura Road, Horana. It is designed for optimal use of natural light and will be solar powered. The building will be equipped with the latest energy efficient lighting and air conditioning systems and have a facility for rainwater harvesting. The foundation stone for the new office building was ceremonially laid by our Managing Director/CEO Mr R. Renganathan.

Ceylinco Life Managing Director/CEO Mr R. Renganathan prepares to lay the foundation stone for the new Horana branch.

Management Discussion and Analysis

New Batticaloa branch

We opened our new branch in Batticaloa in a custom-built building on company-owned land, further consolidating our presence in the east of Sri Lanka. The four-storied building located at No: 32, Lloyd's Avenue, Batticaloa, provides 12,320 square feet of space that accommodates four branches of the company. The building is equipped with solar electricity, split-type air conditioning, a standby generator and a comprehensive fire fighting system, is designed for rainwater harvesting, and uses a combination of natural day time lighting, and energy efficient LED and T5 lighting.

(Above) Ceylinco Life Managing Director R. Renganathan (centre) accompanied by Directors (from left) Palitha Jayawardena, Thushara Ranasinghe and Devaan Cooray, open the new Batticaloa office (Below) the new four – storey edifice.

Policyholders visit Dubai and Leisure World

The glamour and glitz of Dubai and the thrills and spills of the Leisure World theme park in Sri Lanka combined in separate but linked events to provide our policyholders with memorable experiences in 2015. While 40 people -- ten policyholders and the members of their families -- visited the Emirates on an all-expenses-paid holiday, another 2,000 people from the families of 500 policyholders spent a fun-filled day at Leisure World as part of the 2015 edition of our 'Family Savari' promotion. The itinerary of the group that visited Dubai included a tour of Burj Khalifa, the world's tallest building, a dinner cruise on a traditional Dhow, a desert safari and extensive shopping.

Ceylinco Life policyholders at Leisure World (above) and in Dubai.

Launch of 'Family Savari 9'

We stimulated fresh interest in our 'Family Savari' mega promotion in 2015 with the addition of an all-expenses-paid holiday in Germany for five policyholder families as the grand prize of the 2016 edition. The addition of an exciting and aspirational new destination each year has become a feature of the Family Savari experience we offer our policyholders. In the eighth edition of the Family Savari the new destination was Switzerland, and in 2014 it was Japan. In all, 2,260 people win overseas holidays or a local excursion from Ceylinco Life every year. The total number of people benefitted by the Family Savari promotion by 2015 exceeded 15,000.

The four Ceylinco Life Family Savari Brand Ambassadors with our Managing Director/CEO Mr R. Renganathan (extreme right) and Director/Deputy CEO Mr Thushara Ranasinghe (left) at the launch of Family Savari 9.

Policyholders tour Switzerland & Singapore

Ceylinco Life policyholders and their families in Switzerland (above) and Singapore.

Our 'Family Savari' mega promotion for 2015 reached its grand climax with two overseas tours for the families of 55 policyholders – in Switzerland for the five families that won the grand prize, and in Singapore for 50 others. The four-day tour of Switzerland included a guided full-day Jungfrau Alpine rail tour to the Jungfraujoch, the 'top of Europe' -- the highest railway station in Europe at 3,454 metres above sea level -- the highlight of any Swiss holiday. The policyholders and their family members that toured Singapore experienced the Singapore Flyer, visits to the Merlion, Fountain of Wealth, China Town and Orchid Garden, a tour of Sentosa including a cable car ride, visits to Madam Tussauds and Underwater World with the Dolphin Show and Wings of Time show, a Crane Show at Resort World and shopping at Mustafa Centre.

Premium Club members hosted to exclusive viewing of Kandy Perahera

A select number of our policyholders received an unexpected treat when they were invited by the company to an exclusive viewing of the Esala Perahera in Kandy with refreshments and dinner. The invitees, all members of the Ceylinco Life Premium Club, had a vantage view of the spectacular pageant from a specially-erected platform at our Kandy branch at No 65, King's Street, in the heart of Kandy city. Policyholders and their families from many parts of Sri Lanka, including Galle, Embilipitiya, Meegahakiula, Colombo and Anuradhapura came together to enjoy the perahera and our hospitality.

(Above) The Kandy Perahera winds its way past our new Kandy branch and (Below) some of the policyholders and their families watch the pageant from the special viewing area created by the company.

New branch in Kilinochchi

The company strengthened its presence in Sri Lanka's northern region with the opening of a new branch office in Kilinochchi. Formally declared open by our Director/Deputy CEO Mr Thushara Ranasinghe, the 1900 square-foot office on the Kandy Road has ample parking for customers.

The formal opening of our Kilinochchi branch.

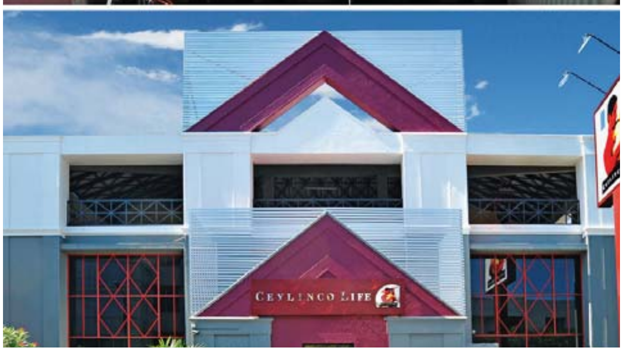
Management Discussion and Analysis

8th Life Insurance Week programme

'Who do you live for?' was the emotive theme of the 2015 Life Insurance Week (LIW) programme conducted on a national scale by the company for the 8th consecutive year. More than 4000 insurance sales professionals were deployed in all districts of the country from 11th to 17th February 2015 to visit homes, offices, schools and other public places in a concerted campaign to communicate the importance of life insurance to the masses.

Relocation of Kandy and Matara branches

We relocated our branch offices in Kandy and Matara to company-owned buildings to better serve customers in these two key cities and their suburbs. Our new Kandy office occupies a three-storey building at No 65, Kings Street, and comprises of 11,250 square feet of space. Besides dedicated areas for staff and customers, the building has a multifunction room that can accommodate 80 people, and has adequate customer parking. A viewing gallery offers a vantage point to observe the annual Kandy perahera. The relocated Matara office at No 45, Anagarika Dharmapala Mawatha, comprises of 6,870 square feet on two floors and also has its own customer parking area.



Launch of 'mPOS' for 'anytime anywhere' premium payments

A new level of convenience has been offered to our policyholders to pay their insurance premiums, following the deployment in 2015 of mobile Point-of-Sale (mPOS) devices via sales personnel in the field.

Our policyholders can now pay their premiums by credit or debit card anywhere and at any time they meet a member of the Company's sales team. The mPOS solution connects to Android or iOS powered smartphones or tablet PCs, enabling policyholders' cards to be swiped for payments. The devices have multi-level security measures designed to protect customer data. The mPOS solution generates instant e-receipts and SMS confirmations of payments, enabling the entire transaction to be concluded in minutes.

Work begins on new eco-friendly branch office for Panadura

We commenced construction a new branch building for Panadura conforming to a new eco-friendly model adopted by the company as part of its commitment to Green its operations. The new branch at Panadura is to be a custom-designed edifice of three floors, providing 7,000 square feet of space for the use of staff from the existing branch. As is the case with all new branch buildings being constructed on company-owned land, the new Panadura branch at No 400, Galle Road, Panadura, will run on solar power and have energy efficient air conditioning, lighting systems and an elevator, and a rainwater harvesting facility. The foundation stone for the new building was laid by our Managing Director/CEO Mr R. Renganathan.

Ceylinco Life Managing Director/CEO Mr R. Renganathan and Director/Deputy CEO Mr Thushara Ranasinghe lay the foundation stone for the new Panadura branch.

Presentation of 154 more 'Pranama' scholarships

A group of 154 bright young Sri Lankans identified as future leaders of Sri Lanka were felicitated with scholarships worth more than Rs 8 million at the 14th annual 'Pranama' scholarships presentation in 2015. With this round of scholarships, our commitment to rewarding and motivating academic and extra-curricular excellence reached Rs 100 million, and had benefitted a total of 1924 children and young adults.

Recipients of Ceylinco Life 'Pranama' scholarships placed first in their districts at the GCE (Advanced Level) examination with Directors of the company.

600 children and adults hosted to 'Ran Daru Charika' of Colombo

For a second successive year, 300 children representing every district of Sri Lanka came together in Colombo in 2015 at an educational tour of the city and some of its principal landmarks, courtesy of Ceylinco Life. All of them were winners of the Ceylinco Life 'Ran Daru Charika' promotion launched island-wide at the beginning of the year. Each child was accompanied by one parent or guardian. Their itinerary included a tour of the 'Diyatha Uyana' water park, a visit to the Colombo harbour where they visited the Unity Container Terminal, the new breakwater and other interesting locations; lunch at the BMICH, and visits to Independence Arcade, Independence Square and the Nelum Pokuna theatre complex.

Some of the highlights of the Ceylinco Life Ran Daru Charika 2015.

Opening of new branch in our own building at Ratnapura

We opened our new branch office in Ratnapura in a custom-built building on company-owned land, strengthening our presence in the Sabaragamuwa region of Sri Lanka. The three-storied building located at No 45, Dharmapala Mawatha, Ratnapura, provides 10,200 square feet of space that accommodates three branches of the company. The new office is equipped with energy efficient facilities including a 10 KW solar power system and energy efficient air-conditioning and lighting systems. It accommodates 65 staff members and offers ample parking space. The building's 3rd floor comprises of a conference facility.

Management Discussion and Analysis

(Above) The new Ceylinco Life building in Ratnapura and (Below) the formal opening of the building by Ceylinco Life's Managing Director / CEO R. Renganathan and other Directors.

Construction of building in Wennappuwa begins

We began the construction of a new two-storey building on company owned land in Wennappuwa in 2015, investing further in enhancing the services we provides customers in the area. The new office building on 37.4 perches land at No 15, Rex Dias Piyanama Mawatha, Wennappuwa will accommodate five branches and offer ample parking for customers. It is pre-designed for future expansion. The building with a floor area of approximately 5,600 square feet will be fully air-conditioned and have solar power, rainwater harvesting and natural lighting, making it environment friendly.

Ceylinco Life Managing Director/CEO R. Renganathan prepares to lay the foundation stone for the new building in Wennappuwa.

Opening of new 4 – storey Green branch in Trincomalee

We opened our new branch building in Trincomalee, custom-built to a new eco-friendly model adopted by the company for branches being constructed on company-owned land. The new four-storey building of approximately 11,000 square feet stands on 62.65 perches land at No 20, Kandy Road, Trincomalee. It accommodates seven branches and one customer service section and has a 24-vehicle car park for customers. The building is designed to use natural light on all floors, uses natural ventilation in common areas, lobbies and its lunch room, is solar powered, has a rainwater harvesting facility and is equipped with energy-efficient air-conditioning, making it one of the most eco-friendly offices of its size in the Eastern Province capital. The building also has elevators, a conference hall that can accommodate 100 people, and a roof-top recreational area for the use of staff.

(Above) The new eco-friendly Ceylinco Life building in Trincomalee. (Below) Ceylinco Life Managing Director R. Renganathan (3rd left) accompanied by Directors Thushara Ranasinghe, Palitha Jayawardena and Devaan Cooray open the new building.

Toastmasters Club accorded 'Distinguished' status

The Toastmasters Club of Ceylinco Life was accorded 'Distinguished' status by Area E02, Division E, District 82, one year after it received its charter from Toastmasters International. Two members of the club emerged the winner and runner-up at the Area E02 speaking competition in 2015 and qualified to compete at the Division E competition at which one of them was adjudged the runner-up. The Ceylinco Life Toastmasters Club has been acclaimed as one of the most active in Area E02. The second installation of office bearers of the club took place on 7th August 2015.

The Executive Committee of the Ceylinco Life Toastmasters Club for 2014/15

Retirement Planning Month campaign

The impact of inflation on long term savings, the principal bugbear in pensions computing, was the theme for a month-long, country-wide campaign in May to promote retirement planning. "How much is enough?" was the question we posed in our communications as well as our engagement with thousands of Sri Lankans, when our 4,000 plus sales team took to the streets for the company's eighth annual Retirement Planning Month exercise. A special consumer promotion supported the door-to-door interaction of the sales force with target consumers, offering them a chance to receive a valuable gift from Ceylinco Life when they purchase a retirement plan or top up an existing retirement plan in order to combat the effects of inflation.

Launch of new 'Supreme' policy

An attractive new policy that pays up to 50 percent of the basic sum assured in lump sums every four years without any diminution of the policyholder's maturity entitlements was launched in 2015, sparking fresh interest in life insurance. Branded 'Ceylinco Life Supreme,' the new policy offers comprehensive life cover, lump sum payments every four years, above average maturity value and optional rider covers for critical illness, hospitalization or major surgery. It differs from other life insurance plans as it guarantees to pay the sum assured or the accumulated fund balance, whichever is higher, at maturity or in the event of premature death, with no deductions in respect of the lump sum payments made.

Enterprise Risk Management (ERM) - General Insurance

ERM is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital and earnings. The organizations concentrate on minimizing risks arising from various activities in order to ensure wealth is protected/created.

The insurance business involves accepting, sharing and managing risks. It is imperative that the company gives sufficient significance in risks management. The Company has established framework, risk measurements and responsibilities.

In a highly competitive business environment the need to identify the risks in detail and taking appropriate strategies is crucial for success of the Company. The Company's various functional heads are assigned the responsibility of managing the risks relating to respective functions. Well experienced skillful functional heads and the team have the expertise to identify and analyse the risks and make right decisions in order to minimize the risks. Further, the Company's internal audit division which is adequately staffed ensures that the internal controls are properly implemented and regulations and statutes are complied. The established processes and systems manage risks appropriately to benefit the Company.

The Company's board sub-committee (ERM committee) oversees the risk management activities by the respective functions on a regular basis. The committee guides in implementing best practices and taking timely actions. This process helps the company to ensure effective risk management throughout the year. In order to manage specific types of risks the following board sub committees are in operation during the year.

- **Investment Committee**
  The committee focuses on risks relating to Investments. It ensures that investment portfolio is managed by considering the liquidity, returns, risk and regulatory compliances. The committee reviews the performance of the portfolio and provides guidance to improve results.

- **Audit Committee**
  The committee ensures the risks relating to operations, regulations/statutes compliance is managed appropriately. Continuous reviews on said risks improve the corporate governance of the company.

ERM helps efficient resources utilization, seizing the right opportunities, timely actions, stewardship, reduces waste/ losses, increase services levels, improve planning, avoiding surprises, complying with regulatory requirements and achieving organizational objectives.

Significant Risks which are Managed by the Company

1.) Strategic Risk

1. a) Marketing Risk

This arises when there is a gap between product offered and customer requirements or the operations do not meet Social or Economic Requirements.

1.b) Regulatory Risk

It is the risk that company may fail to meet the Regulations governing the insurance Industry or relevant laws of the country. The business is specifically governed by the Insurance Board of Sri Lanka. Further the financial reporting of the company is governed by the Sri Lanka Accounting Standards. The company being listed in the Colombo Stock Exchange, the requirements of the SEC are also met. Regulatory risk is therefore common to areas of business processes, products, investments and reporting.

1.c) Reputational Risk

Negative perceptions about us arising in the Society caused by an incident different to what the society expects from us. This could be with regard to a product, service expectation or corporate role.

2.) Underwriting Risk

2.a) Pricing / Exposure Risk

When the pricing does not reflect the risk accepted, the gap creates an insufficiency to meet the claims or it makes the product too expensive to trigger a sale. Further the exposure to a particular type of business area or single entity can create an imbalance in risk profile. This may not be limited to the current year business risk but also the sales risk of following year.

2.b) *Re Insurance Risk*

This has two components. Firstly the risk of not re insuring and secondly the risk of Re insurer defaulting claims due to inability or refusing claims due to technical reasons. Such could affect the reserves and wealth of the company and the reputation in the business market, should we intern are unable to meet the customer claims as a result of non-payment by the reinsurer.

2. c) *Credit Risk*

Credit risk is the risk of debtors of the company defaulting payment. This affects the profitability and cash flows.

3.) Financial Market Risk

3. a) *Concentration Risk*

The risk arises when the investment portfolios and other assets are not prudently diversified. When building a portfolio there are many objectives such as return, liquidity and regulatory requirements need to be met.

3.b) *Liquidity Risk*

Liquidity risk is where a company does not have enough cash or arrangements to meet payments as they fall due. Nature of insurance business calls for such incidents of large cash outflows in the form of insurance claims and re insurance payments. The reputation and the reliability of the company greatly depend on the ability to meet payments on time.

3.c) *Default Risk*

The risk of default on the interest or capital of investments primarily caused by the financial weakness of an institution that we made an investment with. The profitability, liquidity and portfolio composition would be affected by such default.

3.d) *Market Risks*

The risk is caused mainly by the Interest Rate, Exchange Rate and Market price fluctuations which have a direct impact on the income, balance sheet and solvency.

4.) Operational Risks

4.a) *Information Technology Risk*

The communication breakdown and loss of data risk are the key concerns. Especially in an environment where the IT system is fully integrated. The reporting is single source and delivers better accuracy and speed of service. This edge itself enhances the risk of technology being obsolete across and communication breakdown and security of information.

4.b) *People Risk*

Knowledge has become one of the strongest assets of our company. To extract the best yield of this knowledge the motivation level of people plays a major role. The risk of losing this Human capital could be a great disadvantage. The risk has increased with the new opportunities arising the market place and skill mobility.

4.c) *Control Risk.*

This is the risk that internal procedures not being followed or misuse of Company assets and fraudulent reporting.

Enterprise Risk Management (ERM) - Life Insurance

Importance of Risk Management

Risk management is a key component of Ceylinco Life's management process. Since the Life insurance companies are sensitive to the fluctuations in macro and micro environmental factors, it is important to identify and manage the risks caused by these various factors. Effective risk-taking and risk management are critical to the overall profitability, competitive market positioning and long-term financial viability of the Company. Risks may not necessarily be eliminated, but need to be appropriately managed to achieve the Company's overall corporate objectives.

Risk Management Framework of Life Insurance Business

Risk Management Framework (RMF) of Ceylinco Life helps to ensure that risk is managed across the organization in an effective manner. The Board of Directors is ultimately responsible for the Company's governance principles and policies and oversight of the RMF. The Risk Management Governing Structure is shown in Figure 1 below.

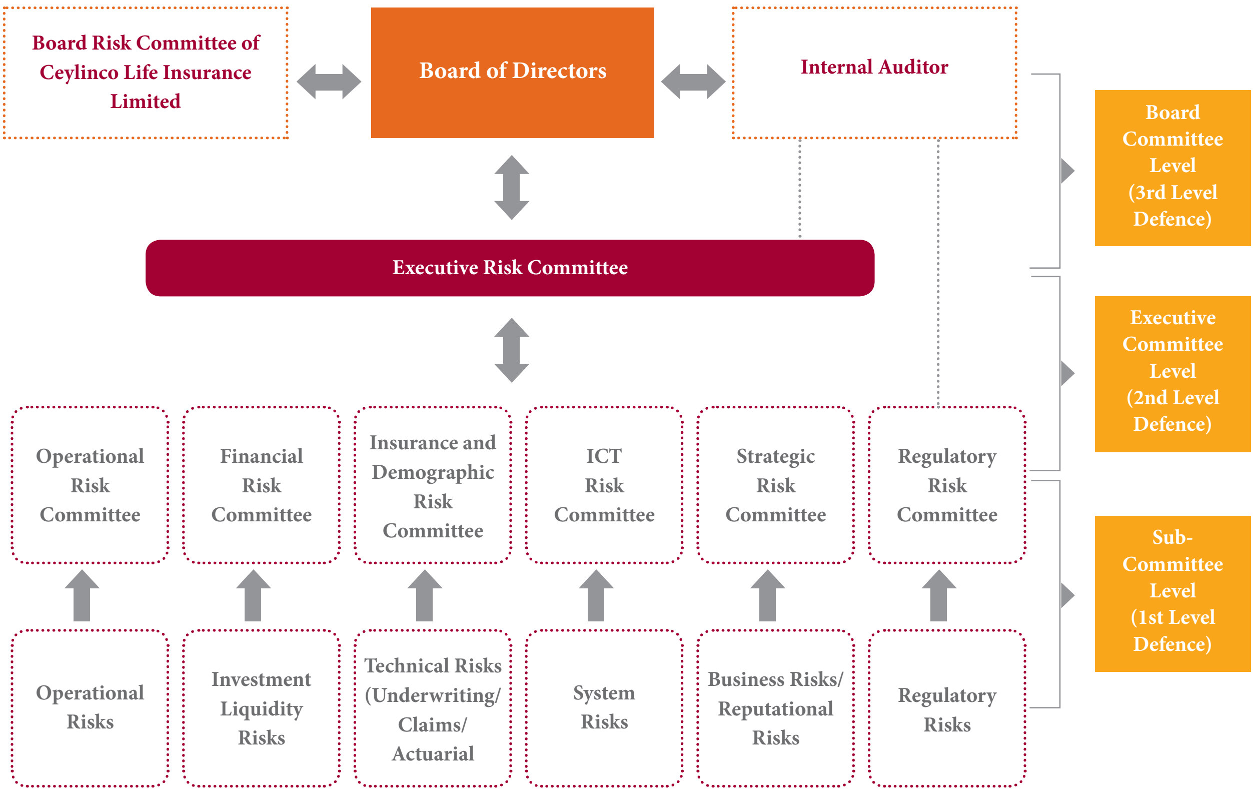


Figure 1: Risk Management Governing Structure

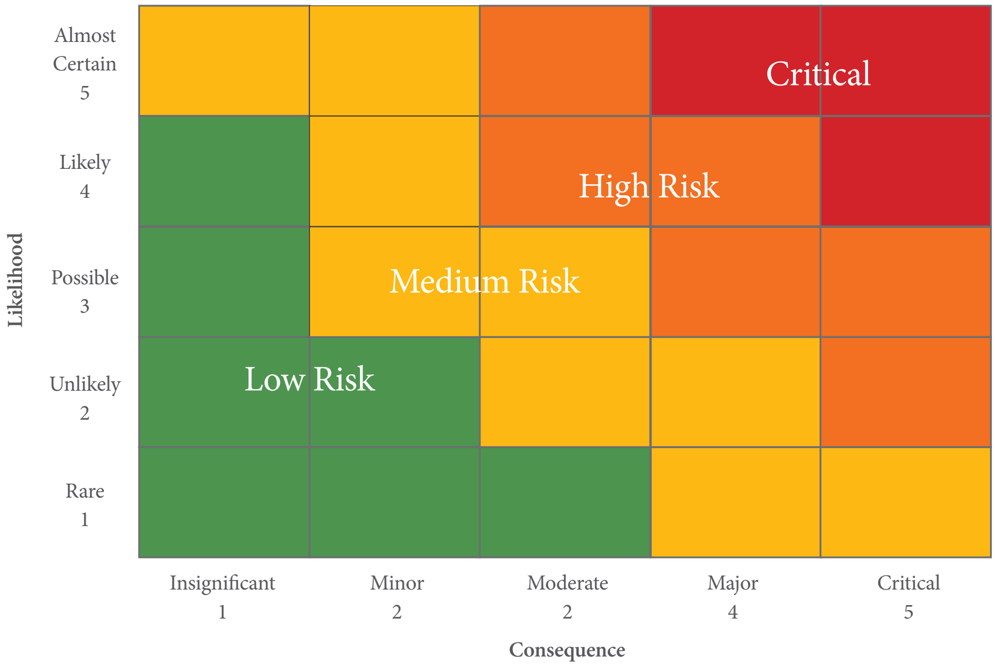
Line management and staff are responsible for day to day risk management and decision making and have primary responsibility for establishing and maintaining an effective control environment with the support and the coordination of their respective Sub-Committees.

