



**CEYLINCO  
LIFE®**

A Relationship For Life™

# ENDURING TRUST

**CEYLINCO LIFE INSURANCE LIMITED**  
**INTEGRATED ANNUAL REPORT 2018**



# ENDURING TRUST

With three decades of steadfast performance, we have carved a unique position of trust in the hearts and minds of all Sri Lankans.

Striving to deliver the best in comprehensive insurance solutions, whilst embarking on greater expertise to champion prospects, we have constantly demonstrated excellence in all milestones achieved along 'a golden path of three decades'.

Our story as the undisputed leader, unfolds into the future graced by the assurance of 'enduring trust', ensuring good governance at every level and returning consistent value to the nation, communities and the people that we serve.



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## Chairman's Message

" Your Company posted profit before tax of Rs.7.2 Bn, reflecting an increase of 12.7 per cent over 2017 after discounting a one-off surplus of Rs.3.4 Bn that boosted the profits of the preceding year, following a regulatory change in the basis of the valuation of life funds."

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**30****Managing Director/ CEO's Review**

" We are well into an initiative to equip every member of our sales team with a tab or equivalent hand-held digital device that provides access to our sophisticated apps for new business and customer service."

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# OUR VISION, MISSION & VALUES



## PROFESSIONALISM

In delivering life insurance and retirement planning solutions to meet the individual needs of our customers.

## REWARDING

Customers, sales force, staff for their dedication and loyalty.

# PRIDE

## INTEGRITY

In everything we do, individually and collectively.

## DEDICATION

In communicating the importance of Life Insurance and Retirement Planning to every Sri Lankan.

## EXCELLENCE

In customer service, product development, innovation and fulfilling our social responsibility.

## VISION

“To take the message of Life Insurance and Retirement Planning to every Sri Lankan and provide protection to every family.”

## MISSION

To become the most trusted, acclaimed and progressive life insurance company in Sri Lanka, by providing need based life insurance solutions to our customers, recognising and rewarding our employees, creating successful partnerships with stakeholders and ensuring sustainable business practices for sustainable, responsible and profitable growth, while leaving a smaller carbon footprint on the planet.

## Our Values



# ABOUT US

## OVERVIEW OF CEYLINCO LIFE INSURANCE LIMITED

With a presence in the insurance industry for over 30 years, Ceylinco Life Insurance Limited has been recognised as the market leader in the insurance industry for 15 years consecutively since 2004.

Ceylinco Life Insurance Limited is a fully owned subsidiary of Ceylinco Insurance PLC (CIP). We entered the life insurance business in 1988 initially as the life insurance division of CIP. With the mandatory segregation of life and general businesses under Section

53 of the Regulation of Insurance Industry (Amendment) Act No 03 of 2011 Ceylinco Life Insurance Limited was incorporated on 22 April 2014 and commenced operations in June 2015.

### Leadership in the Industry

Industry leader for '15 consecutive years' since 2004.  
Nearly 1,000,000 policies in force.  
Largest geographical reach with 275 branches.  
Largest professional sales force with 3,625 sales consultants.  
Wide protection-based product range.

### Financial Stability

Strong balance sheet of Rs. 118.05 Bn with fastest growing Life Fund.  
Life Fund of Rs. 88.05 Bn.  
Profit before tax of Rs. 7.16 Bn.  
Capital Adequacy Ratio of 364% as at end of 2018.  
Policyholder Bonus declaration of Rs. 4.40 Bn

### Sustainable Organisation

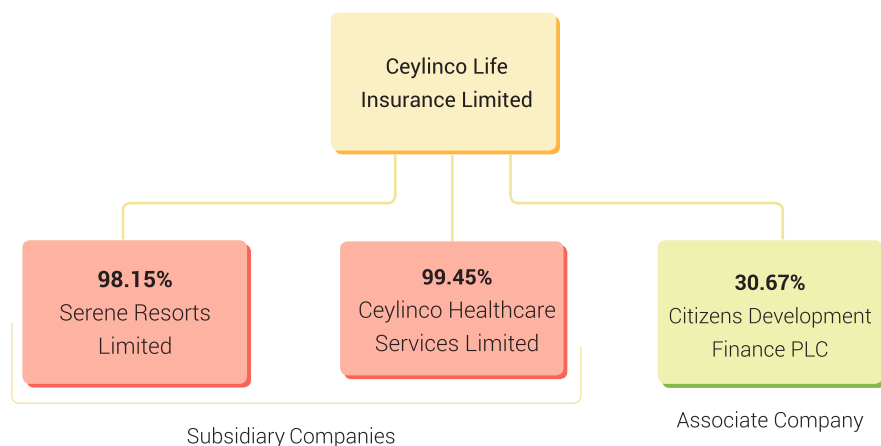
First to introduce eco-friendly branches.  
Largest green branch network of 10 branches.  
Environmentally friendly initiatives through "Go Green" initiative. Rs. 14.4 Mn of renewable energy generated.  
Over 142,000 people benefited through medical camps which were held in more than 375 locations.  
Rs. 131 Mn invested in future leaders through Pranam Scholarships. 74 classrooms constructed.  
Over 24,000 people have benefited through Family Savari.

### Scale of Operations

	2018	2017	2016
<b>Our Strength</b>			
Gross Written Premium (Rs. Mn)	17,813	15,765	15,028
Investment and Other Income (Rs. Mn)	11,394	10,281	8,781
<b>Our Stability</b>			
Life Insurance Fund (Rs. Mn)	88,049	81,724	77,925
Investments (Rs. Mn)	103,745	92,264	84,221
Profit Before Tax ( Excluding One-off Surplus Transfer (Rs. Mn)	7,157	6,351	3,744
Total Assets (Rs. Mn)	118,059	106,095	96,458
Total Number of Employees	863	890	910
Total Number of Sales Agents	3,625	3,696	3,915
Total Number of Branches	275	273	259
Value of Pranam Scholarships (Rs. Mn)	11.8	9.6	8.4
Number of School Development Projects	5	3	2
Policyholders Bonus (Rs. Bn)	4.4	3.8	2.9



### Group structure of Ceylinco Life Insurance Limited



#### Serene Resorts Limited

Ceylinco Life Insurance Limited opened the country's first retirement resort at Uswetakeiyawa, 'La Serena'. This resort aims to cater to 'active retirees'.

"La Serena" is a medium sized resort build on three acres of beach front land at Uswetakeiyawa, just 14 km North of Colombo. The resort comprises of 28 single bedroom chalets and 16 two-bedroom chalets, built around common facilities including a swimming pool, mini gym, restaurant, library and reading room, entertainment lounge and beach terrace.

Built with the initiative to support senior individuals who require an elegant space to relax but under the care of

external staff members, La Serena is a 'home away from home' that promises all modern conveniences, with a touch of warm hospitality. The resort aims to facilitate an active and healthy retirement.

#### Ceylinco Healthcare Services Limited

For over a decade, Ceylinco Healthcare Services Limited (CHSL) has delivered, the most experienced and affordable private cancer treatment centre in the country. The company has successfully administered radiation therapy to over 5,000 patients. Besides two radiation treatment units - the Ceylinco Radiation Treatment Centre and the Ceylinco Tomo - Therapy Centre. Ceylinco Healthcare Services Limited owns and operates the Ceylinco Diabetic Centre, offering

comprehensive screening, diagnostic services and medical care.

Ceylinco Healthcare Services Ltd. which owns the leading specialist radiation treatment facilities in Sri Lanka's private sector, invested in the latest hi-precision linear accelerator unit in 2018.

Purchased from Varian Medical Systems, a global leader in Radiation Oncology, the state-of-the-art Clinac iX linear accelerator replaces CHSL's existing unit, which, when commissioned in 2007, was the first linear accelerator in the country.

The new linear accelerator delivers significant improvements in precision and reduced treatment times, enabling the CHSL's Radiation Treatment Centre to efficiently deliver wide-ranging radiation therapy treatments including 3D Conformal Radiotherapy, Intensity Modulated Radiotherapy (IMRT) and MV based Image Guided Radiotherapy (IGRT).

Company Name	Serene Resorts Limited	Ceylinco Healthcare Services Limited	Citizens Development Business Finance PLC
Year of incorporation	1994	2000	1995
Ceylinco Life's interest	98.15%	99.45%	30.25%
Nature of Business	Providing premium living for active retirees	Specialty healthcare services	Financial services
Financial Period Ended	31 <sup>st</sup> December	31 <sup>st</sup> December	31 <sup>st</sup> December
Profit/(Loss) After Tax (Rs. Mn)	4.6	103.3	1,743.5
Total Assets (Rs. Mn)	319.1	1,421.7	87,968.5

## Reflecting on our strong heritage as we

*Celebrate  
30 years...*

Ceylinco Life Insurance Limited celebrated 30 years in operation in 2018. The Company's rich heritage back dates to 3rd April 1939 personifying a historic milestone in Sri Lanka's corporate history when Ceylinco Insurance Company Limited was registered as the first Sri Lankan company registered under the Company's Ordinance of 1938. Located at the historic C S Anthony Building at No 22, Baillie Street, Fort the Company later moved to No 60, Queens street, Colombo 2 where the iconic Ceylinco House is now located.

The Company was later renamed Ceylinco Limited and acted as the Principal Agents to National Insurance Corporation for many years. The Company was registered as a Public Company in 1987. With this strong expertise the Company ventured into General and Life business in 1988 and was soon recognised a force to be reckoned in the insurance landscape of Sri Lanka. The Life Division of Ceylinco Insurance PLC (CIP) achieved leadership position in 2004 which it maintains to this date.

Following a regulatory change in the insurance industry in terms of Section 53 of the Regulation of Insurance Industry (Amendment) Act No 03 of 2011 all composite insurance companies were required to segregate their long term (life) insurance business and general (non-life) insurance business into two separate entities with two separate licenses. Accordingly, Ceylinco Life Insurance Limited was incorporated on 22nd April 2014 taking over the life insurance business of CIP. The Company commenced operations in 1st June 2015. Ceylinco Life Insurance Limited is a fully owned subsidiary of CIP.



### An extraordinary journey and a unique corporate DNA

Achieving market leadership position for 15 consecutive years. Sri Lanka is the only country in the Asian region where market leadership in life insurance is being held by a local Company - Ceylinco Life.

*A truly Sri Lankan entity intrinsically connected to the aspirations of our policyholders, building and nurturing a relationship for life.*

*A people first strategy makes Ceylinco Life the destination for talented individuals who shape our business success.*

*An agile and fast-moving, community centered organisation committed to make a difference.*

*Expansive geographical footprint of 275 branches and a professional sales team of 3,625 agents.*

*Committed to green initiatives embedding environmentally friendly sustainable business practices.*

**1939** Ceylon Insurance Company Limited the forerunner of Ceylinco Insurance PLC becomes the first Sri Lankan public company to be registered in the British - ruled Ceylon (now Sri Lanka)

Ceylinco Insurance Company Limited later changed its name to Ceylinco Limited.

**1962** Ceylinco Limited is recognised as the leading insurer in Sri Lanka prior to the nationalization of the insurance industry.

# MIL

**1987** Ceylinco Limited becomes the leading principal Agent of the National Insurance Company when the insurance sector was liberalized.

**1988** Ceylinco Insurance Limited is established on 14th January 1988 and listed on 21st April 1988, thus becoming Ceylinco Insurance PLC. Life Division is set up as a separate business segment within Ceylinco Insurance PLC.

**1989** Life Division sells 8,799 policies, earning a premium income of Rs 23.7 Mn.

**1991** The first critical illness insurance product is launched in Sri Lanka branded as 'Ceylinco Life Digasiri'.

**1992** Life Division emerges as the leader of the life insurance segment among the private sector insurance companies in the country.

**1993** Life Division sets up its own Actuarial Division with international consultancy assistance and forms its own strategic planning process.

**1996** Ceylinco Insurance PLC is ranked 20th among Sri Lanka's Top 50 Companies by Lanka Monthly Digest (LMD) magazine.

Ceylinco Life produces 1st MDRT (Million Dollar Round Table) winner in Sri Lanka.

Sri Lanka' by the SLIM Brand Excellence Awards and it is a feat repeated for 2005 and 2008 as well.

Life Division becomes the market leader in the country's life insurance industry, a position which is retained ever since.

**2005** First ever CSR Award for an insurance company in the Asia Pacific Region won by the Life Division at the 9th Asian Insurance Industry Awards in Singapore.

**2007** The country's first private radiation treatment unit is established.

business and general (non-life) insurance business of Ceylinco Insurance PLC by setting up a separate legal entity.

**2015** Ceylinco Life Insurance Limited commences business on 1 June 2015 having seamlessly taken over the business of the Life Division of Ceylinco Insurance PLC.

**2016** Ceylinco Life unveils its new brand identity of father and son reflecting progress, confidence and trust with the new tagline 'Relationship for Life'. The new brand positioning reflects the Company's confidence and progression to capitalize new

# ESTONES

**1998** Life Division's annual premium income crosses Rs. 1 Bn milestone as Ceylinco Insurance PLC celebrates its 10th Anniversary.

**1999** Ceylinco Cancer Detection Centre (the present Ceylinco Healthcare Centre) is set up in partnership with Washington Cancer Centre.

Ceylinco Life becomes the first private sector insurer to introduce pension plans

**2001** 'Pranama' scholarships are launched

**2003** 'Waidya Hamuwa' the nationwide community health programme is launched.

**2004** Ceylinco Life is recognised as the 'No 1 Service Brand in

**2009** Dedicated residential training centre is established.

**2010** Ceylinco Life moves to its new corporate head office in Havelock Road, Colombo 05.

Ceylinco Life is awarded the Social Marketing Award by the World Brand Congress.

**2011** We are recognised as the Best in Asia for CSR at the CMO Asia Awards in India.

**2014** Recognised as the Best Life Insurance Company in Sri Lanka by the World Finance Global Insurance Awards 2014.

Ceylinco Life Insurance Limited is incorporated on 22 April 2014 following the segregation of the long - term (life) insurance

sources of growth and move into new markets whilst keeping its promise to its customers.

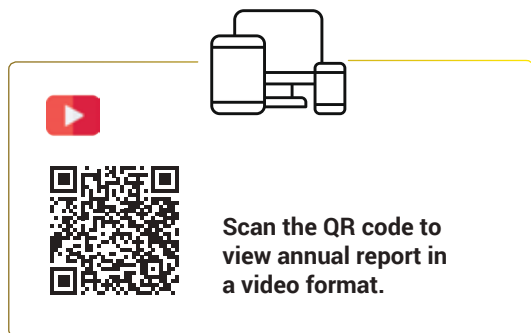
**2017** Ceylinco Life wins 'Best Life Insurer in Sri Lanka' for the 4th consecutive year by world Finance.

'People's Life Insurance Brand of the year for the 11th consecutive year.

**2018** We celebrate 30th Anniversary.

'People's Life Insurance Brand of the year for the 12th consecutive year.

## ABOUT THE REPORT



## Welcome to the Fourth Integrated Annual Report of Ceylinco Life Insurance Limited

Our 2018 Integrated Annual Report is the fourth chapter in our integrated reporting journey. While demonstrating our ongoing commitment to create value for all our stakeholders, this report is primarily intended to address the information requirements of our stakeholders.

### Scope and Boundary

The report has been prepared covering the 12 month period from 1st January 2018 to 31st December 2018 in line with our annual reporting cycle. The most recent report of the Company for the year ended 31st December 2017 is available on our website: <http://www.ceylincolife.com>. There are no significant changes from the previous reporting periods in the scope and topics boundaries.

The report provides a detailed account of our financial and non-financial performance to inform stakeholders of the progress that has been made during this period. Accordingly, in addition to the financial statements, the report also contains detailed information on the Company's value creation process, vis-a-vis our business model and our strategy and resource allocation processes. It also examines the key risks facing the Company in the context of the current operating environment and discusses the stewardship of risk and governance to provide the foundation for consistent value creation.

The report covers the entirety of operations of our two subsidiaries - Serene Resorts Limited and Ceylinco Healthcare Services Limited and associate company - Citizens Development Business Finance PLC which are unrelated businesses collectively referred to as the "Group" in this Annual Report. The key financial aspects are discussed in the context of the Company as well as the Group, the non-financial aspects are discussed in the perspective of the Company.




### Materiality Determination

We apply the principle of materiality in assessing what information is to be included in this integrated report. Matters deemed material are those that can affect our value creation capacity. Pages 147 to 150 of this report outlines the material aspects relevant to Ceylinco Life Insurance Ltd.




## Reporting Frameworks





### Financial Reporting

-  The Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
-  The Regulation of Insurance Industry Act No 43 of 2000 and amendments thereto.
-  Guidelines established by the Companies Act No. 7 of 2007.

### Integrated Reporting

-  International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

### Governance Reporting

-  The Code of Best Practice for Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka.
-  Guidelines established by the Companies Act No. 7 of 2007.
-  Rules and regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
-  IRCSL Direction No 17: Corporate Governance Framework for Insurers

### Sustainability Reporting

-  Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
- GRI Standards - "In accordance Core" option.
-  The United Nations Sustainable Development Goals (SDGs).



#### Completeness

All material items are disclosed.

#### Connectivity

Enhancing referencing through navigational icons to show the path of reporting.

#### Consistency

Information is presented in a manner to show comparisons between different periods of time.

#### Comprehensive

Strived to highlight all relevant information and the impact to business.

External Assurance

#### Assurance on Financial Statements

#### Assurance on Sustainability Reporting

## ABOUT THE REPORT

### Forward Looking Statements

Certain statements mentioned in this report may constitute as forward-looking. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

### External Assurance

External assurance is provided by M/S Ernst and Young, Chartered Accountants in two ways:

1. As external auditors they certify the Company's Financial statements and related notes and disclosures published in this Report. (Please refer the Independent Audit Report on page 264 to 265)
2. Providing limited assurance regarding the integrity of the non-financial content in this Report in line with the Global Reporting Initiative (GRI) Standards for Sustainability Reporting.

### Precautionary Principle

The precautionary principle is applied to our social and environmental sustainability. Being mindful of the impact of our actions, we have taken necessary steps to mitigate the risks caused to society and environment. Such impacts are also considered in new product developments. These are dealt in the section Social and Relationship Capital pages 216 to 247.

### Board Responsibility

The Board of Directors of Ceylinco Life Insurance Ltd acknowledges its responsibility for ensuring the integrity of this integrated report. The Board confirms that it collectively reviewed the report's contents in conjunction with the assurance reports obtained from our various internal and external assurance providers, including assessments on risk and internal controls.

Accordingly, the board is of the view that Ceylinco Life Insurance Ltd Integrated Annual Report for 2018 addresses all the issues that are material to its ability to create value and thereby provides an accurate assessment of the Company's performance for the financial year ended 31st December 2018.

### Our Integrated Thinking

Integrated reporting reinforces integrated thinking across our company, leading to consideration of integration between various operating units and the capitals. Our integrated thinking essentially links our business goals with those of society, environment and stakeholders.

### Reporting Improvements

Every year we strive to improve the completeness and readability of the Annual Report by introducing improvements to ensure that we are in line with latest developments in corporate reporting. Our Annual Reports in the past continuously adopted the theme "Know Your Life Insurer" consistently with the objective of creating a greater understanding of our business and corporate personality. This year the Annual Report theme aims to extend on this realm of building trust and hence appropriately themed as "Enduring Trust" to reflect our brand personality, which we have consciously built over three decades.

Building on our core premise of creating a better platform of information to our stakeholders this year, we introduced a summary video of our Annual Report 2018. This video provides a summary of the highlights of the Annual Report 2018 in an informative and comprehensible manner. We believe this initiative will create greater engagement with our stakeholders.

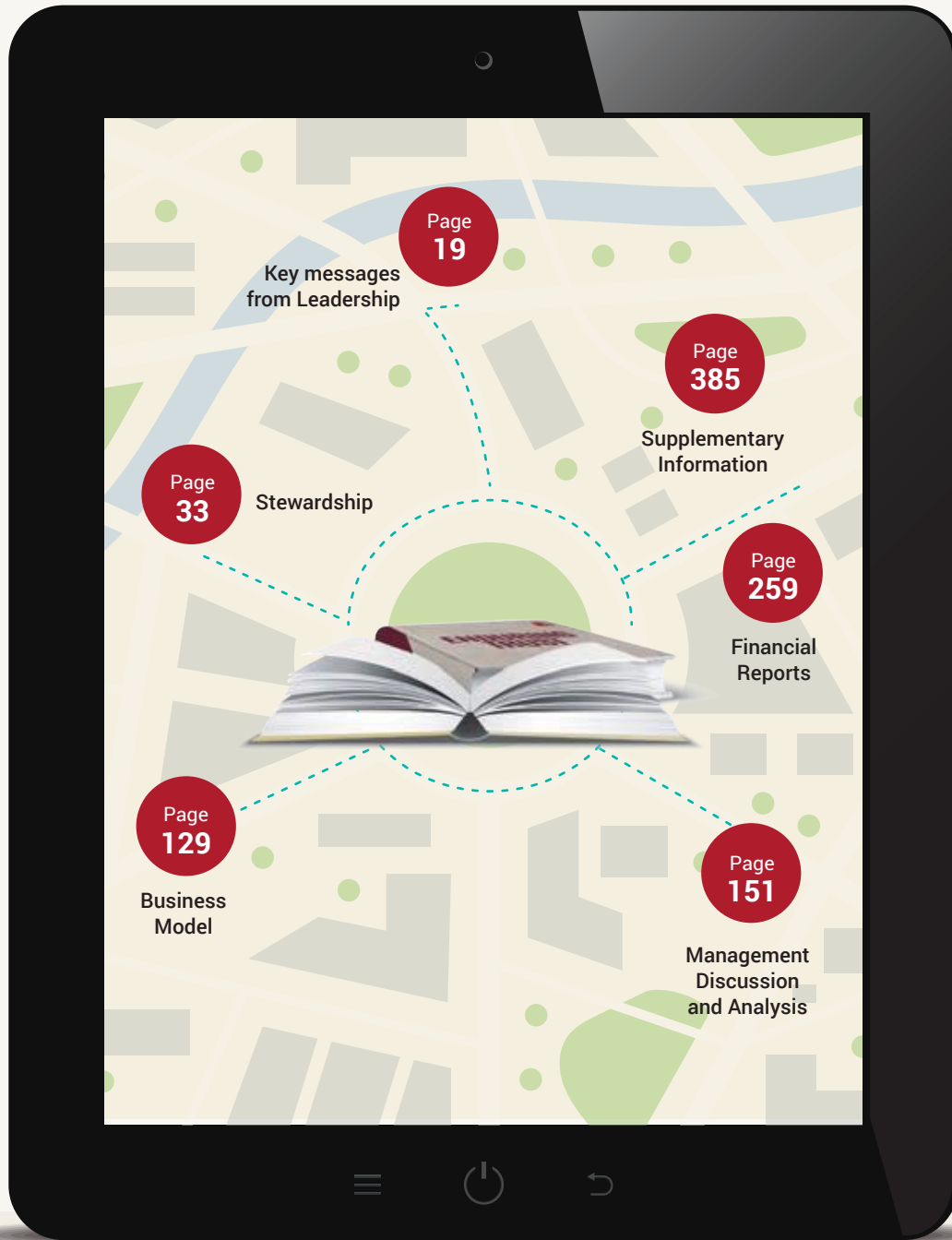
### Feedback

Recognizing the evolving nature of integrated reporting, we welcome your feedback and suggestions on the Annual Report addressed to the Company Secretarial Department:

Company Secretary  
**Ceylinco Life Insurance Limited,**  
No. 106, Havelock Road,  
Colombo 5, Sri Lanka.  
Telephone: +94 11 246 1117  
E-mail: [kushanw@ceylife.lk](mailto:kushanw@ceylife.lk)  
Web: [www.ceylincolife.com](http://www.ceylincolife.com)



## Navigating this Report



### Available Forms

**CEYLINCO LIFE INSURANCE LIMITED**

INTEGRATED ANNUAL REPORT 2018



Scan the QR Code with your smart device to read this online.



HTML  
Version



Online  
Available as  
PDF



Print  
Available on  
Request



CD-ROM  
Posted to all  
Shareholders

# YEAR AT A GLANCE

January



- Chilaw Branch opening
- Family Savari 11 Grand Draw
- 17th Ceylinco Life Pranam Awards Ceremony



- Donation of a classroom to a school in Mutur
- Launch of 'Children First Education Next' Campaign
- Donation of a High Dependency Unit to Colombo South Teaching Hospital



February

March

Ceylinco Life awarded Peoples Awards-Best Life Insurer for 12th year

Foundation stone laying ceremony of Jaffna Branch

Ceylinco Life Annual Awards Ceremony



Opening of Kadawatha Branch



April



Family Savari 11 Leisure World Event

Family Savari 11 tour to Singapore

Launch of Retirement Planning month



Family Savari 11 tour to China

Family Savari 11 tour to Rome

Opening of Wellawatta branch



June



July



- Long service Awards for employees
- Mid-year Sales Awards



- Relaunch of the 18th edition of Pranama Scholarships
- Children First Family fun day event



August

September



- Family Savari 12 launch



Launch of Smart Protection. Sri Lanka's first product that returns all premiums paid plus more

Awarded World Finance for the 5th year



October

November



- The 12th Ceylinco Life Sports Festival



Donation of 4 classrooms to rural schools



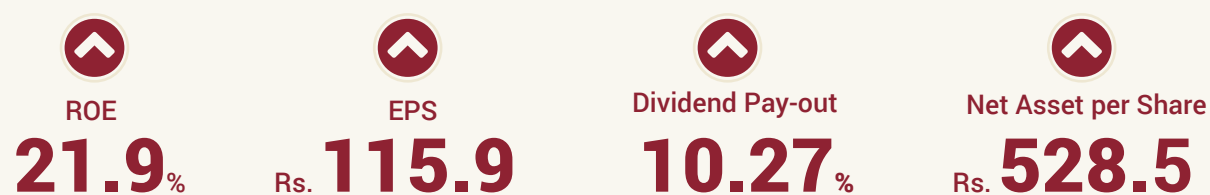
December

# KEY FIGURES

## FINANCIAL HIGHLIGHTS

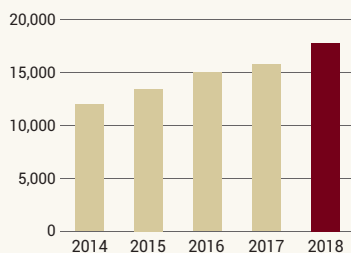
	Company		
Year Ended 31 December	2018 Rs.000	2017 Rs.000	Change %
Results for the Year			
Gross Written Premium	17,812,774	15,765,484	12.99
Net Claims / Net Benefits	9,803,550	6,686,980	46.61
Increase in Long Term Insurance Fund	6,457,292	7,258,502	(11.04)
Investments and Other Income	11,394,234	10,280,547	10.83
Transfer to Retained Earnings (Annual Shareholder Transfer)	4,875,000	4,500,000	8.33
Profit Before Taxation (Including One-Off Surplus Transfer)	N/A	9,807,535	N/A
Profit Before Taxation	7,157,389	6,351,351	12.69
Profit After Taxation (Including One-Off Surplus Transfer)	N/A	9,467,427	N/A
Profit After Taxation	5,794,289	6,011,243	(3.61)
Position at the Year End			
Shareholder's Equity	26,425,584	20,646,899	27.99
Long Term Insurance Fund	88,049,202	81,723,759	7.74
Investments	103,744,945	92,264,065	12.44
Total Assets	118,059,390	106,094,506	11.28
Per Ordinary Share			
Earnings (Basic) (Including One-Off Surplus Transfer) (Rs.)	N/A	189.35	N/A
Earnings (Basic) (Rs.)	115.89	120.22	(3.61)
Dividends (Rs.)	11.90	9.00	32.22
Net Assets (Rs.)	528.51	412.9	27.99
Ratios			
Return on Total Assets (Including One-Off Surplus Transfer) (%)	N/A	8.92	N/A
Return on Total Assets (%)	4.91	5.67	(13.38)
Return on Equity (Including One-Off Surplus Transfer) (%)	N/A	45.85	N/A
Return on Equity (%)	21.93	34.97	(37.29)
Dividend Cover (Times)	9.74	21.04	(53.71)
Dividend Pay-out (%)	10.27	4.75	116.04
Capital Adequacy Ratio			
Total Available Capital (TAC) (Rs.Mn)	53,860	52,477	2.64
Risk Based Capital Requirement (RCR) (Rs.Mn)	14,813	13,585	5.92
Risk-based Capital Adequacy Ratio (CAR) (%)	364%	375%	(3.10)
Minimum CAR Required by Regulator (%)	120%	120%	

## Ceylinco Life performed exceptionally during the year



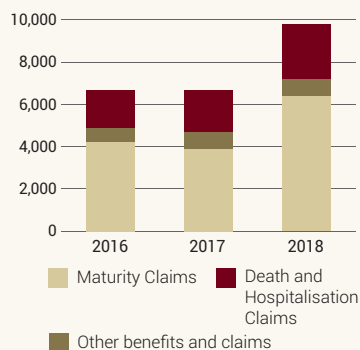
### Gross Written Premium (GWP)

(Rs.Mn.)