Executive Risk Management Committee with the Chief Risk Officer (CRO) and Sub Committee heads is responsible in developing, facilitating and monitoring the risk control framework and strategy effectively.

The Board of Directors is responsible for review, approval and oversight of the company-wide RMF and the risk management policies adopted by the Company. The Board through the CRO and the Executive Risk Committee will oversee and monitor the effective functioning of RMF of the Company. The Board will regularly monitor risk management capabilities within the Company, including communication about escalating risk and crisis preparedness and recovery plans.

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.



Risk Treatment Guidelines

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 extent to which risk should be treated - monitor to help ensure 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

Enterprise Risk Management (ERM) - Life Insurance

Summary of Risk Controls

Strategy and Controls
Business Risk
• Take appropriate decisions at Strategic Planning meeting on quarterly by ensuring the set objectives are achieved. • Environmental Scanning, market research results, other strategic models are considered for decision making. • Carrying out performance evaluation process.
Regulatory Risk
• Compliance officer oversees the compliance procedure and report risks arising from rules and regulations. • Comprehensive checklist has been incorporated to the monthly reporting mechanism. • Regular consultation with in-house legal officers and updating process is established.
Technical Risks
• 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
• 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.
IT Risks
• Continuous scanning of IT control environment and strengthen 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
• Monthly Branch visits and branch audits • Job rotation and authorization limits within the approval cycles. • Close supervision and appoint custodians for processes and assets. • Perform business intelligence practices. • Tele underwriting process. • Perform internal audits and technical audits. • Obtain fidelity guarantee insurance coverage.

Reinsurance Arrangements

Retentions of Risk Under Various Classes of Insurance - (General Insurance)

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

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 ratings 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

Good corporate governance comprises accountable, value-based management and monitoring focused on long-term success. In this report, we present Ceylinco Insurance PLC's Corporate Governance Report, which discusses the Company's management, adherence to both regulatory requirements as well as best practices, explains the remuneration of the Managing Board and the Supervisory Board and provides detailed insights of relevant information about the Company.

Ceylinco Insurance PLC is committed to doing what is right in its business and places equal emphasis on the quality and the quantity of its earnings while adding value to its stakeholders. The Company strives to uphold the trust its stakeholders; namely, shareholders, customers, employees, communities and Government Authorities have placed in it, by being ethical and transparent in pursuit of its corporate goals in line with Company Values.

Shareholders appoint the Board of Directors at the Annual General Meeting and the Board is responsible for putting in place sufficiently robust governance structures and policy frameworks to enable value creation, compliance with external and internal regulations and optimal resource allocation.

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

The following section of the Annual Report depicts the Corporate Governance Compliance details at Ceylinco Insurance PLC and its adherence to the "Code of Best Practice on Corporate Governance."

Board of Directors

The top most decision making body of the Ceylinco Insurance PLC is the Board of Directors which comprises of 16 Directors all of whom bring a strong and in-depth mix of knowledge, business skills and experience to the Board.

The Board is the custodian of the Company's values and of its long-term vision, and provides strategic direction and guidance to the Company. Therefore the Company's commitment to uphold the highest standards of corporate governance is driven by the Board of Directors which, led by the Chairman, assumes overall responsibility for the governance of the Company. Each Director identifies himself with a duty to act in good faith and in the best interest of the Company.

Board Appointments

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

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

Role of the Chairman

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

Role of Chief Executive Officers

Chief Executive Officer of Ceylinco General Insurance Limited and Chief Executive Officer of Ceylinco Life Insurance Limited 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

The Board has held six scheduled meetings for the year 2015. It is expected that all Directors attend scheduled Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chairman in advance of the meeting.

As per the Regulation of Insurance Industry (Amendment) Act No.3 of 2011, Ceylinco Insurance PLC had segregated in to two insurance companies with effect from 01st June 2015. Thereby Ceylinco General Insurance Limited and Ceylinco Life Insurance Limited have commenced their operations since 01st June 2015 as fully own subsidiary companies of Ceylinco Insurance PLC, after obtaining licenses from the Insurance Board of Sri Lanka.

During the year 2015, the Board has maintained an excellent record of attendance to the meetings. The number of Board meetings and Sub-Committee meetings held during 2015, together with individual attendance, is given on page 87 & 89.

Board Performance

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

Board Interaction with Shareholders

The Annual General Meeting and the published reports of the Company are a means of communicating and encouraging shareholder and investor participation. The Board of Directors believes that maintaining good relationships with shareholders is of prime importance. Therefore, the Board of Directors invites the external auditors to be present at the AGM to answer any queries raised by shareholders. The Chairman of Board sub committees are present at the AGM and are willing to answer questions raised by the shareholders.

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

Directors' Remuneration

The remuneration paid to the Executive Directors during the year 2015, was approved by the Board on the recommendation of the Remuneration Committee. The Remuneration Committee determines Company's policy on specific remuneration packages for Executive Directors. The non-executive Directors are paid a monthly allowance for serving on the Board and Board committees.

Ceylinco Insurance PLC is primarily interested in providing a reasonable, competitive total compensation package to its Directors in a manner that will facilitate the achievement of corporate objectives. Therefore, the Company will strive to offer market based compensation packages to individuals possessing the experience and the competencies needed to improve the overall performance of the Company.

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

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.1	Two or one third of Directors, whichever is higher, should be Non – Executive Directors.	Complied	The Board comprises twelve Non-Executive Directors.
7.10.2 (a)	Two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be "independent".	Complied	The Board comprises four independent Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Director to submit a declaration of his/her independence or non- independence in the prescribed format.	Complied	The Non-Executive Directors have submitted the declaration.
7.10.3 (a)	The names of Directors determined to be independent should be disclosed in the annual report.	Complied	Please refer page 3
7.10.3 (b)	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report.	Not applicable	No such determination required.
7.10.3 (c)	A brief resume of each Director including the areas of expertise should be published in the annual report.	Complied	Please refer pages 22-25
7.10.3 (d)	Provide a brief resume of new Director appointments to the Board.	Complied	A brief resume of each such new appointment has been provided to the CSE as specified
7.10.5	A listed company shall have a Remuneration Committee.	Complied	Please refer page 76

Corporate Governance

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
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 170
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 Directors a majority of whom shall be independent, whichever is higher.	Complied	The Audit Committee consists of two independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied	Mr. D.H.J. Gunawardena functions as the Chairman of the Audit Committee
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied	Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK)
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings	Complied	Please refer Page 73
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 page 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 final decision rights pertaining to matters under the purview of these committees.

Details of the Board Committees

	Audit Committee	Remuneration Committee
Chairman (Non Executive)	Mr. D.H.J. Gunawardena	Mr. K.I. Dharmawardena
Members (Non Executive)	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	Review and make recommendations to the Board for approval of annual accounts of the Company including the quarterly financial statements Review the effectiveness of the risk management and internal control processes and make recommendations for improvement, Review the compliance with financial reporting requirements and other relevant legislation. Review the corporate compliance with the Regulation of the Insurance Industry Act, Regulation of the Insurance Board of Sri Lanka and other applicable regulations. Review internal and external audit plans and reports of internal and external auditors and follow up on recommendations Review the scope of annual audit and its fee with the External Auditors and the Management. Determine the External Auditors fee and make recommendations to the Board on their appointment and their ceasing to hold office.	Review and approve remuneration policy applicable to the employees of the company in line with the industry benchmarks Ensure that the company has acceptable performance appraisal systems for all employees Review and recommend to the Board the remunerations to be paid to Directors and Senior Management.

Board Audit Committee Report

The Board Audit Committee is responsible to the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audit. 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 and strengthen where necessary,
- the Company's compliance with applicable statutory and regulatory requirements,
- the risk management processes to ensure identification and mitigate of risks.
- the performance and independence of the Internal Auditors and External Auditors.

Composition of the Board Audit Committee

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

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

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

The Chairman of the committee, Mr. D.H.J. Gunawardena who is an Independent Non-Executive Director, is a Fellow Member of a recognized professional accounting body with over 30 years of post-qualification experience. The biographical details of the members of the Board Audit Committee are set out in the Directors' Profiles Section of the Annual Report.

Meetings and Attendance

The Audit Committee met four times during the year. Attendance by the Committee members at each of these meetings is given in the table on page 89 of the Annual Report.

The Director Finance and respective officers 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 by invitation. Other officials were also invited to attend the meetings on a need basis. The External Auditors, Messrs Ernst & Young, were provided adequate access to ensure that they had no cause to compromise their independence and objectivity.

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

As required by the Insurance Industry (Amendment) Act No.3 of 2011 Ceylinco Insurance PLC segregated its Life and General Insurance business and with effect from 01st June 2015, transferred its Life Insurance Division to Ceylinco Life Insurance Ltd. and its General Insurance Division to Ceylinco General Insurance Ltd. Both these companies are fully owned subsidiaries of Ceylinco Insurance PLC. Each of these companies have appointed their respective Audit Committees.

Charter of the Audit Committee

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

Compliance with Financial Reporting, Statutory and Regulatory requirements

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

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

Internal Audit

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

External Audit

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

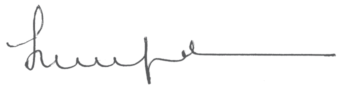
Conclusion

The Committee received information and support from management during the year to enable it carry out its duties and responsibilities effectively. The committee continuously emphasized the need to uphold ethical values of the staff members. In this regard, the company plans to introduce a Code of Ethics and a Whistle-Blowing Policy.

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

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

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2016, subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena
Chairman - Audit Committee

09th. March, 2016

Report of the Remuneration Committee

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

Composition of Remuneration Committee

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) – *Member*

The brief profiles of the Directors are given on pages 22 to 25 of the Annual Report.

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

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

The Scope of the Committee

The scope and responsibilities of the Remuneration Committee are;

- Reviewing/approving the Remuneration Policy of the Company.
- Reviewing and making recommendations to the Board on the compensation of the Chairman, Chief Executive Officers, Executive Directors and other Members of the Board.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Maintaining and developing competitive and attractive remuneration packages for employees at all levels on par with industry standards.
- Ensuring that no Director is involved in setting his own remuneration package.

Remuneration Policy

The remuneration policy is aimed at attracting and retaining a highly qualified and experienced workforce and reward performance accordingly. In discharging its responsibilities, the Committee has carefully reviewed and made recommendations to the remuneration policy of the Company.

Meetings

The Committee met twice during the year under review. The attendance at the meetings is given in page 89 of the Annual Report. The proceedings of the Committee meetings have been circulated to and confirmed by the Board of Directors.

On behalf of the Remuneration Committee.

K.I. Dharmawardena
Chairman – Remuneration Committee

09th. March, 2016

Report of the Investment Committee - Life Insurance

Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 required composite insurance companies such as Ceylinco Insurance PLC who were engaged in carrying on both long-term and general business to segregate the two classes of insurance business into two separate companies in 2015.

The Life Insurance business of Ceylinco Insurance PLC was transferred to Ceylinco Life Insurance Limited and the Insurance Board of Sri Lanka granted insurance license to Ceylinco Life Insurance Limited with effect from 1st June 2015.

Hence, subsequent to the segregation of the insurance business, the Investment Committee of Ceylinco Life oversees the investments of the Life Insurance Fund, which is invested prudently according to diverse investment objectives and varied risk preferences to ensure a return that is secure, steady and attractive.

By crafting investment strategies that add value, continually monitoring the execution of the set strategies to ensure conformity, and making the right calls deemed necessary to ensure probity, the committee ensures that the funds are well positioned, ideally invested and coherently managed to meet the objectives of various stakeholders such as policyholders, shareholders and regulators.

As at 31st December 2015, the Life Insurance Fund of Ceylinco Life stood as a giant, at LKR 68.01 Billion, growing steadily at 13.3% over the last year.

2015 – An Year with Uncertainty and Challenges

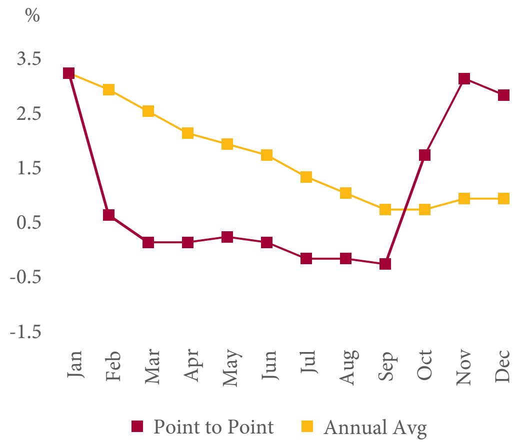
The year 2015 saw major political and economic shifts take place around the world, leading to a great deal of uncertainty weighed on the financial markets.

United States (US), the largest economy in the world continued to recover and accelerate towards higher growth trajectory. In order to normalize its unconventional monetary expansion strategies, the US Federal Reserve hiked its policy rates nearly after a decade, creating spillover effects in emerging and frontier markets.

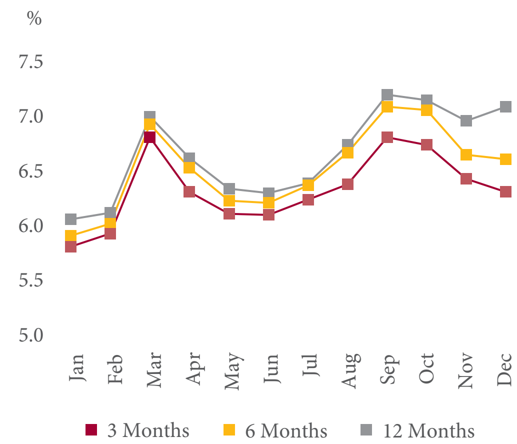
China, the second largest, was at the other end of the bargain where economy started to weaken and produce relatively weak economic data throughout 2015, impacting global sentiments, and wiping out trillions of dollars from the equity markets. The crude oil prices fell by 68% over the last two years due to worsening of a global supply glut and lack of demand from its major consumers.

Given the expectation of an imminent US rate hike, debt issuance by sovereigns and corporates took the upper hand. According to published research, the global debt stock increased to USD 199 trillion this year from USD 57 trillion in 2007, which is equivalent to 287% of global GDP, stifling global economic growth and heightening the risk of defaults and market turmoil.

With the challenges faced by the Global economy, Sri Lankan economy followed suit, with economic growth slowing down, amid a shift to a new base year for the GDP calculation. Inflation too reversed its course in the latter part of the year exerting pressure on the accommodative monetary policy adopted by the Central Bank of Sri Lanka to stimulate growth.



Inflation - 2015

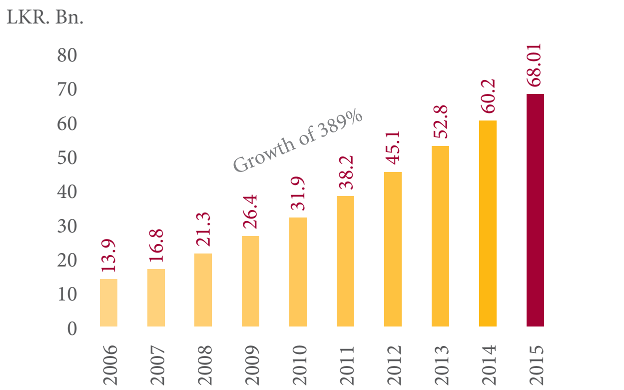


T Bill Rates - 2015

Report of the Investment Committee - Life Insurance

A Pillar of Strength - Life Fund Growth

The Life Insurance Fund of Ceylinco Life, which is considered as a safe haven for investors, has surged by almost 400% over the last decade, which depicts the superior performance and stability of the investments, and the continuous trust and loyalty placed by the policyholders.



Life Fund Growth

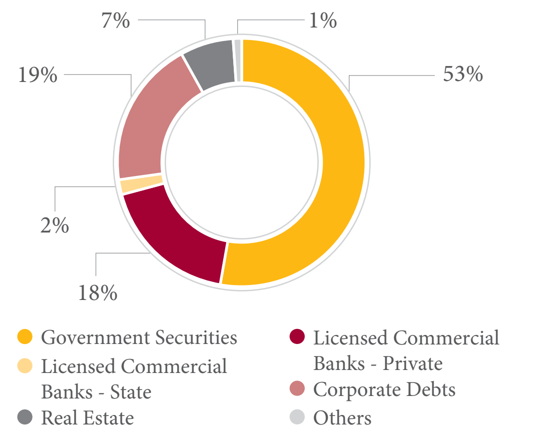
Quality over Quantity – Credit Quality of Investments

The investment division of Ceylinco Life, with the recommendations and guidance of the Investment Committee, manages the Life Insurance Fund, which is regarded as one of the largest and thriving portfolios in Sri Lanka.

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.

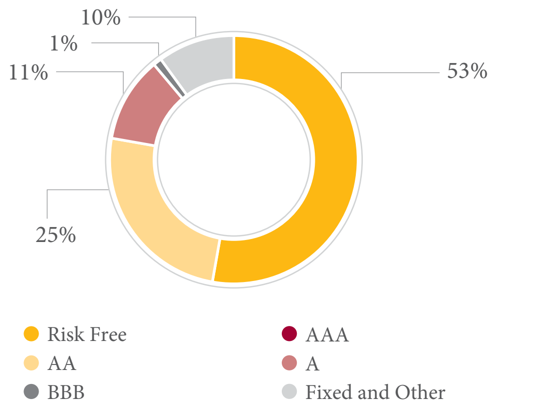
Risk and Return, although carrying an inherent trade-off, are two aspects which hold paramount importance in crafting an investment strategy. Ceylinco Life takes utmost responsibility in providing the best investment solutions to maintain an optimum and cautious balance between the two aspects.

In order to emphasize the prudence and diligence of Life Fund investments, the below pie-chart elaborates the asset allocation of investments of the Life Insurance Fund as at 31st December 2015.

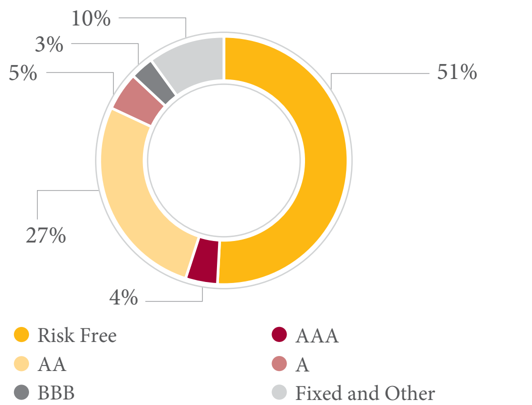


Assets Allocation

To emphasize the credit quality of Life Fund investments, the below chart elaborates the credit risk profile of Life Insurance Fund as at 31st December 2015, along with a comparison against the previous year.



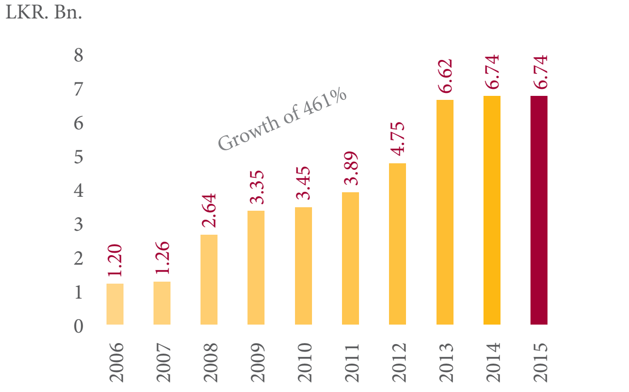
Credit Risk Profile - 2015



Credit Risk Profile - 2014

Swimming Upstream – Growth of Investment Income

Amidst challenging and volatile market conditions, Investment Division, under the guidance of the Investment Committee, continued to sustain its growth on a positive note throughout the last decade.



Investment and Other Income

Investment Committee

The Investment Committee comprises of six members, out of whom four are executive directors with expertise and experience in various fronts, which adds value in crafting prudent investment strategies. Recognizing the long-term nature of life insurance contracts and the subsequent need as well as the benefits that would accrue in reviewing the investment policies and the strategies, the Head of the Actuarial Division is also a member of the Committee. To supplement the collective expertise and to provide in-depth insights, a Non-Executive Director who is a veteran in financial markets, also forms part of the Committee.

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

1. Mr. R. Renganathan – *Managing Director/CEO*
2. Mr. E.T.L. Ranasinghe – *Director/Deputy CEO*
3. Mr. P.A. Jayawardena – Director/CFO
4. Mr. S.R. Abeynayake – *Director/Deputy CFO*
5. Mr. R. S. W. Senanayake – Non-Executive Director
6. 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 addition, the committee obtains independent external professional advice on matters within its purview.

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 such as Actuarial, Systems, Marketing and Life Operations attend the meetings on the invitation of the committee.

R. Renganathan
Chairman - Investment Committee (Life)

09th. March, 2016

Report of the Investment Committee - General Insurance

Objective of the Committee

The investment management and the treasury function are important components of the insurance business. In the context of a General insurer, the performance of the investment portfolio impacts the profitability, solvency (regulatory requirements) and the liquidity of the company. Portfolio returns and Liquidity have to be managed optimally to ensure that the company meets its regulatory solvency requirements, while optimizing profitability, which at times can be very challenging.

The investment portfolios of Ceylinco General Insurance Ltd, includes Fixed Income, Equity, Commodities and Real Estate. This results in a number of risks which need to be managed, including the risk arising from interest rates, exchange rates and commodity & equity price volatility. All these risks have to be maintained at desired and pre-determined levels.

The investment committee together with the investment/treasury management unit, provides and formulates the necessary guidelines and investment policies for the investment / treasury management unit to carry on the above functions to meet the desired risk – return levels. These levels are determined by the Board of Directors, and monitored through the ERM framework.

Functions of the Committee

For the investment portfolios to provide sustained performance, they have to be relevant and in-line with the current and expected future economic climate. In order to achieve this, the committee together with the investment / treasury management unit discusses the local and global macro economy to assess the overall economic situation and the resultant impact on the asset values and returns. Key factors discussed include the inflation, international trade, foreign direct investments, GDP, USD reserves, exchange rates and economic policy decisions of other influential economies.

Political changes domestically and turbulent conditions in international markets resulted in a volatile year for many asset classes including Interest Rates, Exchange Rates and the Equity Markets in Sri Lanka in 2015.

In 2015, Interest Rates had mixed fortunes with an overall increase of interest rates by approximately 1%. The stock market experiencing an overall negative trend, with the ASPI declining by 5.5% during the year. The exchange rate witnessed a depreciation of approximately 9% as well.