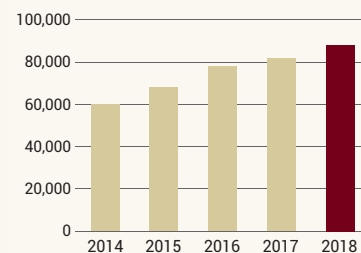
### Net Claims and Benefits

(Rs.Mn.)



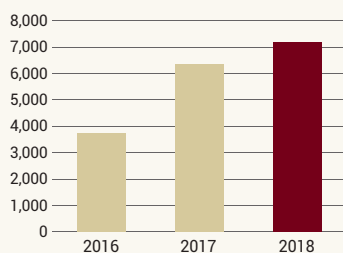
### Life Fund

(Rs.Mn.)



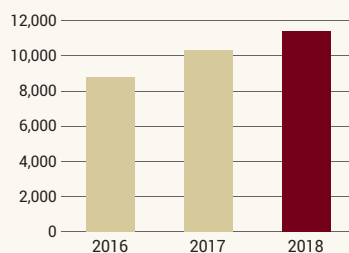
### Profit before Tax

(Rs.Mn.)



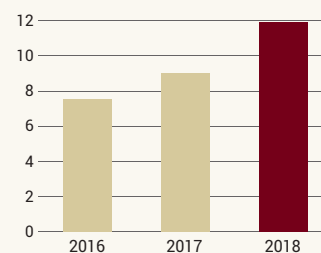
### Investment and Other Income

(Rs.Mn.)



### Dividend per Share (DPS)

(Rs.)



## NON-FINANCIAL HIGHLIGHTS

Results for the Year	Indicator	2018	2017
<b>Intellectual capital</b>			
New Products Introduced		2	2
Investment in It Systems	Rs. Mn	57	75
Top of the Mind Recall		43	46
Brand Equity Index		3.9	3.9
<b>Manufactured Capital</b>			
Number of Owned Branch Buildings		24	21
Investments in Property, Plant and Equipment	Rs. '000	510,281	903,536
<b>Human Capital</b>			
Total Workforce		863	890
New Recruits		65	54
Employee Turnover During the Period (Count)		92	78
Training Hours (Per Employee)		18.61	18.40
Number of Injuries		0	0
Percentage of Employees Receiving Performance Reviews	%	100	100
<b>Social and Relationship Capital</b>			
Number of New Policies		123,273	126,838
Claims and Benefits Paid	Rs. '000	9,997,299	6,884,013
Number of Claims Paid Over One Million		96	91
Incidents of Breach of Customer Privacy		0	0
Incidents of Non-Compliance With Laws and Regulations		0	0
Total No. of Agents		3,625	3,696
Commission Paid to Agents	Rs. '000	1,863,726	1,720,414
Training Hours (Per Agent)		552	444
Payments for Suppliers	Rs. Mn	1,461	984
Reinsurance Expense	Rs. '000	457,509	422,217
Reinsurance Claim Recoveries	Rs. '000	193,749	197,033
Waidya Hamuwa Projects		24	13
School Development Projects		5	3
<b>Natural Capital</b>			
Electricity Consumption	MW	2,206	2,252
Fuel Consumption within the Organisation	Litres	287,459	283,058
Water Consumption	Litres	30,064	28,584



'Peoples Life Insurance Brand' for the 12th consecutive year



Rs. 510 Mn investment in property, plant and equipment in 2018

**863**

341 employees over 15 years of service

Nearly

**1,000,000**

policies in-force

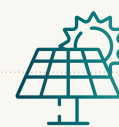
**3,625**

male to female ratio of the sale force  
49 : 51

**74<sup>th</sup>**

class room is constructed

13 solar power branches





Ceylinco Life Insurance Limited  
Integrated Annual Report 2018

# KEY MESSAGES FROM LEADERSHIP

## A JOURNEY OF THREE DECADES BUILDING A RELATIONSHIP FOR LIFE

### REFLECTIONS BY OUTGOING CHAIRMAN



*'Trust is the glue of life.  
It is the most essential  
ingredient in effective  
communication. It is the  
founding principle that  
holds relationships.'*

Steven Covey (1932 - 2012)



"It is significant to note that it is because of this Trust that during its 30 years of existence millions of lives have been entrusted to the protection of this company. More recently this concept of Trust was incorporated into the Company's theme - A Relationship for Life."

#### Overview

Life Insurance is to my mind an Insurance of Trust. A prospect becomes a customer because he/she looks far into the future and becomes convinced that the taking of a life insurance policy provides a safety net whenever the inevitable occurs and the final curtain comes down, no matter whether it is sooner or later than expected.

It is significant to note that it is because of this Trust that during its 30 years of existence millions of lives have been entrusted to the protection of this company. More recently this concept of Trust was incorporated into the Company's theme - A Relationship for Life. This theme is in fact a promise. A promise which assures the customer that the Company will be with that customer's next of kin, when due to the vagaries of fate, finances are needed most.

The total credibility of this Trust re-phrased as 'A Relationship for Life' is proved beyond all reasonable doubt by the fact that in the year under review Ceylinco Life has for the 15th successive year retained market leadership.

#### The Diverse Product Portfolio of Ceylinco Life

A cynic once described life insurance as 'death insurance' meaning that the benefit (the claim) of a life policy is obtained only at the death of a customer. Ceylinco Life's product portfolio clearly contradicts this misconception. In fact as explained in this Report financial benefits accrue to customers throughout their life time. Ceylinco Life's product portfolio is innovative, flexible, cost effective and most importantly caters to every stage of life of a customer. Of equal importance is the fact that its policies cater to different socio-economic strata. In catering to customers' needs Ceylinco Life has developed over 20 types of life insurance policies. These are comprehensively described elsewhere in this Integrated Annual Report.

#### Prompt Claim Settlement

I referred earlier to the vital element of Trust. The credibility of this Trust is in the fulfilment of the promise on which that Trust is based. This is in the prompt settlement of a Claim. During the course of the year under review Ceylinco Life settled death claims amounting to Rs. 702.8 Mn and medical claims amounting to Rs. 104.3 Mn. The average time taken to settle the former was 3 days and the latter was 2 days. The high priority given to the settlement of claims has enhanced the reputation of the Company. A 15 year market leadership is therefore no surprise.



"Ceylinco Life paid Rs.74.9 Mn as cash bonuses to its policy holders. I must emphasise that Ceylinco Life is the only life insurance company in this country to make such outright cash payments."

## REFLECTIONS BY OUTGOING CHAIRMAN

**"The Head Office of Ceylinco Life is an excellent example of a truly eco-friendly building."**

### **Lifetime Cash/ Non Cash Benefits**

Further disproving the misconception of 'death insurance' is the fact that during the year under review Ceylinco Life paid Rs. 74.9 Mn as cash bonuses to its policy holders. I must emphasise that Ceylinco Life is the only life insurance company in this country to make such outright cash payments. I must also mention the pioneering, much awaited, greatly appreciated non-cash benefit for policy holders in the form of the Family Savari. In 2018 65 families enjoyed fully paid holidays in 3 countries. The destinations included Singapore, China and Rome and has now included Australia for 2019.

### **Life Fund**

Further testimony of the Company's ability to fulfil its promises is the unassailable financial stability of the Company. This is the fact that it's Life Fund is at the end of December 2018 Rs. 88 Bn it is the fastest growing Life Fund in the industry.

### **Corporate Social Responsibility (CSR)**

Though the concept of CSR has been on corporate radar screens for over a decade it is still misunderstood and often used as a tool for publicity. CSR covers a plethora of activities which includes labour standards and working conditions, human rights, gender equality, environmental management, eco-efficiency and community projects.

When I claim that Ceylinco Life is one of the most, if not the most, active in the arena of CSR I am certain that no one will contradict me. The Head Office of Ceylinco Life is an excellent example of a truly eco-friendly building. From the maximum use of solar power to the minimum use of lifts to the conservation of water, are all incorporated into the building infrastructure. This adoption of eco-friendliness has been extended to all the newly established branches. Outstanding amongst the Company's community projects is the 'Waidya Hamuwa' programme under which free medical camps conducted by eminent doctors are carried out in rural areas. In 2018 approximately 5,411 persons were medically examined. With its focus on health care and the education, Company has this year provided medical equipment, built class rooms, provided drinking water facilities across the county. Details of these truly sustainable CSR projects are more fully described elsewhere in this Report.

As Outgoing Chairman I offer my sincere congratulations and more importantly my sincere thanks to all the employees who gave of their time and energy to all these projects.

### **Awards and Accolades**

As in previous years the year under review has seen the corporate life of Ceylinco Life adorned by awards both national and international. Amongst these have been 'Sri Lanka's Best Life Insurer' adjudged for the 5th consecutive year by World Finance. Amidst these honours I as a former President of the Sri Lanka Institute of Marketing who initiated the National Sales Congress (NASCO) awards have a duty to make special mention of Ceylinco Life's 2018 NASCO winners - Messrs W.K.M.C. Wickramasinghe, Anushath Samarasinghe, A.I.P. Manjula and H.A.S. Suraweera. The professionalism of the sales force was further demonstrated in an industry-wide competition organized by the Insurance Association of Sri Lanka in connection with its Life Insurance Awareness Month. Half of the top ten places in this competition was won by sales persons from Ceylinco Life.

It is my most pleasant duty to congratulate all those by whose efforts these awards were won. But equally important is my duty to remind these persons that the reward for work well done is the opportunity to do more.

### **'La Serena' Retirement Resort**

It was after much research and forward thinking that the Company made a substantial investment in these luxury chalets for active senior citizens. Together with a fully equipped gymnasium and swimming pool, each chalet is self contained unit with modern equipment and facilities. Residents are not subjected to the regimentation found in other elders homes. It is in



fact a home away from home without the stress of domestic chores. The response has been very positive and there is clear optimism that this venture will earn substantial profits in the future.

### Ceylinco Healthcare Services Ltd

This fully owned subsidiary with four specialized centres continues to provide state-of-the-art technology for the treatment of Diabetes and Cancer. Through these centres Ceylinco Life continues to serve the health needs of the nation supplementing the similar services of government institutions. These centres, specially the Cancer Centre is also a foreign exchange saver and earner. Making a heavy investment in providing state-of-the-art medical technology was the installation of Varian Clinac ix Linear Accelerator at a cost of Rs. 335.6 Mn. Here again is proof that Trust in the medical expertise provided and Trust in the modern equipment used, plays an important role.

### My Thanks

In concluding this message it is my very pleasant duty to express my sincere gratitude to those without whose assistance, co-operation and goodwill, we as a company would not be at the very apex of the Life Insurance market.

First is the institution which directly regulates our industry, the Insurance Regulatory Commission of Sri Lanka. I take this opportunity to congratulate Mr. Mano Tittawela who is the new Chairman and wish him all success. I thank the Director General Ms. Damayanthi Fernando and the rest of the Board for the services given. We as a company will offer our fullest co-operation regarding all regulatory

matters and endeavour to maintain a cordial relationship.

To our Reinsurers who are internationally recognised as being in the top most rung - Swiss Re and Munich RE I extend a very special word of gratitude for the continuing close co-operation, assistance and loyalty given. Here again the element of Trust has glued our partnership in a bond of cordial professionalism.

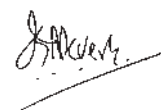
To Mr. R. Renganathan our Managing Director /CEO who with effect from November 14th consequent to my retirement, has been formally elected as Executive Chairman I extend my most sincere thanks. For the last 31 years he has demonstrated his sterling leadership qualities. Taking the Company to the top would have been challenging but maintaining that leadership is much more challenging specially with ever increasing competition. But Mr. Renganathan has done it. Therefore, I am confident that with his integrity, experience and commitment he will guide the Company from success to success. He will be more determined than ever not to betray the trust now placed on him as the newly elected Executive Chairman. I also congratulate my fellow Marketer Mr. Thushara Ranasinghe who takes over as Managing Director/CEO. Ceylinco Life is certainly in safe and capable hands.

It is also my pleasant duty to thank my fellow directors who through their individual expertise and disciplines have blended into a truly professional team which ensures that the concept of 'Good Governance' is observed both in spirit and in letter and at the same time stimulating the attainment of the highest level of corporate values. And

they too through their professionalism will ensure that the success for our company will depend on collective responsibility and collective effort.

I thank each and every member of our staff for their sincere commitment to fulfil their responsibilities through the year. They have worked as a team and reaped the rewards of their sustained effort. Trust in the leadership and trust in their co-workers together with dedication and loyalty to the Company will guarantee more successes in the years to come.

And now I extend my sincere thanks to our customers- the most important of our stakeholders. As you get to know us better we in turn will get to know you better and with that our mutual Trust will grow. You can be certain that the passion for excellence in customer service, product development and innovation will never abate.



**J G P Perera**

Outgoing Chairman

25th February 2019

## A STRONG YEAR OF PROGRESS AND A FUTURE OF SUSTAINABILITY

### CHAIRMAN'S MESSAGE



*"Order, unity and  
continuity are human  
inventions, just as  
truly as catalogues  
and encyclopaedias."*

Bertrand Russell (1872 - 1970)



"Shareholders are aware  
that the opening of new  
branches of Ceylinco  
Life is not just about  
expansion but is part  
of the Company's drive  
to reduce its carbon  
footprint by converting  
our branches to eco-  
friendly operations."

To wish for continuity in any successful undertaking is not just human nature, it is logical too.

As we embrace change and make change work for us, we derive strength and confidence from those that are constant and consistent in our endeavours - our core values, passion and commitment, and the principles that define us.

And so it is with Ceylinco Life, in this our 31st year of existence and 15th consecutive year of market leadership.

The transition of leadership at the helm of the Company has been achieved without even the hint of a ripple of disruption, and as this report will go on to prove, it was not just business as usual in 2018, dear shareholder, it was full steam ahead.

I thank our outgoing Chairman Mr. Godwin Perera for his level-headed leadership. He accepted the position at a time the Company was facing not just ripples but tsunami-like waves. He trusted the inherent strengths of the Company and its people to see it through the troubles that were not of their own making, and we came through with flying colours.

Mr. Perera was Chairman for much of the year reviewed here, hence has been accorded space for his own message in this report.

I congratulate Mr. Thushara Ranasinghe, my successor in the position of Managing Director/CEO. We have been colleagues from the inception of your company and together have overcome the vagaries and challenges that were part of the journey.

It is this entirely logical progression in the management of Ceylinco Life that brought to mind the words of the British author, mathematician and philosopher Bertrand Russell, who said that "order, unity and continuity are human inventions, just as truly as catalogues and encyclopaedias."

Ceylinco Life has always been, and continues to be an epitome of order, unity and continuity.

#### Performance

It gives me pleasure to report that your company achieved total income of Rs. 29.2 Bn for the year ending 31st December 2018, outperforming industry averages in our core business to record premium income of Rs. 17.8 Bn, an improvement of 13 per cent over the previous year. The premium income performance made 2018 our 15th consecutive year of market leadership in Sri Lanka's life insurance industry, as already mentioned in my preamble.



"Your Company posted profits before tax of Rs. 7.2 Bn, reflecting an increase of 12.7 per cent over 2017 after discounting a one-off surplus of Rs. 3.4 Bn that boosted the profits of the preceding year, following a regulatory change in the basis of the valuation of life funds."

## CHAIRMAN'S MESSAGE

**"We launched an exclusive retirement plan branded 'Guru Abhiman' specifically to enable teachers to save for their retirement."**

Investment income, our other principle source of income, grew at a more modest 10.8 per cent to Rs. 11.4 Bn for the year reviewed, an anticipated result in the context of the conditions that impacted on investment returns in 2018.

Your Company posted profit before tax of Rs. 7.2 Bn, reflecting an increase of 12.7 per cent over 2017 after discounting a one-off surplus of Rs. 3.4 Bn that boosted the profits of the preceding year, following a regulatory change in the basis of the valuation of life funds. Profit after tax decreased by 3.6 per cent on the same basis, to Rs. 5.8 Bn.

While extending the protection of life insurance to as many people as possible in our country remains our core business, the success of a life insurance company is also dependent on how it invests and manages policyholders' funds. In that respect, it has been a good year for the Company, even though the investment market softened and incomes of our prospective customers continued to be under pressure. Considering these factors, our success

in increasing our share of the life insurance market in 2018 is particularly noteworthy.

Our investment portfolio grew by a robust 12.4 per cent over the year to Rs. 103.7 Bn as at 31st December 2018, while total assets increased by 11.3 per cent to Rs. 118.1 Bn. At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (40 per cent); Fixed Deposits (23 per cent); Real Estate (7 per cent); Corporate Debt (28 per cent) and Others (2 per cent). 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 Regulatory Commission of Sri Lanka (IRCSL).

The Company's Life Fund grew to Rs. 88 Bn following a transfer of Rs. 6.5 Bn during the year. Shareholders' funds increased by Rs. 5.8 Bn or 28 per cent to Rs. 26.4 Bn.

The Company sold 123,273 new life policies in the year reviewed at an average of 10,272 per month and paid out Rs. 10 Bn in gross claims and benefits to policyholders, an increase of 45.2 per cent over 2017.

The company's net asset value per share stood at Rs. 528.5 as at 31st December 2018, from Rs. 412.9 at the end of the previous year, reflecting an improvement of Rs. 115.6 or 28 per cent. Earnings per share for the review period totalled Rs. 115.9, while return on equity was 21.9 per cent.

### Highlights of the Year

#### Branch Network/Sustainability

Shareholders are aware that the opening of new branches of Ceylinco Life is not just about expansion but is part of the Company's drive to reduce its carbon footprint by converting our branches to eco-friendly operations. We made further progress in this area in 2018 with the opening of three new buildings in Chilaw, Kadawatha and Wellawatte, and the commencement of construction of a new building for our main branch in Jaffna. All our purpose-built branch buildings are designed for optimal use of natural light, are solar powered, equipped with the latest energy-efficient lighting and air conditioning systems, minimise the use of pipe-borne water, and many of them have a facility for rainwater harvesting. We also minimise the use of timber in construction and preserve the trees at the sites.

Incidentally, our new Wellawatte branch is currently the largest branch office of Ceylinco Life. The new branch is located in a building acquired by Ceylinco Life at 43 - 45 Galle Road Colombo 06 and has 12,676 square feet of space, with a fully-equipped training facility. It accommodates four of our branch units covering the Wellawatte area.

The building under construction in Jaffna is a five-storey edifice with 20,000 square feet of purpose-designed office space. It will be the second branch building at the Company-owned property at No 37, Kanathiddy Road, Jaffna and will serve as the nucleus of the Company's operations in the Jaffna region, currently comprising of branches at five other locations on the peninsula.



## New Products

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

According to the school census conducted by the ministry of education in 2016, there are more than 230,000 teachers working in public or private sector schools and educational institutes in Sri Lanka. Most struggle with balancing their finances after they retire owing to the fact that the pensions some of them receive are not adequate to cater to their needs unless they have additional financial support from family.

The Guru Abhiman plan takes into consideration that with life expectancy in Sri Lanka expected to rise to 78 years, retirement plans of this nature are needed to cater to periods of retirement of 18 years or more.

## Benefits to Policyholders

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

Our 'Pranama' scholarships scheme continues to grow in stature and societal impact with each year. Your company presented scholarships to another 168 young Sri Lankans at the 17th edition of this programme in 2018. The Rs. 11.8 Mn committed at this event increased our cumulative investment in rewarding academic and extra-curricular achievement through the Pranama scholarships programme to Rs. 131.8 Mn. This poignant felicitation of the future leaders of our country has been a life-changing influence on many young people who are doctors, engineers, lawyers, academics and in numerous other professions today.

The 'Family Savari' programme, another initiative with which our shareholders are familiar, completed its 11th edition in the year reviewed, and benefitted more than 4,000 people from over 1,000 policyholder families, who were rewarded with fully-paid visits to Rome, China and Singapore, and a day's outing

at the Leisure World theme park. It is noteworthy to mention that about 24,000 people, representing 6,000 policyholder families have now enjoyed the Ceylinco Life Family Savari experience.

## Support to the Community

Another excellent demonstration of the importance of continuity and consistency is our community initiative to build classrooms for needy schools around the country. In the year under review your company helped move scores of students from temporary shelters to purpose-built classrooms when it donated buildings to six rural schools, including the presentation of classrooms to schools in four districts in a single week. The Sampur Sri Murugan Vidyalayam in Mutur, Trincomalee, received the 70th classrooms donated by Ceylinco Life under the programme, while the Welideniya Kanishta Vidyalaya in Wanduramba (Galle District), the Kirinda Vidyalaya, Nikaweratiya (Kurunegala District), the Hulandawa Dakuna Maha Vidyalaya in Hulandawa (Moneragala District) and the Konketiya Vidyalaya, Bogahawewa (Anuradhapura District) were the recipients of the 71st, 72nd, 73rd and 74th school buildings donated by Ceylinco Life in the course of a single week.

In the sphere of healthcare, another area that is supported by your company, the Colombo South Teaching Hospital, Kalubowila, the second largest government hospital in the Colombo District, was presented a fully-equipped High Dependency Unit (HDU) to provide intensive post-surgery care for recuperating patients before they are

## CHAIRMAN'S MESSAGE

transferred to regular wards. Located in Ward 24 of the hospital, the HDU has four ICU beds, six syringe pumps, two infusion pumps, a patient warmer, a blood or fluid warmer, two DVT pumps, a piped medical gas system for the four beds, two portable ventilators, four cardiac monitors, and a central monitoring station. Constructed and equipped at a cost of Rs. 11.8 Mn, this is the fourth such unit donated by Ceylinco Life to a government hospital.

### Awards & Recognition

I am delighted to report that Ceylinco Life was declared the 'Best Life Insurer in Sri Lanka' yet again by the prestigious World Finance magazine in 2018 - the fifth consecutive year that your company has been honoured with this accolade. The award is based on Ceylinco Life's performance in the financial year 2017, and follows an in-depth assessment of key performance indicators by World Finance, a UK-based international magazine that analyses the financial industry, international business and the global economy. The World Finance Global Insurance awards celebrate companies that have stood out as clear industry leaders over the course of each year by remaining agile even in the face of rapid change.

Ceylinco Life was also declared the Peoples Life Insurance Service Provider of the Year at the 2018 SLIM-Nielsen Peoples Awards. Ceylinco Insurance is the only company in its sector to win this prestigious accolade every year since the inception of the awards 12 years ago. This was the second year that the Peoples Insurance Service Provider of the Year was awarded separately to Life and General Insurance

companies, following the segregation of these segments of insurance by law in 2015. In the 10 years that preceded the segregation, Ceylinco Insurance PLC won the award every year. The SLIM-Nielsen Peoples Awards is the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM).

It gives me pleasure to record that Ceylinco Life was ranked among the 50 most valuable brands in Sri Lanka by Brand Finance Lanka in 2018, and was the highest-ranked life insurance brand in the country. Brand Finance assigned Ceylinco Life a brand value of Rs. 3.7 Bn for 2018, moving it up two places from last year. Brand Finance calculates the values of brands in its league tables using the Royalty Relief approach - a brand valuation method compliant with the industry standards set in ISO 10668. This prestigious accolade reaffirms that Ceylinco Life is not just number 1 in terms of performance - a feat it has now achieved for 15 years successively - but in terms of brand perception too. This is especially important to a company whose business is dependent on earning and retaining the trust of its customers over the long term.

While on the topic of awards and accolades, it is my pleasant duty to report that sales personnel of Ceylinco Life won three Golds and a Bronze at the 2018 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM), once again emphasising the Company's prowess in professional salesmanship. Messrs A. I. P. Manjula and W. K. M. C. Wickramasinghe won the Gold Awards in the Frontliner category under the

Life Insurance sector, while Anushath Samarasinghe, an Assistant Branch Sales Manager, took the Gold Award in the Territory Manager category in the same sector. Mr H. A. Suraweera, Assistant General Manager - Sales Administration won the Bronze Award in the 'Other Sales Support - Manager and Above' category across all sectors. This was the first time this category was included in the competition. I congratulate all of these individuals for their victory at these awards and thank them for their service to Ceylinco Life.

### The Policy and Regulatory Environment

In my review of your company's performance in 2017, I made reference to some of the changes that came into effect with the new Inland Revenue Act as well as Section 96A of the Regulation of Insurance Industry Act No 43 of 2000, which changed the basis of valuation of life funds. These changes continue to impact our business, and we engage with the regulatory authorities periodically on matters arising from them.

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

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

### **The Future**

We remain optimistic and excited about the future prospects for the Company. As in virtually every sector of business, ICT is changing the way we engage with customers, the way we operate, the way we deliver products and services, the way we track and evaluate progress and the way we develop new products. Our new Managing Director Thushara Ranasinghe makes reference to some of these matters in his statement.