One if the key reasons for the deterioration of performance of interest rates, the stock market and the pressure on the exchange rate was due Fund Managers withdrawing funds from investments in the Asia Pacific Region. The key reasons for this was the slowdown in the economic growth of China, and a change in the economic policies in the United States. This resulted in a net outflow of approximately USD 1.16 billion from the capital markets in Sri Lanka.

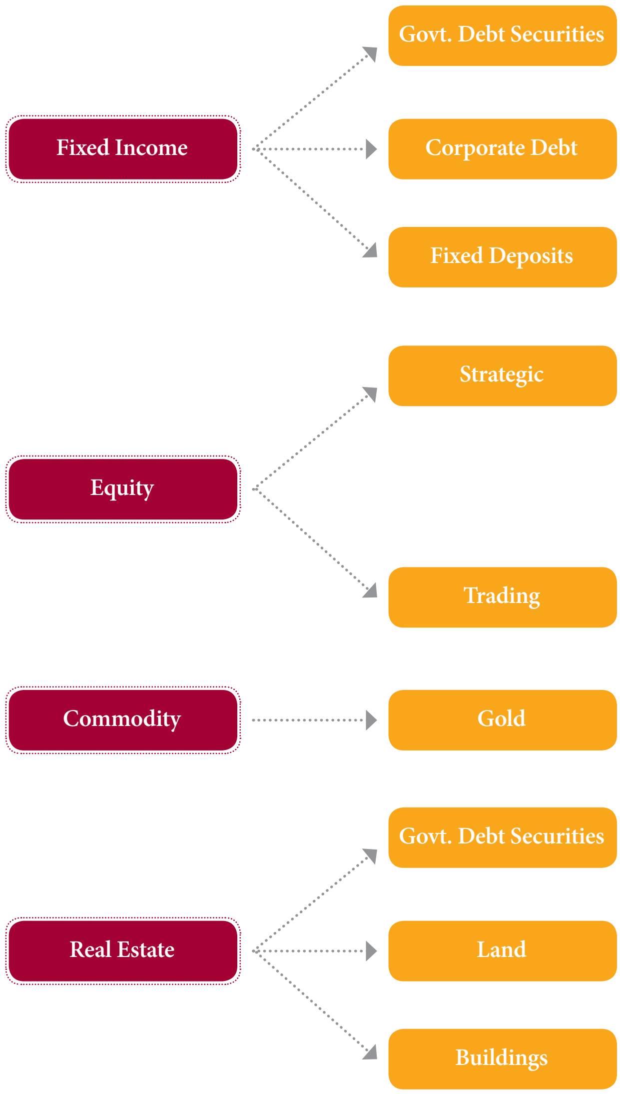
Away from the external factors resulting in the outflow of investment flows, Sri Lanka showed resilient economic indicators, with inflation for the years at a low of 2.8% (avg) in 2015 and GDP growth at 5.8%. In isolation, these economic indicators warrant stable interest rates and a positive growth in the stock market. However the external sectors of international trade and gross official reserves impacted all asset classes negatively in 2015. Balance of Payments were a negative 2.3bn by Oct 2015 and gross official reserves were down to USD 6.5bn in Oct 2015 from USD 8.2bn in January 2015. The reserves however rebounded to USD 7.3bn in December, assisted by the sovereign bond issue in November 2015. This however failed to create an impact on domestic interest rates. One of the factors which contributed to local interest rates trending upwards was the fear that there will be more withdrawals of foreign funds from the local market as a result of the upward revision in Unites States interest rate at the end of 2015, and continued upwards revisions in 2016.

The investment committee and the investment management unit discussed the possible economic outcomes at the beginning of 2015 based on the economic data and forecasts & research done by the investment unit and decided to follow a conservative strategy in asset allocations. As a result the FIS investment portfolios were skewed to short tenures. Additionally, exposure to equity trading portfolios was also reduced and available capital gains were realized. The USD assets were maintained at similar levels in the face of uncertainty. The strategy was vindicated, as the FIS portfolios generated a return above the average market returns while the total duration was maintained at a very safe level. The equity trading portfolios generated very high positive returns while the ASPI was a negative for 2015.

The positive performance of the General Insurance services business which generated premium income exceeding Rs.13.5bn also provide ample opportunity to take advantage of the higher interest rate environment. Additionally, the finance department synchronized very well with the Investment and treasury function providing for robust investment and treasury planning and management.

Portfolios

The investment committee directs the following portfolios



Meetings

The committee met bi-monthly as scheduled. These meetings followed the agenda of discussing the economy, reviewing the business cashflows, review of portfolio returns and assets, discussing the future short and long term strategy and approval of any investments requiring committee approval. Further when required common view on any matter snap meetings were called or the information was shared among the members by the investment unit for comment.

The meetings were held with the participation of following;

Name	Office Held / Representing
Mr. Mangala Boyagoda	Chairman of Investment Committee / Director
Mr. Nihal Peiris	Committee Member / Head of Finance
Mr. Upali Witharana	Committee Member / Deputy Managing Director
Mr. Rohan Fernando	Committee Member / Director

Further Mr. Nilantha Piyadasa – General Manager (Finance – Branches) along with members of the finance team and Mr. Kasun Nanayakkara – Deputy General Manager of the Investment / Treasury Management Unit act as core participants of the Investment Committee meetings.

E.M.M. Boyagoda
Chairman - Investment Committee (General)

9th. March, 2016

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.

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 2016 to 2017 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

01st. April, 2016

COMPLIANCE REPORT

In respect of the Financial Year ended 31st December, 2015 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

01st. April, 2016

Financial Calendar 2016

Annual Report 2015	04th. April, 2016
Annual General Meeting	06th. May, 2016
Final Dividend Proposed	06th. May, 2016
Ex-Dividend From	07th. May, 2016
Final Dividend Payable	17th. May, 2016
Interim Report - 1st. Quarter	13th. May, 2016
Interim Report - 2nd. Quarter	15th. August, 2016
Interim Report - 3rd. Quarter	15th. November, 2016
Interim Report - 4th. Quarter	28th. February, 2017

Rewarding Together

Financial Information

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, 2015, and the Report of the Auditors thereon.

Review of Operations

The Chairman's and the Directors' Reviews on pages 6 to 17 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 Management of Investment, Insurance Operations, Health Care Operations, Education and Power Generation.

Results of the Financial Year

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit After Taxation (After Non - Controlling Interest)	3,495,086	2,547,949	913,712	2,142,624
Add : Balance Brought Forward	13,739,147	11,800,609	12,090,871	10,539,452
Less: Super Gains Tax	(447,734)	-	(412,957)	-
Changes in Ownership in Group Companies	-	3,630	-	-
Excess of equity acquired over	-	-	-	-
consideration on Energy Generators (Pvt). Ltd.	-	(11,442)		-
Revaluation Reserve -Transfer on Segregation	-	-	752,012	-
Other Comprehensive Income for the Period	(72,807)	(304,968)	275,589	(294,574)
Effect on Depreciation due to reassesment of useful lives	-	126,001	-	126,001
Funds Available for Appropriation	16,713,692	14,161,779	13,619,226	12,513,503
Appropriation :				Dividend
Paid - Final	(528,290)	(422,632)	(528,290)	(422,632)
Unappropriated Profit Carried Forward	16,185,402	13,739,147	13,090,936	12,090,871

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, 2015 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. 22/50 per share for the year ended 31st. December, 2015, payable on 17th. May, 2016.

Directors

Messers. J.G.P. Perera, A.R. Gunawardena, R. Renganathan, H.D.K.P. Alwis, E.T.L. Ranasinghe, W.C.J. Alwis, P.D.M. Cooray, K.I. Dharmawardena, D.H.J. Gunawardena, P.A. Jayawardena, N.D. Nugawela, T.N.M. Peiris, U. Witharana, Gen. C.S. Weerasooriya (Retired) and S.R. Abeynayake were the Directors of the Company during the financial year ended 31st. December, 2015.

Mr. S.H.J. Weerasuriya was also a Director partly during the financial year ended 31st. December, 2015 having been appointed to the Board with effect from 17th. February, 2015 and Mr. P.M.B. Fernando was also a Director who resigned with effect from 17th. February, 2015.

In accordance with the Articles of Association of the Company, Messers. W. C. J. Alwis, D. H. J. Gunawardena, P. A. Jayawardena and U. Witharana retire by rotation and being eligible, offer themselves for re-election.

Ordinary Resolutions were approved by the Shareholders at the last Annual General Meeting of the Company held on 22nd. April, 2015 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 78 years of age in December, 2015, 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 72 years of age in December, 2015, 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 ten 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	10
Mr. A.R. Gunawardena	09
Mr. R. Renganathan	10
Mr. H.D.K.P. Alwis	10
Mr. E.T.L. Ranasinghe	10
Dr. W.C.J. Alwis	08
Mr. P.D.M. Cooray	09
Mr. K.I. Dharmawardena	09
Mr. D.H.J. Gunawardena	09
Mr. P.A. Jayawardena	09
Mr. N.D. Nugawela	10
Mr. T.N.M. Peiris	07
Mr. U. Witharana	10
Gen. C.S. Weerasooriya (Retd.)	09
Mr. S.R. Abeynayake	09
Mr. S.H.J. Weerasuriya (appointed w.e.f. 17.02.2015)	04
Mr. P.M.B. Fernando (resigned w.e.f. 17.02.2015)	02

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 31.12.2015	as at 31.12.2014	as at 31.12.2015	as at 31.12.2014
Mr. J.G.P. Perera	NIL	NIL	NIL	NIL
Mr. A.R. Gunawardena (Mr. A.R. Gunawardena 130 voting shares and 55 non voting shares; and joint with Mrs. K.S. Gunawardena 121,698 voting shares and 8,600 non voting shares) (Mrs. K.S. Gunawardena 14,900 voting shares and 7,702 non voting shares)	121,828	119,489	8,655	8,655
Mr. R. Renganathan (Mr. R. Renganathan 123,271 voting shares and joint with Mrs. T.R.S. Renganathan 3,626 voting shares)	126,897	124,750	NIL	NIL
Mr. H.D.K.P. Alwis	3,200	861		
Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis			2,000	2,000
Mr. E.T.L. Ranasinghe	9,245	7,098	NIL	NIL
Dr. W.C.J. Alwis	526,692	526,692	219,041	219,041
Waldock Mackenzie Limited / Dr. W.C.J. Alwis	2,339	NIL		
Mr. P.D.M. Cooray (Mr. P.D.M. Cooray 8,197 voting shares and joint with Mrs. J.M.F. Cooray 144 shares)	8,341	6,194	NIL	NIL
Mr. K.I. Dharmawardena	28	28	NIL	NIL
Waldock Mackenzie Limited / Mr. K.I. Dharmawardena	10,736	10,736	NIL	NIL
Mr. D.H.J. Gunawardena	NIL	NIL	NIL	NIL
Mr. P.A. Jayawardena	3,463	1,316	134	134
Mr. N.D. Nugawela	3,539	1,200	510	510
Mr. T.N.M. Peiris (Mrs. P.S. Peiris 212 voting shares)	24,831	22,492	2,000	2,000
Mr. U. Witharana	2,605	500	512	512
Gen. C.S. Weerasooriya (Retd.)	NIL	NIL	NIL	NIL
Mr. S.R. Abeynayake	9,790	7,858	200	200
Mr. S.H.J. Weerasuriya	NIL	NIL	600	600

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

Directors' Interest in Contracts

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

Corporate Governance

The Audit Committee held four meetings and the Remuneration Committee held two meetings during the year 2015.

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	03	02
Mr. T.N.M. Peiris	04	02
Mr. P.A. Jayawardena	04	02
Mr. U. Witharana	02	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	2,545	774,497	3.84
1,001 to 5,000	774	1,371,907	6.86
5,001 to 10,000	53	396,985	1.98
10,001 to 50,000	30	547,999	2.74
50,001 to 100,000	5	395,688	1.98
100,001 to 500,000	4	626,582	3.13
500,001 to 1,000,000	7	4,560,934	22.84
Over 1,000,000	5	11,325,408	56.63
Total as at 31st. Dec. 2015	3,423	20,000,000	100.00

Analysis of Shareholders (Non - Voting)

Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1 to 1,000	1,209	280,070	4.37
1,001 to 5,000	92	223,426	3.48
5,001 to 10,000	20	159,366	2.48
10,001 to 50,000	16	443,822	6.92
50,001 to 100,000	4	300,457	4.68
100,001 to 500,000	9	1,506,783	23.49
500,001 to 1,000,000	1	668,082	10.42
Over 1,000,000	1	2,832,474	44.16
Total as at 31st. Dec. 2015	1,352	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 75.6% of the issued voting share capital (represented by 3,406 shareholders).

Analysis of Shareholdings
Institutional / Non - Institutional

Shareholder Category	Number of Shareholders	Total Shareholdings	Holdings %
(Voting)			
Individuals	3,265	4,528,366	22.64
Institutions	158	15,471,634	77.36
	3,423	20,000,000	100.00
(Non Voting)			
Individuals	1,282	1,250,123	19.49
Institutions	70	5,164,357	80.51
	1,352	6,414,480	100.00

Share Ownership Distribution Analysis as at 31.12.2015

Local Companies %		Local Individuals %		Foreign Companies %		Foreign Individuals %	
Voting	Non Voting	Voting	Non Voting	Voting	Non Voting	Voting	Non Voting
52.06	26.66	22.62	18.72	25.30	53.85	0.02	0.77

Donations
During the year charitable donations amounting to Rs. 4.2 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. 100.68 Million.

Capital Expenditure & Capital Commitments
The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 462.9 Million.

The 20 major shareholders as at 31.12.2015
(Voting)

Shareholder	Holding as at 31/12/2015 No. of Shares	% of the issued share Capital as at 31/12/2015	Holding as at 31/12/2014 No. of Shares
Global Rubber Industries (Private) Limited	4,450,135	22.25	4,450,135
Banque Pictet & Cie SA	2,545,079	12.73	2,136,100
Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund)	1,865,724	9.33	1,865,724
Shriram City Union Finance Limited	1,264,470	6.32	Nil
Mitsui Sumitomo Insurance Company Limited	1,200,000	6.00	Nil
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	632,110
Ceylinco Insurance PLC – A/C No. 05 (The Pension Trust Fund of Ceylinco Insurance PLC)	618,474	3.09	607,529
Citizens Development Business Finance PLC	607,377	3.04	564,000
Dr. Watuthanthrige Chakrine Jagath Alwis	526,692	2.63	526,692
Castle Realty (Private) Limited	525,400	2.63	525,400
Pan Asia Banking Corporation PLC / D.S.K. Amarasekera	200,000	1.00	Nil
Ceylinco Insurance PLC – A/C No. 07 (Gratuity Trust Fund of Ceylinco Insurance PLC – Life Division)	181,613	0.91	181,613
Mr. Rajkumar Renganathan (Mr. R. Renganathan 123,271 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares)	126,897	0.63	124,750
Mr. Ajith Rohan Gunawardena (Mr. A.R. Gunawardena 130 shares and joint with Mrs. K.S. Gunawardena 121,698 shares)	121,828	0.61	119,489
Phoenix Ventures Private Limited	100,000	0.50	Nil
Commercial Credit and Finance PLC	99,000	0.50	Nil
B G Investments (Pvt.) Limited	77,552	0.39	Nil
People's Leasing & Finance PLC / C.D. Kohombanwickramage	67,351	0.34	61,561

The 20 major shareholders as at 31.12.2015
(Non Voting)

Shareholder	Holding as at 31/12/2015 No. of Shares	% of the issued share Capital as at 31/12/2015	Holding as at 31/12/2014 No. of Shares
Pershing LLC S/A Averbach Grauson & Co.	2,832,474	44.16	2,832,474
J.B. Cocoshell (Pvt.) Ltd.	668,082	10.42	628,105
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	169,930	2.65	144,930
The Ceylon Investment PLC A/C # 02	126,010	1.96	NIL
Gold Investment Limited	118,500	1.85	118,500
The Ceylon Guardian Investment Trust PLC A/C # 02	115,256	1.80	NIL
E.W. Balasuriya & Company (Private) Limited	113,846	1.77	103,846
Waldock Mackenzie Ltd./ M.T. Moosajee	99,778	1.56	99,778
Askold (Private) Limited	80,000	1.25	80,000
The Ceylon Chamber of Commerce Account No. 02	62,274	0.97	NIL
Mr. Husein Nuruddain Esufally	58,405	0.91	60,905
Mr. Murtaza Ali Jafferjee	46,000	0.72	46,000
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. M.Z.M. Wafik	43,411	0.68	68,915
Hatton National Bank PLC A/C No. 05 (Trading Portfolio)	34,000	0.53	NIL

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the “Notes to Financial Statements”. (Pages 125 to 128)

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

Current Assets

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

Post-Balance Sheet Events & Unusual Items

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

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

Human Resources

It is a Company policy to provide equal opportunities in the recruitment and employment of staff. During the year under review, the Company has taken numerous measures to ensure staff contentment at all levels. As at 31st. May, 2015, there were 3,227 employees in the permanent service of the Company.

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 35 on page 156 to the Financial Statements.

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

BY ORDER OF THE BOARD

A. R. Gunawardena
Managing Director / Chief Executive Officer

R. Renganathan
Director - Life Insurance

T.N. Jasenthuliyana

Mrs. T. N. Jasenthuliyana
Company Secretary

01st. April, 2016

Company Secretary

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 01.01.2015 to 31.12.2015 in which this company has had transactions during the year 2015

	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. Upali Witharana	Mr. S.R. Abeynayake	Mr. D.H.J Gunawardena	Mr. P.D.M. Cooray	Mr. J.G.P. Perera	Gen. C.S. Weerasooriya
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	Ceypower Cascades (Pvt.) Ltd.	✓		✓				✓		✓					
7	Citizens Development Business Finance PLC										✓	✓			
8	Energy Generators (Pvt.) Ltd.	✓		✓		✓		✓	✓	✓					
9	International College of Business & Technology Ltd.	✓		✓		✓			✓	✓					
10	Serene Resorts Ltd.		✓		✓						✓				
11	Ultratech Cement Lanka (Pvt.) Ltd.	✓								✓					
12	Energy Lanka Holdings Ltd.	✓		✓		✓		✓	✓	✓					
13	CEG Education Holdings (Pvt.) Ltd.	✓		✓		✓				✓					
14	Ceylinco General Insurance Ltd.			✓		✓		✓		✓					
15	Ceylinco Life Insurance Ltd.		✓		✓		✓				✓	✓	✓	✓	✓

Report of the Auditors

EY
Building a better working world

Ernst & Young
Chartered Accountants
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Sri Lanka

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BW/RR/NHG/TW

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 2015, and the income statement, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 103 to 171.)

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 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

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

a) The basis of opinion, and scope and limitations of the audit are as stated above.

b) In our opinion :

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
- The financial statements of the Company give a true and fair view of the financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- The financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No 07 of 2007.

Ernst & Young

1 April 2016
Colombo

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

A member firm of Ernst & Young Global Limited

Consolidated Statement of Financial Position

As at 31 December	Page No.	Note	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
Assets						
Goodwill	123	6	181,304	193,162	-	-
Other Intangible Assets	124	7	89,005	45,170	-	34,950
Deferred Expenses	124	8	778,442	722,682	-	689,581
Property, Plant and Equipment	125	9	11,281,890	9,889,427	3,342	6,781,520
Investment Properties	128	10	1,912,104	2,715,711	153,332	2,715,711
Investment in Subsidiaries	129	11(a)	-	-	15,965,563	1,526,752
Investment in Associates	130	11(b)	1,889,168	1,530,998	92,514	397,399
Financial Instruments						
Held to Maturity Financial Assets	131	12(a)	47,148,849	32,124,826	-	31,913,874
Loans and Receivables	132	12(b)	19,807,161	19,082,446	64,754	18,447,316
Available-For-Sale Financial Assets	132	12(c)	7,777,739	11,158,754	248,863	11,122,225
Financial Assets at Fair Value Through Profit or Loss	132	12(d)	214,936	219,327	-	219,327
Employee Gratuity Benefit Asset	135	13	1,449,570	1,315,548	-	1,315,548
Employee Pension Benefit Asset	139	14	1,763,386	1,539,742	-	1,539,742
Reinsurance Receivables	141	15	2,726,342	2,505,273	-	2,162,743
Income Tax Recoverable	141	16(a)	1,189,738	997,602	-	997,179
Deferred Tax Assets	142	16(b) & (c)	103,863	58,916	-	48,465
Insurance Receivables/Trade Debtors	144	17	4,929,658	5,355,991	-	4,702,499
Accrued Income	144	18	2,745,654	4,564,548	118	4,551,220
Other Assets	144	19	1,123,830	1,052,542	45,187	700,534
Cash and Cash Equivalents	145	20	1,052,395	1,007,522	4,011	640,740
Total Assets			108,165,034	96,080,187	16,577,684	90,507,325
Equity & Liabilities						
Equity Attributable to Equity Holders of Parent						
Stated Capital	145	21 (a)	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings			16,185,402	13,739,147	13,090,936	12,090,871
Revaluation Reserves			2,141,754	2,126,854	-	1,621,398
Other Reserves	146	21 (b)	2,560,652	2,892,787	2,040,088	2,687,640
Total Ordinary Shareholders' Equity			22,212,630	20,083,610	16,455,846	17,724,731
Non-Controlling Interests	159	38 (a)	860,378	762,469	-	-
Total Equity			23,073,009	20,846,079	16,455,846	17,724,731
Liabilities						
Life Insurance Contract Liabilities	146	22(a)	67,157,184	60,021,879	-	60,021,879
Unit Linked Fund & Other funds-Life			268,062	228,873	-	228,873
Non Life Insurance Contract Liabilities	147	22(b)	9,576,722	9,259,497	-	8,745,212
Employee Gratuity Benefit Liability	135	13	171,602	127,106	-	-
Deferred Revenue	149	23	235,990	205,905	-	151,764
Interest Bearing Loans & Borrowings	149	24	1,514,560	951,992	-	346,001
Other Financial Liabilities	149	25	304,742	84,157	-	75,000
Deferred Tax Liabilities	143	16(d)	204,335	82,198	-	-
Reinsurance Payables	150	26	1,179,216	855,084	-	492,091
Trade and Other Payables	150	27	4,479,612	3,417,417	121,838	2,721,774
Total Liabilities			85,092,025	75,234,108	121,838	72,782,594
Total Equity and Liabilities			108,165,034	96,080,187	16,577,684	90,507,325

The significant changes in the amounts under the Company Column compared to 2014 are due to the segregation of Insurance business during the current year. (Please refer note 47 for more details.)