### **Subsidiaries**

Our fully-owned subsidiary Ceylinco Healthcare Services Limited (CHSL) continued to make steady progress in the year reviewed, and achieved a 55 per cent improvement in profit before tax. As shareholders know, the Company operates four centres of excellence, the Ceylinco Healthcare Centre specialising in screening for cancer, the Ceylinco Radiation Treatment Unit which introduced the Linear Accelerator to Sri Lanka, the Ceylinco TomoTherapy Centre, which offers one of the most

advanced forms of 3-D image-guided radiation treatment in Sri Lanka and the Ceylinco Diabetes Centre. We invested in a new linear accelerator for the Radiation Treatment Unit in 2018, replacing the first machine with a state-of-the-art Clinac iX from Varian Medical Systems. We have also doubled the unit's capacity for Radioactive Iodine treatment.

La Serena, our venture in to retirement living has been slow to take off, as it is a new concept for Sri Lanka. We have received a significant number of enquiries however, and in some instances, there is a delay in tenants moving in as they have to dispose of existing properties. We plan to persist with the project and hope to look at certain overseas markets as well. This project is the forerunner in proposed investments in infrastructure and care for the elderly, an area we believe needs to be developed in light of Sri Lanka's rapidly ageing population.

### **Thank you**

I thank my colleagues on the Board of Directors, the staff, policyholders, shareholders and regulators for their contribution to the Company's progress in the year reviewed. I look forward to their continued support and guidance in 2019.



**R Renganathan**

Executive Chairman

25th February 2019

## FORGING AHEAD WITH AN INNOVATIVE SPIRIT IN DIGITALISATION

### MANAGING DIRECTOR/ CEO'S REVIEW



*"Change is  
not merely  
necessary to  
life - it is life"*

Alvin Toffler (1928 - 2016)



"Introduction of  
'Life 360° Customer  
Relationship  
Management (CRM)  
software that gives  
us a 360° view of a  
customer's interaction  
with the Company,  
covering all touch  
points including  
payment history."

Exactly 70 years ago, in its March 1949 issue, 'Popular Mechanics' magazine ventured to predict that the "computers of the future" may weigh as little as one and a half tonnes.

The magazine was contrasting its future computer with the most exciting technological marvel of that time, the ENIAC (Electronic Numerical Integrator and Computer) one of the earliest general purpose computers in operation. It weighed 30 tons; cost today's equivalent of US\$ 7 Mn to build; had no built-in memory and had less computing power than a present-day smart phone.

We need no further examples to illustrate how much technology has, not evolved, but exploded over just seven decades and changed our lives for ever.

The fundamental concept of life insurance, however, remains unchanged.

How technology in the era of digitalisation impacts the business of life insurance, is, however, a different story.

How we develop products to meet the needs of the times and the priorities of different customer segments; how we analyse the needs of every individual policyholder; how we process, underwrite and issue policies; how we interact with policyholders and respond to their needs; how we track and monitor every policyholder relationship; how we measure the success of what we do; and how we evaluate the efforts of our staff and reward them, have all come under the digital spell.

These are exciting times indeed, but our future depends on our ability to meaningfully adopt technological advancements to make the selling of life insurance easier, faster and more cost effective, while enriching the policyholder experience.

Shareholders are aware that Ceylinco Life has always prided itself on being a pioneer as well as a thought and process leader in the field of life insurance, and I am happy to report in my first statement as Managing Director, that we have approached the phenomenon of digitalisation in the same spirit.

It is also important to emphasise that digitalising our processes also supports another important aspect of our business - our sustainability agenda by enabling us to eliminate a substantial amount of paper that is generated in the course of our relationship with a policyholder.





"We are well into an initiative to equip every member of our sales team with a tab or equivalent hand-held digital device that provides access to our sophisticated apps for new business and customer service."

## MANAGING DIRECTOR/ CEO'S REVIEW

**"The gender balance in the composition of our sales force continues to improve significantly."**

Some of the highlights of our digital initiatives of 2018:

- Digitalisation of the sales force - We are well into an initiative to equip every member of our sales team with a tab or equivalent hand-held digital device that provides access to our sophisticated apps for new business and customer service.
- Adoption of the Finance and Treasury Modules of SAP (Systems, Applications and Products) the German Enterprise Resources Planning (ERP) and Data Management programmes, covering our Accounting, Asset Management and Life Fund.
- Introduction of 'Life 360' Customer Relationship Management (CRM) software that gives us a 360° view of a customer's interaction with the Company, covering all touch points including payment history.
- E Submissions - the policy proposal form is completed on a tab with the facility for the customer to sign on

the tab. The document is thereafter transmitted electronically for underwriting.

Another important element of our business is the expansion of channels for the collection of premiums from customers who are not yet equipped for, or are not comfortable with, digital interaction. Shareholders will recall that we entered into a partnership with the Department of Posts in 2017, enabling our policyholders to pay their premiums at approximately 4,000 post offices around the country. In the year reviewed we finalised an agreement with Cargills Bank, making it possible for Ceylinco Life premiums to be paid at more than 350 outlets of the Cargills Food City chain.

Before I conclude this brief statement, I would also like to place on record that the gender balance in the composition of our sales force continues to improve significantly. In the year reviewed the male: female ratio stood at 49:51. This is a natural evolution that we encourage and are heartened by. Our female sales staff members are doing very well, are well-received by policyholders and are truly well-represented at our annual staff awards.

Looking ahead, two areas that your Company proposes to increase its focus on in 2019 are the reimbursement health insurance market and retirement products. We have already given members of our sales force separate

revenue targets for retirement plans to encourage them to place greater emphasis on this segment of the market.

As a member of the founding team of Ceylinco Life, I am humbled by the trust and confidence implicit in my appointment as Managing Director/ CEO and delighted to be in a position to contribute more to the Company as it embraces the opportunities created by the latest advancements in ICT. I thank my fellow directors and the entire Ceylinco Life team for their efforts in 2018, and look forward to their continued support in the year ahead.



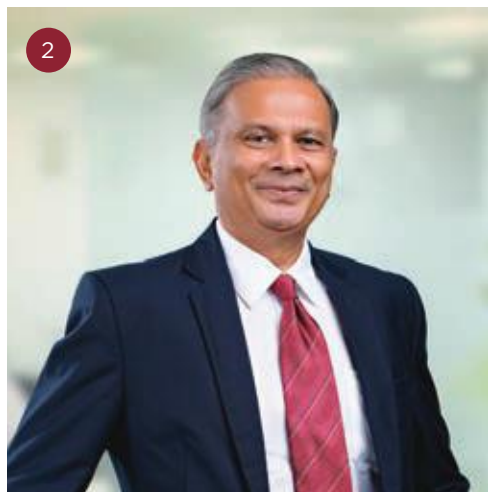
**Thushara Ranasinghe**  
Managing Director/CEO

25th February 2019

Ceylinco Life Insurance Limited  
Integrated Annual Report 2018

# STEWARDSHIP

# BOARD OF DIRECTORS



**1 R Renganathan**  
Executive Chairman

**2 E T L Ranasinghe**  
Managing Director/  
Chief Executive Officer

**3 P D M Cooray**  
Executive Director/  
Head of Human  
Resources and Training

**4 P A Jayawardena**  
Executive Director/CFO

**5 S R Abeynayake**  
Executive Director/  
Deputy CFO

**6 D H J Gunawardena**  
Non-Executive Director

**7 Gen C S Weerasooriya**  
(Retired)  
Non-Executive Director

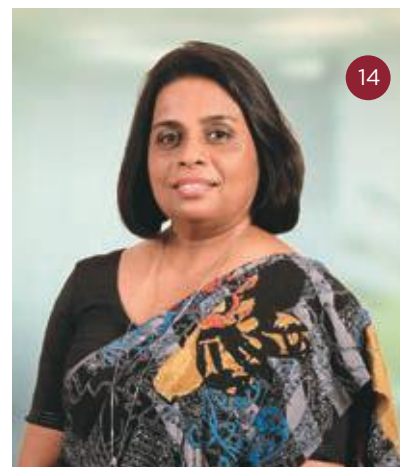




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**8 R S W Senanayake**  
Non-Executive Director

**9 J A Setukavalar**  
Independent  
Non-Executive Director

**10 Prof. W M M de Silva**  
Independent  
Non-Executive Director

**11 Dr. B G S de Silva**  
Independent  
Non-Executive Director

**12 W M P J K Wickramasinghe**  
Independent  
Non-Executive Director

**13 H S B Caldera**  
Independent  
Non-Executive Director

**14 Ms. A K Seneviratne**  
Independent  
Non-Executive Director

**15 J Durairatnam**  
Independent  
Non-Executive Director

## BOARD OF DIRECTORS

1

### **R Renganathan** Executive Chairman

**Date of first appointment as a Director:** 10th April 2014

**Academic/ professional qualifications:** Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Institute of Certified Management Accountants of Sri Lanka.

**Skills & experience:** Joined Ceylinco Limited in 1983 and has had a long career in the Group's insurance business. He was responsible for setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987. He functioned as the MD/ CEO Ceylinco Insurance PLC (Life division) until the segregation became fully operational in 2015.

**Other current appointments:** Non-Executive Director - Ceylinco Insurance PLC, Chairman - Ceylinco Healthcare Services Limited, Chairman - Serene Resorts Limited, Chairman - Ceylinco Seraka Limited (resigned w.e.f. 08.12.2018)

**Board committees served on:** Chairman - Board Investment Committee, Member - Board Nomination Committee

2

### **E T L Ranasinghe** Managing Director/Chief Executive Officer

**Date of first appointment as a Director:** 10th April 2014

**Academic/ professional qualifications:** MBA - Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Fellow of the Chartered Institute of Marketing, UK.

**Skills & experience:** Joined Ceylinco Limited as a Product Manager in 1986, counting over 40 years in sales, marketing and strategic planning, he is one of the pioneer members who set up Ceylinco Insurance PLC (Life Division).

**Other current appointments:** Executive Director - Ceylinco Insurance PLC, Executive Director - Ceylinco Healthcare Services Limited, Executive Director - Serene Resorts Limited, Executive Director - Ceylinco Seraka Limited (resigned w.e.f.07.12.2018)

**Previous appointments:** Founder Member - Chartered Institute of Marketing, Sri Lanka, Executive Committee memberships including the post of Senior Vice Chairman of CIM.

**Board committees served on:** Member - Board Investment Committee

3

### **P D M Cooray** Executive Director / Head of Human Resources and Training

**Date of first appointment as a Director:** 10th April 2014

**Academic/ professional qualifications:** Fellow of the Life Underwriters Training Council, USA (LUTCF) and a Chartered Insurance Agency Manager (CIAM). Certified Manager of Financial Advisors (CMFA), Executive Diploma in business Administration, University of Colombo, CII (Award) on Financial Planning from the Chartered Insurance Institute, London.

**Skills & experience:** Having joined Ceylinco Insurance as Assistant Manager - Training in 1987, Mr. Cooray played a key role in setting up the sales force for Ceylinco Life insurance.

An internationally reputed speaker on life insurance and the first South Asian non-member to address the Million Dollar Round Table (MDRT), a prestigious international life insurance convention.

**Other current appointments:** Executive Director - Ceylinco Insurance PLC, Director - Serene Resorts Limited

**Board committees served on:** None

4

### **P A Jayawardena** Executive Director / CFO

**Date of first appointment as a Director:** 10th April 2014

**Academic/ professional qualifications:** Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants, Sri Lanka.

**Skills & experience:** Joined the Life Division of Ceylinco Insurance PLC in 1990 as Chief Accountant (Branches) and counts over 25 years' experience in insurance industry.

**Other current appointments:** Non-Executive Director - Ceylinco Insurance PLC, Executive Director - Serene Resorts Limited, Executive Director -Ceylinco Healthcare Services Limited,

Board committees served on: Member - Board  
Investment and RPTR Committees

5

**S R Abeynayake**  
Executive Director / Deputy CFO

Date of first appointment as a Director: 10th April 2014

**Academic/ professional qualifications:** MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Fellow of the Institute of Chartered Accountants, Sri Lanka and the Institute of Certified Management Accountants, Sri Lanka.

**Skills & experience:** Having joined the Life Division of Ceylinco Insurance PLC as Financial Accountant in 1998, he counts over 20 years' experience in finance.

**Other current appointments:** Non-Executive Director - Citizens Development Business Finance PLC, Non-Executive Director - Ceylinco Insurance PLC, Director - Serene Resorts Limited

Board Committees served on: Member - Board  
Investment Committee

6

**D H J Gunawardena**  
Non-Executive Director

Date of first appointment as a Director: 10th April 2014

Date of last re-election as a Director: 30.03.2017

**Academic/ professional qualifications:** Fellow of the Chartered Institute of Management Accountants, UK, Chartered Global Management Accountant.

**Skills & experience** He counts for over 45 years of experience in shipping, airline, finance, mining, export and import trade.

**Other current appointments:** Chairman - Citizens Development Business Finance PLC, Director -Hunter & Company PLC, Director -Lanka Canneries (Pvt) Limited, Director -Heath & Co. (Ceylon) Limited, Director -Pelwatte Dairy Industries Limited, Chairman/Director - Techince Global (Pvt) Ltd and Non Executive Director -Ceylinco Insurance PLC

Board committees served on: Chairman - RPTR Committee, Member - Audit & Remuneration Committees

7

**Gen. C S Weerasooriya (Retired)**  
Non-Executive Director

Date of first appointment as a Director: 10th April 2014

Date of last re-election as a Director: 30.03.2018

**Academic/ professional qualifications:** Gen. Weerasooriya is a graduate of the Pakistan Military Academy, Kakul and the National Defence College in India and has a Master's Degree in Defence Studies

**Skills & experience:** Following a 37-year career in the military, Gen. Weerasooriya was appointed Commander of the Sri Lanka Army in 1998. He was conferred the prestigious Civil Award Sitar-e-Pakistan by the President of Pakistan in 2014.

**Previous appointments:** Non-Executive Director Ceylinco Insurance PLC, On retirement, he was appointed as the High Commissioner to Pakistan and simultaneously served as the Ambassador Extraordinary and Plenipotentiary for Sri Lanka to Tajikistan and Kyrgyzstan.

Board committees served on: None

8

**R S W Senanayake**  
Non-Executive Director

Date of first appointment as a Director: 10th April 2014

Date of last re-election as a Director: 30.03.2017

**Academic/ professional qualifications:** Associate of the Chartered Institute of Management Accountants, UK and a Fellow of the Certified Management Accountants, Sri Lanka

**Skills & experience:** Serves as a member of the Board Investment Committee of the Company having previously served Ceylinco Insurance PLC from 1995 to 2009 in the field of investments, counts over 25 years of experience in financial markets including insurance, stock brokering, fund management and corporate finance.

## BOARD OF DIRECTORS

**Other current appointments:** Non-Executive Director - AKLAW Consultancy Services (Pvt) Ltd, Chairman - Corporate Capital Market Ltd, Managing Director - Kenanga Investment Corporation Limited, Chairman - Kenanga Capital Holdings Ltd, Managing Director - SMB Securities (Pvt) Limited, Chairman - SMB Real Estate Limited, Managing Director - SMB Money Brokers (Pvt) Limited, Managing Director - K Seeds Investments (Pvt) Limited, Non-Executive Director - The Magnum Fund Ltd, Director - Ceyline Holdings (Pvt) Ltd., Director - Ceyline Engineering Services (pvt) Ltd., Director - Ceyline Shipping Ltd.,

**Board committees served on:** Member - Risk, RPTR, Board Investment and Remuneration Committees

9

### **J A Setukavalar** **Independent Non-Executive Director**

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** 30.03.2017

**Academic/ professional qualifications:** Fellow of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, UK, and Certified Management Accountants, Sri Lanka; a Certified Global Management Accountant; and a Fellow of the Institute of Certified Professional Managers.

**Skills & experience:** Mr Setukavalar has over 40 years of experience in auditing, accounting and finance. A recipient of scholarships awarded by the British Foreign and Commonwealth Office, UK and the Colombo Plan Bureau, he has been trained at INSEAD - France, IBM - Rochester, USA and JICA - Japan. He also had worked for KPMG Colombo and Price Waterhouse Coopers in Dubai.

**Other current appointments:** Executive Director - A. Baur & Co. (Pvt) Limited, Non-Executive Director - Singer Finance (Lanka) PLC and Member of the Board of Governors of the CMS schools in Sri Lanka and is the current Chairman of its Finance Committee Member of Board of Trustees of the Ceylon School for Deaf and Blind

**Previous appointments:** Executive Director - Baur's Air Services Limited, Executive Director - A. Baur & Company (Travel) Limited, Executive Director - A. Baur Trading (Pvt) Limited, Executive Director - Baur's Agri Exports (Pvt) Limited, Executive Director - Swiss Trading Group (Pvt) Limited,

**Board committees served on :** Chairman of the Audit Committee

10

### **Prof. W M M de Silva** **Independent Non-Executive Director**

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** 30.03.2018

**Academic/ professional qualifications:** Master's Degree in Surgery from the University of Colombo, Fellow of the Royal College of Surgeons, Edinburgh. Honorary Fellow of the Asia Pacific Society of Digestive Endoscopy and an Honorary Consultant Surgeon, Colombo South Teaching Hospital.

**Skills & experience:** Temporary advisor to WHO-SEARO on Patient Safety.

Prof. Mohan de Silva has served as a Civil Volunteer Surgeon for the Sri Lanka Armed Forces and has received several accolades in recognition of his outstanding contributions.

**Other current appointments:** Chairman - University Grants Commission of Sri Lanka, Senior Professor and Chair in Surgery.

**Previous appointments:** President - College of Surgeons of Sri Lanka, Vice President - Sri Lanka Medical Association, Director Education of the College of Surgeons of Sri Lanka and the Former Dean of the Faculty of Medical Sciences, University of Sri Jayawardenepura

**Board committees served on:** Chairman - Remuneration Committee

11

### **Dr. B G S de Silva** **Independent Non-Executive Director**

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** 30.03.2018

**Academic/ professional qualifications:** BDS (Sri Lanka), Degree from the University of Peradeniya and FFDRCS (Ireland) in Oral Surgery

**Skills & experience:** Dr. de Silva is a Consultant Dental Surgeon with nearly 40 years' experience

**Other current appointments:** Non-Executive Director - Intercom (Pvt) Limited.

**Previous appointments:** President - Sri Lanka Dental Association and Chairman - Commission on Oral Diseases, Asia Pacific Dental Federation

**Board committees served on:** Chairman of the Nomination Committee

12

### **W M P J K Wickramasinghe** Independent Non-Executive Director

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** 30.03.2018

**Academic/ professional qualifications:** A member of the Chartered Institute of Logistics and Transport.

**Skills & experience:** He counts over 40 years' experience in engineering and IT.

**Other current appointments:** Director - LINTA Enterprises (Private) Ltd

**Previous appointments :** Chief Executive Officer of state-owned Lanka Logistics & Technologies Limited and a member of the Board of Management of the Urban Development Authority, Director of Information and Communication Technology Agency (ICTA) of Sri Lanka.

**Board committees served on:** Member - Risk, Nomination and Audit Committees

13

### **H S B Caldera** Independent Non-Executive Director

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** None

**Academic/ professional qualifications:** An active member of the Bar Association of Sri Lanka, Attorney-at-Law and a graduate of the Faculty of Law, University of Colombo.

**Skills & experience:** Practitioner in the Civil Courts in the areas of civil, corporate and commercial litigation together with commercial arbitrations, fundamental rights, administrative law and constitutional law.

**Other current appointments:** None

**Board committees served on:** None

14

### **Ms. A K Seneviratne** Independent Non-Executive Director

**Date of first appointment as a Director:** 10th April 2014

**Date of last re-election as a Director:** None

**Academic/ professional qualifications:** BSc Degree with specialization in Actuarial Mathematics from Concordia University (Canada) and the Canadian Risk Management (CRM) designation awarded by the Global Risk Management Institute (GRMI).

Associate of the Society of Actuaries (USA) and the Canadian Institute of Actuaries.

**Skills & experience:** Ms. Seneviratne is an Actuary with over 20 years of experience, including 16 years in the life insurance industry in Sri Lanka. She had previously served as the in-house actuary of the Life Division of Ceylinco Insurance PLC.

**Other current appointments:** Director- Technical Activities of the International Actuarial Association

**Board committees served on:** Chairperson - Risk Committee

15

### **Jegatheeshan Durairatnam** Independent Non-Executive Director

**Date of first appointment as a Director:** 14th November 2018

**Date of last re-election as a Director:** None

**Academic/ professional qualifications:** Bachelor's Degree from the University of Peradeniya.

**Skills & experience:** Substantial professional experience in Banking, covering all aspects of International Trade, Off shore Banking, Credit, Operations, and Information Technology

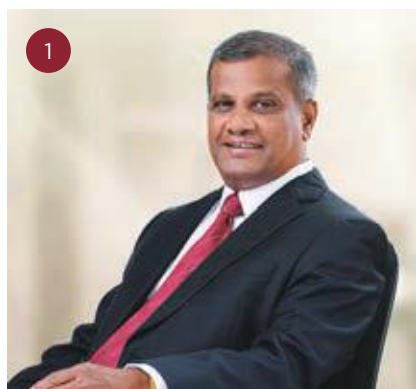
**Other current appointments:** Director- DFCC Bank PLC, Director - Assetline Leasing Co. Ltd, Director - Asian Hotel and Properties PLC

**Previous appointments:** MD/CEO- Commercial Bank of Ceylon PLC, Director- Commercial Development Company PLC, Director - Lanka Financial Services Bureau Ltd

**Board committees served on:** None



# CORPORATE MANAGEMENT



**1 P A J Jayawardena**  
LUTCF (USA), CIAM, CMFA  
General Manager - Business Development



**2 R M U K RATNAYAKE**  
MSc (CompSc), MBCS, CITP, CISA (USA), MCS  
General Manager/Chief Digital Officer



**3 A H R Udayasiri**  
BSc (Cey), LUTCF (USA), CIAM, MBA (Colombo)  
General Manager - Business Development



**4 T N Y Morseth**  
CMFA, CIAM, LUTCF (USA)  
Senior Deputy General Manager - TAKAFUL



**5 E R S G S Hemachandra**  
MBA (Australia), Dip Mkt (UK), FCIM (UK), Char-  
tered Marketer  
Senior Deputy General Manager - Marketing



**6 J P Abhayaratne**  
Dip Mgt, BBA (USA), MBA (UK)  
Senior Deputy General Manager - Operations



**7 M Thenuwara**  
LUTCF (USA), CIAM  
Senior Deputy General Manager -  
Bancassurance

**10 S Kumarapperuma**  
BSc (Hons), PG Dip Act Sci (UK), MBA (Colombo)  
Deputy General Manager - Actuarial Services

**13 R M P Bandara**  
LUTCF (USA), CIAM  
Senior Assistant General Manager -  
Business Development

**8 W A W C Wijesinghe**  
LUTCF (USA), CIAM, MBA (AUS)  
Senior Deputy General Manager -  
Business Development

**11 T D De Silva**  
BBA (Hons), ACCA, MBA (Colombo)  
Senior Assistant General Manager - Projects

**14 T Vijayananth**  
Senior Assistant General Manager -  
Business Development

**9 H G A Sirisena**  
FCII (UK), Chartered Insurer, MBA (India),  
DMU (AMS)  
Senior Deputy General Manager - Technical

**12 M S J L B Weerakoon**  
Senior Assistant General Manager -  
Business Development

**15 L V Keragala**  
Dip Mkt (UK), Chartered Marketer, ACIM  
Senior Assistant General Manager - Customer  
Relations

## CORPORATE MANAGEMENT



**16 D S Thilakarathne**  
Senior Assistant General Manager -  
Business Development



**17 P P D V Hemakumara**  
CISA (USA), MBCS (UK), Dip Mgt (India), MBA  
(India), MCSSL (SL)  
Assistant General Manager - ICT/Chief  
Information Security Officer



**18 H A Suraweera**  
MBA (Colombo), BSc (Mkt Mgt) (Special),  
Chartered Marketer  
Assistant General Manager - Agency  
Administration



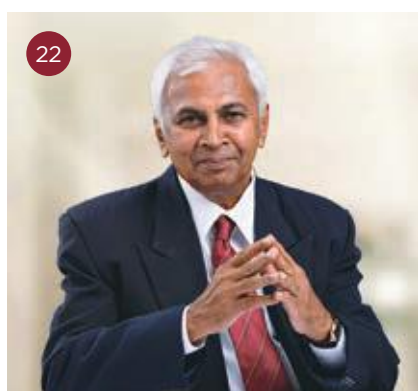
**19 J L N Jayawardena**  
Assistant General Manager - Customer Services



**20 R D Vipulatheja**  
MBA (Wales) (UK), LUTCF (USA), CIAM, CMFA,  
LUTC Fellow (USA), MFA, NLP, Business  
Practitioner  
Assistant General Manager - Training



**21 P A C D Wijayasekara**  
FCA, MBA (Colombo)  
Assistant General Manager - Internal Audit



**22 B S E M Perera**  
Senior Manager - Customer Services



**23 P Silva**  
MBA (USA), AEIA (UK)  
Senior Manager - Administration



**24 R M S Wijayasekara**  
MBA (India), MBCS (UK)  
Senior Manager - Systems



**25 G A H Chandana**

BSc Mgt (Sp) (Hons), FCA, ACMA  
FCAA, CTA, ASA (CPA Aus.)  
Senior Manager - Finance

**28 L G H A S Kumara**

LLB, MBA (UK), ACII, AIII, Attorney-at-Law,  
Chartered Insurer  
Senior Manager - Technical

**31 K I Weththasinghe**

Attorney-at-Law  
Senior Manager - Legal

**26 B A Nandalal**

CIAM, LUTCF (USA)  
Senior Manager - Business Development

**29 P U C Pathinagoda**

MBA in IT (Moratuwa), BSc (Colombo), CISA  
(USA), LICA  
Senior Manager - Information Systems Audit

**32 M J N S A Jayatilake**

MBA (Colombo), BSc (Business  
Administration), PQHRM(IPM), AMIPM  
Senior Manager - Human Resources

**27 V M G Kariyawasam**

MSc (IT), BSc (Hons) MIS, ACSA, PG Dip (IT), OCA  
Senior Manager - Database Administration

**30 C R P Liyanage**

MBA (Aus), Dip M (UK), BDM (Aus)  
Senior Manager - Group Insurance

**33 D M G L Alwis**

CFA (USA), MSc (Actuarial Science), MBA (India),  
AIB (SL), ACMA (UK), CGMA (UK), MCSI, BSc  
(Physical Sciences)  
Senior Manager - Portfolio

## CORPORATE MANAGEMENT



**34 M H Y A Silva**  
LUTCF (USA)  
Senior Manager - Business Development

**35 A A T S A Weerakkody**  
AIA, BSc (Hons) Statistics Special (1st Class),  
MSc Act Mgt (UK),  
Dip Actuarial Techniques (UK), CFI (UK)  
Senior Manager - Actuarial Services

**36 P Vincent**  
BSc (Engineering), AMIE (SL)  
Senior Manager - Projects

**37 W S Dabarera**  
BSc Accounting & Financial Special (Hons), ACA,  
ACMA (UK), CGMA (UK), MAAT  
Chartered Tax Advisor  
Senior Manager - Finance