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

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

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

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

P.A. Jayawardene
Director

A.R. Gunawardena
Director

R. Renganathan
Director

U. Witharana
Director

1 April 2016
Colombo

Consolidated Income Statement

For the year ended 31 December	Page No.	Note	Group 2015 Rs.'000	Group 2014 Rs.'000	Group Change %	Company 2015 Rs.'000	Company 2014 Rs.'000	Company Change %
Net Income	152	28(c)	34,670,693	32,263,950	7	12,941,450	29,421,722	(56)
Gross Written Premiums	151	28(a)	27,984,159	25,222,854	11	10,671,060	24,167,388	(56)
Premiums Ceded to Reinsurers	151	28(b)	(4,120,025)	(3,509,044)	17	(1,085,108)	(2,663,892)	(59)
Net Written Premiums			23,864,134	21,713,810	10	9,585,952	21,503,496	(55)
Net Change in Reserve for Unearned Premium			(377,802)	(411,888)	(8)	(444,791)	(428,300)	4
Net Earned Premium			23,486,332	21,301,922	10	9,141,161	21,075,196	(57)
Revenue from Subsidiaries	119	5	2,860,228	2,511,173	14	-	-	
			26,346,560	23,813,095		9,141,161	21,075,196	
Fees and Commission Income	152	29	642,774	724,667	(11)	183,294	588,680	(69)
Investment Income	153	30	7,471,977	7,485,035	(0)	3,028,215	7,527,252	(60)
Net Realised Gains	153	31	94,584	170,879	(45)	539,371	160,320	236
Net Fair Value Gains and Losses	154	32	114,798	70,274	63	49,409	70,274	(30)
Other Revenue			8,324,133	8,450,855		3,800,289	8,346,526	
Gross Benefits and Claims Paid	154	33(a)	(12,875,394)	(10,879,181)	18	(4,908,253)	(10,655,905)	(54)
Claims Ceded to Reinsurers	154	33(b)	1,371,318	1,011,889	36	377,425	825,806	(54)
Gross Change in Contract Liabilities	154	33(c)	(7,301,201)	(7,705,078)	(5)	(3,472,439)	(7,527,607)	(54)
Change in Contract Liabilities Ceded to Reinsurers	154	33(d)	(35,028)	97,597	(136)	(49,823)	(52,520)	(5)
Net Benefits and Claims			(18,840,305)	(17,474,773)		(8,053,090)	(17,410,226)	
Cost of Sales of Subsidiaries			(720,125)	(616,231)	17	-	-	
Acquisition Cost	156	34	(2,821,208)	(2,515,627)		(1,103,434)	(2,458,191)	
Other Operating and Administrative Expenses	156	35	(8,342,088)	(7,672,067)	9	(2,738,805)	(6,279,316)	(56)
Finance Cost	157	36	(124,218)	(167,890)	(26)	(37,713)	(108,489)	(65)
Total Benefits, Claims and Other Expenses			(30,847,944)	(28,446,588)		(11,933,041)	(26,256,223)	
Profit Before Share of Associates Profits			3,822,749	3,817,362		1,008,409	3,165,499	
Share of Profit of Associates	130	11(b)	275,724	150,917	83	-	-	
Profit Before Tax			4,098,473	3,968,279	3	1,008,409	3,165,499	(68)
Income Tax Expense	157	37(a)	(448,257)	(1,118,602)	(60)	(94,697)	(1,022,875)	(91)
Profit for the Year			3,650,216	2,849,677	28	913,712	2,142,624	(57)
Profit Attributable to:								
Equity Holders of the Parent			3,495,086	2,547,949		913,712	2,142,624	
Non-Controlling Interests	159	38(b)	155,130	301,728		-	-	
			3,650,216	2,849,677		913,712	2,142,624	
Basic/Diluted Earnings Per Share	159	39	132.32	96.46		34.59	81.12	
Dividend Per Share -Proposed	160	40	22.50	20.00		22.50	20.00	

The significant changes in the amounts under the Company Column compared to 2014 are due to the segregation of Insurance business during the current year. (Please refer note 47 for more details.)

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December		Group		Company	
		2015	2014	2015	2014
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the Year		3,650,216	2,849,677	913,712	2,142,624
Other Comprehensive Income	41				
Other Comprehensive Income may be reclassified to Income Statement in subsequent period					
Net Gain/(Loss) on Available-For-Sale Assets		(349,396)	360,228	(683,536)	362,138
Exchange Differences on Translating Foreign Operations		(4,682)	5,136	-	-
Income Tax relating to components of Other Comprehensive Income		19,651	(74,004)	20,636	(74,004)
Net Other Comprehensive Income may be reclassified to Income Statement in subsequent period		(334,427)	291,360	(662,900)	288,134
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period					
Revaluation Surplus/ (Deficit) During the Year		14,587	(784)	-	-
Actuarial Gain/(Loss) on Defined Benefit Plans		(67,317)	(275,787)	284,907	(265,273)
Income Tax relating to components of Other Comprehensive Income		(10,088)	(22,413)	(9,005)	(28,549)
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		(62,818)	(298,984)	275,902	(293,822)
Other Comprehensive Income for the Year, Net of Tax		(397,245)	(7,624)	(386,998)	(5,688)
Total Comprehensive Income for the Year, Net of Tax		3,252,971	2,842,053	526,714	2,136,936
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		3,105,044	2,539,252	526,714	2,136,936
Non-Controlling Interests		147,927	302,801	-	-
		3,252,971	2,842,053	526,714	2,136,936

The significant changes in the amounts under the Company Column compared to 2014 are due to the segregation of Insurance business during the current year. (Please refer note 47 for more details.)

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

Statement of Changes in Equity

Group	Attributable to Equityholders of the Parent								
	Stated Capital Rs.'000	Revaluation Reserves Rs.'000	Other Retained Reserves Rs.'000	Retained Earnings Rs.'000	Available for Sale Reserve Rs.'000	Foreign Currency Translation Reserve Rs.'000	Total Ordinary Shareholders' Equity Rs.'000	Non-Controlling Interests Rs.'000	Total Equity Rs.'000
Balance As At 1st January 2014	1,324,822	2,120,849	2,057,437	11,800,609	547,726	(2,642)	17,848,801	550,728	18,399,529
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)
Subsidiary Dividend to non-controlling interest	-	-	-	-	-	-	-	(87,430)	(87,430)
Changes in Control in Subsidiaries	-	-	-	3,630	-	-	3,630	(3,630)	-
Effect on depreciation due to reassessment of useful lives		-	-	126,001			126,001	-	126,001
Excess of Equity acquired over consideration on Energy Generators (Pvt) Ltd.				(11,442)			(11,442)		(11,442)
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
Super Gain Tax (Note 48)				(447,734)			(447,734)	(4,396)	(452,130)
Balance As at 1st January 2015 after Super Gain Tax	1,324,822	2,126,854	2,057,437	13,291,413	834,911	440	19,635,877	758,073	20,393,950
Profit for the Year	-	-	-	3,495,086	-	-	3,495,086	155,130	3,650,216
Other Comprehensive Income for the Year	-	14,900	-	(72,807)	(329,326)	(2,809)	(390,042)	(7,203)	(397,245)
Total Comprehensive Income for the Year	-	14,900	-	3,422,279	(329,326)	(2,809)	3,105,044	147,927	3,252,971
Final Dividend of Parent Company	-	-	-	(528,290)	-	-	(528,290)	-	(528,290)
Subsidiary Dividend to non-controlling interest	-	-	-	-	-	-	-	(45,622)	(45,622)
Balance As At 31st December 2015	1,324,822	2,141,754	2,057,437	16,185,402	505,585	(2,370)	22,212,630	860,378	23,073,009

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

Statement of Changes in Equity

Company	Stated Capital Rs.'000	Revaluation Reserves Rs.'000	Other Retained Reserves Rs.'000	Retained Earnings Rs.'000	Available-for Sale Reserve Rs.'000	Total Ordinary Shareholders' Equity Rs.'000
Balance As At 1st January 2014	1,324,822	1,620,646	2,057,437	10,539,452	342,069	15,884,426
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
Super Gain Tax (Note 48)				(412,957)		(412,957)
Balance As at 1st January 2015 after Super Gain Tax	1,324,822	1,621,398	2,057,437	11,677,914	630,203	17,311,774
Profit for the Year	-	-	-	913,712	-	913,712
Other Comprehensive Income for the Year	-	313	-	275,589	(662,900)	(386,998)
Total Comprehensive Income for the Year	-	313	-	1,189,301	(662,900)	526,714
Final Dividend Paid	-	-	-	(528,290)	-	(528,290)
Revaluation reserve transfer on derecognition of assets on Segregation	-	(752,012)	-	752,012	-	-
Transfer of reserves to Life Fund on Segregation	-	(869,699)	-	-	15,348	(854,351)
Balance As At 31st December 2015	1,324,822	-	2,057,437	13,090,936	(17,349)	16,455,846

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	Group		Company	
		2015	2014	2015	2014
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities					
Premiums/Revenue received from Customers		31,348,290	27,460,024	10,320,204	24,104,091
Reinsurance Premiums (net of Commission) Paid		(3,300,269)	(2,899,072)	(899,037)	(2,151,595)
Commission Paid		(2,971,272)	(2,414,698)	(1,104,354)	(2,357,262)
Claims and Benefits Paid		(12,969,184)	(10,998,348)	(4,884,228)	(10,624,752)
Reinsurance Receipts in respect of Claims & Benefits		1,433,192	1,362,407	362,634	877,601
Interest and Dividends Received		9,178,157	7,209,405	2,499,320	7,248,837
Other Operating Cash Payments		(8,827,276)	(9,023,476)	(2,700,845)	(7,238,310)
Other Income		309,504	130,813	34,038	85,463
Contributions to Gratuity Fund/Gratuity payments		(206,118)	(147,986)	(79,118)	(143,781)
Income Taxes Paid		(181,884)	(124,476)	(23,751)	(39,796)
Interest paid		(105,884)	(111,968)	(4,388)	(29,725)
Net Cash Flows from Operating Activities (Note A)		13,707,256	10,442,625	3,520,475	9,730,771
Cash Flows from Investing Activities					
Investments in/Proceeds from Subsidiaries/Associates		-	-	(800,000)	(187,180)
Acquisition of Financial Investments		(396,228,758)	(323,765,195)	(243,703,349)	(321,913,299)
Proceeds from sale of Investment Property		390,114	120,685	206,964	120,685
Proceeds from Financial Investments		383,678,732	317,351,588	241,125,034	315,235,322
Acquisition of Property , Plant & Equipment		(1,707,243)	(1,259,845)	(196,634)	(841,132)
Acquisition /Disposal of Intangible Assets		(71,284)	(11,600)	(59,641)	(11,600)
REREPO Borrowings (net)		224,811	(1,690,000)	139,141	(1,690,000)
Proceeds from Disposal of Property , Plant & Equipment		56,283	108,286	5,571	91,320
Net Cash Flows from Investing Activities		(13,657,345)	(9,146,081)	(3,282,914)	(9,195,884)
Cash Flows from Financing Activities					
Proceeds from Issue of Ordinary Shares		-	-	-	-
Proceeds from Issue of Preference Shares		-	-	-	-
Term Loan		510,989	(749,182)	-	-
Dividends Paid to Equity holders		(563,380)	(513,836)	(528,290)	(422,632)
Net Cash Flows from Financing Activities		(52,391)	(1,263,018)	(528,290)	(422,632)
Increase / (Decrease) in Cash & Cash Equivalents (Note B)		(2,480)	33,526	(290,728)	112,255
Note A.					
Reconciliation of Profit before tax with Net Cash Flows from Operating Activities					
Profit before tax		4,098,473	3,968,281	1,008,409	3,165,499
Adjustments for:					
Depreciation		590,509	486,434	143,922	286,646
Amortisation of Intangible Assets		32,554	13,159	10,535	11,185
Change in Trade and Other Receivables		1,028,214	(1,160,319)	(1,176,259)	(861,493)
Change in Reinsurance Receivable		221,069	(52,790)	35,033	104,316
Increase in Life Insurance Funds		7,135,305	7,294,889	3,530,543	7,294,889
Increase in Non - Life Insurance Provisions		317,225	804,211	350,886	636,901
Change in Trade and Other Payables		950,877	(600,188)	203,860	(842,730)
Realised gain		(63,776)	(33,190)	(462,334)	(22,632)
Fair value Gain recorded in Income Statement		(114,798)	5,248	-	6,277
Foreign Exchange gain/loss		(30,808)	(7,216)	(1,516)	(8,291)
Income Tax Paid		(181,864)	(124,977)	(23,751)	(39,796)
Share of associate profits		(275,724)	(150,917)	-	-
Net Cash Flows from Operating Activities		13,707,256	10,442,625	3,619,328	9,730,771
Note B.					
Cash and Cash Equivalents at 1st January		519,157	485,631	294,739	182,484
Cash and Cash Equivalents at 31st December	Note C	516,677	519,157	4,011	294,739
Increase / (Decrease) in Cash and Cash Equivalents		(2,480)	33,526	(290,728)	112,255
Note C					
Cash at Bank		1,052,395	966,590	4,011	603,167
Cash in Hand		-	40,932	-	37,573
Bank Overdraft		(535,718)	(488,365)	-	(346,001)
		516,677	519,157	4,011	294,739

The significant changes in the amounts under the Company Column compared to 2014 are due to the segregation of Insurance business during the current year. (Please refer note 47 for more details.)

The Notes on Pages 103 through 171 form an integral part of the Financial Statements.

Insurance Revenue Account

Insurance Business	Glossary item	2015 Rs. '000	2014 Rs. '000	% Change
Non - Life Insurance				
Gross Written Premium	20	13,557,833	12,164,864	11.45
Net Earned Premium	31	10,152,831	9,359,977	8.47
Net Claims Incurred	36	(5,690,518)	(5,259,911)	8.19
Underwriting and Net Acquisition Costs		(726,892)	(570,376)	27.44
(Including Reinsurance)	43 and 2			
Underwriting Result	55	3,735,421	3,529,690	
Other Operating, Investments Related and Administrative Expenses		(3,653,341)	(3,605,733)	1.32
Investment and Other Income		889,855	1,022,541	(12.98)
Interest Expense		(78,361)	(79,085)	(0.92)
Profits From Operations After Interest Expense		893,574	867,413	3.02
Key Ratios Non - Life Insurance				
Net Loss Ratio	33	56.05	56.20	(0.26)
Net Expense Ratio	32	43.91	45.46	(3.41)
Net Combined Ratio	30	99.96	101.66	(1.67)
Life Insurance				
Gross Written Premium	19	13,456,828	12,002,524	12.12
Net Written Premium (Net of Reinsurance Premium)	35	13,146,773	11,715,219	12.22
Investment and Other Income Attributable to Policyholders		6,507,792	6,616,538	(1.64)
Net Benefits Payable		(5,956,760)	(4,893,847)	21.72
Increase in Long Term Insurance Fund		(7,135,305)	(7,256,468)	(1.67)
Commissions	13	(1,609,936)	(1,389,842)	15.84
Operating and Administrative Expenses Attributable to Policyholders		(2,971,012)	(2,707,107)	9.75
Interest Expense		(10,195)	(29,394)	(65.32)
Tax expenses		(171,357)	(755,099)	(77.31)
Surplus from Life Insurance Business	25	1,800,000	1,300,000	38.46
Surplus From Life Insurance Business		1,800,000	1,300,000	38.46
Investment & Other Income not Attributable to Policyholders		227,908	209,475	8.80
Operating and Administrative Expenses		(18,235)	33,522	(154.40)
not Attributable to Policyholders				
Interest Expenses		(21)	(10)	116.41
Tax expenses		50,394	(180,000)	128.00
Profits From Operations After Interest Expense		2,060,046	1,362,987	51.14

The above information is presented for General and Life Insurance business for the whole year with comparatives of last year. (eventhough the information was reflected in two entities for both business due to segregation.)

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

1.1 General

Ceylinco Insurance PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and 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 is located at "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1. The additional corporate information is given on page 3.

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Date of Authorization for Issue

The consolidated financial statements of Ceylinco Insurance PLC for the year ended 31 December 2015 was authorized for issue in accordance with a resolution of the board of directors on 1 April 2016.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

- Investment property is measured at fair value
- Available for sale assets are measured at fair value
- Land and buildings are stated at revalued amounts.

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

1. In the principal market for the asset or liability

Or

2. In the absence of a principle market, in the most advantageous market for the assert or liability

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

The functional currency of each entity in the Group is Sri Lankan Rupees except for Ceylinco Insurance Company (Pvt) Ltd. - Maldives and Sagaramatha Insurance Ltd. whose functional currency are Maldivian Rufiyaa and Nepalese Rupee respectively.

2.4 Going Concern

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

2.5 Comparative information

As per the IBSL requirement, the Company Segregated its General and Life insurance business with effect from 1st June 2015. Therefore, financial information disclosed under "Company": includes insurance business information until the date of segregation;1st June 2015. (Refer Note 47 for more details on Segregation)

The "Group" financial information includes insurance business and other business operations for the 12 months period for respective years.

2.6 Basis of Consolidation

2.6.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The consolidated financial statement comprises the financial statement of the Company and its subsidiaries as at 31 December 2015. 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 though 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, on-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of 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.

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

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

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

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

2.6.2 Associates(equity accounted investees)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the 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, defaultor delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

Available-for-sale financial investments

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

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

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

(g) Offsetting of Financial Instruments

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

(h) Fair Value of Financial Instruments

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

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.

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.

A few subsidiaries in the Group are tax exempt and tax liable under concessionary rates (Please refer Note No. 37).

Deferred Tax

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

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

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

- Where the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales or premium tax included.

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

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

Fair values are evaluated regularly 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:

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

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

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

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

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

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

Stationery Course Materials Books	First in First out Basis

b) Gold
Gold is measured at realizable value

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

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

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

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

(r) Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances, and 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 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.

Acturial 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 0f 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the company. The provision is externally funded.

(bb) Short-Term Benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(dd) Dividends on Ordinary Share Capital
Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

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

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

2.) Life Insurance
Gross premium on life insurance contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

(gg) Reinsurance Premium
1.) Non Life Insurance
Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates.

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

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

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

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

(ii) Revenue from Other Operations
(1) Healthcare Segment
Income of this segment 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
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 Reference	
	Note	Page
Impairment of assets	6 & 17	123& 144
Unearned premium and deferred acquisition cost	22b(2) & 8	148&124
Insurance provision - Life	22 (a)	146
Reserve for gross outstanding claims	22 b (1)	147
Valuation of investment property	10	128
Deferred tax -Utilization of tax losses	16(b) & (cc)	142
Measurement of defined benefit obligation	13	135

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 December 2015 reporting periods. None of those have been early adopted by the group.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 14 Regulatory Deferral Accounts

SLFRS 14 is an interim standard which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

SLFRS 14 is effective for annual periods beginning on or after 1 January 2016.

SLFRS 15 Revenue from Contracts with Customers

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

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

Management believes that the SLFRS 14 would not be applicable for the Group, as it is an existing SLFRS preparer/ does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Group's consolidated financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

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 segment offers non-life insurance products in Maldives.
- Education Services segment includes primary, secondary, high education courses through various subsidiary companies.
- Power generation segment business is to generate and distribute hydro power to the national grid.
- Other segment includes investment management & hotel services.

Transactions 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.

Segment Income Statement For The Year Ended 31 December 2015

	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	13,456,827	13,557,833	-	969,499	-	-	-	-	27,984,159
Premiums Ceded to Reinsurers	(310,055)	(2,987,485)	-	(822,485)	-	-	-	-	(4,120,025)
Change in Reserve for Unearned Premium	-	(417,517)	-	39,715	-	-	-	-	(377,802)
Net Premiums	13,146,772	10,152,831	-	186,729	-	-	-	-	23,486,332
Income from Subsidiaries	-		310,693		2,100,798	423,592	69,973	(44,828)	2,860,228
Fees and Commission Income	90,377	424,621	-	126,022	-	-	9,959	(8,205)	642,774
Investment Income	6,477,930	1,058,954	58	40,560	55,417	18,792	1,105	(180,839)	7,471,977
Realised Gains	61,173	507,131	-	-	-	2,508	552	(476,780)	94,584
Fair Value Gains and Losses	114,798	-	-	-	-	-	-	-	114,798
Other Revenue	6,744,278	1,990,706	310,751	166,582	2,156,215	444,892	81,589	(710,652)	11,184,361
Segment Revenue	19,891,050	12,143,537	310,751	353,311	2,156,215	444,892	81,589	(710,652)	34,670,693
Gross Benefits and Claims Paid	(6,109,171)	(6,400,794)	-	(365,429)	-	-	-	-	(12,875,394)
Claims Ceded to Reinsurers	152,427	882,258	-	142,413	-	-	-	-	1,177,098
Gross Change in Contract Liabilities	(7,135,304)	(206,970)	-	41,073	-	-	-	-	(7,301,201)
Change in Contract Liabilities Ceded to Reinsurers	-	34,988	-	124,204	-	-	-	-	159,192
Cost of Sales of Subsidiaries	-	-	(63,646)	-	(553,563)	(67,775)	(35,144)	-	(720,128)
Net Benefits and Claims	(13,092,048)	(5,690,518)	(63,646)	(57,739)	(553,563)	(67,775)	(35,144)	-	(19,560,433)
Acquisition Cost	(1,610,178)	(1,151,513)	-	(59,517)	-	-	-	-	(2,821,208)
Other Operating and Administrative Expenses	(3,011,918)	(3,656,210)	(188,862)	(141,277)	(1,260,903)	(99,382)	(22,166)	38,633	(8,342,085)
Finance Costs	(10,222)	(78,361)	(3,766)	(9)	(31,279)	(14,964)	(15)	14,398	(124,218)
Other Expenses	(4,632,318)	(4,886,084)	(192,628)	(200,803)	(1,292,182)	(114,346)	(22,181)	53,031	(11,287,511)
Segment Benefits, Claims and Other Expenses	(17,724,366)	(10,576,602)	(256,274)	(258,542)	(1,845,745)	(182,121)	(57,325)	53,031	(30,847,944)
Share of Profit of Associates	-		-	-	-	-	275,724	-	275,724
Profit before taxation	2,166,684	1,566,935	54,477	94,769	310,470	262,771	299,988	(657,621)	4,098,473
Taxation	(120,963)	(193,295)	(21,150)	(13,777)	(24,926)	(46,411)	(7,392)	(20,343)	(448,257)
Profit after taxation	2,045,721	1,373,640	33,327	80,992	285,544	216,360	292,596	(677,964)	3,650,216

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)	(3,605,412)	(182,356)	(150,131)	(973,845)	(88,396)	(19,990)	21,648	(7,672,067)
Finance Costs	(29,404)	(79,406)	(18,147)	(29)	(40,859)	(22,156)	(45)	22,156	(167,890)
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
Profit before taxation	2,298,086	867,413	13,706	129,420	478,284	137,552	180,891	(137,072)	3,968,279
Taxation	(935,099)	(87,776)	(5,073)	(17,584)	(32,932)	(22,465)	(8,333)	(9,340)	(1,118,602)
Profit after taxation	1,362,987	779,637	8,633	111,836	445,352	115,087	172,558	(146,412)	2,849,677

Segments of Life insurance and non-life insurance reflects financial information in a consistent manner for 2014 & 2015.