**38 D H Canagasabey**  
Chartered Marketer, Dip M, MCIM (UK)  
Senior Manager - Brand Development

**39 K A D R MENAKA**  
ASA, B.Sc (Maths) Special, Dip in CMA  
Senior Manager Actuarial Services



**40 S K N De Silva**

Pg Dip (Busi Fin & Admin), CBA  
Senior Manager - Financial Services

**41 J S K Ratnayaka**

Dip LIM  
Senior Manager - Business Development

**42 K Sumanthiran**

Dip LIM, CIAM  
Senior Manager - Business Development

**43 N K Subapanditha**

Senior Manager - Business Development

**44 P P S Kalyaniwansa**

CIAM, MFA  
Senior Manager - Business Development

# MANAGERS



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**1 M R N L Fonseka**  
MBA (UK), ACII (UK), AIII, Chartered Insurer  
Manager - Operations

**2 S P K Senadeera**  
BSc (Engineering)  
Manager - Projects

**3 S P Mamaduwa**  
Manager - Training

**4 M A C P Wijeratne**  
MCSSL, MBCS, Advanced Dip (CIMA), MBA (IT),  
BSc (IM) PGD (W&C)  
Manager - IT Projects

**5 D A Wijewardena**  
MSC (Comp Sc), BSc (Hons), MBCS, MCS  
Manager - IT Projects

**6 K M S N Karunanayake**  
MBA (Kel'ya), ACII, Chartered Insurer-UK, AIII  
Manager - Claims



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**7 G K S Sriyananda**  
BSc (Hons), AIII, ACII (UK), MBA (UK),  
Chartered Insurer  
Manager - Operations

**8 K L U Priyantha**  
CIAM  
Manager - Business Development

**9 D R M T N D Bandara**  
CIAM Dip LIM CFMC  
Manager - Business Development

**10 N T Senavirathne**  
LUTCF (USA), CIAM, Associate Trainer  
Manager - Business Development

**11 M T A Peiris**  
LUTCF (USA), CIAM, CMFA, MFA  
Manager Business Development  
- Bancassurance

**12 A K D D C Perera**  
LUTCF (USA)  
Manager - Business Development

**13 T Nirojan**  
Manager - Business Development

**14 I B L Wijesinghe**  
MBA, CIAM, LUTCF (USA) PGDBM, BA(Hons)  
(University of Colombo)  
Zonal Manager

**15 M N Abdeen**  
Dip LIM, CIAM, CFMC  
Zonal Manager

## MANAGERS



**16 D S Hettiarachchi**  
LUTC, AMTC, MSS, FMS, PMW - LIMRA  
Zonal Manager



**17 L P K Rupasiri**  
BSc (Hons), All (India), ACII (UK),  
Chartered Insurer  
Manager - Operations



**18 B A K S M Dharmasena**  
MSc, IT, MBCS, CCNA  
Manager - ICT



**19 M C Jayasinghe**  
MBA (PIM - Sri J), ISCCA (ICAI - India), BSc  
(Information Systems - UK)  
Manager - Information Systems Audit



**20 V Thanusath**  
ACA, B.Sc Accounting (Special)  
Manager - Internal Audit



**21 P H Samarasinghe**  
MBA (PIM-USJ), B.A. Econ Hons. (Colombo),  
PGDip in Marketing (SLIM)  
Category Manager



**22 W A C R Alwis**  
Dip. M. ACIM (UK), B. Bus in International  
Business (Aus)  
Brand Manager

## MANAGERS

### Regional Sales Managers

**H H U S C Fernando**

Branch Head

**H M J Banda**

Branch Head

**E H D J Shantha**

Branch Head

**E B J I Kumara**

Branch Head

**J M S Jayasundara**

Branch Head

**M A S N Peter**

Branch Head

**S S Wettasinghe**

Branch Head

**A R P S Amarakoon**

Branch Head

**S A S Chandralal**

Branch Head

**M L Joseph**

Branch Head

### Acting Regional Sales Managers

**S N Hettiarachchi**

### Assistant Regional Sales Managers

**P D H Rasanga**

Branch Head

**S A A S Kumara**

**N Kiriwandeniya**

Branch Head

**K M P D Chandradasa**

Branch Head

**R P L Dammika**

**S Dharshan**

**T V M Lakmal**

Branch Head

**W S R Fernando**

Branch Head

**M P W Cooray**

Branch Head

**M M R L Perera**

Branch Head

### Acting Assistant Regional Sales Managers

**D R J Silva**

**T J R Perera**

**R K Hettiarachchi**

**T Thayaseelan**

**V M Ranthilake**

**K H A Kumara**

**R A D U Kumara**

**H A C C S Kumara**

**W S Perera**

### Senior Branch Sales Managers

**H L Munasinghege**

Branch Head

**A P Perera**

Branch Head

**S A S R Senanayaka**

Branch Head

**W H Sarathchandra**

Branch Head

**N Pushpaharan**

Branch Head

**R Mayuran**

Branch Head

**J Piratheev**

Branch Head

**J A R S Jayasinghe**

Branch Head

### Corporate Sales

**M Priyaviraj**

Manager - Corporate Sales

### Business Promotion Team

**A I P Manjula**

Senior Business Promotion Manager

**W G T K Danapala**

Senior Business Promotion Manager

**K B A Thushara**

Senior Business Promotion Manager

**W A Ravindranath**

Business Promotion Manager

**W S Fernando**

Business Promotion Manager

**H K B Ariyasinghe**

Business Promotion Manager

**W K M C Wickramasinghe**

Business Promotion Manager

**S M C Bandara**

Business Promotion Manager







# SECURING & PROTECTING THE FUTURE

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A father's eternal love and commitment for his family never recedes. We at Ceylinco Life, ensure that families are protected and secured with the 'Miracle of Life Insurance' creating a safety net for policyholders to reach life's milestones and success despite unforeseen eventualities.

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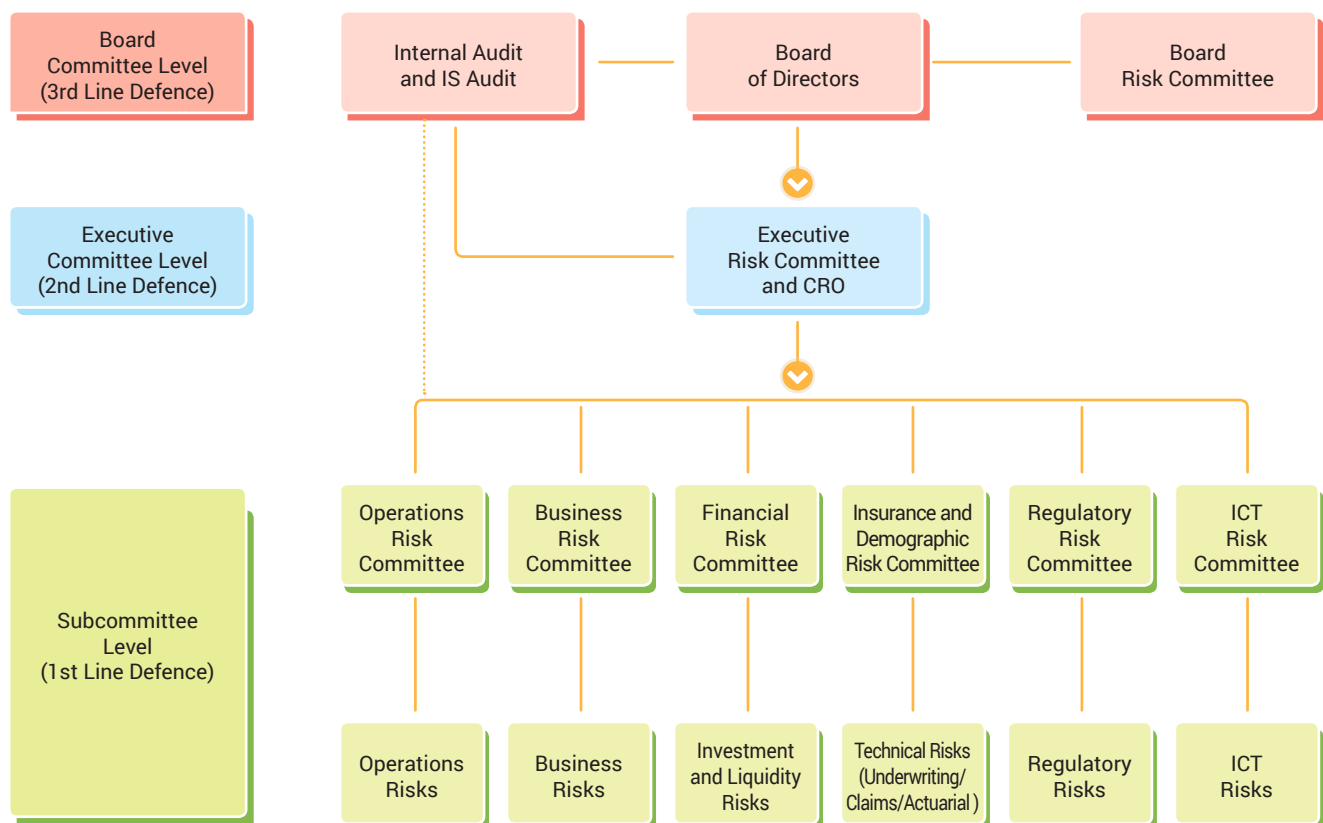
# RISK MANAGEMENT

## Governance of Risk Management

At Ceylinco Life, the Board of Directors retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of our strategic objectives. It is the responsibility of the Board, in conjunction with the Board Risk Committee, to review the Company's portfolio of risks and assess them against the risk appetite (refer to pages 123 to 124 for the Report of the Board Risk Committee.) Risk management is inextricably linked to our strategy and control is exercised by way of a governance framework, which includes principles based on ISO 31000:2009(E) Risk Management - Principles and Guidelines.

The Executive Risk Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies.

The line management and staff are responsible for day-to-day risk management and are represented at the Sub-Committee level. The six Sub-Committees, namely the Operations Risk Committee, Financial Risk Committee, Insurance and Demographic Risk Committee, ICT Risk Committee, Business Risk Committee and Regulatory Risk Committee, ensure timely identification of risks, initiation of controls and reporting to the Chief Risk Officer and higher-level management.



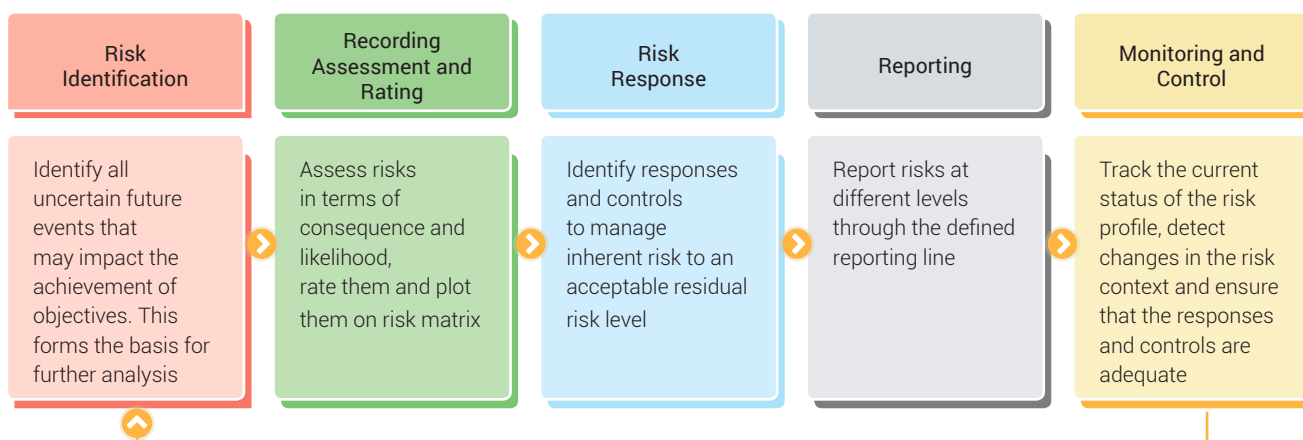
The Risk Management Governance Structure of Ceylinco Life incorporates the Three Lines of Defence Model, which identifies, defines and segregates duties and responsibilities in relation to risk management at Ceylinco Life. This model brings all the key functions into the Risk Management Governance Structure and provides simple but comprehensive clarity on roles and responsibilities in managing risks.

### Three Lines of Defence Model at Ceylinco Life

	Key Responsibilities
<b>First Line of Defence</b> Sub-Committees including departments and island wide branches	<ul style="list-style-type: none"> <li>Compliance with operational policies and procedures</li> <li>Proactive risk identification, assessment, control and monitoring</li> <li>Collaborative communication to promote a strong risk culture and risk awareness</li> </ul>
<b>Second Line of Defence</b> Executive Risk Committee	<ul style="list-style-type: none"> <li>Implementation of the Risk Management Governance Structure</li> <li>Review and reporting of risks of the departments, branches, products, processes, systems to the Board Risk Committee, as required</li> <li>Identification and assessment of risks and monitoring risks against the Board approved risk appetite</li> <li>Recommending appropriate action to mitigate risks, if any, that have exceeded beyond tolerance levels</li> </ul>
<b>Third Line of Defence</b> Board of Directors, Board Risk Committee, Internal Audit and IS Audit	<ul style="list-style-type: none"> <li>Monitoring compliance with the Risk Management Governance Structure</li> <li>Assessment of the effectiveness of risk management tools and techniques adopted</li> <li>Obtaining reasonable assurance from Executive Risk Committee that all known and emerging risks have been identified and appropriately managed</li> <li>Independent assurance on the effectiveness of the first and second lines of defence by Internal Audit and Information Systems (IS) Audit</li> </ul>

### Risk Management Process

The risk management process at Ceylinco Life is continuous and sequential, as depicted in the diagram. We strongly believe that an ongoing commitment to risk management is necessary in the modern business context, and also recognise the importance of improving the risk management process, while ensuring smooth flow of the activities within the process.



## RISK MANAGEMENT

### Mitigating Our Key Risks

We determine our key risks through a review process that analyses the potential risks of Ceylinco Life, in relation to our strategy and longer-term aspirations, in the context of the external and internal environment. Key risks include those risks that have a direct potential impact on achievement of longer-term strategic priorities, reputation and delivery of key business plans. Such risks also have a material impact on our ability to create value.

Key risks that are faced by the Company, based on the consequences and likelihood are shown in below heat map and will be discussed at the latter part of this report.







Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain					
Likely				4	
Possible			11		
Unlikely	9	5, 10	1, 2	6,7,8	
Rare			3		

Extreme
  Very high
  High
  Moderate
  Low





The following table shows the key risks of Ceylinco Life. It provides a snapshot of the potential impact on the Company and what strategic priorities will be affected if the risks materialize. It also shows the controls and actions we have set in place to address these risks and to mitigate the potential impact on the Company.

Technical/ Insurance Risks	Business Risks	Operations Risks	Financial Risks	Regulatory Risks	ICT Risks
Underwriting risk Claims risk Reinsurance risk	Government policy changes	Agent force risks	Interest rate risk Credit risk Liquidity risk Investment concentration risk	Compliance risks	Cyber risks





Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
<b>1. Underwriting risk</b> This includes risks of not selecting lives for insurance business at an adequate premium as set by the actuaries according to the mortality and morbidity assumptions.	<ul style="list-style-type: none"> <li>Unexpected claim payments which may impact profitability</li> <li>Anti-selection</li> </ul>			Maintaining market leadership  Strengthening relationships with policyholders	<ul style="list-style-type: none"> <li>Verify the prospective policyholders' details through tele-underwriting team at Head Office</li> <li>Centralized underwriting at Head Office and the team is assisted by a Medical Specialist for medically substandard cases</li> <li>Special review of over-sized cases by underwriters and/or reinsurers</li> <li>Review of underwriting guidelines periodically</li> <li>Provide continuous local/foreign training to underwriting staff</li> <li>Financial underwriting/KYC evaluation in compliance with money laundering and terrorist financing regulations</li> </ul>
<b>2. Claims risk</b> Deficiencies in settlement of claims as per the policy terms and conditions and the benchmark set by the Company.	<ul style="list-style-type: none"> <li>Over/under payment of claims</li> <li>Fraudulent claims</li> <li>Negative impact on company reputation</li> </ul>			Maintaining market leadership  Strengthening relationships with policyholders	<ul style="list-style-type: none"> <li>Claims are recorded once intimated and monitored regularly by the senior management</li> <li>Check the authenticity of documents - Submission of original documents is mandatory with bank account details</li> <li>Automated claim computation</li> <li>Claims approvals are centralized and medical and legal consultation is obtained</li> <li>Claim audits and identification of claim patterns through statistics</li> </ul>
<b>3. Reinsurance risk</b> This includes retention of risks beyond our net retention capacity without obtaining adequate reinsurance and the inability of reinsurers to meet their commitments.	<ul style="list-style-type: none"> <li>Retaining risk beyond the Company's net retention capacity</li> <li>Inability to meet the liability by reinsurers</li> <li>Financial loss to the Company in a catastrophic event</li> </ul>			Maintaining market leadership  Strengthening relationships with policyholders	<ul style="list-style-type: none"> <li>Risk transfer with top ranked 03 reinsurers; Swiss RE, Munich RE and RGA for life, health and group businesses</li> <li>Follow the guidelines set by the IRCSL in selecting reinsurers</li> <li>Monitoring the ratings of re-insurers periodically</li> <li>Have a catastrophic re-insurance treaty in place</li> </ul>





## RISK MANAGEMENT

Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
<b>4. Risk of political and regulatory changes</b> This includes risks emerging in the political and regulatory landscape that could have an impact on the Company's activities.	<ul style="list-style-type: none"> <li>Impact on long term planning and forecasting due to unpredicted changes to laws and regulations</li> <li>Increase in tax expenses</li> <li>Increased costs to ensure compliance</li> </ul>			Maintaining market leadership	<ul style="list-style-type: none"> <li>PESTEL analysis to identify any emerging risks as well as opportunities arising from the external environment</li> <li>The socioeconomic and political environment is comprehensively evaluated by the Strategic Planning Committee</li> </ul>
<b>5. Maintaining a high calibre sales force</b> This risk includes internal and external factors that affect our ability to maintain a best-of-the-class sales force which is essential to providing an unmatched customer experience.	<ul style="list-style-type: none"> <li>Inability to meet customer service and satisfaction standards</li> <li>Reduced profitability and financial strength</li> <li>Negative impact on reputation of the Company</li> </ul>			Maintaining market leadership  Investing in Human Resources	<ul style="list-style-type: none"> <li>Update the profiles of sales designations to meet the changing expectations of customers</li> <li>A dedicated team of internal trainers, as well as local and foreign trainers, provide training to sales force based on individual training needs</li> <li>Create a high performance, ethical and inclusive culture for our sales professionals</li> <li>Use of a wide range of KPIs to measure agents' performance and rewarding based on performance</li> </ul>

Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
<b>6. Compliance risk</b> The risk of legal or regulatory sanction, financial loss or damage to reputation as a result of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice	<ul style="list-style-type: none"> <li>Regulatory sanctions and fines</li> <li>Negative impact on corporate image</li> </ul>			Maintaining market leadership  Championing environmental sustainability & corporate citizenship	<ul style="list-style-type: none"> <li>Set the tone at the top through appropriate policies and procedures to improve the control environment</li> <li>Compliance Officer supervises the departments on compliance matters and is responsible to the Board on overall compliance of the Company</li> <li>Identify changes in the regulatory landscape through the Regulatory Risk Committee and ensuring preparedness to respond to these changes</li> <li>Internal audits on status of compliance with applicable laws and regulations</li> <li>Regular consultation with in-house legal officers and external consultants</li> <li>Provide training to relevant staff on compliance requirements and any regulatory changes</li> </ul>
<b>7. Investment concentration risk</b> This risk arises due to excessive concentration of the investment portfolio. Unless the investment portfolio is sufficiently diversified, excessive concentration in one or more asset classes, entities (issuers), currencies or markets would create investment concentration risk.  Although certain asset classes would provide diversification benefits (to some extent), considering their inherent risks and volatile nature, the Company has prudently decided to limit its investments in assets such as equity, asset backed securities and derivatives.	<ul style="list-style-type: none"> <li>Impact on the revenues and profitability by way of;               <ul style="list-style-type: none"> <li>Reduced benefits of diversification</li> <li>Likelihood of higher correlation and volatility in the market value of assets</li> </ul> </li> </ul>			Maintaining market leadership  Reaping the benefits of smart & prudent investments	<ul style="list-style-type: none"> <li>Compliance with the Investment Policy of the Company, which formally specifies investment concentration limits</li> <li>The company has more stringent internal limits in addition to the limits stipulated by the IRCSL</li> <li>Both internal and regulatory limits are reviewed and updated in line with business and regulatory changes</li> <li>Selected investments are made in Real Estate which provides diversification and long-term capital appreciation benefits</li> <li>Review of actual concentration against the limits by the Board Investment Committee on a periodic basis</li> <li>Review the list of financial markets, asset classes, issuers and counter-parties periodically.</li> </ul>



## RISK MANAGEMENT

Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
<b>8. Interest rate risk</b> The risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. This includes reinvestment risk and inflation risk, which eventually impacts the interest rate. Interest rate changes will affect reported earnings and the underlying value of the current asset and liability position.	<ul style="list-style-type: none"> <li>Impact on the revenues and profitability by way of:               <ul style="list-style-type: none"> <li>Increased volatility of investment returns and market value of assets</li> <li>Strain on the capital adequacy if assets and liabilities are not adequately matched</li> </ul> </li> </ul>			Maintaining market leadership  Reaping the benefits of smart & prudent investments	<ul style="list-style-type: none"> <li>Monitor and evaluate the impact of interest rate risk charge to the Capital Adequacy Ratio (CAR)</li> <li>Monitor maturities and interim cash flows falling due and make suitable arrangements for reinvestments or recalling</li> <li>Monitor the exposure and the impact of the proprietary trading portfolio to short term interest rate movements and trends</li> <li>Oversee the overall strategy to manage the interest rate risk and to revisit, change or fine-tune the strategy as required</li> <li>Continuous monitoring of the asset and liability position, including the duration, convexity and sensitivity of the same to market interest rate changes</li> <li>Aligning the portfolio duration to optimize the fit with the liability structure and the interest rate outlook.</li> <li>Periodic monitoring of the Central Bank's monetary policy, Government fiscal policy and key economic variables and global and macroeconomic developments</li> </ul>

Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
<b>9. Liquidity risk</b> Liquidity risk is the risk that Ceylinco Life will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or the financial condition.	<ul style="list-style-type: none"> <li>Impact on the revenues, profitability and reputation of the Company by way of: <ul style="list-style-type: none"> <li>inability to meet liabilities and financial commitments as and when they fall due</li> <li>possible losses due to fire sale of illiquid assets</li> <li>possible loss of confidence among counter-parties, financial market participants and policyholders</li> </ul> </li> </ul>			Maintaining market leadership  Reaping the benefits of smart & prudent investments	<ul style="list-style-type: none"> <li>Ensure interim cash flows and maturity proceeds are notified and collected on time and without delay</li> <li>Ensure investments are assessed and made only in sufficiently liquid assets, unless where such increased level of liquidity risk is properly compensated through its expected return</li> <li>Monitor and review the current and future cash flows to assess the exposure to liquidity risk</li> <li>Monitor the current and expected money market liquidity position to ensure that sufficient liquidity or credit lines are available to meet expected funding/lending requirements</li> <li>Verify all the transactions entered/agreed against confirmations to ensure that all the settlements are accounted and funded and to avoid any unexpected cash flows</li> </ul>
<b>10. Credit risk</b> Credit risk is the risk that a borrower or counter-party will fail to meet its obligations towards Ceylinco Life.	<ul style="list-style-type: none"> <li>Impact on the revenues and profitability of the Company by way of: <ul style="list-style-type: none"> <li>impairment/write-off of assets leading to a reduction in profitability and possible strain on the financial and capital adequacy position</li> </ul> </li> </ul>			Maintaining market leadership  Reaping the benefits of smart & prudent investments	<ul style="list-style-type: none"> <li>Ensure that all maturity and interim cash flow proceeds are collected duly, on time, and without any delay</li> <li>Ensure that outright, repurchase and reverse repurchase transactions are entered only with Board Investment Committee approved counter-parties</li> <li>Ensure that proper Board Investment Committee approval is obtained for all significant investment transactions</li> <li>Monitor the current exposure to credit risk and compliance with relevant IRCSL limits, determinations and guidelines</li> <li>Review the list of financial markets, asset classes, issuers and counter-parties periodically.</li> </ul>



## RISK MANAGEMENT

Risk	Potential Impact if Not Managed Properly	Rating		Strategic Priorities Impacted	Mitigation
		2018	2017		
	<ul style="list-style-type: none"> <li>May lead to liquidity risk (explained above) due to non-realization of expected cash inflows</li> </ul>				<ul style="list-style-type: none"> <li>Maintain a high credit quality within the investment portfolio through internal exposure limits that take in to account the credit quality of issuers/counter parties</li> <li>Continually monitor non-disclosures, anti-selections, fraudulent claims, high lapse ratios, free look cancellation, changes in types of claims etc.</li> <li>Obtain professional advice and service on pricing, reinsurance, product design and development etc. from Willis Towers Watson, Swiss RE, Munich RE</li> </ul>
<b>11. Cyber risk</b> Any risk of financial loss, disruption or damage to the reputation of the Company from failure of its Information Technology systems.	<ul style="list-style-type: none"> <li>Operational disruptions</li> <li>Loss of critical and sensitive data and information</li> <li>Unauthorized access to corporate information</li> </ul>			Maintaining market leadership  Technology development	<ul style="list-style-type: none"> <li>Adherence to the Board-approved Information Security Policy, which is regularly reviewed for changes in local and global IT and communication technologies</li> <li>Continuous scanning of IT control environment and to strengthen security activities and measures as required</li> <li>Advanced firewall filters on data being transmitted</li> <li>Regular virus definitions update</li> <li>Access controls on external devices</li> <li>Regular health checks on the servers</li> <li>Regular training is provided to all staff on cyber security</li> <li>Penetration testing and vulnerability assessment by an external consultant</li> <li>Independent audits on adequacy of the IT security measures adopted by the Company</li> </ul>

### Key Developments in 2018

- Investment concentration risk indicator was improved by placing a weight on the credit rating of the investee in calculating investment limits
- Credit risk indicator was improved by linking internal limits to weights which are assigned based on the credit quality of the issuer/counter-party
- With the implementation of SAP Finance and Investment Management System, the entire investment risk and limit monitoring system will be system-driven
- Reviewed the Business Continuity Plan and IT Disaster Recovery Plan of the Company by an external consultant
- Carried out BCP drills at the disaster recovery sites
- Communication channels between the Head Office and the DR Site and between the Head Office and the Call Centre were encrypted
- Carried out a cybersecurity drill for the Emergency Response Team to assess incident response readiness
- Conducted an awareness session for all Head Office users on cyber security
- Strengthened controls on mitigation of money laundering and terrorism financing risks

### Looking Ahead

Through the continuous assessment of current and emerging risks, Ceylinco Life is equipped to identify, manage and mitigate risks more effectively. Increased attention will be placed on maintaining market leadership, closely managing the risks which impact the value of our investment, mitigating risks from changing business dynamics and compliance with changes in laws and regulations. Cyber risk remains a key focus and, given the increase in the number and sophistication of cyber-attacks against business entities.