Segment Statement of Financial Position at 31 December 2015	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)	651	78,847	594	-	187,987	2,230	-	-	270,309
Property, Plant & Equipment	5,343,754	2,300,596	538,348	4,648	1,752,043	1,334,395	8,106	-	11,281,890
Investment Property	1,399,171	512,933	-	-	-	-	-	-	1,912,104
Investment in Associates	365,553	92,514	-	-	-	26,147	1,331,648	73,306	1,889,168
Investments in Subsidiaries	8,332,652	8,153,911	-	-	-	-	990	(16,487,553)	-
Financial Instruments	64,918,605	8,816,887	11,461	442,541	129,295	4,942	943,071	(318,117)	74,948,685
Reinsurance Assets	46,007	2,169,757	-	510,578	-	-	-	-	2,726,342
Insurance/Trade Receivables	1,528,035	2,877,519	8,567	173,488	215,478	126,498	73	-	4,929,658
Other Assets	6,194,752	3,326,177	6,087	199,705	309,901	177,078	4,579	(11,401)	10,206,878
Total Assets	88,129,180	28,329,141	565,057	1,330,960	2,594,704	1,671,290	2,288,467	(16,743,765)	108,165,034
Insurance Contract Liabilities	68,279,598	9,086,178		490,544				(854,352)	77,001,968
Other Liabilities	2,509,201	2,798,252	44,948	481,212	1,202,838	261,937	916,148	(124,479)	8,090,057
Total Liabilities	70,788,799	11,884,430	44,948	971,756	1,202,838	261,937	916,148	(978,831)	85,092,025

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 an Associate	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

Segments of Life insurance and Non-life insurance reflect financial information in a consistent manner for 2014 & 2015.

		Energy Lanka Holdings Rs.000'	CEG Education Holdings Rs.000'
5A.	**Summarized financial information of Significant Subsidiaries**		
	Summarized Income Statement for the year ended 31st December 2015		
	Revenue	444,892	2,156,215
	Cost of Sale	(67,775)	(553,563)
	Administrative Expenses	(99,382)	(1,260,903)
	Finance Cost	(14,964)	(31,279)
	Profit Before Tax	262,771	310,470
	Profit for the year from Continuing Operation		
	Total Comprehensive Income	215,380	271,579
	Attributable to non-controlling interests	5,707	112,635
	Dividends paid to non-controlling interest	4,780	32,012
	Summarized Income Statement for the year ended 31st December 2014		
	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 Interests	11,359	61,453
	Summarized Statement of Financial Position as at 31 December 2015		
	Current Assets	334,665	654,674
	Non-Current Assets	1,336,625	1,940,030
	Current Liabilities	61,399	829,107
	Non-Current Liabilities	168,742	373,731
	Total Equity	1,441,150	1,391,865
	Summarized Statement of Financial Position as at 31 December 2014		
	Current Assets	263,171	723,821
	Non-Current Assets	1,382,713	1,331,026
	Current Liabilities	120,644	520,420
	Non-Current Liabilities	154,862	338,263
	Total Equity	1,370,378	1,196,164

Please refer Note 38 for details of non-controlling interest

	Energy Lanka Holdings Rs.000'	CEG Education Holdings Rs.000'
Summarized Statement of Cash Flows information for the year ended 31 December 2015		
Operation	152,716	700,313
Investing	(10,425)	(720,306)
Financing	(121,402)	(70,173)
Net Increase /(Decrease) In cash and cash equivalents	20,889	(90,166)
Summarized Statement of Cash Flows information for the year ended 31 December 2014		
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)

6. GOODWILL

	Group	
	2015 Rs.'000	2014 Rs.'000
Gross Amount		
At 1 January	193,162	193,162
Reclassification	(5,105)	-
At 31 December	188,057	193,162
Accumulated Impairment		
At 1 January	-	-
Impairment during the year	6,753	-
At 31 December	6,753	-
Carrying Amount		
At 31 December	181,304	193,162

This amount represents Goodwill reflected in CEG Education Holdings (Pvt) Ltd's financial statement 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 assesssing the recoverable amount. As at 31 December 2015, there was no potential impairment of goodwill except Netassist International (Pvt) Ltd for which provision has been made.

	Note	Group			Company	
		Lease Hold Right Rs.'000	Computer Software & License Rs.'000	Total Rs.'000	Computer Software & License Rs.'000	Total Rs.'000
7. OTHER INTANGIBLE ASSETS						
Cost						
At 1 January 2015		9,250	351,947	361,197	330,195	330,195
Cost capitalised		-	71,284	71,284	59,641	59,641
Retired		-	(261)	(261)	-	-
Reclassification		-	5,105	5,105	-	-
Transfer on segregation (Note 47 b)		-	-	-	(389,836)	(389,836)
At 31 December 2015		9,250	428,075	437,325	-	-
Accumulated Amortisation and Impairment						
At 1 January 2015		6,394	309,633	316,027	295,245	295,245
Amortisation	35	626	31,928	32,554	10,535	10,535
Retired		-	(261)	(261)	-	-
Transfer on segregation (Note 47 b)		-	-	-	(305,780)	(305,780)
At 31 December 2015		7,020	341,300	348,320	-	-
Carrying Amount						
At 1 January 2015		2,856	42,314	45,170	34,950	34,950
At 31 December 2015		2,230	86,775	89,005	-	-

7.1 Acquisition of Other Intangible Assets during the year

During the financial year, the Group acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 71,284,000 (2014 - 11,600,000). Cash payments amounting to Rs. 71,284,000 (2014 - 11,600,000) were made during the year for purchase of Intangible assets (Computer Software & License).

7.2 Title restriction on Other Intangible Assets

There are no restrictions that existed on the title of the intangible assets as at the reporting date.

	Group Deferred Acquisition Costs (DAC) Insurance Contracts Rs.'000	Company Deferred Acquisition Costs (DAC) Insurance Contracts Rs.'000
8. DEFERRED EXPENSES		
At 1 January 2015	722,682	689,581
Expenses deferred	1,372,318	568,651
Amortisation	(1,316,558)	(536,963)
Transfer on segregation (Note 47 b)	-	(721,269)
At 31 December 2015	778,442	-

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

9. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Cost/Valuation										
At 1 January 2015		3,354,928	3,302,488	1,748,675	1,164,140	845,276	877,791	682,898	415,071	12,391,267
Additions/Transfers		522,387	1,004,561	8,036	466,017	220,292	130,747	111,449	(411,201)	2,052,288
Disposals		(44,000)	(4,000)	(1,436)	(36,638)	(21,844)	(59,804)	(22,854)	-	(190,576)
At 31 December 2015		3,833,315	4,303,049	1,755,275	1,593,519	1,043,724	948,734	771,493	3,870	14,252,979
Accumulated Depreciation										
At 1 January 2015		-	171,288	460,803	325,675	488,502	646,237	409,335	-	2,501,840
Depreciation	35	-	79,542	93,691	171,713	106,359	82,266	56,938	-	590,509
Disposals		-	(66)	(1,312)	(21,090)	(19,525)	(57,680)	(21,587)	-	(121,260)
At 31 December 2015		-	250,764	553,182	476,298	575,336	670,823	444,686	-	2,971,089
Carrying Amount										
At 1 January 2015		3,354,928	3,131,200	1,287,872	838,465	356,774	231,554	273,563	415,071	9,889,427
At 31 December 2015		3,833,315	4,052,285	1,202,093	1,117,221	468,388	277,911	326,807	3,870	11,281,890

Company	Note	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Cost/Valuation										
At 1 January 2015		2,793,480	2,392,863	46,243	995,098	572,206	814,533	517,146	133,752	8,265,321
Additions/Transfers		283,000	196,421	955	70,191	11,701	12,838	21,606	(133,752)	462,960
Disposals/Transfer on Segregation (Note 47)		(3,075,980)	(2,586,384)	(47,198)	(1,065,289)	(583,907)	(827,371)	(538,752)	-	(8,724,881)
At 31 December 2015		500	2,900	-	-	-	-	-	-	3,400
Accumulated Depreciation										
At 1 January 2015		-	48,229	27,511	228,611	298,506	594,463	286,481	-	1,483,801
Depreciation	35	-	21,031	1,498	52,406	19,482	31,213	18,292	-	143,922
Disposals/Transfer on Segregation (Note 47)		-	(69,202)	(29,009)	(281,017)	(317,988)	(625,676)	(304,773)	-	(1,627,665)
At 31 December 2015		-	58	-	-	-	-	-	-	58
Carrying Amount										
At 1 January 2015		2,793,480	2,344,634	18,732	766,487	273,700	220,070	230,665	133,752	6,781,520
At 31 December 2015		500	2,842	-	-	-	-	-	-	3,342

	Addresses	Building Sq. Ft.	Extent	Cost/ Valuation	Value of Land
				Rs.'000	Rs.'000
9.1	**Details of Freehold Land & Building**				
	Company				
	Panagoda	2,500	A-0-R-0-P 20.3	2,900	-
	72, Pamunuwa, Maharagama	-	A-0-R-0-P 31	500	500
				3,400	500
	Group				
	General Insurance Business				
	282, High Level Road, Kottawa	2,625	Condominium	8,000	3,700
	97, Bauddhaloka 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.	7,776	A-0-R-1-P 29	49,000	10,350
	Kosgoda , Balapitiya				
	63, Janadhipathi Mawatha, Colombo 1.	-	A-0-R-0-P 13.84	90,000	90,000
	3 rd,4 th, 7 th & 11 th Floors of Ceylinco House Building	43,468	-	580,566	-
	69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.				
	46 / 34, "VIP Centre", Nawam Mawatha , Colombo 2.	19,534	A-0-R-0-P 19.00	245,000	152,000
	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
	Bibilioya, 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	7,085	1,400
	Sub Total			1,335,091	463,254

	Building Sq. Ft.	Extent	Cost/ Valuation	Value of Land
			Rs.'000	Rs.'000
Life Insurance Business				
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	243,563	94,000
45, Anagarika Dharamapala Mawatha, Matara	7,211	A-00-R-00-P-26.44	90,000	74,000
223, Main Street, Tissamaharama	8,468	A-0-R-1-P-0	50,000	18,000
45, Dharmapala Mawatha , Rathnapura	3,044	A-0-R-0-P-35.5	51,000	42,000
45, Dharmapala Mawatha , Rathnapura (New Building)	6,920	-	67,453	-
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

Addresses	Building Sq. Ft.	Extent	Cost/ Valuation	Value of Land
			Rs.'000	Rs.'000
No, 327, Badulla Road , Bandarawela	8,800	A-0-R-0-P-17.01	86,217	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
No15 , Rexdias Mawatha, Wennappuwa	8,671	A-0-R-0-P-37.4	53,600	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
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	12,320	A-0-R-0-P-23.83	99,767	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	10,910	A-0-R-1-P-20	115,966	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
63, King Street, Kandy	14,670	A-0-R-1-P-1.25	250,000	209,000
401, Main Street, Panadura	-	A-0-R-1-P-4.12	110,000	110,000
Sub Total			4,579,213	2,678,726
Land & Buildings - Other Subsidiaries			2,218,660	690,835
Group -Total			8,136,364	3,833,315

Land and Buildings of the Ceylinco General Insurance Ltd. and Ceylinco Life Insurance Ltd. were assessed as at 31st December 2013 by Mr.W.M.Chandrasena Incorporated valuer.

The net revaluation surplus was transferred to Revaluation Reserve.

The Company's Land & Buildings No.72, Pamunuwa, Maharagama and Panagoda were stated at cost.

9.2 Acquisition of Property, Plant and Equipment (PPE) during the year

During the financial year, the Group acquired PPE to the aggregate value of Rs. 2,463,489,000(2014 - 1,258,569,000).

9.3 Fully Depreciated Property, Plant and Equipment

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

	Group		Company	
At 31 December	**2015**	**2014**	**2015**	**2014**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Plant and Machinery	4,992	29,706	-	3,832
Computer Equipment	235,377	107,203	-	76,280
Office Equipments	189,869	101,843	-	10,123
Furniture and Fittings	191,050	136,798	-	17,311
Motor Vehicles	113,788	10,110	-	-
	735,076	385,660	-	107,546

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
10. INVESTMENT PROPERTIES				
At 1 January	2,715,711	2,506,608	2,715,711	2,506,608
Additions/Transfers	47,900	373,303	47,900	373,303
Transfers on Segregation (Note 47 b)	-	-	(2,050,129)	-
Disposal/Transfers	(851,507)	(164,200)	(560,150)	(164,200)
At 31 December	1,912,104	2,715,711	153,332	2,715,711

Details of Investment Property	**Building Sq. Ft.**	**Extent Perches**	**Value of Land Rs.'000**	**Value of Building Rs.'000**	**Total Rs.'000**
Company					
No.2, R.A.De Mel Mawatha,Colombo-04 (Note 10.1)	12432	A-0-R-0-P-11	104,288	49,044	153,332
			104,288	49,044	153,332
Group					
General Insurance Business					
No,34, Muhandiram ED Dabare Mawatha, Colombo-05 (2 Apartments)	3868			70,000	70,000
Averihena, Thalangama (6 Houses)	18423	A-0-R-0-P-87.9	51,722	99,878	151,600
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
Sub Total			189,722	169,878	359,600

	Building Sq. Ft.	Extent Perches	Value of Land Rs.'000	Value of Building Rs.'000	Total Rs.'000
Life Insurance Business					
Nuwara Eliya, Block No.07 Mistry Hills		A-0-R-0-P-13.5	5,000	-	5,000
No. 36, Talbot Town, Lane1, 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.6, Station Road, Matara	2682	A-0-R-0-P-25.88	44,000	3,900	47,900
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		-	123,620	123,620
Ceylinco House, No. 69, Janadhipathi Mawatha, Colombo 1					
7th Floor	5318		-	84,652	84,652
6th Floor	11323		-	180,000	180,000
5th Floor	11320			175,000	175,000
Sub Total			508,000	891,172	1,399,172
Group Total			802,010	1,110,094	1,912,104

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.

10.1 Title restriction for use

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility. (value of the property amounts to Rs.153Mn). (Refer note 45)

11. (a) INVESTMENT IN SUBSIDIARIES

Investments in Subsidiaries (Unquoted)

	% of Direct Holding		Number of Shares		Cost	
	2015	2014	2015	2014	2015 Rs.'000	2014 Rs.'000
Company						
Serene Resorts Ltd.	100%	100%	500,000	2,000,000	-	-
Ceylinco Seraka Ltd	5%	5%	5,000	5,000	-	-
Ceylinco Healthcare Services Ltd.	99%	99%		52,100,000	-	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	-	7,348,359	100,200
Ceylinco Life Insurance Ltd.	100%	0%	10,000,050	-	7,811,652	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
					15,965,563	1,526,752

The principal place of business of all the Subsidiaries, except for that of Ceylinco Insurance Company (Pvt) Ltd. - Maldives is Sri Lanka. The principal place of business of Ceylinco Insurance Company (Pvt) Ltd. - Maldives is Maldives.

Summarised financial information of Significant subsidiaries is set out in note 5A.

11.(b) INVESTMENT IN ASSOCIATES

Company / Group Investments in Associates

	% Holding		Number of Shares		Value	
	2015	2014	2015	2014	2015	2014
					Rs.'000	Rs.'000
Company						
Quoted Investments						
Citizens Development Business Finance PLC	38%	36%	-	16,495,450	-	304,885
Unquoted Investments						
Ceylinco Homes International Ltd.	33%	33%	1,305,000	1,305,000	13,050	13,050
Sagaramatha insurance Ltd	20%	20%	619,964	516,637	18,557	18,557
Energy Generators (Pvt)Ltd.	24%	24%	86,483,872	86,483,872	60,907	60,907
Company Investments in Associates (At Cost)					92,514	397,399
Group						
Citizens Development Business Finance PLC (Cost)					398,513	-
Negative Goodwill on Acquisition over consideration						
Ceylinco Homes International Ltd.					13,218	13,218
Citizens Development Business Finance Ltd					14,485	14,485
Group's share of Associate Companies Retained Assets						
Ceylinco Homes International Ltd.					21,292	21,292
Sagaramatha Insurance Ltd					114,577	104,918
Citizens Development Business Finance PLC					1,066,045	852,701
Energy Generators (Pvt)Ltd.					142,377	100,838
Investment in Energy Generators (Pvt) Ltd by Subsidiary					26,147	26,147
					1,796,654	1,133,599
Group Investments in Associates (Equity Basis)					1,889,168	1,530,998

	Group	
	2015	2014
	Rs.'000	Rs.'000
Share of Associate's Statement of Financial Position		
Total Assets	16,209,394	12,043,853
Total Liabilities	(14,320,226)	(10,512,855)
Net Assets	1,889,168	1,530,998
Share of Associate's Revenue and Profit		
Revenue	2,488,006	2,219,755
Profit	275,724	150,917

The principal place of business of all the associate Companies, except for that of Sagaramatha Insurance Ltd is Sri Lanka. The principal place of business of Sagaramatha Insurance Ltd is Nepal.
Fair value of Investment in CDB is amounted to Rs. 1,738,240,300 as at 31st December 2015 (2014 -Rs. 1,545,623,665.)

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to maturity financial assets	12(a)	47,148,849	32,124,826	-	31,913,874
Loans and receivables	12(b)	19,807,161	19,082,446	64,754	18,447,316
Available-for-sale financial assets	12(c)	7,777,739	11,158,754	248,863	11,122,225
Financial assets at fair value through profit or loss	12(d)	214,936	219,327	-	219,327
Total Financial Instruments		74,948,685	62,585,353	313,617	61,702,742

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

	Group				Company			
	2015		2014		2015		2014	
	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	47,148,849	47,013,248	32,124,826	33,671,465	-	-	31,913,874	33,460,513
Loans and receivables	19,807,161	19,807,161	19,082,446	19,082,446	64,754	64,754	18,447,316	18,447,316
Available-for-sale financial assets	7,777,739	7,777,739	11,158,754	11,158,754	248,863	248,863	11,122,225	11,122,225
Financial assets at fair value through profit or loss	214,936	214,936	219,327	219,327	-	-	219,327	219,327
Total Financial Instruments	74,948,685	74,813,084	62,585,353	64,131,992	313,617	313,617	61,702,742	63,249,381

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12 (a) Held to Maturity Financial Assets				
Fair value				
Treasury Bills	-	210,952	-	-
Treasury Bonds	35,010,675	26,078,810	-	26,078,810
Term Deposits	291,904	-	-	-
Debentures - Quoted	11,710,669	7,381,703	-	7,381,703
Total Held to Maturity Financial Assets at Fair Value	47,013,248	33,671,465	-	33,460,513

	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortised Cost				
Treasury Bills	-	210,952	-	-
Treasury Bonds	35,396,292	24,754,289	-	24,754,289
Term Deposits	291,904	-	-	-
Debentures - Quoted	11,460,653	7,159,585	-	7,159,585
Total Held to Maturity Financial Assets at Amortised Cost	47,148,849	32,124,826	-	31,913,874

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12 (b) Loans and Receivables				
Receivables from related parties	39,452	43,398	-	-
Staff Vehicle loans	363,989	266,624	-	266,624
Staff Loans other than vehicle loans	392,774	403,680	-	401,605
Repo Investment	124,151	189,337	64,754	123,738
Debentures - Unquoted	490,000	690,000	-	690,000
Term Deposits	18,396,795	17,489,407	-	16,965,349
Total Loans and Receivables at Amortised Cost	19,807,161	19,082,446	64,754	18,447,316

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12 (c) Available-For-Sale Financial Assets				
Treasury Bonds and Bills	5,470,609	9,358,215	200,000	9,358,215
Unquoted Share Investment	678,304	687,622	15,503	671,326
Unquoted preference share investment	161,886	161,886	30,000	161,886
Quoted debentures	683,515	467,688	-	467,688
Quoted Share Investment	429,123	139,520	3,360	119,287
Unit Trust Investments	354,302	343,823	-	343,823
Total Available-For-Sale Financial Assets at Fair Value	7,777,739	11,158,754	248,863	11,122,225

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12 (d) Financial Assets at Fair Value Through Profit or Loss				
Treasury Bonds	194,353	202,176	-	202,176
Short Term Investment - Quoted	20,583	17,151	-	17,151
Total Financial Assets at Fair Value Through Profit or Loss	214,936	219,327	-	219,327

	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
12 (e) Carrying Values of Financial Instruments - Company					
At 1st January 2015	31,913,874	18,447,316	11,122,225	219,327	61,702,742
Purchases	4,139,352	167,316,163	65,906,780	6,341,054	243,703,349
Maturities	(861,808)	(165,982,142)	(60,192,943)	-	(227,036,893)
Disposals	-	-	(8,437,092)	(5,651,048)	(14,088,140)
Fair value gains recorded in the income statement	-	-	-	49,409	49,409
Fair value gains recorded in other comprehensive income	-	-	55,674	-	55,674
Amortisation adjustment	(1,960,833)	197,801	(1,774)	126,156	(1,638,650)
Transfer on Segregation	(33,230,585)	(19,914,384)	(8,204,007)	(1,084,898)	(62,433,874)
At 31 December 2015	-	64,754	248,863	-	313,617

	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
Carrying Values of Financial Instruments - Group					
At 1 January 2015	32,124,826	19,082,446	11,158,754	219,327	62,585,353
Purchases	22,844,797	242,525,314	117,462,628	13,396,019	396,228,758
Maturities	(7,166,808)	(241,019,962)	(60,192,943)	-	(308,379,713)
Disposals	-	(1,040,930)	(60,616,726)	(13,641,363)	(75,299,019)
Fair value gains recorded in the income statement	-	-	-	114,798	114,798
Fair value gains recorded in other comprehensive income	-	-	(32,201)	-	(32,201)
Amortisation adjustment	(653,966)	260,293	(1,773)	126,155	(269,291)
At 31 December 2015	47,148,849	19,807,161	7,777,739	214,936	74,948,685

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.

12. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Contd.)

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

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

For unquoted equity 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.

12 (f) Determination of Fair Value and Fair Values Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

	2015				2014			
	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 - Insurance Business								
Equity securities	20,583	-	-	20,583	17,151	-	-	17,151
Debt securities	194,353	-	-	194,353	202,176	-	-	202,176
	214,936	-	-	214,936	219,327	-	-	219,327
Available-For-Sale Financial Assets - Insurance Business								
Equity securities	589,027	-	639,769	1,228,796	119,287	-	671,326	790,613
Debt securities	5,754,153	-	161,886	5,916,039	10,169,726	-	161,886	10,331,612
	6,343,180	-	801,655	7,144,835	10,289,013	-	833,212	11,122,225
Financial instruments at Fair value -Other businesses	594,369	-	38,535	632,904	36,529	-	-	36,529
	6,937,549	-	840,190	7,777,739	10,325,542	-	833,212	11,158,754
Total Financial Assets (Group)	7,152,485	-	840,190	7,992,675	10,544,869	-	833,212	11,378,081

Reconciliation of Movements in Level 3 Financial Instruments Measured at Fair Value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets which are recorded at fair value:

Insurance Business	At 1 January 2015 Rs.'000	Total gains/(loss) recorded in other comprehensive income Rs.'000	Additions/ Settlements Rs.'000	At 31 December 2015 Rs.'000
Financial Assets				
Available-For-Sale Financial Assets:				
Debt securities	161,886	-	-	161,886
Equities	671,326	(31,557)	-	639,769
Total Level 3 financial assets	833,212	(31,557)	-	801,655

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

	Carrying Amount 31/12/2015 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000	Carrying Amount 31/12/2014 Rs.'000	Effect of Possible Alternate Assumptions Rs.'000
Debt Securities	161,886	16,189	161,886	16,189
Equity Securities	639,769	63,977	671,326	67,133
	801,655	80,166	833,212	83,321

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
13. GRATUITY BENEFIT LIABILITY/(ASSET)				
The amounts recognised in the income statement are as follows:				
Current service cost	96,882	106,692	41,011	89,380
Interest cost on benefit obligation	196,382	180,532	81,826	171,115
Expected return on plan assets	(327,896)	(309,965)	(136,623)	(309,965)
	(34,632)	(22,742)	(13,786)	(49,470)
Net actuarial gain/ (loss) recognised in the other comprehensive income	5,558	214,691	61,058	215,769

The amounts recognised in the statement of financial position at the reporting date are as follows:

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Present value of the defined benefit obligation	(2,197,955)	(1,963,415)	(2,129,597)	(1,963,415)
Fair value of plan assets	3,647,525	3,278,963	3,445,940	3,278,963
Total Net Defined Benefit Asset	1,449,570	1,315,548	1,316,343	1,315,548
Transferred on Segregation (Note 47 b)			(1,316,343)	
			-	1,315,548

13. GRATUITY BENEFIT LIABILITY/(ASSET) (Contd.)

The Movement in the Defined Benefit Liability is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
At 1 January	2,090,521	1,818,663	1,963,415	1,715,158
Current service cost	116,336	106,692	41,011	89,380
Interest cost	209,513	180,532	81,826	171,115
Benefits paid	(96,749)	(101,490)	(48,069)	(97,284)
Actuarial (gains)/ losses	49,937	86,124	91,413	85,046
At 31 December	2,369,558	2,090,521	2,129,597	1,963,415
Defined Gratuity Benefit obligation of the Insurance business	(2,197,955)	(1,963,415)		
Gratuity Liability -Other Subsidiaries	171,602	127,106		

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

	Group	
	2015	**2014**
	Rs.'000	**Rs.'000**
The movement in the plan assets is as follows:		
At 1 January	(3,278,962)	(3,099,651)
Expected return on plan assets	(327,897)	(309,965)
Actuarial gains	(40,666)	130,724
Benefits Paid	-	(70)
At 31 December	(3,647,525)	(3,278,962)

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

	2015	**2014**
	Rs.'000	**Rs.'000**
Treasury bonds/bills	47,610	251,677
Investment in Shares	2,771,720	2,571,633
Corporate debentures	30,000	30,000
Other Assets	798,195	425,652
Total plan assets	3,647,525	3,278,962

Gratuity funds' plan assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 2,724,617,214 as at the reporting date.(2014- Rs. 2,571,632,971).

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:

	2015	**2014**
Future salary increases	8.50%	8.50%
Discount rate	10.00%	10.00%
Expected rate of return on plan assets	10.00%	10.00%

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

Group		Amounts charged to Profit or Loss				Remeasurement gains/(Losses) in other comprehensive income					
	1-Jan-15	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 form changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	31-Dec-15
	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	(1,963,414)	(96,882)	(196,382)	(293,264)	93,831	-	-	-	(35,108)	(35,108)	(2,197,955)
Fair value of plan assets	3,278,962	-	-	-	-	327,896	-	-	40,666	40,666	3,647,525
Benefit Assets/ (Liability)	1,315,548	-	-	(293,264)	93,831	327,896	-	-	5,558	5,558	1,449,570

Company		Amounts charged to Profit or Loss				Remeasurement gains/(Losses) in other comprehensive income					
	1-Jan-15	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 form changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	31-May-15
	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	(1,963,414)	(41,011)	(81,826)	(122,837)	48,067	-	-	-	(91,413)	(91,413)	(2,129,597)
Fair value of plan assets	3,278,962	-	-	-	-	136,623	-	-	30,355	30,355	3,445,940
Benefit Assets/ (Liability)	1,315,548	-	-	(122,837)	48,067	136,623	-	-	(61,058)	(61,058)	1,316,343

As a result of the segregation (Refer Note 47) the Gratuity asset of Ceylinco Insurance PLC has been transferred to the new two insurance companies.

13. GRATUITY BENEFIT LIABILITY/(ASSET) (Contd.)

Company/ Group	Amounts charged to Profit or Loss				Remeasurement gains/(Losses) in other comprehensive income						
	01 January 2014	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 form changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	31 December 2014
	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

A quantitative sensitivity analysis for significant assumptions as at 31-December 2015 is shown below:

	Discount Rate		Future salary incensement rate	
Sensitivity level	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
	Rs.000	Rs.000	Rs.000	Rs.000
Impact on defined benefit obligation	(117,421)	135,140	135,803	(119,965)

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

	2015	2014
	Rs.'000	Rs.'000
Within the next 12 Months	819,219	763,130
Between 2 and 5 Years	518,525	427,251
Between 5 and 10 Years	1,099,994	948,965

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years. (2014: 9 years)

14. PENSION BENEFIT OBLIGATION/ ASSET

The Insurance business Companies have 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.

Group									Remeasurement gains/(losses) in other comprehensive income					
	1 January 2015	Service cost	Net Interest	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	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	31 December 2015
Defined benefit Obligation	(1,171,939)	(2,913)	(117,194)	(120,107)	24,859	-	-	-	-	-	(1,730)	(1,730)	-	(1,268,917)
Fair value of plan assets	2,711,681	-	-	-	(24,859)	271,168	-	-	-	-	(49,016)	(49,016)	123,329	3,032,303
Total recognised benefit (liability) / Asset	1,539,742	-	-	(120,107)	-	271,168	-	-	-	-	(50,746)	(50,746)	123,329	1,763,386

Company									Remeasurement gains/(losses) in other comprehensive income					
	1 January 2015	Service cost	Net Interest	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	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	31May 2015
Defined benefit Obligation	(1,171,939)	(1,214)	(48,132)	(49,346)	10,385	-	-	-	-	-	(7,315)	(7,315)	-	(1,218,213)
Fair value of plan assets	2,711,681	-	-	-	(10,385)	112,987	-	-	-	-	353,278	353,278	51,487	3,219,047
Total recognised benefit (liability) / Asset	1,539,742	-	-	(49,346)	-	112,987	-	-	-	-	345,963	345,963	51,487	2,000,834

As a result of Segregation (Refer Note 47 b) Pension Asset of Ceylinco Insurance PLC has been transferred to two new Insurance Companies

Group/Company									Remeasurement gains/(losses) in other comprehensive income					
	1 January 2014	Service cost	Net Interest	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	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	31 December 2014
Defined benefit Obligation	(1,162,306)	(13,512)	(116,231)	(129,743)	23,456	-	-	-	-	-	96,653	96,653		(1,171,939)
Fair value of plan assets	2,513,128	-	-		(23,456)	251,313	-	-	-	-	(147,415)	(147,415)	118,111	2,711,681
Total recognised benefit (liability) / Asset	1,350,822	-	-	(129,743)	-	251,313	-	-	-	-	(50,762)	(50,762)	118,111	1,539,742

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

14. PENSION BENEFIT OBLIGATION/ ASSET (Contd.)

Projected pension benefit obligation has been valued based on projected unit cost method.

Actuarial gains and losses have been recognised immediately in the Statement of Other Comprehensive Income.

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

		2015	2014
Discount rate		10%	10%
Rate of return on Plan Assets	Current	10%	10%
	Previous	10%	10%
Salary Escalation rate	Scheme A	0%	0%
	Scheme B, C &D	10%	10%
Attrition rate		1%	1%
Retirement age	Scheme A	60 Yrs	60 Yrs
	Scheme B, C &D	55Yrs	55Yrs
Mortality Table		PA 90	PA 90

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs 2,653,630,527/- at the Reporting date. (2014 - Rs 2,581,744,020/-).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 is shown below.

	Discount Rate		Future Salary increment rate		Life Expectancy	
Sensitivity level	Increase	Decrease	Increase	Decrease	Increase by 1 year	Decrease by 1 year
	1%	1%	1%	1%		
Impact on defined benefit obligation	(68,471)	77,153	2,898	(2,675)	23,287	(23,735)

Following are expected payments from the defined benefit pension obligation in the future years.

	2015 Rs.000	2014 Rs.000
Within the next 12 Months	153,885	136,393
Between 2 and 5 Years	433,548	383,313
Between 5 and 10 Years	733,537	652,017

The average duration of defined benefit plan obligation at the end of the reporting period is 15 years (2014: 15 years)

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
15.	**REINSURANCE RECEIVABLES**				
	Reinsurance of insurance contracts	2,726,342	2,505,273	-	2,162,743
	Total Reinsurance Receivables	2,726,342	2,505,273	-	2,162,743

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

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
16.	**TAXATION**				
16 (a)	**Tax Receivable**				
	At 1 January	997,602	1,394,774	997,179	1,394,351
	Amounts recorded in the income statement	(362,464)	(780,045)	(100,424)	(701,515)
	Notional tax recognised	333,467	229,054	144,004	229,049
	Payments made on-account during the year	58,399	153,819	3,685	75,294
	Transfer on Segregation (Note 47 b)	-	-	(1,059,230)	-
	At 31 December	1,027,004	997,602	-14,786	997,179
	Payable balance included under Other payables	162,734	-	14,786	0
	At 31 December	1,189,738	997,602	-	997,179

Included in the Income Tax Recoverable is an amount of Rs.1,183,386,000 recognised as Notional Tax Credit available in Ceylinco Life Insurance Ltd.

The Department of Inland Revenue has issued VAT assessments for the taxable period in the years 2003 and 2004 mainly imposing VAT on Reinsurance recoveries and reinsurance discounts relating to General Insurance Business. 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.

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

16. TAXATION (Contd.)

	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2015	2014	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
16 (b) Deferred Tax Asset- Company						
Losses carried forward	-	-	21,234	321,891	-	131,142
Temparory Difference from Retirement Benefit Liability	8,350	28,549	(55,613)	(90,141)	-	549,868
Temparory Difference from Property Plant and Equipment	-	-	26,125	89,610	-	(401,453)
Revaluation reserve	2,926	-	-	-	-	(163,475)
Available for sale financial assets	(22,907)	74,004	2,270	-	-	(67,618)
Deferred Tax Expense/(Income)	(11,631)	102,553	(5,984)	321,360		
Deferred Tax Asset					-	48,463

	Company	
	2015	2014
	Rs.'000	Rs.'000
Total Deferred Tax Assets		
At 1 January	48,465	472,378
Amounts recorded in the income statement	5,984	(321,360)
Amounts recorded in other comprehensive income	11,631	(102,553)
Transfer on Segregation	(66,080)	
At 31 December	-	48,465

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.

	Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2015	2014	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
16 (c) Deferred Tax Asset- Group						
Losses carried forward	-	-	21,234	319,722	-	182,865
Temparory Difference from Retirement Benefit Liability	494	28,451	(69,135)	(91,556)	386,145	560,185
Temparory Difference from Property Plant and Equipment	-	-	34,487	99,156	(282,256)	(453,043)
Revaluation reserve	2,926	-	-	-	-	(163,475)
Available for sale financial assets	(22,759)	74,003	2,270	-	(26)	(67,618)
Deferred Tax Expense/(Income)	(19,339)	102,454	(11,144)	327,323		
Deferred Tax Asset					103,863	58,916

	Group 2015 Rs.'000	Group 2014 Rs.'000
Total Deferred Tax Assets		
At 1 January	58,916	488,692
Amounts recorded in the income statement	11,144	(327,323)
Amounts recorded in other comprehensive income	19,339	(102,454)
Amount Reclassified from Deferred tax liability	14,463	
At 31 December	103,863	58,916

A deferred tax asset is recognised for a tax loss carry forward only to the extent that realisation of the related tax benefit is probable.

	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
16(d) Deferred Tax Liabilities- Group						
Losses carried forward	-	-	19,593	-	109,397	-
Temparory Difference from Retirement Benefit Obligation	8,939	-	(12,274)	(735)	247,116	2,737
Temparory Difference from Property Plant and Equipment	-	-	105,819	2,629	(428,170)	(13,937)
Revaluation reserve	837	(6,037)	(36,545)	-	(23,758)	(29,527)
Temparory Difference from Retained Reserves of Associates	-	-	20,343	9,340	(61,814)	(41,472)
Available for sale Financial Assets	-	-	-	-	(47,106)	-
Deferred Tax Expense/(Income)	9,776	(6,037)	96,936	11,234		
Deferred Tax Liability					(204,335)	(82,198)

	Group 2015 Rs.'000	Group 2014 Rs.'000
Total Deferred Tax Liability		
At 1 January	82,198	77,001
Amounts recorded in the income statement	96,936	11,234
Amounts recorded in other comprehensive income	9,776	(6,037)
Amount Reclassified from Deferred tax asset	15,425	-
At 31 December	204,335	82,198

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.

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
17. INSURANCE RECEIVABLES/TRADE DEBTORS				
Premium Receivables	3,243,408	3,535,359	-	3,195,356
Due from Trade Debtors	350,616	313,489	-	-
Loans to policyholders	1,335,634	1,507,143		1,507,143
	4,929,658	5,355,991	-	4,702,499

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

	Group			Company		
	Below 60 days	Above 60 days	Total	Below 60 days	Above 60 days	Total
2015	2,980,639	613,385	3,594,024	-	-	-
2014	2,885,482	963,366	3,848,848	2,550,042	645,314	3,195,356

In the age analysis Loans to policyholders are not included.

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
18. ACCRUED INCOME				
Held to Maturity Investments	1,377,032	1,060,589	-	1,060,589
Financial assets at fair value through profit or loss	5,666	22,387	-	22,387
Loans & Receivables	1,294,967	3,329,554	118	3,316,226
Available for sale investments	67,989	152,018	-	152,018
	2,745,654	4,564,548	118	4,551,220

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19. OTHER ASSETS				
Advances, Deposits & Prepayments	480,242	546,985	45,187	377,853
Inventories	111,415	122,130	-	100,503
Gold	2,491	2,491	-	2,491
Deferred Staff Benefits	181,197	174,889	-	174,889
Other Receivables	348,485	206,047	-	44,798
	1,123,830	1,052,542	45,187	700,534

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
20. CASH AND CASH EQUIVALENTS				
Cash in hand and at Bank	1,052,395	1,007,522	4,011	640,740
Total Cash and Cash Equivalents	1,052,395	1,007,522	4,011	640,740

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

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21 (a) STATED CAPITAL				
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.

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21 (aa) Ordinary Shares - Voting				
20,000,000 Ordinary Shares Voting	200,000	200,000	200,000	200,000
	200,000	200,000	200,000	200,000
21 (ab) Ordinary Shares - Non - Voting				
6,414,480 Ordinary shares - NonVoting	1,122,534	1,122,534	1,122,534	1,122,534
	1,122,534	1,122,534	1,122,534	1,122,534
21 (ac) Share Premium				
Balance as at year end	2,288	2,288	2,288	2,288
	2,288	2,288	2,288	2,288

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21 (b) OTHER RESERVES				
Other Retained Reserves	2,057,437	2,057,437	2,057,437	2,057,437
Available for Sale Reserve	505,585	834,911	(17,349)	630,203
Foreign Currency Translation Reserve	(2,370)	440	-	-
	2,560,652	2,892,787	2,040,088	2,687,640

Other Retained Reserves represent General reserves.

	Note	2015 Rs.'000	2014 Rs.'000
22. INSURANCE CONTRACT LIABILITIES			
Group			
Life insurance Contract	22(a)	67,157,184	60,021,879
Non-life insurance contract	22(b)	9,576,722	9,259,497
Total Insurance Contract Liabilities		76,733,906	69,281,376

	Note	Rs.'000	Rs.'000
Company			
Life insurance Contract	22(a)	-	60,021,879
Non-life insurance contract	22(b)	-	8,745,212
Total Insurance Contract Liabilities		-	68,767,091

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

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

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
22 (a) Life Insurance Contract Liabilities			
At 1 January 2015	31,816,990	28,204,889	60,021,879
Gross Premium Income	5,654,430	7,802,398	13,456,828
Premiums ceded to reinsurers	(14,174)	(295,880)	(310,054)
Liabilities paid for death, maturities, surrenders, benefits and claims	(2,568,486)	(3,388,273)	(5,956,759)
Investment return	3,383,646	3,064,550	6,448,196
Reinsurance commission income	738	58,857	59,595
Other operating and Admin Expenses	(1,217,886)	(1,934,679)	(3,152,565)
Underwriting and net Acquisition Cost	(851,324)	(758,612)	(1,609,936)
Net Transfer to Shareholder	(166,229)	(1,633,771)	(1,800,000)
At 31 December 2015	36,037,705	31,119,479	67,157,184

The actuarial valuation of the Life Fund of Ceylinco Life Insurance Limited as at 31 December 2015 was carried out by the Appointed Actuary, Mr. Mark Birch(FIA) of Willis Towers Watson. Following the valuation, Rs.1.8 billion was transferred from the Life Fund to the Shareholder's retained Profit Account (Rs.1.3 billion following the previous year end valuation) . In the opinion of the Actuary, adequate and proper reserves have been provided as at 31.12.2015 for all known liabilities in respect of the long term insurance business of the Life Fund, taking into account all bonus declared as at that date.

Revaluation reserve and available for sale reserve relating to assets of policyholders were realized at the time of segregation and accordingly Rs. 854 Mn was credited to Life Fund in Ceylinco Life Insurance Ltd. However, in the Group perspective there were no such realization.

		Note	2015 Insurance Contract Liabilities Rs.'000	2014 Insurance Contract Liabilities Rs.'000
	Group			
22 (b)	**Non-Life Insurance Contract Liabilities**			
	Provision for reported claims by policyholders		3,168,136	3,253,596
	Provision for claims IBNR/IBNER		240,666	215,783
	Outstanding claims provision	22 (b).1	3,408,802	3,469,379
	Provision for unearned premiums	22.(b).2	6,167,920	5,790,118
	Total non life insurance contract liabilities		9,576,722	9,259,497

	Note	2015 Insurance Contract Liabilities Rs.'000	2014 Insurance Contract Liabilities Rs.'000
Company			
Provision for reported claims by policyholders		-	2,864,624
Provision for claims IBNR/IBNER		-	200,979
Outstanding claims provision	22 (b).1	-	3,065,603
Provision for Unearned Premiums	22.(b).2	-	5,679,609
Total Non Life Insurance Contract Liabilities		-	8,745,212
Non-life Technical Reserves		-	6,150,718

		2015			2014		
		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
	Group						
22(b)1	**Outstanding Claims Provision**						
	At 1 January	3,469,379	2,477,298	992,081	3,014,517	2,375,044	639,473
	Claims incurred in the current accident year	6,833,831	1,018,355	5,815,476	6,474,722	1,182,705	5,292,017
	Other movements in claims incurred in prior accident years	81,613	403,572	(321,959)	(143,746)	(176,711)	32,965
	Claims paid during the year	(6,976,021)	(1,230,696)	(5,745,325)	(5,876,114)	(903,740)	(4,972,374)
	At 31 December	3,408,802	2,668,529	740,273	3,469,379	2,477,298	992,081

22. INSURANCE CONTRACT LIABILITIES (Contd.)

	2015			2014		
	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
Company						
At 1 January	3,065,603	2,134,769	930,834	2,794,464	2,187,290	607,174
Claims incurred in the current accident year	2,471,871	46,878	2,424,993	5,863,207	658,850	5,204,357
Other movements in claims incurred in prior accident years	70,827	438,263	(367,436)	61,838	6,284	55,554
Claims paid during the year	(2,604,707)	(534,964)	(2,069,743)	(5,653,906)	(717,655)	(4,936,251)
Transfer on Segregation (Note 47 b)	(3,003,594)	(2,084,946)	(918,648)	-	-	-
At 31 December	-	-	-	3,065,603	2,134,769	930,834

Reinsurance receivable on paid claims are included under above Reinsurance receivables amounting to Rs. 37,490,000 in 2014 and Rs. 139,665,000 in 2015 respectively.

Reinsurance receivables on paid claims represent dues within 6 months.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claim reserves 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.

	2015 Insurance Contract Liabilities Rs.'000	2014 Insurance Contract Liabilities Rs.'000
Group		
22(b)2 Provision for Unearned Premiums		
At 1 January	5,790,118	5,378,231
Premiums written in the year	12,746,120	9,990,369
Premiums earned during the year	(12,368,318)	(9,578,482)
At 31 December	6,167,920	5,790,118
Company		
At 1 January	5,679,609	5,251,309
Premiums written in the year	4,546,991	9,780,055
Premiums earned during the year	(4,102,200)	(9,351,755)
Transfer on Segregation (Note 47 b)	(6,124,400)	-
At 31 December	-	5,679,609

23 DEFERRED REVENUE

This represents entitled reinsurance commission on insurance business to be recognised in the future periods proportionately.

		Note	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
24	**INTEREST BEARING LOANS & BORROWINGS**					
	Bank Overdraft		535,718	488,365	-	346,001
	Borrowings	24.1	978,842	463,627	-	-
	Total borrowings		1,514,560	951,992	-	346,001

		Note	Group 2015 Total Rs.'000	Group 2014 Total Rs.'000	Company 2015 Total Rs.'000	Company 2014 Total Rs.'000
24.1	**Borrowings**					
	Bank Loans	24.2	193,880	282,977	-	-
	Corporate Borrowings		87,340	100,168	-	-
	Repo Borrowings		615,709	-	-	-
	Funds under Management Agreement		66,913	65,482	-	-
	Promisory Notes		15,000	15,000	-	-
			978,842	463,627	-	-

		As at 01.01.2015 Rs.'000	Loans Obtained Rs.'000	Repayments Rs.'000	As at 31.12.2015 Rs.'000
24.2	**Bank Loans**				
	Sampath Bank PLC	176,477	62,764	(45,361)	193,880
	Nation Trust Bank PLC	17,500	-	(17,500)	-
	Hatton National Bank PLC	89,000	-	(89,000)	-
		282,977	62,764	(151,861)	193,880

Loans were obtained at variable rates and it is assumed that the carrying value approximates fair value.

The assets pledged against borrowings are disclosed in Note 45.

		Note	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
25	**OTHER FINANCIAL LIABILITIES**					
	Repo borrowings		299,811	75,000	-	75,000
	Lease Creditors	25.1	4,931	9,157	-	-
			304,742	84,157	-	75,000

25 OTHER FINANCIAL LIABILITIES (Contd.)

As at 31st December 2015	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
25.1 Lease Creditors - Group				
Total of future minimum lease payments	5,582	-		5,582
Present Value of minimum lease payments	4,931	-	-	4,931

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

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
26 REINSURANCE PAYABLES				
Reinsurance Payable	1,179,216	855,084	-	492,091
	1,179,216	855,084	-	492,091

The above amounts include Reinsurance payable to National Insurance Trust Fund, local reinsurers and foreign reinsurers.

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
27 TRADE AND OTHER PAYABLES				
Policyholders Payment in Advance	453,745	400,973	-	400,973
Agency Commission Payable	684,559	640,497	-	616,782
Government Levies	199,776	161,505	-	161,505
Trade Creditors & Accrued Expenses	3,038,100	2,112,234	121,838	1,440,306
Death Claims payable	103,432	102,208	-	102,208
	4,479,612	3,417,417	121,838	2,721,774

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

All amounts are payable within one year.