# CORPORATE GOVERNANCE REPORT

Good Corporate Governance enhances the image and reputation of the Company and produces direct economic benefits by making your Company more profitable and competitive. Together, these factors help us create more sustainable value for all of our stakeholders.



## Chairman's Statement on Corporate Governance

Your Company firmly believes that strong governance is an important foundation for sustainable performance and is fundamental to its success. The Board strives to ensure that good governance is embedded throughout the organisation. This goes beyond mere compliance with Corporate Governance requirements and best practices. Therefore, Ceylinco Life Insurance Limited (CLIL), though not a listed entity, voluntarily adopts best Corporate Governance practices to ensure transparency, integrity and accountability.

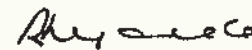
It is these sound governance practices that have enabled our Company to successfully withstand and overcome numerous challenges and risks over the years. The Company's Board of Directors provides governance oversight, executing their collective and individual responsibilities in an ethical and professional manner. The Board is assisted by subcommittees operating under approved charters/terms of

reference developed in accordance with applicable regulations.

Your Company implemented several initiatives to improve the Corporate Governance process, which are disclosed under the key initiatives taken during the year. These include carrying out the self-evaluations of the Board members, the appointment of a Senior Independent Director to maintain the correct balance between the power and authority within the Board, implementation of the Related Party Transactions recognition procedure and services of External professionals were obtained on the process of capturing related party transactions. In addition, a review of the existing Remuneration Policy was carried out and SAP & e-submission projects were initiated to improve the efficiency of internal controls/systems of the Company.

The Corporate Governance Report presented on pages 62 to 92 details the governance framework of our

Company. This report shows the status of compliance with the Code of Best Practice on Corporate Governance 2017(The Code), issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). As required by the above Code, to the best of my knowledge and available information, I hereby confirm that I am not aware of any material violations of the provisions of the aforesaid Code of Corporate Governance by any Director or any member of the Corporate Management team of the Company/Group as of the date of the Annual Report.

A handwritten signature in black ink, appearing to read 'R Renganathan'.

**R Renganathan**  
Executive Chairman

25th February 2019  
Colombo

**Key Initiatives taken during the year 2018**

Initiative	Description
<b>Appraisal of Board Performance:</b>	<p>The Ceylinco Life Insurance Limited (CLIL) Board adopted a system of self-assessment of their own performance for the year 2018, in order to ensure that they are able to discharge their responsibilities as defined by The Code</p> <p>The results of the assessments were duly summarized and presented by the Company Secretary at the previous Board Meeting. The information was tabled for discussion by the Board, along with the recommendations made by the Nomination Committee.</p> <p>Having noted the Nomination Committee recommendations, the Board discussed in detail the areas needing improvement and steps to ensure the continuity and effectiveness of the process in the coming years.</p>
<b>Ensuring Board Balance:</b>	<p>With the retirement of Mr. J G P Perera, Chairman of the Company w.e.f. 14th November 2018, Mr. R Renganathan, former MD/CEO of the Company was appointed as the Executive Chairman of the Company w.e.f. 14th November 2018. Since the new Chairman was an Executive Director and the immediately preceding CEO, the Board initiated to appoint a Senior Independent Director (SID) of the Company during the year under review to maintain the correct balance between the power and authority within the Board. Accordingly, Mr. Jayantha Wickramasinghe, Independent Non-Executive Director was appointed by the Board as the Senior Independent Director of the Company w.e.f. 24th January 2019.</p>
<b>Accountability and Audit:</b>	
Related Party Transactions:	During 2018, CLIL implemented a more robust process for recognizing and reporting Related Party Transactions by obtaining the services of external professionals.
Remuneration Policy:	The existing Remuneration Policy of the Company was reviewed by the Remuneration Committee during the year under review in order ensure that the policy is complied with the latest developments in the Code.
Upgraded Risk Indicators:	Investment Concentration Risk Indicator and Credit Risk Indicator were further upgraded by the Board Risk Committee in 2018.
Enhanced Controls for Money Laundering and Terrorism Financing Risks:	Strengthened controls for monitoring and mitigation of money laundering and terrorism financing risks.
<b>Enhanced Corporate Monitoring:</b>	Initiated the SAP Finance and Investment Management Systems in order to adopt a system-driven, investment risk and limit monitoring system. This will also improve the financial reporting by enabling accounting for transactions under segregated insurance funds. This system will bring more robust controls on the processes of finance and investment management.

## CORPORATE GOVERNANCE REPORT

Initiative	Description
<b>Review of Business Continuity and Recovery Plans:</b>	<p>The Company obtained the services of an external consultant to review the Business Continuity Plan (BCP) and the IT Disaster Recovery Plan of the Company during the year.</p> <p>In addition, CLIL conducted several BCP drills at its disaster recovery sites to test the levels of readiness in event business disruptions. We also performed cyber-security drills in order to assess the Company's state of readiness in case of a cyber threat.</p>
<b>Internet of Things and Cyber Security:</b>	<p>In an increasingly connected world CLIL takes its governance responsibilities in respect of cyber security and the threats that they pose to customer privacy seriously.</p> <p>To enhance the effectiveness of the current levels of cyber security measures implemented by the Company, CLIL conducted a cyber security awareness session targeting all Head Office users of computer devices and systems.</p> <p>The Board appointed the Chief Information Officer possessing relevant expertise and knowledge. The Board has allocated the required resources and adequate time on the Board meeting agenda to discuss on Cyber security risks as required maintaining the Company's cyber security risk management policy.</p> <p>Cyber Risk Management of the Company remained a recurring item on the agenda of the Board Risk Committee Meeting during the year as well.</p> <p>The Board discharges its duty to ensure the effectiveness of the cyber security risk management through engaging the services of an independent consultant to conduct periodic review and assurance. For the 8th year running CLIL has appointed TechCERT as the official independent cyber security consultant. Their services include performing 4 internal and external vulnerability assessments in each year. They also keep the Company officers informed of any external threats that might have material impact on the Company.</p> <p>As a way of enhancing security of information and data within the Company, during the year, CLIL encrypted the communication channels between the Head Office and the disaster recovery sites and the Call Centre.</p> <p>[Table says in G1: All IT devices such as TABs, Smart Phones and Laptops used by sales teams are first authorized to access the corporate network after the best practices are complied. All system users are issued with unique User ID and a password. All system connectivity request are authorized on a need base.]</p>



Initiative	Description
<b>Environment, Society and Governance (ESG) Reporting :</b>	<p>The Company recognises that environmental, social and other governance considerations can affect the Company's ability to execute corporate strategy and to create and sustain value. We also recognise that many ESG factors are non-financial and that their management may have financial consequences on our business. Because we are committed to delivering sustainable value to our stakeholders we have adopted the sustainability reporting guidelines (GRI guidelines) developed by the Global Reporting Initiative (GRI), an internationally recognised framework for sustainability reporting.</p> <p>Our business model and how CLIL leverages financial and non-financial capitals in our value creation process are presented in pages 130 to 131. A complete index of sustainable reporting guidelines is included in this document and can be found in Pages 392 to 398.</p> <p>Good Corporate Governance is a win-win for all concerned. This is why we at CLIL go above and beyond in voluntarily setting up good governance structures and adopt best practice in accordance with the Code of Best Practice on Corporate Governance 2017 (The Code) issued by the Institute of Chartered Accountants of Sri Lanka to a degree CLIL is not obligated to do so as an unlisted Company.</p> <p>It is in the same spirit that CLIL has adopted Integrated Reporting Guidelines to ensure that the Company's business is moving along a steady, sustainable path to growth and prosperity.</p>

### Disclosure of Information in Respect of Directors

Ceylinco Life Insurance Limited is headed by an eminently qualified and effective Board that is fully engaged in directing, leading and controlling

the business of the Company. The qualifications and experience of Executive and Non-Executive directors has been presented in pages 36 to 39 of this Annual Report.

The Board discharges its duties within the framework of the Corporate

Governance Model of CLIL depicted in Page No. 68 which enables them to consistently assess and manage the risks and opportunities stemming from the business environment so that they may exercise prudent and effective control over the Company's affairs.

### Non - Executive and Executive Directors



#### Executive Directors - 5

Mr. R Renganathan  
Mr. E T L Ranasinghe  
Mr. P D M Cooray  
Mr. Palitha Jayawardena  
Mr. Ranga Abeynayake



#### Non - Executive Directors - 3

Mr. J G P Perera (*retired w.e.f. 14.11.2018*)  
Mr. D H J Gunawardena  
Gen. C S Weerasooriya  
Mr. R S W Senanayake













#### Independent Non -Executive Directors - 7



Mr. J A Setukavalar  
Prof. Mohan De Silva  
Dr. B G S De Silva  
Mr. J Wickramasinghe  
Mr. Sugath Caldera  
Ms. A K Seneviratne  
Mr. J Durairatnam (*appointed w.e.f. 14.11.2018*)

## CORPORATE GOVERNANCE REPORT

### Professional background/ expertise and industry of Board of Directors as at 31st December 2018

 Finance	4	 Investment	1	 Legal	1
 Marketing	2	 Medicine	2	 Actuarial	1
 HR	1	 IT	1	 Banking	1
 Military	1				

### Board gender composition as at 31st December 2018

	
Males	Female
<b>14</b>	<b>1</b>

### Age composition of Board of Directors as at 31st December 2018

41-50 years Male	<b>1</b>
51-60 years Male /Female	<b>7</b>
61-70 years Male	<b>6</b>
71 and above Male	<b>1</b>

### Meetings held during the year

The CLIL Board meets once in every 2 months in order to duly discharge their duties and responsibilities. In addition to the Sub-Committees convened, the Board of Directors met 7 times for the period under review.

Board Meetings	Remuneration Committee	Audit Committee	Nomination Committee	RPTR Committee	Risk Committee	Board Investment Committee
7	2	4	2	4	4	2

**Board meeting attendance during 2018**

No.	Name of the Directors	No. of meetings	Attendance
1	Rajkumar Renganathan	7	6/7
2	Elmo Thushara Lalindra Ranasinghe	7	6/7
3	Peter Devaan Marlon Cooray	7	7/7
4	Palitha Abeysekera Jayawardena	7	7/7
5	Sri Ranga Abeynayake	7	7/7
6	Juvanel Godwin Peter Perera (Retired w.e.f.14.11.2018)	7	7/7
7	Don Herschel Jayaprithi Gunawardena	7	6/7
8	Chandrika Sirilal Weerasooriya	7	7/7
9	Rohan Senake Wickramasinghe Senanayake	7	7/7
10	Jayendran Arulraja Setukavalar	7	5/7
11	Waradana Mohan Malith De Silva	7	5/7
12	Bodahandi Gamini Sirilal De Silva	7	6/7
13	Wickramasinghe Mudalige Pushpanatha Jayantha Kumara Wickramasinghe	7	7/7
14	Hollupathirage Sugath Bandara Caldera	7	7/7
15	Amali Kaushala Seneviratne	7	6/7
16	Jegatheesan Durairatnam (Appointed w.e.f. 14.11.2018)	N/A	N/A

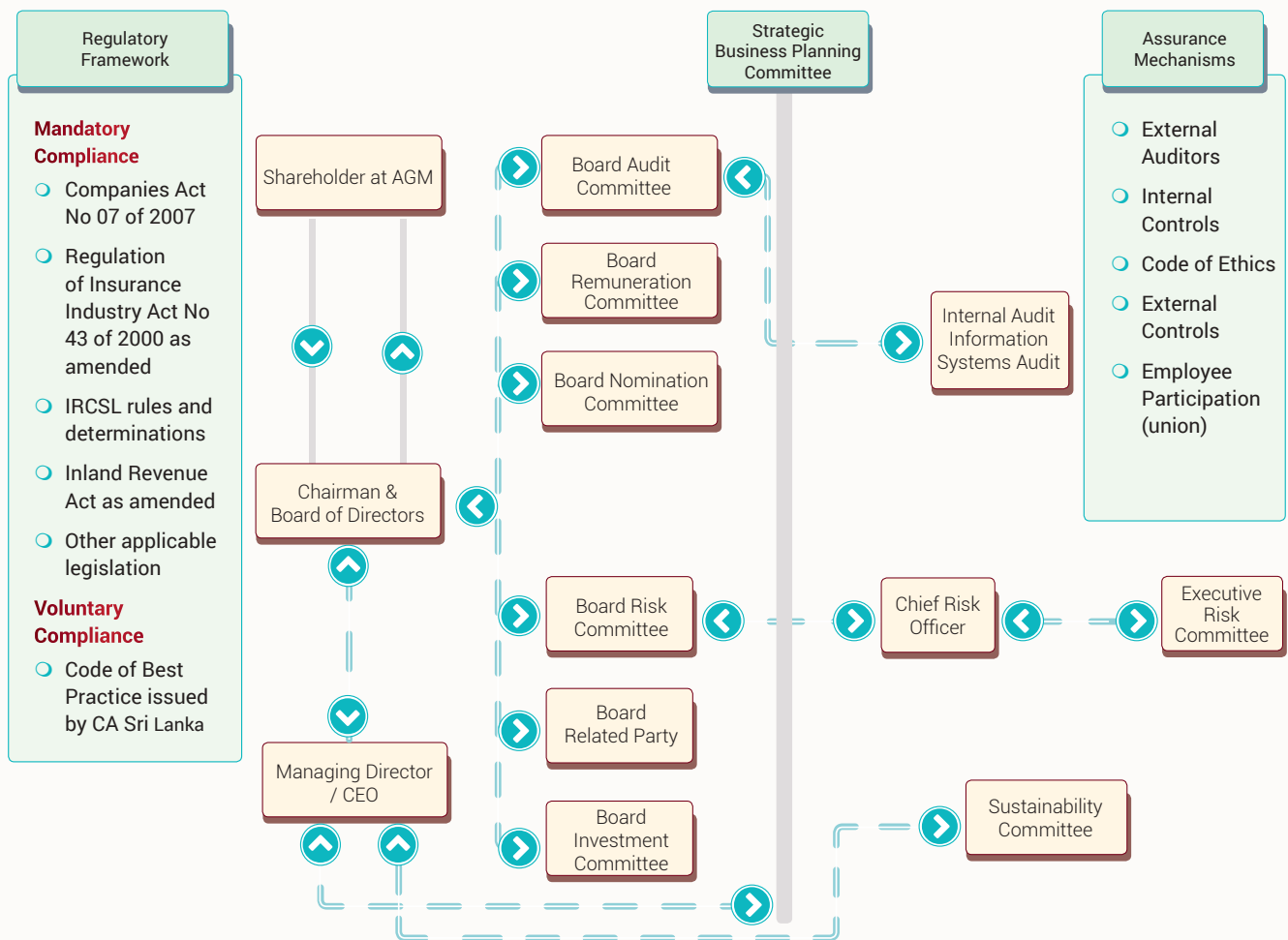
**Total number of Board seats held by each Director**

Name of the Directors	Listed	Unlisted	Exe.	Non-Exe.
J. G. P. Perera (retired w.e.f. 14.11.2018)	1	-	-	1
R. Renganathan	1	6	1	6
E. T. L. Ranasinghe	1	2	3	-
P. D. M. Cooray	1	1	2	-
P. A. Jayawardena	1	4	4	1
S. R. Abeynayake	2	1	-	3
D. H. J. Gunawardena	3	4	4	3
Gen. C. S. Weerasooriya	1	-	-	1
R. S. W. Senanayake	-	12	8	4
J. A. Setukavalar	1	6	6	1
Prof. M. De Silva	-	-	-	-
Dr. B. G. S. De Silva	-	1	-	1
J. Wickramasinghe	-	1	1	-
S. Caldera	-	-	-	-
A. K. Seneviratne	-	-	-	-
J. Durairatnam (appointed w.e.f.14.11.2018)	2	1	-	3

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Model of Ceylinco Life Insurance Limited

The Corporate Governance Model of Ceylinco Life Insurance Limited (CLIL) depicts the framework used by the Board of Directors to discharge its leadership with prudent and effective controls, enabling the risk of the Company to be assessed and managed.



Code of Best Practice on Corporate Governance (the Code) issued jointly by the Institute of Chartered Accountants of Sri Lanka (CASL) and Securities Exchange Commission (SEC). The said Code was introduced in 2003 and revised in 2008, 2013 and recently in 2017. The main objective of the Code is to reduce the agency problem between those charged with governance of a business entity and the shareholders, which arises when the Directors do not act in the best interest of the shareholders.

**Corporate Governance - Ceylinco Life Insurance Limited**

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>A</b>	<b>Directors</b>		
<b>A.1</b>	<b>The Board</b> - Every Public Company should be headed by an effective Board, which should direct, lead and control the Company.		
A.1.1	The Board should meet regularly at least once in every quarter of a financial year.	<p><b>The frequency of meetings</b> - The Board of Directors of CLIL meets once in every 2 months to discharge their duties and responsibilities towards the Company. In addition to the Sub-Committees convened during the year, the Board of Directors met 7 times for the year 2018. Attendances of the Directors are given in page 67.</p> <hr/> <p><b>Provision of information to the Board</b>- The Company Secretary prepares the Agenda for the Meetings with the Chairman of the Board or respective Sub-Committee and circulates the same amongst the Directors within minimum one week prior to the meeting in order for them to contribute effectively towards the Board discussions. The Minutes of the previous Board Meetings and Sub-Committee meetings are sent to all Directors in a timely manner for their comments and record. Board Sub-Committee Minutes are tabled at every subsequent Board Meeting for their information.</p>	
A.1.2	The Board's role and responsibilities	Corporate Governance Model of CLIL depicts (Page No. 68) the framework used by the Board to discharge its entrepreneur leadership skills with prudent and effective controls, enabling the risk of the Company to be assessed and managed.	
	Ensuring the formulation and implementation of a sound business strategy;	The Board of Directors provides strategic direction to the Management to develop short, medium and long term Corporate Business Strategies, besides reviewing and providing necessary guidance on Corporate Governance, statutory compliance, assisting internal audit and Integrated Risk Management. The objectives of the Company are disclosed to the directors at the first Board Meeting of the year and the progress is evaluated throughout the year. Accordingly, the Director/ CFO presented the Objectives of the Company for the year 2018 at the Meeting of the Board held on 19th January 2018 and its progress was evaluated and results were presented at the Board Meeting held on 24th January 2019, together with the objectives for the year 2019.	
	Appointing the Chair and the Senior Independent Director, if relevant	Please refer the key initiatives taken during the year 2018 in pages 63 to 65.	



## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
	Ensuring that the CEO and management team possess the skills, experience and knowledge to implement the strategy;	The Board has taken into consideration, the necessity of having and maintaining a mix of skills and professional experience as appropriate to the Company's strategy. Strategic Business Planning Committee of CLIL, which consists of the highest ranked Corporate Managers (Refer pages 40 to 49 for Corporate Management profiles), oversees the strategic planning process of the Company.	✓
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy;	Key management personnel success is considered vital in the Company for this purpose the Company and succession plans for all KMPs are developed based on the skills gap analysis done in 2016. please refer Human Capital in pages 198 to 215.	✓
	Approving budgets and major capital expenditure	The Board of Directors approved the Budget of the Company, for the year 2018 at their meeting held on 25th January 2018 Deviations from the budget were approved by the Managing Director/CEO along with Deputy CEO and the Board. Monthly information on major capital expenditure incurred by the Company is tabled at the Board meetings for their perusal and ratification.	✓
	Determining the matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation	The Board of Directors has delegated certain matters expressly, including limits of authority and financial delegation to the Management via resolutions, as and when they are required.	✓
	Ensuring effective systems to secure the integrity of information, internal controls, business continuity & risk management;	<p>The Board of Directors recognises and acknowledges its responsibility for maintaining effective systems to secure the integrity of information, internal controls, business continuity &amp; Risk Management on a continuous basis. In such circumstances, the Board has discharged its advisory and supervisory duties through the Board Sub-Committees such as the Audit, Remuneration, Nomination, Related Party Transactions Review (RPTR), Investment, Risk Committee etc. The systems in place are continuously monitored by the Management, internal and external auditors, and at times by independent experts.</p> <p>The Company has developed a Business Continuity Plan (BCP) and an IT Disaster Recovery Plan for the Company, which is implemented through a BCP team with the support of an external Consultant. Further, during the year under review, the Company conducted several BCP drills at the disaster recovery sites and also performed cyber-security drills. Please refer Subcommittee reports in pages 104 to 124 and Intellectual Capital in pages 182 to 189.</p>	✓

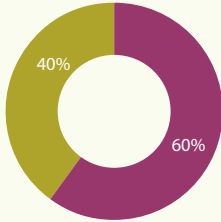
Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
	Ensuring compliance with laws, regulations and ethical standards;	<p>In compliance with Insurance Regulatory Commission of Sri Lanka (IRC SL) regulation, the Board has appointed Mr. Ranga Abeynayake as the Compliance Officer of the Company, who monitors compliance with all applicable laws, rules and regulations. Compliance reports, signed by the Compliance Officer, are submitted quarterly to the Board through the Audit and Risk Committees. The company submitted all statutory returns to the IRC SL, Central Bank of Sri Lanka (CBSL), Registrar of Companies (ROC), other regulatory bodies and all statutory payments were duly made.</p> <p>The aforesaid Committee reviews the legal and regulatory compliance on a quarterly basis with the compliance report, prepared and submitted by the AGM-Internal Audit.</p>	
	Ensuring all stakeholder interests are considered in corporate decisions;	<p>Strategic Business Planning Committee brings all stakeholder concerns to the overview of the Executive Directors, who thereby inform the Board to consider and address such interests in the process of corporate decision making.</p> <p>The Company's stakeholder engagement process is described on pages 138 to 146.</p>	
	Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting Integrated reporting;	<p>The Board has recognised the necessity of Sustainable Business Development in its corporate strategy, decisions, and activities. The Company has already adopted the integrated reporting during last three years and this is the forth consecutive integrated Annual Report of the Company. Please refer to 'Management Discussion and Analysis' on pages 151 to 258 for more information on the Company's activities during the year with regard to Sustainable Business Development.</p>	
	Ensuring that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	<p>The Board is committed to adopting the most appropriate accounting policies, based on Sri Lanka Accounting Standards/ Sri Lanka Financial Reporting Standards (SLFRS/LKAS). They are reviewed periodically by the Audit Committee in the light of changes in business requirements and best industry practices.</p> <p>The Company has already set up a team comprising of Finance and Actuarial staff, provided with external resources to study the gaps between the current practices and IFRS 17 requirement with the intention of complying with the said requirement as and when the standard becomes applicable to the Company.</p> <p>Refer to the Independent Auditors' Report and Audit Committee Report given on pages 108 and 110 respectively.</p>	

## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
	Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	The Company monitors and evaluates the progress on strategic implementation of budgets, plans and related risks through its Strategic Business Planning Committee which was convened once in every two months.	✓
	Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more regularly as relevant to the Company	Monthly, Quarterly and Annual Corporate reporting are being carried out at the Sub-Committee level, especially at the Audit and Risk Committees and the Minutes of the said Sub-Committees are tabled at the following Board Meeting for perusal and approval of the Board.	✓
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Board fulfils functions that are vital and complex, given the nature of the Life Insurance business. More details are given in the Chairman's Review on pages 24 to 29.	✓
A.1.3	The Board must act in accordance with the laws of the Country and they should obtain independent professional advice, at the Company's expense.	Members of the Board collectively and individually, act in accordance with the laws of the Country. The Board obtained professional advice from qualified and reputed external independent parties as and when a need arises.	✓
A.1.4	All Directors should have access to the advice and services of the Company Secretary. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.  The Company should obtain appropriate insurance cover as recommended by the Nominations Committee for the Board, Directors and Key Management Personnel.	Every member of the Board has the access to advice and services of the Company Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations. The Company Secretary also plays a technical role in maintaining the relationship between the Company and its stakeholders, including assisting the Board in discharging its obligations to the shareholder.  The Company has obtained required Insurance covers for the Board members as per the recommendation made by the Nomination Committee.	✓
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resource allocation, risk management, compliance & standards of business conduct.	The Board of Directors promotes an environment, whereby contributions from the Non-Executive and Independent Non-Executive Directors are encouraged and welcomed with their independent analysis and opinion based on their professional knowledge and experience. (Refer professional background/ expertise and industry of the Board on page 66)	✓

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company	<p>The Board met once every two months during the year to discharge its duties and in addition to attending the Board meetings, Directors contributed by attending its Sub-Committee meetings. Details of the members of the said Sub-Committees, meetings and attendance in respective committees are given on pages 104 to 124 of each Committee report.</p> <p>Directors make recommendations to the management based on the material available at such meetings.</p>	✓
A.1.7	One-third of Directors can call for a resolution to be presented to the Board.	The Articles of Association of the Company provides for the procedures relating to Directors' matters.	✓
A.1.8	Appropriate training should be given to every Director when first appointed to the Board and subsequently as necessary.	New Directors are inducted to the Board by providing them with a comprehensive understanding of their duties and responsibilities by the management. Continuous self-development is decided and executed by the Directors. The Board is kept constantly updated on all industry and regulatory changes and their effects on operations of the Company.	✓
<b>A.2</b>	<b>Chairman and Chief Executive officer</b> - There should be a clear division of responsibilities at the head of the Company, such that no one individual has unfettered powers of decision making.		
A.2.1	A decision to combine the posts of Chairman and CEO in one person should be justified.	<p>The posts of Chairman and the MD/CEO were held separately by Mr. J G P Perera and Mr. R Renganathan respectively until the retirement of Mr. J G P Perera on 14th November 2018.</p> <p>With the aforesaid retirement, Mr. R Renganathan was appointed by the Board as the Executive Chairman of the Company and Mr. E T L Ranasinghe was appointed as the MD/CEO, w.e.f. 14th November 2018.</p> <p>Chairman and CEO's responsibilities are clearly segregated. Chairman's responsibility document was tabled at the Board Meeting held on 24th January 2019 and was approved by the Board.</p>	N/A




## CORPORATE GOVERNANCE REPORT




Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>A.3</b>	<b>Chairman's Role</b> - The Chairman should preserve order and facilitate the effective discharge of Board functions.		
A.3.1	The Chairman should conduct Board proceedings in a proper manner.	<p>The Chairman of the Board encourages the participation of all Board members in effective decision making. He ensures that all the required accurate and timely information is available to all the members, in order to make informative decisions. He always welcomes comments/ views openly, especially from the Independent Non-Executive Directors and Non-Executive Directors, which ensures a balance of power between Executive and Non-Executive Directors. The Chairman also facilitates the relationship between the MD/CEO, SID and Non-Executive Directors, to reach a consensus amongst the Board members in making Board's decisions. He takes appropriate steps to provide effective communication with all the stakeholders of the Company to ensure that their concerns and views are communicated to the Board as a whole.</p> <p>Further, he initiates the process of Board self assessment by its members and users the overall outcome of the exercise for the improvement of the Board.</p>	✓
<b>A.4</b>	<b>Financial Acumen</b>		
	The Board should have sufficient financial acumen to offer guidance on matters of finance	<p>The Board members of the Company are specialized in a multitude of disciplines comprised of 4 (four) Fellow Chartered Accountants, including the Chairman, two Chartered Management Accountants, a veteran Banker and a qualified Actuary, to provide guidance on financial matters and support in developing Board strategies.</p> <div data-bbox="663 1398 946 1665">  <p>40% 60%</p> <p>● Qualified Accountants ● Other</p> </div> <p>Please refer to their profiles on pages 36 to 39.</p>	✓
<b>A.5</b>	<b>Board Balance</b> - A correct balance of Executive and Non-Executive Directors should be maintained within the Board.		





Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.5.1	The Board should include at least three Non-Executive Directors or such a number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event the Chairman and CEO is the same person or if the Chairman is not an independent director, Non-Executive Directors should comprise a majority of the Board.	<p><b>Number of Non-Executive Directors</b></p> <p>The CLIL's Board of Directors comprises 15 members of whom 5 are Executive Directors and 10 are Non-Executive Directors. With the retirement of Mr. J G P Perera, a Non-Executive Director on 14.11.2018, Mr. J Durairathnam was appointed to the Board as an Independent Non-Executive Director w.e.f. 14.11.2018. Since the existing Chairman of the Board is an Executive Director, a majority of the Board comprise of Non-Executive Directors.</p> <p><b>Role of Non-Executive Directors</b></p> <p>The 10 Non-Executive Directors, who are well- experienced professionals in their respective fields, bring valuable experience to the Board. The Non-Executive Directors scrutinize the Management's performance in achieving agreed upon corporate goals and objectives. Further, they constructively challenge the Executive Management in their decision making.</p> <p>Please refer to their profiles on pages 36 to 39</p>	
A.5.2	Requirement of having three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	The Board consists of Seven Independent Directors who represents more than two third of the Non-Executive Directors of the Board.	
A.5.3	Basis for the determination of a director to be independent.	<p>Based on the specific criteria set out in the code, the independence of Directors was determined by the Board during the year.</p> <p>As per their signed and dated declarations of Independence for the year 2018, all Independent Non-Executive Directors were independent of the management and free of any business or other interest that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.</p>	
A.5.4	Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence	Each Non-Executive Director had submitted a signed and dated declaration of independence/non-independence, against a specified criterion as set out in the code for the year 2018 and the said declarations were tabled and noted by the Board at their meeting held on 28th February 2019.	
A.5.5	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director and disclosed same in the Annual Report.	The Board has determined the independence or non-independence of each Non-Executive Director based on their signed declarations, submitted to the Board at their meeting held on 28th February 2019.	



## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.5.6	Appointment of an Alternate Director by a Non - Executive independent Director.	No appointments of Alternate Directors were made during the year under review.	N/A
A.5.7	In the event that the Chairman and CEO is the same person or the Chairman is not an independent Director, or the Chairman is the immediately preceding CEO, the Board should appoint a "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.	With the retirement of the Chairman of the Company, Mr. J G P Perera, w.e.f. 14.11.2018, Mr. R. Renganathan, former MD/CEO was appointed as the Executive Chairman of the Company, w.e.f.14th November.2018. Since the New Chairman was an Executive Director and the immediately preceding CEO, the Board appointed Mr. W M P J K Wickramasinghe, who was an existing Independent Non Executive Director, as the Senior Independent Director w.e.f. 24th January 2019. As per the specified criteria set out in the Code, he is available for discussions with Non-Executive Directors (NED's) and Executive Directors (ED's).	
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board.		
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, at least once each year.	If a need arises, Non-Executive Directors shall meet the Chairman or the Senior Independent Director (SID), without the presence of the Executive Directors. Further, the Chairman, as and when necessary, consults Non-Executive Directors to obtain their assessment on matters of importance.	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	The Directors always exercise independent, unfettered judgment when expressing their views and their concerns during meetings. The Company has made provisions to record in the minute book, any issue that could not be unanimously resolved. Further, during the year 2018, the Board made all decisions unanimously and there were no concerns raised by the Directors which needed to be recorded in the Board Minutes.	
<b>A.6</b>	<b>Supply of Information</b> - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.6.1	Management has an obligation to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings	The Agenda, Board Papers, Reports and other documents to be tabled at Board meetings are sent to members of the Board by the Company Secretary, seven days prior to the meeting, giving adequate time for Directors to study the said documents and prepare themselves for meaningful discussions at respective Board meetings. Additionally, in case that the Board finds that the information provided is inadequate or not clear, they call for additional information.	
A.6.2	The agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting and minutes should ordinarily be provided to the Directors at least two weeks after the meeting date, to facilitate its effective conduct.		
<b>A.7</b>	<b>Appointments to the Board</b> - There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. A separate section of the Annual report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	<p>The Nomination Committee of CLIL makes recommendations to the Board on all new Board appointments. Accordingly, during the year under review, with the retirement of the Chairman, Mr. J G P Perera, w.e.f. 14.11.2018, the Board appointed Mr. R. Renganathan as the Executive Chairman and Mr. E. T. L. Ranasinghe as the MD/CEO of the Company w.e.f. 14th November 2018.</p> <p>Furthermore, in order to fill the vacancy arisen with the aforesaid retirement of the Chairman, Mr. J Durairatnam was appointed as an Independent Non-Executive Director of the Company w.e.f. 14th November 2018.</p> <p>All the aforesaid changes/appointments were made based on the recommendation received from the Nomination Committee, at their meeting held on 14th November 2018.</p> <p>Details of the Nomination Committee for the year 2018 are given on pages 106 to 107.</p>	




## CORPORATE GOVERNANCE REPORT






Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.7.2	The Nomination Committee should annually assess Board-composition.	<p>The Nomination Committee met once in the year 2018 and assessed the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Based on the aforesaid assessment, the Committee recommended the new appointment and changes to the Board during the year. Further, self-evaluation of the Board of Directors for the year 2018 was tabled at the Nomination Committee meeting held on 21st February 2019 and the required recommendations were made to the Board by the Committee in order to improve the areas that require further development.</p> <p>Details are given in the Nomination Committee Report on the pages 106 to 107.</p>	
A.7.3	Appointment of a new Director to the Board, should be disclosed to the shareholders.	Mr. J Durairatnam was appointed to the Board of CLIL w.e.f. 14th November 2018 and the said appointment was disclosed to the shareholder.	
<b>A.8</b>	<b>Re-election</b> - The Board mandate clearly defines the procedure to be adopted in appointing new members to the Board. The Nomination Committee shall make recommendations to the Board on all new Board appointments.		
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and their re-appointment should not be automatic.	All Directors including the Chairman of the Board was re-elected by the Shareholder at the AGM held on 30th March 2016. Subsequently, according to Article 18B of the Articles of Association, at each Annual General Meeting, one-third of the Non-Executive Directors of the Company retire from office and each retiring Director shall be eligible for re-election.	
A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	<p>During the year under review, Mr. Sugath Caldera , Ms. A. K. Seneviratne and Mr. D. H. J. Gunawardena will retire from office and be re-elected as Directors at the forthcoming Annual General Meeting by the shareholders.</p> <p>In terms of Section 210 of the Companies Act No. 07 of 2007, Directors reaching the age of 70 years are recommended for re-election by way of an ordinary resolution by the Shareholder and Gen. C S. Weerasooriya, a Non-Executive Director, who will reach 76 years in December 2019, will be retiring at the forthcoming AGM.</p> <p>The details of the Directors who are subject to re-election at the forthcoming AGM are given in the Notice sent to the Sole Shareholder.</p>	
A.8.3	In the event of a resignation of a director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Mr. J. G. P. Perera, the Chairman of the Company, retired from the Board during the year 2018 and by his letter dated 14th November 2018, he has communicated to the Board that he wishes to retire from the Board before the completion of his appointed term (before the next AGM).	

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
A.9	Appraisal of Board Performance - Boards should periodically appraise their own performance.		
A.9.1	The Board should have in place a formal & rigorous process for annually reviewing in the discharge of its key responsibilities as set out in the code.	Please refer the key initiatives taken during the year 2018 in pages 63 to 65.	
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.		
A.9.3	The Board should have a process to review the participation, contribution and engagement of each director at the time of re-election		
A.9.4	The Board should state how such performance evaluations have been conducted in the Annual Report		
A.10	Disclosure of Information in respect of Directors - Shareholders should be kept advised of relevant details in respect of Directors		
A.10.1	Details with regards to each director to be disclosed in the Annual Report	Brief profile of each of the Board members are given in pages 36 to 39.	
		<b>Disclosure Requirement</b>	
		<b>Page/s No.</b>	
		Name, qualifications and brief profile	
		36 to 39	
		The nature of his/her expertise in relevant functional areas	
		Executive, Non-Executive and /or Independent Director	
		36 to 39	
		Number of Board meetings of the Company attended during the year	
		67	
		The total number of Board seats held by each Director indicating listed and unlisted companies and whether in an Executive or Non-Executive capacity	
		67	
		Names of Board Subcommittees in which the Director serves as Chairman or a member	
		36 to 39	
		Number of committee meetings attended during the year	
		66	



## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>A.11</b>	<b>Appraisal of CEO</b> - The Board should be required, at least annually, to assess the performance of the CEO.		
A.11.1	The Board in consultation with the CEO should set short, medium and long-term objectives of the Company, that should be met by the CEO.	The financial and non-financial targets for short, medium and long term objectives that need to be achieved by the MD/ CEO for the year 2018 were discussed at the Board meeting held on 25th January 2018 and his performance was monitored and evaluated throughout the year.	
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year.		
<b>B</b>	<b>Directors Remuneration</b>		
<b>B.1</b>	<b>Remuneration Procedure</b> - Companies should establish a formal and transparent procedure for developing policy on executive remuneration		
B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors.	Please refer Remuneration Committee Report on pages 104 to 105.	
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive director, who should be appointed by the Board.	The Remuneration Committee of the Company was comprised of 1 (one) Independent Non-Executive Director and 2 (two) Non-Executive Directors, during the year 2018. However, the Board of Directors reconstituted the Remuneration Committee of the Company w.e.f.21st February 2019, in accordance with the Rule B.1.2 of the Code and IRCSL Direction 17 dated 17th December 2018.	
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	Details on the members of the Remuneration Committee are given in the Remuneration Committee Report on pages 104 to 105.	
B.1.4	The Board as a whole, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association.	The Board as a whole decides on the remuneration of the Non-Executive Directors and Remuneration Committee Members, within the limits set in the Articles of Association of the Company.	

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice.	The Remuneration Committee has been consulting the MD/CEO and the Chairman at meetings of the Company about its proposals relating to remuneration of Executive Directors. The Terms of Reference of the Remuneration Committee sets out provisions to obtain professional advice from within and outside the Company to discharge its duties effectively.	
<b>B.2</b>	<b>The Level and Make up of Remuneration</b> - Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required.	The remuneration policy for the directors is structured in a manner to attract and retain the highest calibre of professionals as Executive Directors, which is in line with the industry standards. The benefits given to Executive Directors are reflected in the success and performance of the Company. Details of the Directors' aggregate remunerations, paid during the year, are given on page 382.	
B.2.2	Executive Directors' remuneration should be designed to promote the long term success of the Company		
B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	Industry standards and trends are taken into consideration by the Remuneration Committee when recommending remuneration levels and there are linkages between remuneration levels and performance.	
B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part.	The Remuneration Committee takes into consideration the remuneration levels elsewhere in the group when determining the remuneration levels and increments.	
B.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company.	The performance related elements of remuneration have been designed in a way that an individual's performance and interests of the Company are aligned and enhanced.	
B.2.6	Executive share options should not be offered at a discount.	There are no executive share options schemes in the Company.	N/A

## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
B.2.7	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule E in the code	The Remuneration Policy of the Company has encapsulated the guidelines provided in Schedule E of the code.	✓
B.2.8	Remuneration Committees should consider compensation commitments on early termination.	Termination of the Executive Directors is governed by the contract of service /employment of each Director.	✓
B.2.9	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	The Remuneration Policy of the Company has been designed to be in line with all applicable legal requirements.	✓
B.2.10	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role.	The time, commitment and responsibilities that each Non-Executive Director has contributed towards the Company are taken into consideration when determining the remuneration of Non-Executive Directors. Remuneration for Non-Executive Directors does not include share options.	✓
<b>B.3</b>	<b>Disclosure of Remuneration</b> - The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole and a specimen of a Remuneration Committee report followed by Schedule D		
B.3.1	The Annual Report should set out the names of Directors comprising the remuneration committee, contain a statement of remuneration policy, and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	<p>Details of the members of the Remuneration Committee and a statement of the Remuneration Committee are given on pages 104 to 105.</p> <p>The aggregate remuneration paid to the Directors is disclosed in page 43.</p>	✓
<b>C</b>	<b>Relations with shareholders</b>		
<b>C.1</b>	Constructive use of the AGM and Conduct of General Meetings - Boards should use the AGM to communicate with shareholders and should encourage their participation.		
C.1.1	The Companies should arrange for the notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Please refer item C.1.3 in the report.	N/A for 2018

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue.	Each substantially different issue was resolved by the shareholder separately by their circular resolution adopted on 30th March 2018 in lieu of the AGM, including the adoption of the Annual Report of the Board of Directors, the Financial Statements and the independent Auditors Report.	
C.1.3	The Company should count all proxy votes and should indicate the level of proxies lodged on each resolution.	The Company is a 100% owned subsidiary of Ceylinco Insurance PLC. The Company obtains the Holding Company's views, which promote a healthy dialogue.	N/A for 2018
C.1.4	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and Senior Independent Director should be available to answer questions at the AGM if so requested by the Chairman.	In terms of Sec.144 of the Companies Act No. 07 of 2007, a circular resolution of the Shareholders of the Company was adopted unanimously in lieu of the Annual General Meeting of the Company on 30th June 2018. In the circumstances C.1.1, 1.3, 1.4, 1.5 are not applicable for the Company.  However, the next Annual General Meeting of the Company will be held as set out in the Notice of the meeting which incorporate the instructions for shareholders on voting.	N/A for 2018
C.1.5	The Company should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.		N/A for 2018
<b>C.2</b>	<b>Communication with Shareholders</b> - The Board should implement effective communication with shareholders		
C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	The Company maintains a healthy dialogue with its sole Shareholder, Ceylinco Insurance PLC, at all times. The channels that the Company uses to reach the sole shareholder are the AGM / Resolutions, Annual Report, Quarterly Financial Statements, Memos, notices in the newspapers and the information given in the Company Website.	
C.2.2	The Company should disclose the policy and methodology for communication with shareholders.	The Company's policy with regard to the communication with shareholders is as per applicable statutory requirements and adopted best practices. This involves the utilization of a variety of effective and formal channels as mentioned above, to ensure that accurate information is given in a timely manner.	
C.2.3	The Company should disclose how they implement the above policy and methodology.	The implementation of this policy is done through the utilization of a variety of channels mentioned in C.2.1 above.	

## CORPORATE GOVERNANCE REPORT




Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
C.2.4	The Company should disclose the contact person for such communication.	The Contact person is the Company Secretary and the information is disclosed in Page 12.	✓
C.2.5	The process to make all Directors aware of major issues and concerns of shareholders has to be disclosed by the Company.	If there are any major issues and / or concerns raised by the Shareholder, they are brought to the attention of the Board by the Company Secretary.	✓
C.2.6	The Company should decide the person to contact in relation to shareholders' matters.	The shareholder is encouraged to maintain direct communication with the Company through the Company Secretary whose contact details are provided on page 12.	✓
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Appropriate responses and actions, if any, are decided upon by the Board, and depending on the circumstances, the Company Secretary communicates this to the Shareholder in the most appropriate manner.	✓
<b>C.3</b>	<b>Major and Material Transactions</b> - Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base		
C.3.1	Directors' responsibility to disclose the details of major and material transactions to the shareholders for their approval	The Board of Directors is responsible for disclosing details of major and material transactions to the shareholders for their approval. During the year under review, there were no such transactions entered into by the Company as defined under Sec.185 of the Companies Act.	✓
<b>D</b>	<b>Accountability and Audit</b>		
<b>D.1</b>	<b>Financial and Business Reporting ( The Annual Report)</b> - The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		



Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
D.1.1	The Board should present an annual report including financial statements that are true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	CLIL Board has taken all steps to present a balanced and understandable assessment of the Company's financial position, performance and prospects through its Annual Report.  The Company presents its Financial Statements in line with Sri Lanka Accounting Standards (SLFRS/LKAS) and other applicable laws and regulations. The Company voluntarily published its Interim Financial Statements in a timely manner. This was done during the year under review to promote a culture of transparency. All regulatory reports were filed within their due dates. More details are given in Statement of Directors Responsibility to financial reporting on page 125.	
D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.		
D.1.3	Declarations from its Chief Executive Officer and Chief Financial Officer of the Company should be obtained by the Board before approving the financial statements for a financial period.	The MD/CEO and the Director/CFO, when tabling Financial Statements for the approval of the Board, declares that the financial records of the entity have been properly maintained, that the financial statements comply with the appropriate Accounting Standards, that they give a true and fair view of the financial position and performance of the Company and that systems of Risk Management and Internal Controls were operating effectively.  Please refer CFO's statement in page 126.	
D.1.4	Annual Report of the Board of Directors to contain declarations by Directors	The required information as set out under D.1.4 of the code has been declared in the Annual report of the Board of Directors from pages 94 to 101.	
D.1.5	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control.	Refer the Statement of Directors' Responsibility to financial reporting, independent auditors report, Directors statements on Internal Control on page 127 respectively.	

## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
D.1.6	The Annual Report should contain a "Management Discussion & Analysis".	Refer Management discussion and Analysis given in pages 151 to 258 which includes the disclosures as set out in the code.	
D.1.7	Summoning of an Extraordinary General Meeting (EGM) in the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds.	During the year under review, there has not been a requirement to summon an EGM to notify a serious loss of capital.	N/A
D.1.8	The Board should adequately and accurately disclose the related party transactions in its Annual Report:	Related Party Transactions (RPT) reported during the year 2018 is given on pages 378 to 382 under note 43 to the financial statements.	
<b>D.2</b>	<b>Risk Management and Internal Control</b> - The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.		
D.2.1	The Board should monitor the Company's risk management and internal control systems and at least annually, carry out a review of their effectiveness and report on that review in the annual report.	The Board of Directors, through the involvement of the Board Executive and Risk Sub-Committees and together with the Audit Committee, has taken all necessary measures and steps to ensure that effective risk management and internal controls are in place. Board Risk Committee conducts regular reviews of the possible risks of the Company and the effectiveness of Risk Management and Internal Controls to mitigate such risks. A system has been introduced at the Operational & Strategic level to capture all of the risks that the Company contemplates and discussion on such risks have been provided in detail in the Risk Management Committee Report on pages 52 to 61.	
D.2.3	Companies should have an internal audit function.	The internal audit function of the Company is monitored by the Internal Audit Department and IS Audit Department of the Company, which is directly supervised by the Board Audit Committee.	
D.2.4 & D.2.5	The Board should require the Audit Committee to ensure carrying out the reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on risk management and internal controls	The Audit Committee also assesses the efficiency and effectiveness of the risk review process and systems of internal control on a regular basis. Further, the Audit Committee reviews the compliance system of the Company on a quarterly basis. Refer to the Statement of Risk Management and Internal Control on pages 52 to 61.	

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>D.3</b>	<b>Audit Committee</b> - The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.		
D.3.1	The Audit Committee should be comprised exclusively of Non-Executive directors with a minimum of three independent Non-Executive Directors (in instances where a Company has only two directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be an Independent Non-Executive Director. At least one member of the Committee should possess recent and relevant experience in financial reporting and control.	Please refer the audit Committee Report in pages 108 to 110.	
D.3.2	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors, etc.	<p>The Audit Committee Charter, which was recommended and approved by the Board, is adopted. More details are given on pages 108 to 110 under "Audit Committee Report".</p> <p>The Audit Committee Charter adopted by the Board includes monitoring and reviewing of the External Auditors independence, objectivity and effectiveness of the Audit process, which takes into account the professional and regulatory requirements. Messrs. Ernst &amp; Young, the External Auditors of the Company, as per the relevant rules, has given a declaration of its independence to the Audit Committee.</p>	
D.3.3	A separate section of the annual report should describe the work of the committee in discharging its responsibilities as set out in the Rule D.3.3 and annual report should contain a report by the Audit Committee, setting out the manner of compliance by the Company in relation to the aforesaid Rule, during the period to which the Annual Report relates.	Refer "Audit Committee Report" on pages 108 to 110.	


## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>D.4</b>	<b>Related Party Transactions Review Committee</b> - The Board should establish a procedure to ensure that the Company does not engage in the transactions with "related parties".		
D.4.1	A related party and related party transactions will be as defined in LKAS 24	The Company has defined its Related Parties and Related Party Transactions (RPT) in terms of LKAS 24 as mentioned in its RPT Policy.	✓
D.4.2	The Board should establish a Related Party Transactions (RPT) Review committee consisting exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. The Chairman of the Committee should be an Independent Non-Executive Director.	The RPT Review Committee of the Company comprised of Two Non-Executive Directors and one Executive Director during the year under review. However, the Board of Directors reconstituted the Committee on 21st February 2019 In order to comply with the Rule D.4.2 of the Code.	✓
D.4.3	RPTR Committee should have written Terms of Reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	The Terms of Reference of the RPT Review Committee was prepared as per the criteria given in the Schedule to the Code and the same was approved by the Board on 15th July 2016. This was reviewed and amended as and when required.	✓
<b>D.5</b>	<b>Code of Business Conduct &amp; Ethics</b> - Companies must adopt a Code of Business Conduct & Ethics for Directors, and Key Management Personnel and all other employees'.		
D.5.1	The Company must disclose whether they have a Code of Business Conduct & Ethics	The Company practices a Code of Business Conduct and Ethics requiring all employees to exercise honesty, objectivity and due diligence in performing their duties. The said Code of Conduct and Ethics addresses issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance with laws and regulations and encouragement of reporting illegal or unethical behaviour.	✓
D.5.2	A process should be in place to identify and report material and price sensitive information.	Being a Public Limited Company, fully owned by Ceylinco Insurance PLC, material information of the Company, which may be price sensitive to the Parent Company, are being disclosed to the Parent Company, which in turn reports to its relevant regulators. RPT reporting and reporting Directors Interest in Transactions, help to	✓
D.5.3	The Company should establish a policy, process for monitoring and disclosure of shares purchased by any Director, Key Management Personnel (KMP) or any other employee involved in financial reporting.	monitor any shares purchased by KMP's or any other employee involved in financial reporting.	✓

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
D.5.4	The Chairman must affirm in the Company's Annual Report that a Code of Conduct and Ethics has been introduced company-wide and the procedure for disseminating, monitoring and compliance with that code.	There has been no violation of the Code of Conduct of the Company by any Director or any member of the Corporate Management of the Company during the year. The Chairman has affirmed the same in his statement on pages 24 to 29.	✓
<b>D.6</b>	<b>Corporate Governance Disclosures</b> - Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance		
D.6.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	Board of Directors of CLIL have taken steps within their full power to ensure that the Company has complied with the Corporate Governance principles and practices. The Corporate Governance report is included in the Annual Report in pages 62 to 92 and it has set out the manner and extent to which the Company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance 2017 (Code).	✓
<b>E</b>	<b>Institutional Investors</b>		
<b>E.1</b>	<b>Shareholder Voting</b> - Institutional shareholders have a responsibility to make considered use of their votes.		
E.1.1	A Listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	Although the Company is not a Public Listed Company, it maintains such dialogue with its shareholder through the mediums described in page 83.	✓
<b>E.2</b>	<b>Evaluation of Governance Disclosures</b> - When evaluating Companies' governance arrangements institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.		
		The Company's Corporate Governance Framework and practices are discussed in detail from pages 62 to 92 giving due attention to the interests of institutional investors(The Sole Shareholder).	✓



## CORPORATE GOVERNANCE REPORT

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
<b>F Other Investors</b>			
<b>F.1</b>	<b>Investing / Divesting Decision</b> - Individual shareholders investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Since the Company is a 100% owned subsidiary of Ceylinco Insurance PLC, this provision does not apply to the Company.	N/A
<b>F.2</b>	<b>Shareholder Voting</b> - Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.		
<b>G Internet of things and cyber security</b>			
<b>G.1</b>	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network.	<p>CLIL IT devices are connected to the CLIL Corporate Network whilst CLIL branches are connected to the Corporate network via the SLT-IP/VPN. Devices and Users are authenticated via the CLIL Windows Active Directory services using user IDs and Passwords.</p> <p>All IT devices such as TABs, Smart Phones and Laptops used by sales teams are first authorized to access the corporate network after the minimum security conditions are complied with. All system users are issued with a unique User ID and a password. All system connectivity requests are authorized on a need basis.</p> <p>The corporate network's perimeter is secured with multiple cyber security layers such as Firewalls, SPAM Control, and Anti threat Software/Anti-virus solutions.</p> <p>The Board and its Sub-Committees are frequently apprised of such information and monitor IT infrastructure facilitates at required level.</p>	
<b>G.2</b>	The Board should appoint a Chief Information Security Officer (CISO).	The Board had at all times used a CIO, with relevant expertise and knowledge, who had been given the necessary resources to maintain the Company's cyber security risk management policy.	
<b>G.3</b>	The Board should allocate regular and adequate time on the Board meeting agenda for discussions about cyber risk management.	Cyber Risk Management of the Company was a general Agenda item of the Board Risk Committee Meeting during the year and the Minutes of the said Committee was tabled and discussed in detail at the subsequent Board Meeting	

Section	Requirement	How the Code is complied by Ceylinco Life	Status of Compliance
G.4	The Board should ensure the effectiveness of cyber security risk management through independent periodic review and assurance.	CLIL has appointed TechCERT as the official independent Cyber security consultant. This is the 8th consecutive year that TechCERT has been appointed. The Service includes 4 Internal and External vulnerability assessments per year and will act as the authority to keep CLIL informed of any external threats that might have an impact on CLIL.	✓
G.5	The Board should disclose in the Annual report, the process to identify and manage cyber security risks.	Please refer Risk Management Report given in pages 52 to 61.	✓
<b>H</b>	<b>Environment, Society and Governance (ESG) Reporting -</b>		
H.1	The Company's Annual Report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported.		
H.1.1 -	The Company should provide information in relation to the relevance of environmental, social and governance factors to their business model and strategy and how ESG risks may affect and how risks and opportunities pertaining to ESG are recognised, managed, measured and reported	Please refer Reports on "Social & Relationship Capital" given on pages 216 to 247. and "Natural Capital", given on pages 248 to 255. 'The report on Corporate Governance' given on pages 62 to 92. and ' Risk Management Report' given on pages 52 to 61.	✓
H.1.2.1	<b>Environmental factors</b> - Adopt an integrated approach that consider the direct and indirect economic, social, health and environmental implications.	Please refer Reports on "Natural Capital" given on pages 248 to 255.	✓
H.1.3.1	<b>Social factors</b> - Social Governance of an organisation should include its relationship with any party that can influence or be influenced by organisation's business model.	Please refer Reports on "Social & Relationship Capital" on pages 216 to 247.	✓
H.1.4.1	<b>Governance</b> - Companies should establish a governance structure to support its ability to create value and manage risk.	Please refer 'The report on Corporate Governance' and ' Risk Management Report' given on pages 52 to 91 in the Annual Report.	✓
H.1.5.1	Board's Role on ESG Factors- ESG reporting is a Board's responsibility to carry out in a regular manner and it should link sustainable issues more closely with strategy.	Please refer the ' Report on Sustainability' given on page 400.	✓