	Notes	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
28 NET PREMIUMS					
28 (a) Gross Written Premium					
Life insurance	28 (a) 2	13,456,827	12,002,524	5,165,550	12,002,524
Non-life insurance	28 (a) 1	14,527,332	13,220,330	5,505,510	12,164,864
Gross Written Premiums		27,984,159	25,222,854	10,671,060	24,167,388

	Notes	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
28 (b) Premiums Ceded to Reinsurers					
Life insurance	28 (b) 2	310,055	287,305	126,591	287,305
Non-life insurance	28 (b) 1	3,809,970	3,221,739	958,517	2,376,587
Premiums Ceded to Reinsurers		4,120,025	3,509,044	1,085,108	2,663,892

Gross Written Premium

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

	Group 2015 Rs.'000	Group 2014 Rs.'000	Group Change %	Company 2015 Rs.'000	Company 2014 Rs.'000	Company Change %
(a) 1. Non - Life Insurance						
Fire	1,879,508	1,875,805	0%	682,973	1,370,957	-50%
Motor	8,119,326	7,455,519	9%	3,320,357	7,411,446	-55%
Marine	731,766	692,987	6%	174,388	415,545	-58%
Miscellaneous	2,627,568	2,268,581	16%	959,035	2,067,032	-54%
Engineering	1,029,927	794,999	30%	304,954	767,445	-60%
Employers' Liability	139,237	132,439	5%	63,803	132,439	-52%
	14,527,332	13,220,330	10%	5,505,510	12,164,864	-55%

The Gross written premium of 2015 includes Rs.35,080,138/- and US$ 160,867 (2014- Rs.69,017,415 and US$ 230,296) which are collected on behalf of co-insurance partners.

	Group 2015 Rs.'000	Group 2014 Rs.'000	Group Change %	Company 2015 Rs.'000	Company 2014 Rs.'000	Company Change %
(a) 2. Life Insurance	13,456,827	12,002,524	12%	5,165,550	12,002,524	-57%
Total Gross Written premium	27,984,159	25,222,854	11%	10,671,060	24,167,388	-56%
Annualised New Business Life premium	3,710,208	3,723,051	0%	1,506,211	3,723,051	-60%

28 NET PREMIUMS (Contd.)

		Group			Company		
		2015	2014	Change	2015	2014	Change
		Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
	Premium Ceded to Reinsurers						
(b)1.	**Non- Life Insurance**						
	Fire	1,640,424	1,622,993	1%	558,834	1,139,179	-51%
	Motor	237,443	164,923	44%	68,694	164,923	-58%
	Marine	434,860	390,880	11%	65,151	148,507	-56%
	Miscellaneous	668,239	484,982	38%	77,124	392,487	-80%
	Engineering	816,700	546,292	49%	183,974	519,822	-65%
	Employers' Liability	12,304	11,669	5%	4,740	11,669	-59%
		3,809,970	3,221,739	18%	958,517	2,376,587	-60%
	National Insurance Trust Fund						
	Compulsory Reinsurance Cessions	480,710	325,323	48%	151,041	325,323	-54%
	Strike , Riots, Civil Commotion	579,159	639,869	-9%	258,496	639,869	-60%
	Foreign Reinsurers	2,692,987	2,157,751	25%	515,471	1,312,599	-61%
	Local coinsurance partners	57,114	98,796	-42%	33,509	98,796	-66%
		3,809,970	3,221,739	18%	958,517	2,376,587	-60%
(b) 2.	**Life Insurance**						
	Foreign Reinsurers	310,055	287,305	8%	126,591	287,305	-56%
	Total Premium Ceded to Reinsurers	4,120,025	3,509,044		1,085,108	2,663,892	-59%

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
28 (c)	**Net Income**				
	Net Earned Premium	23,486,332	21,301,922	9,141,161	21,075,196
	Revenue from Subsidiaries	2,860,228	2,511,173	-	-
	Other Revenue	8,324,133	8,450,855	3,800,289	8,346,526
		34,670,693	32,263,950	12,941,450	29,421,722

Net income represents total net earned premium, other revenue and revenue from subsidiaries (group).

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
29	**FEES AND COMMISSION INCOME**				
	Reinsurance commission income	610,238	709,096	173,185	560,490
	Other fees	32,536	15,571	10,109	28,190
	Total fees and commission income	642,774	724,667	183,294	588,680

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
30 INVESTMENT INCOME				
Rental income from investment properties	61,398	77,441	20,813	77,441
Profit on disposal of shares in associate	-	1,029	-	-
Financial assets at fair value through profit or loss (held for trading purposes)				
Interest income	84,894	70,606	50,734	70,606
Held to maturity financial assets interest income	3,875,848	3,191,114	1,511,248	3,177,304
Available-for-sale financial assets				
Interest income	613,353	878,299	288,598	878,299
Dividend income	181,412	246,076	209,110	377,594
Loans and receivables interest income	2,328,243	2,783,997	888,936	2,736,297
Interest Income from Staff Loan	42,186	47,602	11,557	47,602
Other operating revenue	284,643	188,871	47,219	162,109
Total investment income	7,471,977	7,485,035	3,028,215	7,527,252

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
31 NET REALISED GAINS				
Property, Plant and equipment				
Realised gains	9,798	16,552	(10,573)	5,993
Realised gains				
Equity securities *	10,478	22,597	458,763	22,597
Debt securities *	114,066	131,730	127,939	131,730
Realised losses				
Equity securities	(39,758)	-	(36,758)	-
Total realised gains for available-for-sale financial assets	84,786	154,327	549,944	154,327
Total realised gains	94,584	170,879	539,371	160,320

* The realised gains of the Company includes income of Rs. 476,780,000 representing available for sale reserve realisation due to transfer of assets on segregation to new General Insurance Company. However, the said income is not included in the consolidated realised gains since it is not realised in Group perspective.

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
32. NET FAIR VALUE GAINS AND LOSSES				
Fair value gains on financial assets at fair value through profit or loss (held for trading purposes)	114,798	70,274	49,409	70,274
Total fair value gains and losses	114,798	70,274	49,409	70,274

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
33. NET BENEFITS AND CLAIMS				
(a) Gross benefits and claims paid				
Life insurance contracts	6,109,171	5,001,999	2,303,546	5,001,999
Non-life insurance contracts	6,766,223	5,877,182	2,604,707	5,653,906
Total gross benefits and claims paid	12,875,394	10,879,181	4,908,253	10,655,905
(b) Claims ceded to reinsurers				
Life insurance contracts	(152,427)	(108,152)	(36,681)	(108,152)
Non-life insurance contracts	(1,218,891)	(903,737)	(340,744)	(717,654)
Total claims ceded to reinsurers	(1,371,318)	(1,011,889)	(377,425)	(825,806)
(c) Gross change in contract liabilities				
Change in life insurance contract liabilities	7,135,304	7,256,468	3,459,448	7,256,468
Change in non-life insurance contract outstanding claims provision	165,897	448,610	12,991	271,139
Total gross change in contract liabilities	7,301,201	7,705,078	3,472,439	7,527,607
(d) Change in contract liabilities ceded to reinsurers				
Change in non-life insurance contract outstanding claims provision	35,028	(97,597)	49,823	52,520
Total change in contract liabilities ceded to reinsurers	35,028	(97,597)	49,823	52,520
Net benefits and claims	18,840,305	17,474,773	8,053,090	17,410,226
Net benefits and claims - Non Life Insurance	5,748,257	5,324,458	2,326,777	5,259,911
Net benefits and claims - Life Insurance	13,092,048	12,150,315	5,726,313	12,150,315
	18,840,305	17,474,773	8,053,090	17,410,226

	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Gross claims and benefits (Excluding Life fund increase)				
Claims - death,disability and hospitalisation	608,850	541,714	253,689	541,714
Policy Maturities	3,691,997	2,947,292	1,395,555	2,947,292
Interim payments on Anticipated Endowment plans	739,270	714,925	317,688	714,925
Surrenders	845,932	722,419	271,975	722,419
Cash Bonus expenses	204,379	49,568	59,864	49,568
Annuities	18,759	26,081	4,775	26,081
	6,109,187	5,001,999	2,303,546	5,001,999
Reinsurance recoveries	(152,426)	(108,152)	(36,681)	(108,152)
Life Insurance net claims and benefits	5,956,761	4,893,847	2,266,865	4,893,847

	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
Non - Life Net claims incurred				
Gross Claims Incurred	6,932,120	6,325,792	2,617,698	5,925,045
Reinsurance Recoveries	(1,183,863)	(1,001,334)	(290,921)	(665,134)
Total Net Claims incurred	5,748,257	5,324,458	2,326,777	5,259,911

	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
The analysis by major classes of business is as follows-non-life				
Fire	183,984	236,678	127,451	222,919
Motor	4,141,675	3,828,575	1,691,574	3,816,331
Marine	91,660	95,177	27,129	67,525
Miscellaneous	1,203,241	971,678	450,407	956,384
Engineering	114,859	190,679	26,553	195,081
Employer's Liability	12,838	1,671	3,663	1,671
	5,748,257	5,324,458	2,326,777	5,259,911

		Group		Company	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
34.	**ACQUISITION COSTS**				
	Fees and commission expenses	2,888,051	2,578,165	1,135,124	2,520,729
	Deferred expenses	(756,423)	(689,580)	(721,270)	(689,580)
	Amortisation of deferred expenses	689,580	627,042	689,580	627,042
		2,821,208	2,515,627	1,103,434	2,458,191

			Group		Company	
			2015	2014	2015	2014
		Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
35.	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**					
	Reversal of Impairment in value of Investments		-	6,277	-	6,277
	Amortisation of Intangible Assets & Goodwill	7	32,554	13,161	10,535	11,185
	Depreciation on Property, Plant and Equipment	9	590,509	486,434	143,922	286,659
	Other Operating Expenses	35(b)	2,518,600	2,529,528	890,069	2,166,852
	Auditors' Remuneration		11,780	10,210	2,127	6,659
	Employee Benefits Expense	35 (a)	3,952,105	3,525,234	1,281,190	2,923,087
	Net Foreign Exchange Adjustments		-	1,075	-	-
	Selling Expenses		1,133,399	1,061,193	354,370	840,188
	Legal Expenses		92,154	23,575	52,378	23,203
	Donations		10,987	15,380	4,214	15,207
	Total other operating and administrative expenses		8,342,088	7,672,067	2,738,805	6,279,316

			2015	2014	2015	2014
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
35 (a)	**Employee benefits expense**					
	Wages and salaries including bonus & incentives		3,372,103	3,009,339	1,109,330	2,522,605
	Employees' Provident Fund		271,083	244,964	93,794	213,976
	Employees' Trust Fund		67,992	61,241	23,622	53,500
	Defined gratuity benefit & Pension costs	35 (C)	(131,015)	(155,126)	(22,079)	(183,744)
	Other staff related cost		371,942	364,816	76,523	316,751
	Total employee benefits expense		3,952,105	3,525,234	1,281,190	2,923,087

35 (b) Other Operating Expenses

The operating expenses incurred in respect of investment property which does not earn rental income is Rs. 11,006,682/-. (2014 - Rs.8,843,166/-)

The operating expenses incurred in respect of investment property which earns rental income is Rs.1,637,936 (2014- Rs.4,810,771)

35 (c) Net Gratuity benefit and pension cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
36. FINANCE COSTS				
Interest expense on bank overdraft	12,814	29,841	4,221	29,404
Interest expense on loans	33,043	58,964	-	-
Other Finance Charges	78,361	79,085	33,492	79,085
Total finance cost	124,218	167,890	37,713	108,489

37. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
37 (a) Current year tax charge				
Current tax				
Income tax	338,578	433,232	100,978	355,779
Over/under provision in respect of previous year	23,887	346,814	(297)	345,736
Total current tax	362,465	780,045	100,681	701,515
Deferred tax				
Origination of temporary differences (note 16 b,c and d)	85,792	338,557	(5,984)	321,360
Total income tax expense	448,257	1,118,602	94,697	1,022,875

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
37 (b) Tax recorded in other comprehensive income (see Note 41)				
Current tax	-	-	-	-
Deferred tax	9,563	96,417	11,631	102,553
Total tax charge to other comprehensive income	9,563	96,417	11,631	102,553

37. INCOME TAX EXPENSE (Contd.)

		2015 Rs.000	2014 Rs.000
	Company		
37 (c)	**Reconciliation of tax charge**		
	Reconciliation of effective tax rate		
	Profit before tax	1,008,409	3,165,500
	Profits from Life Insurance business	687,353	435,096
	Profits Liable for income tax-General Insurance	1,695,762	3,600,595
	Income tax using the Company's domestic tax rate 28%	474,813	1,008,167
	Tax exempt income	(334,207)	(532,822)
	Net non-deductible/(deductible) expenses	14,919	54,381
	Tax effect of loss claimed for the year	(54,547)	(191,573)
	Over / (Under) Provision of Previous Years	(297)	345,736
	Deferred tax charge/(reverse)	(5,984)	321,360
	Tax savings on current tax loss	-	17,626
		94,697	1,022,875

	2015 Rs.000	2014 Rs.000
Group		
Reconciliation of effective tax rate		
Profit before Tax	4,098,473	3,968,279
Profit from Life business	687,353	435,096
Accounting (profits)/losses of subsidiaries exempt from taxes	-	(44,966)
Accounting (profits)/losses of subsidiaries which are tax losses	-	(56,944)
Profits liable for income tax	4,785,826	4,301,465
Income tax using the Company's domestic tax rate	1,340,031	1,204,410
Tax exempt income	(2,924,351)	(628,779)
Net non-deductible/(deductible) expenses	2,034,420	32,074
Tax effect of Loss claimed for the year	(58,444)	(192,100)
Over / (Under) Provision of Previous Years	4,279	346,814
Deferred tax charge/(reverse)	85,792	338,557
Tax savings on current tax loss	(33,470)	17,626
	448,257	1,118,602

The Company is liable to pay income tax at the rate of 28% on its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

Taxable profits of Long-Term insurance business is computed on investment income less management expenses and allowable expenses.

Ceylinco Health Care Services Ltd is liable to pay 12% on its business income & 28% on its investment income.

CEG Education Holdings (Private) Limited and Cey Hydro Developers (Pvt) Ltd are liable to pay 10% on its business income. Other income of the Company is liable for taxation at the normal rate.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd is liable for 12% tax on the income for the year of assessment 2013/2014.Other income of the Company is liable for taxation at the normal rate.

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

		2015 000'	2014 000'	Effective ownership by NCI %
38.	**NON CONTROLLING INTERESTS (NCI)**			
(a)	**Accumulated balances of Non-Controlling Interest**			
	Ceylinco Healthcare (Pvt) Ltd	1,026	759	0.80%
	Ceylinco Insurance (Pvt) Ltd -Maldives	134,511	111,317	40%
	Ceylinco Investcorp (Pvt) Ltd	9,354	7,483	25%
	Energy Lanka Holdings Ltd	31,796	30,869	-
	CEG Education Holdings Ltd	683,691	612,041	37.40%
		860,378	762,469	

		2015 000'	2014 000'
(b)	**Profit allocated to Non-Controlling Interest**		
	Ceylinco Healthcare (Pvt) Ltd	267	69
	Ceylinco Insurance (Pvt) Ltd -Maldives	32,396	44,734
	Ceylinco Investcorp (Pvt) Ltd	4,125	4,138
	Energy Lanka Holdings Ltd	5,707	3,580
	CEG Education Holdings Ltd	112,635	249,207
		155,130	301,728

39. BASIC/DILUTED EARNINGS PER SHARE

Basic/Diluted Earnings per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

	Group		Company	
	2015	2014	2015	2014
Profit for the year (Rs.'000)	3,495,086	2,547,949	913,712	2,142,624
Weighted Average Number of Ordinary Shares ('000)	26,414	26,414	26,414	26,414
Basic/Diluted Earnings per Ordinary Share (Rs.)	132.32	96.46	34.59	81.12

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.

		Company	
		2015	2014
		Rs.'000	Rs.'000
40.	**DIVIDENDS PROPOSED**		
	Final Proposed Dividend (Rs.'000)	594,326	528,290
	No. of Shares in issue for the year ('000)	26,414	26,414
	Dividend per share (Rs.)		
	Proposed Final (Rs.)	22.50	20.00

The Board of Directors has proposed a final dividend of Rs. 22.50 per share for the year ended 31st December, 2015 which is to be approved by the shareholders at the Annual General Meeting to be held on 6th May 2016.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, 2015.

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

		2015			2014		
		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
41.	**INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME**						
	Company						
	Exchange differences on translating foreign operations			-	-		-
	Net gain/(loss) on available-for-sale financial assets	(683,536)	20,636	(662,900)	362,138	(74,004)	288,134
	Actuarial gain on defined benefit plans	284,907	(9,318)	275,589	(265,273)	(29,301)	(294,574)
	Revaluation surplus/(Deficit) during the year	-	313	313	-	752	752
	Total	(398,629)	11,631	(386,998)	96,865	(102,553)	(5,688)
	Group						
	Exchange differences on translating foreign operations	(4,682)	-	(4,682)	5,136	-	5,136
	Net gain/(loss) on available-for-sale financial assets	(349,396)	19,651	(329,745)	360,228	(74,004)	286,224
	Actuarial gain on defined benefit plans	(67,317)	(10,401)	(77,718)	(275,787)	(29,202)	(304,989)
	Revaluation surplus/(Deficit) during the year	14,587	313	14,900	(784)	6,789	6,005
	Total	(406,808)	9,563	(397,245)	88,793	(96,417)	(7,624)

42. 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 Group has established a risk management process with specified objectives with clear tasks. The board of directors and senior managers manage the risks through various committees and delegated authorities. The reviews of risks on regular basis and the strategies adopted timely ensure that risk managemet function is an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory enivronment and macro economic changes. The Group has well experienced and skilled directors who could assess the risks and execute appropriate strategies and achieve the targets with less negative effect on 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 insurance companies to meet unforeseen liabilities as they arise.

The Insurance business maintains capital, investments and solvency as per the regulations prescribed by the Insurance Board of Sri Lanka. (IBSL). Further, under the parallel run requirements of IBSL the insurance business maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime.

New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to capital management

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

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of capital such as reinsurance.

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

42. RISK MANAGEMENT FRAMEWORK (Contd.)

(c) Regulatory framework

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

The insurance business is regulated by the Insurance Board of Sri Lanka with the objective of protecting shareholders and policyholders. There are various regulations and directives insurance business is expected to adhere to, in order to achieve the expected norms, which leads the insurance business to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interest rates risks, share price changes etc. The Group manages these risks through various strategies adopted by the Asset Liability Committee, Investment Committee and Risk Management Committee.

(d) Asset Liability Management (ALM) Framework

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

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

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

43. INSURANCE AND FINANCIAL RISK

(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 the 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 catastrophic 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.

(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.
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 where 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 claims 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.

(a) 2. Non-Life Insurance
The main risk faced by non-life insurance business is that the actual claims are varying from the expected claims from different types of policies. The non-life insurance businesss 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 risk, default risk, credit risk, concentration risk, liquidity risk and market risk. The business's risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

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 a twelve month 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 non-life Insurance. 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 international rated reinsurers.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to credit risk:

43. INSURANCE AND FINANCIAL RISK (Contd.)

- Credit risk policy is set based on the assessment and IBSL determination. Accordingly Life insurance segment has the maximum amounts and limits that may be advanced to counterparties by reference to their long–term credit ratings. Policy is monitored at each reporting date or when required for changes in the risk environment.

- Reinsurance is placed with counterparties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers is performed and the reinsurance purchase strategy is updated, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The following processes/activities of General insurance segment division reduce the credit risk of financial instruments.

- Credit risk policy is based on the IBSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- The Investment Committee evaluates the exposure and the new investments in instruments in order to reduce the risks.

- The Regular review by the Board also minimises the credit risks.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments.

	Notes	2015 Group Rs.'000	2015 Company Rs.'000	2014 Group Rs.'000	2014 Company Rs.'000
Financial instruments					
Held-to-maturity financial assets					
Debt securities	12(a)	47,148,849	-	32,124,826	31,913,874
Loans and receivables					
Debt securities		19,010,946	64,754	18,368,744	17,779,087
Other		796,215	-	713,702	668,229
	12(b)	19,807,161	64,754	19,082,446	18,447,316
Available-for-sale financial assets					
Equity securities		1,107,427	18,863	857,142	790,613
Debt securities		6,670,312	230,000	10,301,612	10,331,612
	12(c)	7,777,739	248,863	11,158,754	11,122,225
Financial assets at fair value through profit or loss					
Equity securities		20,583	-	17,151	17,151
Debt securities		194,353	-	202,176	202,176
	12(d)	214,936	-	219,327	219,327
Reinsurance assets	15	2,726,342	-	2,505,273	2,162,743
Insurance receivables/ Trade debtors	17	4,929,658	-	5,355,991	4,702,499
Cash and cash equivalents	20	1,052,395	4,011	1,007,522	640,740
Total credit risk exposure		83,657,080	317,628	71,454,139	69,208,724

31 December 2015 Industry Analysis	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Insurance Business						
Assets						
Held-to-maturity financial assets						
Debt securities	11,460,653	35,396,292				46,856,945
	11,460,653	35,396,292	-	-	-	46,856,945
Loans and receivables						
Term Deposits	18,160,909					18,160,909
Repo Investments		114,565				114,565
Unquoted Debentures	490,000					490,000
Staff and vehicle Loans					753,302	753,302
Other Loans			-		-	-
	18,650,909	114,565	-	-	753,302	19,518,776
Available-for-sale financial assets						
Equity securities	581,901		4,484	638,441	135,856	1,360,682
Debt securities	512,405	5,070,638	171,110	-	30,000	5,784,153
	1,094,306	5,070,638	175,594	638,441	165,856	7,144,835
Financial assets at fair value through profit or loss						
Equity securities	392		98	19,660	433	20,583
Debt securities		194,353				194,353
	392	194,353	98	19,660	433	214,936
Total credit risk exposure	31,206,260	40,775,848	175,692	658,101	919,591	73,735,492
Financial instruments -Other Subsidiaries						1,213,193
Total						74,948,685

31 December 2014	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Insurance Business						
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
Financial instruments -Other Subsidiaries						882,611
Total						62,585,353

43. INSURANCE AND FINANCIAL RISK (Contd.)

The Below table indicates the rating of investment as at 31st December 2014 and 2015

31 December 2015 Group	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
Insurance Business														
Financial instruments														-
Held-to-maturity financial assets														-
Debt securities	35,396,292	1,689,293	-	4,755,486	3,300,884	643,990	947,009	-	113,992	-	-	-	10,000	46,856,946
Loans and receivables	114,565	1,027,000	1,448,406	11,535,020	1,250,000	1,605,433	1,500,050	-	275,000	-	-	-	763,302	19,518,776
Available-for-sale financial assets														-
Equity securities	-	470	572	-	-	578	-	-	213,122	-	666	-	1,145,274	1,360,682
Debt securities	4,721,192	2,316	50,000	168,360	107,935	194,930	149,975	-	10,000	-	-	-	379,446	5,784,154
Financial assets at fair value														-
through profit or loss														-
Equity securities	37	-	45	322	25	-	-	-	-	-	-	-	20,153	20,582
Debt securities	194,353	-	-	-	-	-	-	-	-	-	-	-	-	194,353
Total	40,426,439	2,719,079	1,499,023	16,459,188	4,658,844	2,444,931	2,597,034	-	612,114	-	666	-	2,318,175	73,735,492
Financial instruments -Other Subsidiaries														1,213,193
Total														74,948,685

31 December 2014 Group	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
Insurance Business														
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
Financial instruments -Other Subsidiaries														882,611
Total														62,585,353

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. Even at the time of catastrophic events liquidity risk of Life insurance segment is low as the cash inflow is greater than cash outflow.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to liquidity risk:

- Assessment and determination of Liquidity risk in order to maintain optimal liquidity mix.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance and investment contract obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The liquidity risks in General insurance segment is where the Group does not have enough cash/arrangements to meet payments./commitments as they fall due. Following processes/activities are in place to minimise liquidity risk.
- The Regular maintenance of investments in accordance with the IBSL guidelines.
- The Investment Committee reviews the liquidity levels and takes appropriate actions to improve liquidity
- Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

(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 deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk. (translation risk.)

(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 when taking re-investment decisions. The company maintains a 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.

(e) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.
The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

44. CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings and regulations

The Companies are subject to legal proceedings 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 to VAT on reinsurance recoveries. (Note 16)

(b) Capital commitments and operating leases

Ceylinco General Insurance Ltd has committed to pay operating lease rentals on vehicles amounting to Rs.85,222,172/-.
Ceylinco General Insurance Ltd has committed to purchases computer hardware amounting to Rs. 95,500,000/-.

45. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.'000	Included under
Building - Company	Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (Note 10)	153,333	Investment Property
Fixed Deposit - Ceylinco General Insurance Ltd.	Pledged to Seylan Bank PLC to obtain bank overdraft facilities.	61,200	Loans & Receivables
Unquoted shares - Company	Mortgaged to Seylan Bank PLC by Energy Generators (Pvt) Ltd to obtain loan facility	60,907	Investment in Associates
Treasury Bonds - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	134,000	Held to Maturities
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	50	Loans & Receivables
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Nation Trust Bank PLC to obtain banking facilities.	100	Loans & Receivables
Motor vehicles - CEG Education Holdings Ltd Group	Hire purchase facilities obtained from People's Leasing Finance PLC	9,079	Property, Plant & Equipment
Land & Buildings - CEG Education Holdings Ltd Group	Loan facilities from Sampath Bank PLC and Seylan Bank PLC	447,298	Property, Plant & Equipment

		Nature of Transaction	Amount of transactions	
			2015	2014
			Rs.	Rs.
46.	RELATED PARTY DISCLOSURES			
46.1	Related Party Transactions			
(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	11,697,292	17,278,568

	Name of the company	Nature of the transaction	Amount of the transactions	
			2015	2014
			Rs.	Rs.
(b)	**Transactions with Associate Companies**			
	Citizen Development Business Finance PLC	Insurance premium received	973,876	7,015,907
	Citizen Development Business Finance PLC	Dividend received	52,609,317	39,533,840
	Citizen Development Business Finance PLC	Claims payment	174,968	811,694
	Citizen Development Business Finance PLC	Sales of shares	-	13,016,000
	Citizen Development Business Finance PLC	Interest received		39,254,101
	Citizen Development Business Finance PLC	Commission paid	15,695,669	33,080,391

(c) Transactions entered into where the company has the ability to control the other party as subsidiaries are listed below;

Name of the company	Nature of the transaction	Amount of the transaction	
		2015	2014
		Rs.	Rs.
American Education Centre Pvt Ltd	Dividend received	5,350,000	11,101,250
American Education Centre Pvt Ltd	Insurance premium received	4,216,690	7,040,088
American Education Centre Pvt Ltd	Claims paid	617,446	-
Ceylinco Investcorp (Pvt.)Ltd.	Fund management fee paid	675,000	1,620,000
Ceylinco Investcorp (Pvt.)Ltd.	Insurance premium received	118,369	-
Ceylinco Investcorp (Pvt.)Ltd.	Dividend Received	4,500,000	4,050,000
Ceypower Cascades (Pvt)Ltd	Insurance Premium received	283,031	1,642,775
CEG Education Holdings (Pvt) ltd	Insurance Premium received	11,902	-
CEG Education Holdings (Pvt) ltd	Dividend Received	15,959,994	25,269,990
Energy Lanka Holdings (Pvt)Ltd.	Dividend Received	116,622,406	88,299,838

46. RELATED PARTY DISCLOSURES (Contd.)

Name of the company	Nature of the transaction	Amount of the transactions 2015 Rs.	2014 Rs.
Energy Generators (Pvt)Ltd.	Dividend Received	21,620,968	13,232,032
Energy Generators (Pvt)Ltd.	Insurance Premium received	33,357	4,506,226
Energy Generators (Pvt)Ltd.	Claims paid	12,200	
Ceyhydro Developers (Pvt) Ltd.	Insurance Premium received	1,641,600	
International College of Business & Technologies Ltd.	Insurance Premium received	1,232,102	4,089,479
International College of Business & Technologies Ltd.	Dividend Received	17,869,132	5,412,656
Ceylinco Insurance Company(Pvt) Ltd-Maldives	Dividend received	22,323,975	20,479,994
Ceylinco Health Care Services Ltd	Medical Fees for staff & Customers	2,215,864	27,018,899
Ceylinco Health Care Services Ltd	Insurance Premium received	57,350	3,228,780
Ceylinco Health Care Services Ltd	Rent income	1,078,062	1,998,005
Ceylinco Seraka Ltd	Service Charges	-	2,905,000
Serene Resorts Ltd	Training Expenses	2,680,000	5,706,000
Netassist International (Pvt) Ltd	Insurance Premium received	-	-
Ceylinco General Insurance Ltd.	Dividend received	501,000	-
Ceylinco Life Insurance Ltd.	Dividend received	250,000	-
International College of Business & Technologies Ltd.	Claims paid	854,671	-

	Nature of the transaction	Amount of the transactions 2015 Rs.	2014 Rs.
(ii) Key Management Personnel Compensation			
Key Management Persons include members of the Board of Directors;	Short-term employee benefits received from the Company	198,644,037	401,053,781
	Short-term and Long-term employee benefits received from the Subsidiaries	494,170,000	56,414,000
	Other long term /post employment benefits (EPF, ETF, Gratuity & Pension)	81,075,304	190,481,217

(iii) Other related party transactions

These are non insurance related transactions entered into with related companies.

Name of the company	Nature of the transaction	Amount of the transactions 2015 Rs.	2014 Rs.
Ultratech Cement Lanka (Pvt)Ltd.	Dividend Received	90,000,000	126,000,000
Ultratech Cement Lanka (Pvt)Ltd.	Insurance Premium Received	3,129,014	-
Ultratech Cement Lanka (Pvt)Ltd.	Claims paid	632,215	-

(iv) As per the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, The Company complied with necessary steps to obtain Insurance Licences for CGIL and CLIL from 1 June 2015 and CIPLC will not carry on Insurance Business with effect from same date. The Company has transferred assets and liabilities of the Insurance Business to CGIL and CLIL as at 31 May 2015. (For more details please refer Note 47)

46.2 (a) Balance outstanding as at 31 December 2015 in respect of premium receivables from related entities

(b) Investments in Debentures

Name of the company	2015 Rs.	2014 Rs.
Citizen Development Business Finance PLC	-	(193,000,000)

(c) 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.

The related party transactions disclosed above are made at terms equivalent to those that prevail in arm's length transactions.

47. SEGREGATION

(a) Background

Composite Insurance companies were required to segregate their business into General insurance and Life insurance by 2015 February as per the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. As per the guidelines of Insurance Board of Sri Lanka (IBSL) on splitting, the Company complied with necessary steps and obtained insurance licenses for newly incorporated Ceylinco General Insurance Ltd and Ceylinco Life Insurance Ltd for carrying out insurance business with effect from 1st June 2015. Ceylinco Insurance PLC would not be carrying on insurance business with effect from 1st June 2015.

Therefore, financial information disclosed under "Company" includes insurance business information until the date of segregation. ie:1st June 2015. The "Group" financial information includes insurance business and other business operations for the 12 months period.

(b) Transfer of assets, liabilities and realisation of unrealised reserves

Ceylinco Insurance PLC has transferred assets and liabilities of General and Life insurance business at its book value on 1st June 2015 to respective new companies which are licensed to carry on insurance business.

The Company made necessary adjustments on account of realisation of unrealised reserves as at 1st June 2015 (ie: revaluation and AFS reserves) due to the transfer of assets and liabilities, even though in Group perspective there is no such realisation of reserves.

The performance of General and Life Insurance business is disclosed in Segmental information in Note 5.

(c) Application of SLFRS 5 -Non-current assets held for sale and Discontinued operations

Segregation of insurance businesses under the above requirement would not meet the definition of assets held for sale because the carrying amount of the transferred assets will not be recovered principally through a sales transaction, rather than through continuing use. Although the entity receives value for the assets in the form of an investment in a subsidiary, that investment will only be realised through continuing use, if a sale is not planned by the Company.

Therefore in substance, this segregation is only a change in the mode of operation or restructuring the insurance business. Under such restructuring, it should be noted that the entity has not lost the control of the assets, and therefore the assets cannot be considered to have been disposed of. Therefore, segregation of insurance business is considered as out of scope for the application of SLFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations".

48 SUPER GAIN TAX

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Group is liable for Super Gain tax (SGT) of Rs. 447.7 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted for in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

Quarterly Analysis 2015

Consolidated Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.15 Rs.'000	2nd quarter Apr- Jun.15 Rs.'000	3 rd quarter Jul- Sep.15 Rs.'000	4th quarter Oct- Dec.15 Rs.'000	Total Jan- Dec.15 Rs.'000
Gross written premiums	6,813,816	6,627,712	6,953,657	7,588,974	27,984,159
Premiums ceded to reinsurers	(916,257)	(885,744)	(953,958)	(1,364,066)	(4,120,025)
Net written premiums	5,897,559	5,741,968	5,999,699	6,224,908	23,864,134
Net change in Reserve for unearned premium	(412,562)	99,743	(27,763)	(37,220)	(377,802)
Net Earned premium	5,484,997	5,841,711	5,971,936	6,187,688	23,486,332
Revenue from Subsidiaries	772,292	718,247	511,835	857,854	2,860,228
	6,257,289	6,559,958	6,483,771	7,045,542	26,346,560
					-
Investment and Other Income	1,945,354	2,046,093	2,084,676	2,248,010	8,324,133
Net income	8,202,643	8,606,051	8,568,447	9,293,552	34,670,693
Net benefits and claims	(2,708,578)	(2,910,249)	(2,963,389)	(3,122,785)	(11,705,001)
Increase in Life Insurance Fund	(2,043,738)	(2,314,357)	(1,423,441)	(1,353,768)	(7,135,304)
Acquisition cost	(724,960)	(725,563)	(738,954)	(631,731)	(2,821,208)
Cost of sales of subsidiaries	(133,236)	(190,545)	(144,481)	(251,863)	(720,125)
				-	
Other operating and administrative expenses	(2,080,540)	(2,232,121)	(2,192,998)	(1,836,429)	(8,342,088)
Finance cost	(32,778)	(23,622)	(32,758)	(35,060)	(124,218)
Total benefits, claims and other expenses	(7,723,830)	(8,396,457)	(7,496,021)	(7,231,636)	(30,847,944)
Profit before share of associates	478,813	209,594	1,072,426	2,061,916	3,822,749
Share of profit of associates	81,489	24,122	75,032	95,081	275,724
Profit before tax	560,302	233,716	1,147,458	2,156,997	4,098,473
Income tax expense	(72,682)	(27,324)	(47,570)	(300,681)	(448,257)
Profit for the year	487,620	206,392	1,099,888	1,856,316	3,650,216

Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.15 Rs.'000	2nd quarter Apr- Jun.15 Rs.'000	3 rd quarter Jul- Sep.15 Rs.'000	4th quarter Oct- Dec.15 Rs.'000	Total Jan- Dec.15 Rs.'000
Gross written premiums	6,539,998	4,131,062	-	-	10,671,060
Premiums ceded to reinsurers	(686,138)	(398,971)	-	-	(1,085,108)
Net written premiums	5,853,860	3,732,091	-	-	9,585,952
Net change in Reserve for unearned premium	(424,161)	(20,630)	-	-	(444,791)
Net Earned premium	5,429,699	3,711,461	-	-	9,141,161
					-
Investment and Other Income	1,892,592	1,755,475	981	151,242	3,800,289
Net Income	7,322,291	5,466,936	981	151,242	12,941,450
Net benefits and claims	(2,696,072)	(1,813,752)	-	(3,543,266)	(8,053,090)
Increase in Life Insurance Fund	(2,043,738)	(1,470,536)	-	3,514,274	-
Acquisition cost	(711,655)	(457,703)	-	65,924	(1,103,434)
					-
Other operating and administrative expenses	(1,688,409)	(1,214,831)	(8,686)	173,121	(2,738,805)
Finance cost	(22,572)	(7,119)	-	(8,022)	(37,713)
Total benefits, claims and other expenses	(7,162,446)	(4,963,941)	(8,686)	202,032	(11,933,041)
Profit before tax	159,845	502,995	(7,705)	353,274	1,008,409
Income tax expense	(62,585)	(21,543)	(5)	(10,564)	(94,697)
Profit for the year	97,260	481,452	(7,710)	342,710	913,712

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

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	3 rd 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)	(717,276)
				-	
Other operating and administrative expenses	(1,947,984)	(2,045,395)	(2,022,973)	(1,734,800)	(7,650,107)
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	3 rd 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 for the year	118,184	(6,710)	59,438	1,971,712	2,142,624

Ten Year Summary
Statement of Financial Position

(values are to the nearest rupees thousand)

Group	2015	2014	2013	2012	2011	2010	2019	2008	2007	2006
Assets										
Intangible Assets	89,005	45,170	46,731	76,706	73,827	90,704	135,077	154,284	90,390	106,077
Property, plant and equipment	11,281,890	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
Investments	78,749,957	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
Other assets	18,044,182	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
Total Assets	108,165,034	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
Equity and Liabilities										
Statedcapital	1,324,822	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
Retained earnings	16,185,402	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
Other Reserves	2,560,652	2,892,787	2,602,521	2,375,781	2,506,812	2,364,215	2,007,437	2,007,437	2,007,437	1,507,437
Revaluation reserve	2,141,754	2,126,854	2,120,849	2,137,318	2,149,541	1,344,336	828,560	828,560	574,458	578,708
Total capital and reserve	22,212,630	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
Minority interest	860,378	762,469	550,728	564,737	460,473	152,070	85,680	37,713	39,670	36,129
Liabilities										
Insurance provision - Life	67,157,184	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
Unit Linked Fund	268,062	228,873	190,452	157,657	146,659	115,269	102,671	101,428	69,829	18,254
Insurance provision - Non- Life	9,576,722	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
Other Liabilities	8,090,057	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
Total Liabilities	85,092,025	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
Total Equity and liabilities	108,165,034	96,080,186	87,424,184	73,088,476	66,050,505	51,744,968	43,413,838	40,107,053	32,366,724	26,711,940
Life Insurance Business										
Assets										
Intangible Assets	651	2,198	4,609	15,105	42,396	82,695	135,077	154,284	90,390	106,077
Property, plant and equipment	5,343,754	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
Investments	67,139,575	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
Other assets	7,761,193	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
Total Assets	80,235,166	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

(values are to the nearest rupees thousand)

	2015	2014	2013	2012	2011	2010	2019	2008	2007	2006
Liabilities										
Insurance provision - Life	68,011,535	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
Unit linked Fund and other funds	268,062	228,872	190,135	157,657	146,659	115,269	102,671	101,428	69,829	18,254
Equity and Other Liabilities	11,955,565	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
Total Liabilities	80,235,163	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117	19,385,321	16,235,632
Investor Information										
Return on net assets (%)	18.45	19.76	17.26	16.75	14.09	13.76	12.84	10.42	23.16	23.32
Net assets per share (Rs.)	840.93	760.33	675.72	525.04	450.98	309.4725317	262.62	237.84	225.27	177.2
Market price per share 31st December										
Voting (Rs.)	1410.10	1379.00	1340.00	855.90	746.70	381.00	220.00	200.00	185.00	167.50
Non -Voting (Rs.)	800.00	550.00	398.00	330.50	343.00	270.00	134.25	145.00	-	-
Earnings per share (Rs.)	132.32	96.46	98.00	73.94	57.09	36.41	25.96	21.21	50.78	40.93
Price earnings (times) - Voting (Rs.)	10.66	14.00	13.00	11.58	13.08	10.47	8.48	9.42951438	3.64	4.09
Price earnings (times) - Non Voting (Rs.)	6.05	5.00	4.00	4.47	6.01	7.42	5.17	6.84	-	-
Market capitalisation (Rs. Mn)	33,334	31,103	29,358	19,238	17,134	9,352	5,261	4,930	3,700	3350
Dividend per share (Rs.)	22.50	20.00	16.00	12.50	6.50	5.50	5.00	3.00	3.00	2.50
Employee Information										
Revenue per employee (Rs. Mn)	14.45	9.10	9.30	8.16	7.48	5.41	5.33	5.51	4.94	4.71
Net profit per employee (Rs. 000')	1,708.41	1,116.00	947.00	699.33	547.11	301.99	241.95	180.00	310.57	274.54
Number of employees (Nos.)	3,336	3,556	3,253	3,321	3,067	3,744	3,649	3,645	3,360	3,015

Note: Financial information for the years 2011, 2012 ,2013,2014 & 2015 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)

Group	2015	2014	2013	2012	2011	2010	2019	2008	2007	2006
Non- Life Insurance Segment										
Gross written Premium	13,557,833	12,164,864	11,568,284	11,093,583	10,041,212	9,224,608	9,081,297	11,287,233	10,350,684	9,561,249
Net earned premium	10,152,831	9,359,977	8,842,712	8,622,152	7,782,907	7,249,160	7,691,395	8,445,196	7,770,598	7,065,229
Investment income and other income	1,566,085	1,022,541	1,009,183	736,134	674,463	438,080	482,853	606,068	510,173	397,912
Net claims	(5,690,518)	(5,259,911)	(4,641,733)	(4,556,428)	(4,475,745)	(4,339,864)	(4,677,027)	(4,766,689)	(4,380,504)	(4,220,634)
Acquisition Expenses (net of reinsurance commission)	(726,892)	(570,376)	(724,493)	(709,502)	(589,533)	(478,770)	(511,595)	(581,211)	(565,862)	(537,214)
Operating & Administrative expenses	(3,656,210)	(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)
Operating profit before Interest Expenses	1,645,296	867,735	980,525	808,429	679,853	370,341	378,425	337,265	726,991	547,760
Life Insurance Segment										
Gross written Premium	13,456,827	12,002,524	11,122,906	10,829,470	9,833,905	8,786,121	7,522,328	8,257,279	6,847,185	5,717,887
Net written premium	13,146,772	11,715,219	10,866,904	10,576,066	9,597,478	8,639,853	7,395,301	8,060,219	6,649,593	5,462,394
Investment income and other income	6,653,901	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
Net claims and benefit	(5,956,744)	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)	(2,685,361)	(2,698,277)	(2,113,092)	(1,762,458)	(1,946,001)
Acquisition Expenses	(1,519,801)	(1,299,135)	(1,265,544)	(1,356,742)	(1,237,818)	(1,171,497)	(1,079,487)	(1,244,224)	(1,036,412)	(795,339)
Increase in Life Insurance fund	(7,135,304)	(7,256,468)	(7,654,622)	(6,765,658)	(6,335,332)	(5,418,174)	(4,417,313)	(4,374,916)	(2,933,386)	(1,991,776)
Operating & Administrative expenses	(3,011,918)	(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)
Operating profit before Interest Expenses	2,176,906	2,327,490	1,290,177	1,003,805	804,080	601,823	495,766	449,613	400,397	294,414
Total Business (Group)										
Gross written premium	27,984,159	25,222,854	23,691,376	22,636,715	20,216,205	18,020,408	16,675,601	20,087,177	17,536,819	15,279,136
Revenue	34,670,693	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
Net earned Premium	23,486,332	21,301,922	19,899,630	19,322,492	17,457,253	15,930,153	15,175,328	16,580,852	14,466,377	12,527,623
Benefit losses and expenses	(19,560,433)	(18,091,004)	(17,704,318)	(15,871,737)	(13,894,730)	(14,063,375)	(13,360,812)	(13,096,401)	(10,695,940)	(9,504,502)
Other revenue	11,184,361	10,962,028	10,497,118	7,792,383	5,476,262	4,274,722	4,130,665	3,463,427	2,137,152	1,680,373
Operating and administrative expenses	(11,163,293)	(10,187,694)	(9,627,485)	(9,045,433)	(7,429,293)	(4,989,690)	(4,994,844)	(6,205,001)	(4,784,789)	(3,853,417)
Operating profit before interest expenses	3,946,967	3,985,252	3,064,945	2,197,705	1,609,492	1,151,811	950,336	742,876	1,122,800	850,078
Interest Expenses	(124,218)	(167,890)	(127,116)	(55,726)	(42,704)	(92,112)	(93,597)	(99,583)	(82,078)	(36,506)
Income from Associates	275,724	150,917	143,421	180,494	111,189	70,945	26,138	11,452	2,816	12,924
Profit before Taxation	4,098,473	3,968,279	3,081,250	2,322,473	1,677,977	1,130,644	882,877	654,745	1,043,538	826,496
Income Tax Expenses	(448,257)	(1,118,602)	(211,590)	(227,794)	(140,147)	(129,030)	(188,401)	(169,430)	(30,339)	-
Profit for the year	3,650,216	2,849,677	2,969,660	2,094,679	1,537,830	1,001,614	694,476	485,315	1,013,199	826,496

Note: Financial information for the years 2010,2011,2012 , 2013,2014 & 2015 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.

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.

Glossary of Financial & Insurance Terms

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 Ninth Annual General Meeting of the Shareholders of the Company will be held on Friday, 6th, May, 2016 at 10.30 a.m. at the Auditorium - Level 7, ICBT Building, No. 36, De Krester Place, Bambalapitiya, Colombo 04 and the business to be brought before the meeting will be :

- To read the Notice convening the Meeting.
- 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 79 years in December, 2016 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."
- Chairman's Address.
- To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st. December, 2015 and the Report of the Auditors thereon.
- To declare a Dividend for the year ended 31st. December, 2015.
- To re-elect Mr. Watuthanthrige Chakrine Jagath Alwis, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Don Herschel Jayaprithi Gunawardena, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Palitha Abeysekera Jayawardena, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
- To re-elect Mr. Upali Witharana as a Director, who retires by rotation at the Annual General Meeting, in terms of Article 95, as a Director.
- 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 73 years in December, 2016 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 2016.
- 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

T.N. Jasenthuliyana

(Mrs.) Thushara N. Jasenthuliyana
Company Secretary
01st. April, 2016

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 04th. May, 2016. A Proxy drop box is also available on 3rd. floor.

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

It is proposed to post ordinary dividend warrants on 17th. May, 2016 and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 07th. May, 2016.

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