## CORPORATE GOVERNANCE REPORT

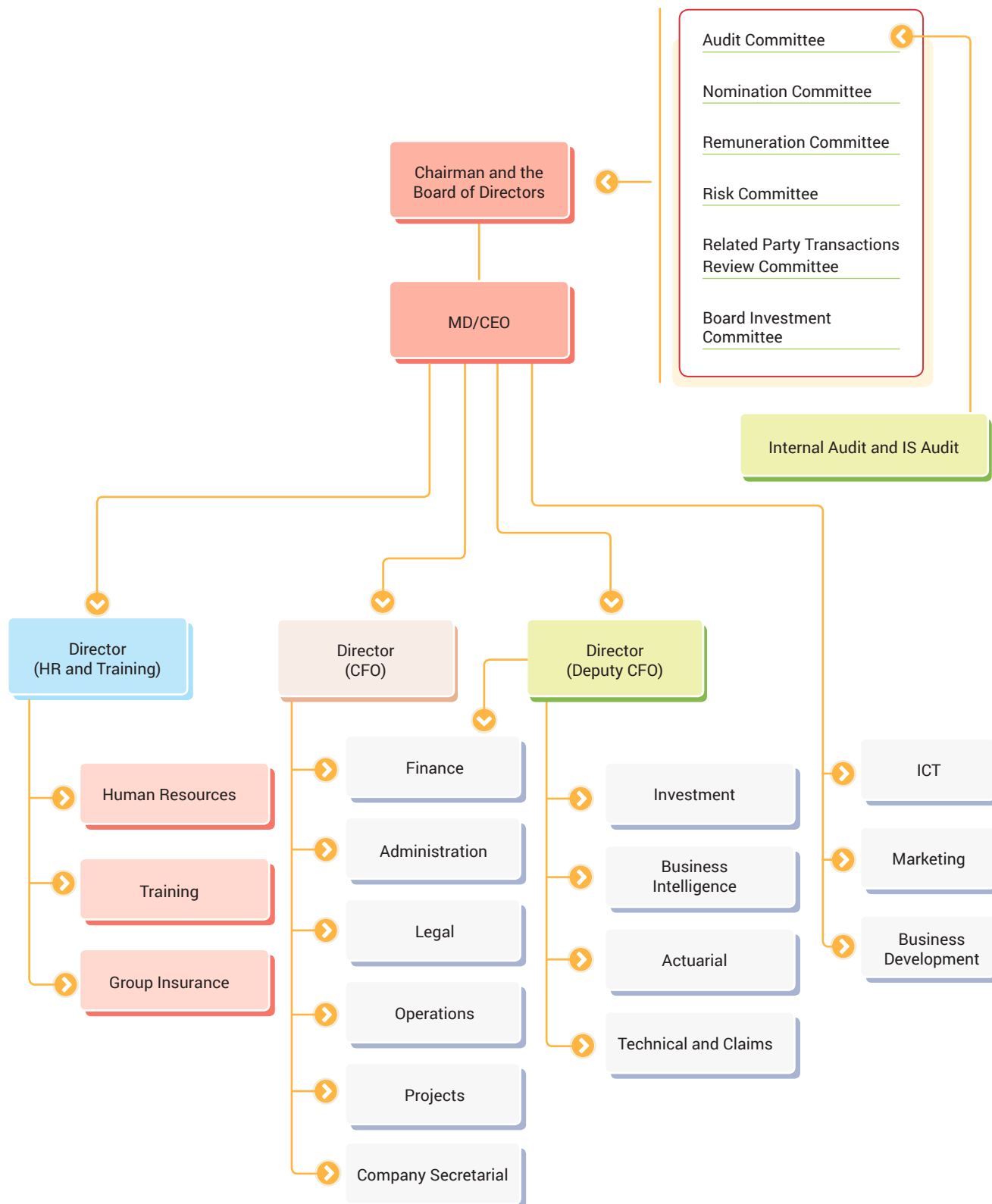
### IRCSL Direction 17 on Framework for Corporate Governance for Insurers

Insurance Regulatory Commission of Sri Lanka (IRCSL) by their Direction No.17 issued on 17th December 2018, has recommended all insurers to comply with Corporate Governance under the Regulation of Insurance Industry Act No.43 of 2000 with effective from 01st January 2019, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long term success of the Company. CLIL has already complied with the said Directive, as set out in the below mentioned table;

Requirement under Direction No 17		Status of Compliance
Code of Best Practice on Corporate Governance -2017	Please refer the Corporate Governance Report on pages 62 to 91.	Compliant
Board Composition	At least two members of the Board should be citizens of Sri Lanka and also resident in Sri Lanka;	Compliant
	Total period of service of a Non-Executive Director should not more than 9 years as at 01st January 2019	
Age	A Director who is over 70 years of age shall cease to be a Director	Compliant
	Exemption applicable to CLIL:  • If the Director is between 70 -75 years of age as of 1st Jan 2019, his service may continue up to 31st December 2020 and deemed vacated afterwards	
CSE Listing Rule 7.10	To adhere to the CSE Corporate Governance Rules	Compliant
Appointments in other Boards	A Director of an Insurer cannot hold more than 20 Directorships in other companies/ entities/institution including subsidiaries of the Insurer. In addition, out of the said Directorships such director cannot serve on more than 10 Specified Business Entities as classified under the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.	Compliant

# Organisation Structure

The structure of our organisation is detailed as follows:



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## General

The Directors of Ceylinco Life Insurance Limited (CLIL) are pleased to submit the 05th Annual Report of Directors for the year ended 31st December 2018 on the affairs of the Company together with the Audited Financial Statements and the Auditors Report on those Financial Statements conforming to all relevant statutory requirements in terms of Section 168 of the Companies Act No. 07 of 2007.

The details set out in the following report are guided by the Companies Act No. 07 of 2007 and by the recommended best practices on Corporate Governance depicted in the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka.

Following table depicts the information disclosed in this report as required by Section 168 of the Companies Act No. 07 of 2007.

Reference to the Companies Act No. 07 of 2007 sections	Companies Act No. 07 of 2007 requirement	Annual Report page reference
Section 168 (1) (a)	The nature of the business of the Company together with any changes thereof during the accounting period.	94
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	266 - 267
Section 168 (1) (c)	Independent Auditors' Report on the Financial Statements of the Company.	264 - 265
Section 168 (1) (d)	Accounting Policies of the Company and any changes therein.	277 - 384
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company during the accounting period	97 - 98
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	378
Section 168 (1) (g)	The total amount of donations made by the Company and its subsidiaries during the accounting period.	95
Section 168 (1) (h)	Information on Directorate of the Company and its subsidiaries during the accounting period.	34 - 39
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company.	95
Section 168 (1) (j)	Auditors' relationship or any interest with the Company.	95
Section 168 (1) (k)	Acknowledgment of the contents of this report/ Signatures on behalf of the Board of Directors.	101

This report was approved by the Board of Directors on 28th February 2019. The appropriate number of copies of the Annual report will be submitted to the Central Bank of Sri Lanka, Insurance Regulatory Commission of Sri Lanka (IRC SL) and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

## Nature of the Business of the Company and its subsidiaries

CLIL is a Public Company with limited liability incorporated on 22 April 2014 bearing Registration No. PB 5183, licensed as a Company authorized by the IRC SL (formerly known as Insurance Board of Sri Lanka) to carry on long-term insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000 (as Amended). The Company was incorporated as a legal requirement that arose out of Section 53 of the said Act, which required segregating long term and general insurance business from the composite insurance companies. The Company is domiciled in Sri Lanka and the registered office is situated at No. 106, Havelock Road, Colombo 05.

The Company's Vision and Purpose are exhibited on pages 4 to 5 of the Annual Report.

In achieving its Vision and Purpose, all Directors and employees conduct their activities to the highest level of ethical standards reflecting the commitment to high standards of business conducts and ethics.

The Company's principal activity is underwriting of all classes of Life Insurance. The Company received the license to carry out its business as a long



term insurance provider by the IRCSL on 01st June 2015.

The Directors declared that the Company has not engaged in any activity, which contravenes with laws and regulations of the country during the said period. Further, there were no significant changes in the nature of the principal activities of the Company during the financial year under review.

The ultimate holding Company is Ceylinco Insurance PLC. Subsidiaries of the Company as of 31st December 2018 were Serene Resorts Limited and Ceylinco Healthcare Services Limited. Citizens Development Business Finance PLC is an Associate Company of CLIL.

- **Ceylinco Healthcare Services -**  
CLIL has 99.45% stake and the registered number of the Company is PB 135.

Ceylinco Healthcare Services Limited was established in 2000 and it is the only private sector 'Radiation Treatment Centre' for treating cancer patients in Sri Lanka.

- **Serene Resorts Limited -**  
CLIL has 98.44% stake and the registered number of the Company is PB 19.

Serene Resorts Limited is aimed at serving the elderly population of the country by establishing a retirement home.

More details are given on page 7 under the topic of 'Group Structure'.

### Financial Statements of the Company

The Financial Statements of the Company, for the year ended 31 December 2018, are duly certified by

the Director/CFO, recommended by the Audit Committee, approved by the Board of Directors and signed by the Chairman and Managing Director/CEO, in compliance with the requirements of Sections 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007 and are given on pages 264 to 384 of this Annual Report.

### The Auditors' Report

Further, the Company Auditors performed the audit on the Financial Statements for the year ended 31 December 2018 and the Auditors' Report issued thereon, is given on page 264 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

### Changes to the group structure & accounting policies

The Board of the Company decided to restructure the subsidiaries of the Company in November 2018 and as a result of the said decision, the ownership structure of Ceylinco Seraka Limited was changed. Therefore, Ceylinco Seraka Limited is not a subsidiary of Ceylinco Life Insurance Ltd w.e.f. 28th November 2018.

Further, there were no changes to the Accounting Policies during the Financial year ended 31st December 2018.

### Entries in the interest register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act No. 07 of 2007.

### Remuneration & other benefits of Directors

Directors' remuneration in respect of the

Company for the financial year ended 31 December 2018 is given in Note 43 (iv) d to the Financial Statements as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

### Donations and other Corporate Social Responsibility

During the year, the Company has not made any contributions to charities or other donations.

The CSR initiatives of the Company are detailed under the "Social and Relationship Capital" in the Annual Report on pages 216 to 247.

### Amounts payable to the Auditors

The fees paid to the Auditors are disclosed in Note 32 in the Financial Statements.

### Auditor's relationship or any interest with the Company

Independence confirmation has been provided by Messrs Ernst & Young as required by Section 163 (3) of the Companies Act No. 07 of 2007, in connection with the audit for the year ended 31st December 2018, confirming that Ernst & Young is not aware of any relationship with or interest in the Company or any subsidiary audited by Ernst & Young, that in their judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date.

### Review of the Business

Both incoming and outgoing Chairman's Reviews are given on pages 20 to 29, the Managing Director/CEO's Review on pages 30 to 32 and the Management

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Discussion and Analysis on pages 151 to 258, together with the Audited Financial Statements provide an overall review of business performance and the state of affairs of the Company together with the important events that took place during the year under review as required by Section 168 of the Companies Act No. 07 of 2007 and the recommended best accounting practices.

Further, the Company has opened branches across all districts of the country. As at end of the year under review, there were 275 Branches.

Sector-wise contribution to the Company's revenue, results, assets, and liabilities are disclosed in Note 5 to the financial statements on pages 276 to 284.

### Future Developments

Likely future developments in business are discussed in the Review of the MD/ CEO on pages 30 to 32.

### Gross Income / Gross Written Premium

The Gross Income of the Company for the year 2018 was Rs.17.8Bn (Rs.15.7 Bn in 2017). The sources of external operating income, net operating profit and asset allocation of the Company together with their proportions are given in Note 25 (a) to the Financial statements on Page 344.

### Dividends and Reserves

#### Performance of the Company and Transfers to reserves

The profit before tax of the Company amounted to Rs.7.2Bn in 2018 (Rs.6.3 Bn in 2017) and this was an increase of 12.69 % (69.65% in 2017) excluding the one-off surplus of Rs. 3.4Bn that boosted the profits of the preceding year, following a regulatory change in

the basis of the valuation of life funds. Further, the net profit after tax of the Company amounted to Rs.5.8Bn in 2018 (Rs. 6.01Bn in 2017) and this was a reduction of 3.61% (Increase of 95.23% in 2017) increase in income tax expense reduced profit after tax in 2018. On this basis, the dividend payout ratio amounts to 10.27% of the profit after tax of 2018, compared to 4.75% in the year 2017.

### Dividends on Ordinary Shares

As per the recommendation of the Board of Directors, the Company made an interim dividend of Rs11.90 per share constituting a total sum of Rs. 595,000,595/- (Gross) during the year. Further, Rs. 5.8Bn (net of dividend) was transferred during the year to retained earnings.

The Board was satisfied that the Company would meet the solvency test after the declaration of the aforesaid dividend and obtained a solvency certificate from the Company's Auditors to that effect. The Board authorized the distribution, in terms of Section 56 of the Companies Act No. 07 of 2007.

### Reserves

A summary of the Company's reserves are given below;

Total reserves of the Company stood at Rs. 26.4Bn as of 31 December 2018. This includes the Restricted Regulatory Reserve of Rs.3.46Bn recognised in compliance with IRCSL Direction 16 on identification and treatment of the One-off Surplus. Information on the movement of reserves is given in the Statement of Changes in Equity on page 270 and the Notes 20 (a) to 20 (b) to the Financial Statements on pages 334 to 337.

### Property, Plant, and Equipment

The net book value of property, plant, and equipment of the Company, as at the Reporting date amounted to Rs.7.6Bn. Total capital expenditure during the year for acquisition of property, plant, and equipment by the Company, amounted to Rs. 510Mn. More information on Property, Plant, and equipment is given in Notes 7 to the Financial Statements on pages 287 to 296.

Specific information on the extent, location, valuation of the land and buildings held by the Company is given in Notes 7 (i) to the Financial Statements on pages 292 to 294.

The details of capital expenditure approved and contracted for are given in Note 7(c) to the Financial Statements on pages 291.

### Market Value of The Properties

The Company carried out a revaluation of all its freehold land and buildings as of 31st December 2016. The revaluation of the land and buildings of the Company was carried out by a professionally qualified independent valuers and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties.

Details of the market value (revalued amounts) of freehold properties of the Company are given in Note 7(i) to the Financial Statements on pages 292 to 294.

The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2019.

### Issue of Shares or Debentures

During the year the Company has not raised any funds either through a public issue, rights issue or a private placement.

### Share Information

The stated capital is the total of all amounts received by the Company, in respect of the issue of shares. The stated capital of the Company, as of 31 December 2018, amounts to Rs. 500,000,500.00 (Five Hundred Million and Five Hundred Rupees), which is represented by issued and fully paid 50,000,050 ordinary shares.

The Company has not purchased its own shares during the year under review.

### Substantial Shareholding

The Company is a fully owned subsidiary of Ceylinco Insurance PLC. The Company has issued 50,000,050 ordinary shares to the said Sole Shareholder of the Company. Information relating to dividends and net asset per share is stated under Investor Capital on page 245.

### Directors of the Company

The Board of Directors of the Company as at December 31, 2018, consisted of 15 Directors with wide knowledge and experience on economic, financial, banking, commercial and healthcare as detailed in the Board of Directors' profiles on pages 36 to 39.

Names of the directors of the Company during and as at end of December 31, 2018 as required by Section 168(1) (h) of the Companies Act No. 07 of 2007 are given below;

- |  |   |
|--|---|
| 1. J G P Perera ( Outgoing Chairman) - | Non-Executive Director<br>( retired w.e.f.14th November 2018)                 |
| 2. R Renganathan                       | - Executive Chairman  |
| 3. E T L Ranasinghe                    | - Executive Director/ Managing Director/ CEO                                  |
| 4. P D M Cooray                        | - Executive Director/Head of HR and Training                                  |
| 5. P A Jayawardena                     | - Executive Director/Chief Financial Officer                                  |
| 6. S R Abeynayake                      | - Executive Director/Deputy Chief Financial Officer                           |
| 7. D H J Gunawardena                   | - Non-Executive Director  |
| 8. Gen. C S Weerasooriya (Retired)     | - Non-Executive Director  |
| 9. R S W Senanayake                    | - Non-Executive Director  |
| 10. J A Setukavalur                    | - Non-Executive Independent Director  |
| 11. Prof. W M M de Silva               | - Non-Executive Independent Director  |
| 12. Dr. B G S De Silva                 | - Non-Executive Independent Director  |
| 13. W M P J K Wickramasinghe           | - Non-Executive Independent Director  |
| 14. H S B Caldera                      | - Non-Executive Independent Director  |
| 15. Ms. A K Seneviratne                | - Non-Executive Independent Director  |
| 16. Mr. J Durairatnam                  | - Non-Executive Independent Director<br>(appointed w.e.f. 14th November 2018) |

### Disclosure of Directors' Dealings In Shares

As the Company is not listed on the CSE, neither shares nor debentures of the Company were held by the Directors during the year under review.

### Directors' Disclosure of Interests

#### Director's interests in contracts or proposed contracts (as required under Sec.192 of the Companies Act No.07 of 2007)

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

The Company carried out transactions in the ordinary course of business on an arm's length basis with entities where a Director of the Company is the Chairman or a Director of such entities, as details below;

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

No.	Name of the Company / Trust	J P G Perera	R Renganathan	E L T Ranasinghe	P D M Cooray	P A Jayawardena	S R Abeynayake	D H J Gunawardena	Gen. C S Weerasooriya
1	Ceylinco Healthcare Services Limited								
2	Ceylinco Insurance PLC								
3	Citizen Development Business Finance PLC								
4	Serene Resorts Limited								

In addition, Related Party Disclosures as per Sri Lanka Accounting Standards are detailed in Note 43 to the Financial Statement on pages 378 to 382 of this Annual Report.

### Directors and officers' insurance

The Company has, during the financial year paid an insurance premium in respect of insurance policy for the benefit of the Company and the Directors and further details on the same is given in Notes to the Financial Statements on pages 380 to 382.

### Retirement and Re-election

1. In accordance with Section 210 of Companies Act No. 07 of 2007, Gen. C S Weerasooriya will retire and be eligible himself to be re-elected as a Director of the Company. Gen. C S Weerasooriya will be 76 years of age in December 2019 and the shareholder's approval shall be sought by way of an ordinary resolution at the forthcoming Annual General Meeting of the Company, that Section 210 of Companies Act No. 07 of 2007, shall not apply to Gen. C S Weerasooriya.
2. In terms of Article 18 (B) of the Articles of Association, one third out of the Non-Executive Directors are required to retire by rotation at each Annual General Meeting. Article 18 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last election or appointment.

The aforesaid changes were considered at the Nomination Committee of the Company at their meeting held on 21st February 2019 and recommended to the Board of Directors to notify to the Shareholder. The Board recommended at their meeting held on 28th February 2019, the re-election of the following Directors after considering the recommendations of the Nomination Committee;

- a. Mr. H S B Caldera
- b. Ms. A K Seneviratne
- c. Mr. D H J Gunawardena

In addition, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance Mr. J Durairatnam who was appointed as an Independent Non-Executive Director on 14th November 2018, will be re-elected by the shareholders of the Company, as a Director at the forthcoming Annual General Meeting and the said appointment was also considered by the Nomination Committee and recommended to the Board of Directors to notify to the Shareholder.

More details are given on page 404. under the 'Notice of the AGM'.

### Environmental Protection

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Company has continued with the 'Go Green' concept since 2017 and its efforts in this regard is more fully described in the 'Natural Capital' on pages 248 to 255.

### Statutory Payments

The Board of Directors confirm that to the best of their knowledge and belief, all taxes, duties, and levies payable by the Company and in respect of the employees of the Company and all other known statutory dues, as were due and payable by the Company, as at the Reporting date have been paid or, where relevant provided for.

### Events After Reporting Date

No material events have taken place after the Reporting date, which requires an adjustment to or a disclosure in the Financial Statements. The relevant disclosure is given under Note 44 to the Financial Statements on page 383.

### Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and to justify adopting the going concern basis in preparing these Financial Statements.

### Exposure To Risk and Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal control. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors, having reviewed the system of internal control, is satisfied with the systems and measures in effect at the date of signing this Annual Report.

### Risk Management

The Company has a separate Board Risk Committee, to look after the policy development for risk management of the Company. Risk Management of the Company is given in pages 52 to 61 under the topic of 'Risk Management'.

### Appointment of Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young (Chartered Accountants) and

in accordance with the Companies Act No. 07 of 2007, a resolution will be proposed to the shareholder at the forthcoming AGM for the approval pertaining to their reappointment and to authorize the Directors to determine their remuneration.

The retiring Auditors, Messrs Ernst & Young (Chartered Accountants) have signified their willingness to continue to function as the Auditors to the Company.

### Auditors' Remuneration

The fees paid to the Auditors are disclosed in the Note 32 to the Financial Statements on page 350. The Auditors of the Company, Messrs Ernst & Young have confirmed that they do not have any relationship with the Company other than that as the Auditors which would have an impact on their independence.

### Ratios and Market information

Ratios	2018	2017	%
Dividend per share	Rs.11.90	Rs.9.0	32.22
Dividend Payout	Rs.10.27	Rs.4.75	116.04
Net assets value per share	Rs. 528.51	Rs. 412.94	27.99

### Directors Meetings

The details of the Board and Board Sub-Committees meetings and the attendance of Directors at these meetings are given on pages 66 to 67 and in the respective Committee reports.

### Board Subcommittees

The Board of Directors of the Company has formed four main Board Subcommittees namely the Nomination Committee, the Remuneration Committee, the Related Party

Transaction Review Committee and the Audit Committee as suggested by the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board has formed two more voluntary Board subcommittees to assist the Board of Directors. They are the Board Risk Committee and the Board Investment Committee.

These Subcommittees play a critical role in ensuring that the activities of the Company are conducted with the highest ethical standards and in the best interest of all its stakeholders.

The terms of reference of these subcommittees conform to the recommendations made by various regulatory bodies such as IRCSL, CBSL, the Institute of Chartered Accountants of Sri Lanka and the SEC.

The composition of Board subcommittees as at 31st December 2018 and the details of the attendance by directors at meetings are tabulated on respective Committee reports on pages 104 to 124.

### Directors' Responsibility for Financial Reporting

The Directors assume the responsibility for preparation and presentation of the Financial Statements, which reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 266 to 384 have been prepared in accordance with Sri

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Lanka Accounting Standards (SLFRS/ LKAS). The said Accounting Policies adopted in the Financial Statements, are given on pages 266 to 384 as required by Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Board of Directors confirm that there were no material changes in the Accounting Policies adopted by the Company, during the year under review.

The Statement of Directors' Responsibility to financial reporting appearing on page 125, forms an integral part of this Report.

### Tax Expenses

Tax expense has been computed at the rates given in Note 34 to the Financial Statements, appearing on pages 351 to 352 of this Report.

### Investments

Total investments of the Company and other equity investments amounted to Rs. 103.7 Bn.

### Corporate Governance

Director's declarations;

- i) The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. The Compliance Officer of the Company who has the ultimate responsibility for ensuring compliance with the provisions in various laws and regulations, confirms compliance in each quarter to the Audit Committee of the Company, through the Internal Auditor, for their review.

- ii) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- iii) The business is a going concern with supporting assumptions as necessary, and that the Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly the Financial Statements of the Company, its Subsidiaries and Associate are prepared on the Going Concern assumption.
- iv) The Directors have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained reasonable assurance of their effectiveness and proper adherence.

The Board of Directors has shown their commitment to maintain an effective corporate governance structure and always be in compliance with all relevant rules, regulations and best practices on corporate governance, extending beyond regulatory requirements. More details are given in the Corporate Governance report on pages 62 to 92.

### Sustainability

The Company has considered the sustainability aspects when formulating its business strategies and more details are given on pages 132 to 137.

### Human Resources

The Company continued to develop appropriate human resource management policies and focused their contribution towards the achievement of corporate goals. The Company's HR Policy and more other details are given in 'Human Capital' on pages 198 to 213.

### Register of Directors and Secretaries

As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries, which contains information of each Director and the Company Secretary.

### Technology

All of our processes involve information technology and the Company uses technology to deliver superior products and services to our customers. Key achievements for the year are detailed in the pages 186 to 188.

### Operational Excellence

To increase efficiency and reduce operating costs, the Company has ongoing initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

### Annual General Meeting

The fifth Annual General Meeting of CLIL will be held at the Board Room of Ceylinco Life Insurance Limited at No. 106, Havelock Road, Colombo 05 on 29



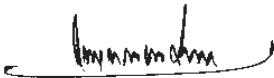
March 2019 at 9.30 a.m. The Notice of the AGM appears in page 404 of the Annual Report.

### **Acknowledgment of The Contents of the Report**

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does acknowledge the contents of the Annual Report and is signed for and on behalf of the Board of Directors,



**R Renganathan**  
Chairman



**P A Jayawardena**  
Director/CFO



**K I Weththasinghe**  
Company Secretary

25th February 2019  
Colombo

## Board Subcommittees

No.	Board Sub - Committees	Meeting Frequency	Members		Secretary	Invitees
1	Remuneration Committee	Once in six months	Prof. W. M. M. de Silva (Chairman) Mr. D. H. J. Gunawardena Mr. R. S. W. Senanayake	Independent - Non Executive Director Non Executive Director Non Executive Director	Company Secretary	Managing Director / CEO, Director / CFO and Director / Deputy CFO
2	Audit Committee	Quarterly	Mr. J. A. Setukavalar (Chairman) Mr. D. H. J. Gunawardena Mr. W. M. P. J. K. Wickramasinghe	Independent - Non Executive Director Non Executive Director Independent - Non Executive Director	Company Secretary	Director /CFO, Director /Deputy CFO, Senior Manager - Internal Audit and Senior Manager - IS Audit, Senior Manager-Finance, External Audit Partners (If necessary)
3	Nomination Committee	As and when necessary or once a year	Dr. B. G. S. de Silva (Chairman) Mr. W. M. P. J. K. Wickramasinghe Mr. R. Renganathan	Independent - Non Executive Director Independent - Non Executive Director Executive Director	Company Secretary	Director /CFO
4	Related Party Transaction Review Committee	Quarterly	Mr. D. H. J. Gunawardena (Chairman) Mr. R. S. W. Senanayake Mr. P. A. Jayawardena	Non Executive Director Non Executive Director Executive Director	Company Secretary	Senior Manager-Finance
5	Risk Committee	Quarterly	Ms. A. K. Seneviratne (Chairperson) Mr. W. M. P. J. K. Wickramasinghe Mr. R. S. W. Senanayake	Independent - Non Executive Director Independent - Non Executive Director Non Executive Director	Company Secretary	Director / CRO, Senior Manager - Finance or his representative
6	Investment Committee	Quarterly	Mr. R. Renganathan(Chairman) Mr. E. T. L. Ranasinghe Mr. P. A. Jayawardena Mr. S. R. Abeynayake Mr. R. S. W. Senanayake	Executive Director Executive Director Executive Director Executive Director Non Executive Director	Company Secretary	AGM - Actuarial and Senior Manager - Portfolio

Notice of the meeting	Professional Advise	Terms of Reference/ Charters	Objectives
Week before	Available	Available – Terms of Reference of the Remuneration Committee	The Objective of the Committee is to set the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, members of the Executive and the Company Secretary.
Week before	Available	Available – Audit Charter	<p>The objectives of the Committee are to assist the Board of Directors to carry out its responsibilities relating to the following areas.</p> <ol style="list-style-type: none"> <li>1. Preparation, presentation and adequacy of disclosure in the financial statements, in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.</li> <li>2. Company's compliance with financial reporting requirements, information requirements of Companies Act, IRCSL, SEC of Sri Lanka, CSE and other regulations and requirements.</li> <li>3. Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>4. Assessing the Company's ability to continue as a going concern in the foreseeable future.</li> <li>5. Independence and performance of the Company's external Auditors.</li> </ol>
Week before	Available	Available - Terms of Reference of the Nomination Committee	The primary function is to assist the Board with making recommendations on Board appointments and on maintaining a balance of skills & experience on the Board and its committees.
Week before	Available	Available -Mandate of the Related Party Transactions Review Committee	The main objective is to safeguard the shareholder's interests and to prevent directors, chief executives or substantial shareholders taking advantage of their positions.
Week before	Available	Available – Risk Committee Mandate	<p>Primary function is to oversee and approve the Company-wide risk management practices to assist the Board in:</p> <ul style="list-style-type: none"> <li>• Setting the tone and developing a culture of the Company vis-à-vis risk;</li> <li>• Overseeing that the executive team has identified and assessed all risks that the Company faces and has established a risk management framework, capable of addressing those risks;</li> <li>• Overseeing, in conjunction with other Board level committees, all principal risks facing the Company such as strategic, financial, market, IT, legal, regulatory, reputational and other risks;</li> <li>• Monitoring risk management capabilities within the Company, including communication about escalating risk and crisis preparedness and recovery plans; and</li> <li>• Overseeing the division of risk-related responsibilities to each Board Committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.</li> </ul>
Week before	Available	Available – Board Investment Committee Charter	<p>The goals and objectives of the Committee with respect to the Company's investment strategy, management, policies, guidelines and operations are;</p> <hr/> <p>Exercise due care to ensure that the interests and rights of policyholders are not compromised at any time;</p> <hr/> <p>Ensure full compliance with laws, rules, regulations, determinations and guidelines issued by the Insurance Regulatory Commission of Sri Lanka and any other relevant regulatory authority, as the case may be</p> <hr/> <p>Institute effective and efficient governance of investment activities of the Company;</p> <hr/> <p>Ensure that the Company develops appropriate risk management framework for identifying, monitoring and mitigating various risks arising from investment activities and that the Company controls their investment portfolio effectively and efficiently;</p> <hr/> <p>Ensure that the Company establishes internal control mechanisms specially with respect to investment activities.</p> <hr/> <p>Ensure that the Company develops investment strategies and implements policies and procedures to execute the strategies at the operational level</p>

# REPORT OF THE REMUNERATION COMMITTEE

## Composition

The Board Remuneration Committee of the Company comprised of the following Directors,

Prof. W. M. Mohan De Silva (Independent /Non-Executive Director) – Chairman

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

Mr. R. S. W. Senanayake (Non-Executive Director) – Member

Brief profiles of the Directors are given on pages 36 to 39 of this Annual Report.

## Meetings, attendance and Secretary

The Chairman of the Committee is an independent Non-Executive Director who is free from any business or any other relationship which may interfere with the execution of his independent judgment.

The Committee has the authority to seek external professional advice on matters within its purview.

The Remuneration Committee formally met twice during the year 2018. The MD/ CEO and Director/CFO attended the said meetings by invitation and assisted in the discussions by providing relevant information, except when matters relating to them were discussed.

The Company Secretary functions as the Secretary to the Committee. The attendance of Committee members at meetings are given below:

Board Sub - Committees	Members		No. of meetings	Attendance
Remuneration Committee	Prof. W. M. Mohan de Silva (Chairman)	Independent - Non Executive Director	2	2/2
	Mr. D. H. J. Gunawardena	Non Executive Director	2	2/2
	Mr. R. S. W. Senanayake	Non Executive Director	2	2/2

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

## Terms of Reference of the Committee

The Committee is governed by the “Terms of Reference of the Remuneration Committee” which is approved by the Board of Directors. Further, the Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements are aligned with individual performance. The said Terms of Reference defines the Objective, Membership, Quorum, Meetings, Responsibilities of the Committee Chairman and reporting responsibilities of the Committee.

## Purpose of the Committees

The purpose of the Committee is to set the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, senior management (together, the “Senior Executives” being those whose appointment requires Board approval; employees who perform a significant influence function; employees whose activities have or could have a material impact on the Company's risk profile; and any other employee as determined by the Committee from time to time).

The overall focus and responsibilities of the Remuneration Committee are:

- to determine the remuneration policy of the Company and to make recommendations to the Board on the Company's policy and structure;
- to periodically review the adequacy and effectiveness of the remuneration policy of the Company;
- to give the Board additional assurance as it may reasonably require regarding the Human Resources policies of the Company, pertaining to the terms and conditions of employment to be fair and will attract and retain high calibre staff;
- to review and approve any statement required by the Company's regulators from the Committee on the Company's remuneration policy.

- to go through the proposals for employee share plans for the Company and make recommendations to the Main Board.
- to ensure that no Director or Senior Executive or any of their associates is involved in deciding their own remuneration;
- to review and disclose, as appropriate, in the Directors' Remuneration Report in the annual report and financial statements whether any executive Director or Senior Executive has the right or opportunity to receive enhanced benefits beyond those already disclosed and whether the Committee has exercised its discretion during the year to enhance such benefits either generally or for any member of the Company;
- to review and endorse the content of the Directors' Remuneration Report in the annual report and financial statements for the submission to the Board as a whole;
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, to ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- to give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed and non-listed companies and formation and operation of share schemes in determining recommendations;

- to undertake on behalf of the Chairman or the Board such other related tasks as the Chairman or the Board may from time to time entrust to it.

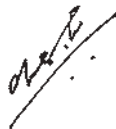
### **Directors Remuneration**

The total amount of Directors' remuneration paid during the year under review is set out in Note 43 to the Financial Statements.

### **Initiatives taken during the year 2018**

The Remuneration Policy of the Company was reviewed by the Board of Directors upon the recommendation of the Committee.

On behalf of the Remuneration Committee,



**Prof. W. M. M. de Silva**

Chairman - Remuneration Committee

25th February 2019

# REPORT OF THE NOMINATION COMMITTEE

## Composition

The Board appointed Nomination Committee of the Company comprises of the following Directors as at the end of the year 2018:

Dr. B. G. S. de Silva - Chairman (Independent/ Non-Executive Director)

Mr. W. M. P. J. K. Wickramasinghe - Member (Independent/ Non-Executive Director)

Mr. R. Renganathan - Member (Executive Director)

Brief profiles of the members of the Committee are given on pages 36 to 39 of the Annual Report.

The Chairman of the Committee is an Independent Non-Executive Director who is free from any business or any other relationship which may interfere with the execution of his independent judgment. Further, majority of the membership of the Committee are Non-Executive Directors.

## Meetings, attendance and Secretary

The Committee formally met twice during the year 2018 and the attendance of Committee members at meetings is given below;

Board Sub - Committees	Members		No. of meetings	Attendance
Nomination Committee	Dr. B. G. S. de Silva (Chairman)	Independent - Non Executive Director	2	2/2
	Mr. W. M. P. J. K. Wickramasinghe	Independent - Non Executive Director	2	2/2
	Mr. R. Renganathan	Executive Director - MD / CEO	2	1/2

There shall be a quorum of two thirds of the members of the Committee to hold a meeting. The Company Secretary serves as the secretary to the Nomination Committee. The proceedings of the Committee meetings have been regularly circulated to and confirmed by the Board of Directors. The Director/CFO was invited to the meetings in order to support the discussions by providing relevant information.

## Terms of Reference of the Committee

The Committee is governed by the "Terms of Reference of the Committee" (TOR) which has been prepared in line with the Rules set out in the Code of Best Practice on Corporate Governance. The TOR was approved by the Board and it sets out the Committee's Objective, Membership, Secretary, Advisors, Quorum, Duties, Frequency of meetings, Notice of Meetings, Minutes of Meetings and Reporting Responsibilities of the Committee.

## Purpose of the Committee

The main objective of the Committee is to assist the Board in recommending the new appointments to the Board in order to maintain a balance of skills and experience on the Board and its subcommittees.

The power and authority of the Committee is subject to the provisions of Companies Act No.07 of 2007 and other applicable laws, responsibilities as set forth in the Company's Articles of Association, Code of Best Practice on Corporate Governance (Issued by the Institute of Chartered Accountants of Sri Lanka) applicable policies, practices, other regulatory obligations.

The Board has granted their approval for the Committee to seek appropriate professional advice both internally and externally to the Company, subject to the relevant provisions of the Terms of Reference of the Committee.

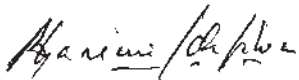
## Initiatives Taken during the Year

The Committee assessed the Board composition in 2018 and decided that the members of the Board has the required professional knowledge and experience in order to match the strategic demands of the Company. Based on such evaluation, at the retirement of the former Chairman, the Committee recommended the appointment of the new Chairman, the MD/CEO and the appointment of a new Director to fill the vacancy to the Board at their meeting held on 14th November 2018.



The Board undertook the annual self evaluation of its own performance for 2018 and the findings of the said evaluation was tabled and discussed at the Committee Meeting held on 21st February 2019. Based on the said findings, the Committee assessed the Board's composition, the combination of expertise and knowledge to discharge its duties and the contribution made by the relevant member towards the overall discharging of the responsibilities of the Board, at the time of re-election of each member for the ensuring year. Further, the Committee made recommendations to the Board on measures to be taken to further improve Board performance.

On behalf of the Nomination Committee;



**Dr. Gamini de Silva**

Chairman - Nomination Committee

21st February 2019

# REPORT OF THE AUDIT COMMITTEE

## Composition

The Audit Committee which was established on 25th April 2014, comprised of the following Non-Executive Directors as at the end of the year 2018:

Mr. J.A.Setukavalar (FCA, FCMA-UK, FCMA-SL, CGMA, FCPM) - Chairman  
(Independent, Non-Executive Director)

Mr. D.H.J. Gunawardena (FCMA-UK, CGMA) - Member (Non-Executive Director)

Mr. W.M.P.J.K.Wickramasinghe (MCILT) - Member (Independent, Non-Executive Director)

Each of the members has the finance literacy, the Chairman is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (UK) and profiles of members which consist of qualifications and experience are given on pages 36 to 39 of this annual report.

## Meetings, attendance and Secretary

The Audit Committee formally met four times during the year 2018 in order to fulfill its duties and responsibilities and attendance by the Committee members at each of these meetings is given below;

Board Sub - Committees	Members		No. of meetings	Attendance
Audit Committee	Mr. J. A. Setukavalar (Chairman)	Independent - Non Executive Director	4	4/4
	Mr. D H J Gunawardena	Non Executive Director	4	4/4
	Mr. W M P J K Wickramasinghe	Independent - Non Executive Director	4	4/4

The Director/CFO, Director/Deputy CFO, Senior Manager- Finance, Senior Managers of Internal Audit and Information Systems Audit of the Company attended the meetings on the invitation of the Committee.

The Engagement partner and the Manager of the Company's External Auditors, Messrs Ernst & Young attended the meeting on the invitation of the committee after finalizing the audit for the period ended 31st December 2018.

The Audit Committee's activities were communicated and confirmed by the Board at their quarterly board meetings.

The quorum for the Committee meeting is two-thirds of the members of the Committee. The Company Secretary serves as the secretary to the Audit committee. The proceedings and the minutes of the committee meetings were circulated amongst the Committee members minimum seven days prior to the meeting.

## Charter of the Audit Committee

The Terms of Reference of the Charter of the Committee is clearly defined in the Charter of the Audit Committee which has been periodically reviewed and amended if required with the consensus of the Board of Directors.

## Purpose

The principal purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process of the Company, by way of safeguarding the interests of all the stakeholders including shareholders.

## Authority and rules

The Committee is authorized to seek any information as considered necessary, from the management of the Company in order to carry out its monitoring and reviewing activities on the following core areas.

- Preparation, presentation and adequacy of disclosure in the financial statements, in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.
- Company's compliance with financial reporting requirements under Companies Act, IRCSL, the Inland Revenue Department and other regulatory requirements.
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

- Independence and performance of the Company's external Auditors.

### Compliance

The committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up including action taken for any instances of non-compliance.

The Committee reviewed the Quarterly Regulatory Compliance Reports submitted and observed 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 is included in the Audit Committee's reports to the Board of Directors and followed up to ensure that appropriate corrective action is taken.

### Financial Reporting

The committee reviewed and discussed quarterly financial statements and annual financial statements prior to submission for Board approval and filing with regulators in order to ensure the compliance with Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Insurance Act No.43 of 2000. Also the Committee reviewed and discussed the audit issues communicated by the external auditors, through their Management Letter.

The committee reviewed the financial reporting process in order to ensure the reliability of the information provided the determination of most appropriate accounting policies and the fairness of the disclosures made in the financial

statements. Also committee reviewed the involvement of the internal and external auditors with regard to the financial reporting process.

### External Audit

The committee reviewed the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussed the relationships with the auditors. Further, the committee reviewed the nature of non-audit services provided by the external auditors in order to ensure that their independence is not impaired. Accordingly, no non-audit services were obtained from Messrs Ernst & Young to the Company during the year under review.

The committee had a meeting with the External Auditors to review the external auditors' proposed audit scope and time line set out in the plan including approach and coordination of audit effort with internal audit in order to assess the effectiveness of the entire audit process prior to commencement of the annual audit.

The committee also discussed the key audit issues and their resolution, management responses with both the External Auditors and the management, and continuously monitored the action taken by the management to implement the recommendations. Further, the committee reviewed the disclosure of significant issues of those having an impact to the financial statements and did not come across any significant issue that should be considered and addressed in relation to the financial

statements for the year ended 31 December 2018.

The committee reviewed the performance of the external auditor and made recommendations on the remuneration of the Auditor to the Board.

### Initiatives taken during the year 2018

During the year, the Audit Committee reviewed and approved the internal audit activity after considering the new developments in the current market situation in order to set clear guidelines to assist the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's governance, risk management and internal controls.

As a part of this process the committee reviewed the following areas in order to strengthen the internal control environment of the Company;

- Risk Management system
- Departmental risk registers
- Risk based internal audit plan
- Internal audit budget and resource plan
- Independence and objectivity of the Internal Auditors
- Responsibilities of the Internal Auditors
- Reporting and monitoring processes
- Significant audit findings and management responses

## REPORT OF THE AUDIT COMMITTEE

### Conclusion

The Committee is satisfied that the Company's internal controls are effectively implemented and designed to assess and manage risks, and that the Company's assets are adequately safeguarded.

The Committee is satisfied that the Company's Internal and External Auditors have been effective and independent throughout the period under review.

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

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants and recommended to re-appoint as Statutory Auditors of the Company for the financial year ending 31st December 2019, subject to approval of the shareholder at the next Annual General Meeting.



**J.A. Setukavalalar**  
Chairman - Audit Committee

25th February 2019

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board of Directors of Ceylinco Life Insurance Ltd. has established the Related Party transactions Review Committee (RPTRC) in keeping with the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka.

## Composition

The RPTRC of the Company in 2018 comprised of the following Directors;

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

Mr. R.S.W. Senanyake - Non Executive Director (Member)

Mr. P.A. Jayawardena - Executive Director (Member)

Brief profiles of the members of the Committee are given on pages 36 to 39 of the Annual Report. The Company Secretary serves as the secretary to the committee.

## Objectives of the Committee

The main objective of the Committee is to review the proposed related party transactions on behalf of the Board (excluding the transactions which are exempted from the code) in advance, with a view to safeguarding the interests of the shareholders by preventing directors, senior management and/or substantial shareholders taking advantage of their positions to execute transactions which are not in the best interest of the shareholders. The committee also ensures that all related party transactions are in strict conformity with statutory and regulatory requirements which Ceylinco Life Insurance Ltd. is obliged to abide by.

## Terms of Reference of the Committee

The Committee is governed by the "Mandate of the RPTRC" and the said mandate sets out the committee's

objectives, authority and responsibilities, composition of members, processes and operations, reporting requirements etc. The mandate also provides guidelines for engaging the services of external consultants if such assistance is needed.

## Meetings and Attendance

The RPTRC formally met four times during the year 2018.

The attendance of Committee members at meetings is given below;

Board Sub - Committees	Members		No. of meetings	Attendance
Related Party Transaction Review Committee	Mr. D.H.J. Gunawardena (Chairman)	Non Executive Director	4	4/4
	Mr. R.S.W. Senanyake (Member)	Non Executive Director	4	4/4
	Mr. P.A. Jayawardena (Member)	Executive Director - CFO	4	4/4

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

## Initiatives Taken during the Year

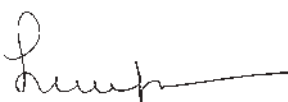
During the year under review, the Committee continued to monitor and review the related party transactions of the Company which were referred to the Committee. In discharging its functions, the Committee primarily relied on the various processes that were validated from time to time and the periodic reporting by the relevant entities and Key Management Personnel to ensure that shareholders are protected and that there is adequate transparency in financial transactions.

Related Party Transactions recorded during the year under review has been disclosed under Note 43 of the Financial Statements.

## Declaration

The Committee is of the view that there were no non recurrent or recurrent related party transactions falling within the ambit of the Code of Best Practice on related party transactions issued by the Securities & Exchange Commission of Sri Lanka and the Mandate of the RPTRC that required prior approval of shareholders.

On behalf of the RPTR Committee;



**D.H.J. Gunawardena**  
Chairman - RPTR Committee

14th February 2019

# OPERATIONAL INVESTMENT COMMITTEE REPORT

The Long Term Insurance Fund of Ceylinco Life Insurance Limited (Ceylinco Life) is overseen by the Board Investment Committee, (Committee) to ensure it provides a secure and a steady return for its Policyholders.

As an adaptation of the “Guidelines on Investment for Insurance Companies” issued by Insurance Regulatory Commission of Sri Lanka (IRC SL), the Board Investment Committee was established by the Board of Directors of Ceylinco Life to ensure compliance with the said code and good governance. The Committee is acting in a fiduciary capacity with respect to the Fund, and is accountable to the Board of Directors of Ceylinco Life. The Committee formulates investment strategies and overviews the performance of the investments on a quarterly basis.

In order to make timely decisions on executing strategies implemented, the Committee has delegated its authority by appointing an Operational Investment Committee who meets on a weekly basis. To ensure a return that is secure, smooth and steady, investments are made prudently according to diverse investment objectives and varied risk preferences.

By crafting investment strategies that add value, continually monitoring the execution of the set strategies to ensure conformity, and making timely 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 2018, the Long-term Insurance Fund of Ceylinco Life kept growing as a formidable force and stood firm for its policyholders, at LKR 88.0 Billion.

## Year in Review

### Global Market

<b>Headlines of 2018</b>	US Federal Reserve Rate Hikes
	US and China Trade War : China Economy slowdown
	US and Mexico Border Wall
	US (Trump) and North Korea (Kim Jong-un) Summit

Year 2018 was all about United States of America (US). As reported above, main headlines covered US and other countries assembled around it. The year started with a positive outlook as the global economy was expected to expand at a quicker rate, led by growth in US and Emerging Asia.

However, a faster pace of rate hikes by the US Federal Reserve (Fed), a stronger dollar and concerns over trade tensions between the US and China led to signs of a global economic slowdown as the year wore on.

Fed's rate hikes led the path towards monetary tightening, which caused global markets to be concerned about the potential impacts of tighter financial conditions and a stronger dollar. By the end of the year, the Fed had hiked policy rates four times and the European Central Bank ended its final quantitative easing program. Adding to the uncertainty were the US-China trade

tensions, a slowdown in the Chinese economy and political events across Europe.

The uncertainty surrounding these drove investors away from riskier assets, causing capital flows away from emerging markets and towards safe havens including US financial assets. This movement was aided by the US corporate tax cuts that came into effect by end-2017 by the new administration.

A stronger dollar in the first 3 quarters of 2018 had led to a considerable weakening in global currencies, notably those in emerging markets. Argentina and Turkey saw major depreciations that led to further negative sentiment about emerging markets. This drove most central banks to resort to rate hikes to help stabilize investor confidence.

The Chinese economy was already beginning to feel the effects of a slowdown in consumer spending when the trade war extended this slowdown into exports and production as well. The Chinese Yuan saw a fall in value by the middle of the year, further bringing negative impact to Chinese domestic economy.

Oil prices rose in the first 3 quarters of the year, with rising demand for crude in emerging markets coinciding with supply cuts by OPEC nations - leading to multi year highs for oil. Re-imposition of US sanctions on Iran and reduction of oil output in crisis-stricken Venezuela also contributed to this rally. However, in the final quarter of the year, lifting of key sanction provisions combined with increased production by the US, led to a rapid drop in oil prices.



Close of the year brought negative economic sentiment to Europe - mainly surrounding the Brexit, with UK Prime Minister Theresa May's deal being rejected by the UK parliament. As the likelihood of Britain exiting the EU without any transitional economic measures increase, both Britain's and the EU's economies were facing ripples of uncertainty. Coupled with the fact that two of Europe's strongest economies, Germany and France, grew less than 1.5% in 2018, Europe is likely to be one of the biggest drags on the global economy in 2019.

As impacts of the global economic slowdown were beginning to be felt in the US by the last few months of the year, the Fed initially revised its outlook for 2019, projecting 2 rate hikes instead of 3. Eventually, the Fed Chair took an even more dovish view, indicating that they could suspend its current tightening campaign. This helped ease financial conditions at the start of 2019.

Driven by the optimism surrounding the Fed's dovish policy, central banks around the world, especially in emerging markets, were able to loosen their own monetary policy. Combined with the fact that the dollar is less likely to strengthen to the extent seen in 2018, the outlook for emerging markets is starting to look less gloomy in 2019. Although the IMF expects a slight drop in growth for emerging markets, (from 4.6% to 4.5%), growth is still above the expectation for advanced economies, which stands at 2.0%.

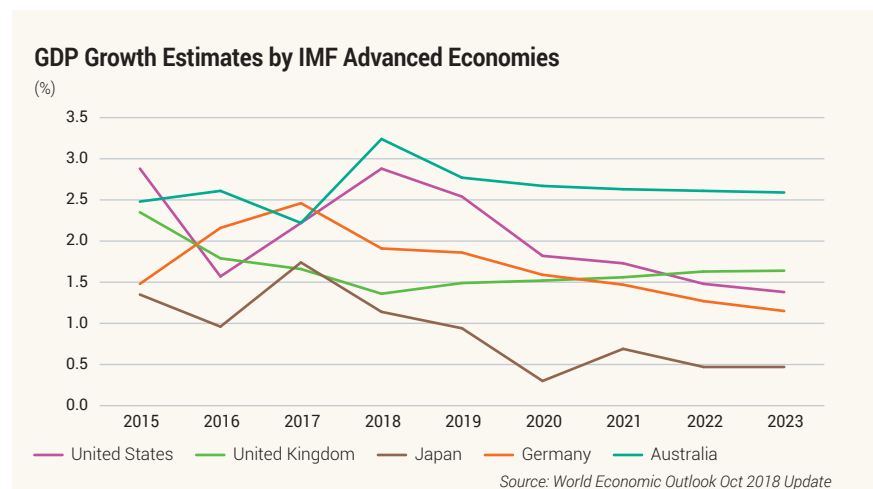
### Looking ahead to 2019 and beyond

The global economy is seemingly at crossroads. International Monetary Fund (IMF) has downgraded 2019's growth outlook to 3.5% from an earlier 3.9%; US-China trade tensions remain unresolved (although there is some progress); Europe might face further economic slowdown; and with these impacts reflected on the performance of the US economy, the Fed has indicated a possible end to its tightening cycle. While this helps to ease financial conditions, allowing emerging economies to remain at the forefront of global growth, the global economy is likely to slow down in the near term.

Leading into 2019, oil prices are likely to rise again, with supply cuts by OPEC taking hold. Nevertheless, the oil market will continue to retain its volatility, with many risk factors, ranging from slowing global growth, to tensions in Venezuela, to US-China trade conflicts all pushing oil prices towards different directions.

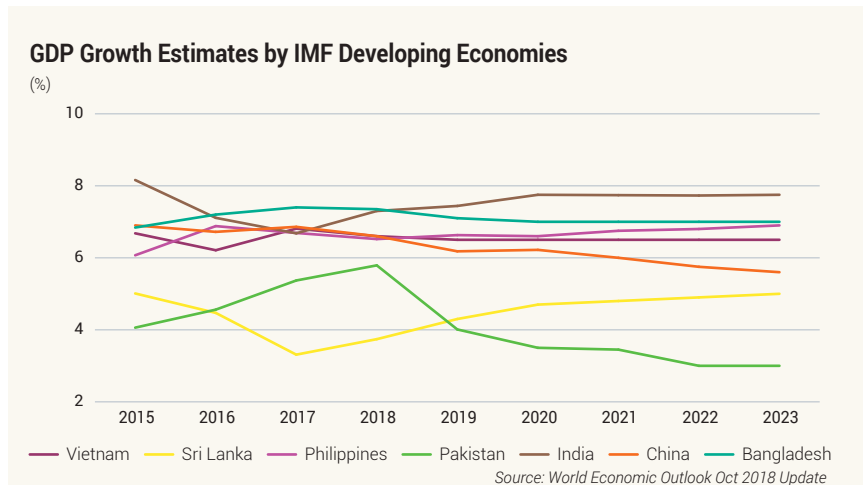
### Key Global Indicators

#### GDP Growth and Forecasts



On the Advanced Economies, we see a clear demarcation from Japan to the rest of the countries. This year, changing trends from 2018, Australia to lead the pack with a stabilize economic growth whereas US to go through a declining stage.

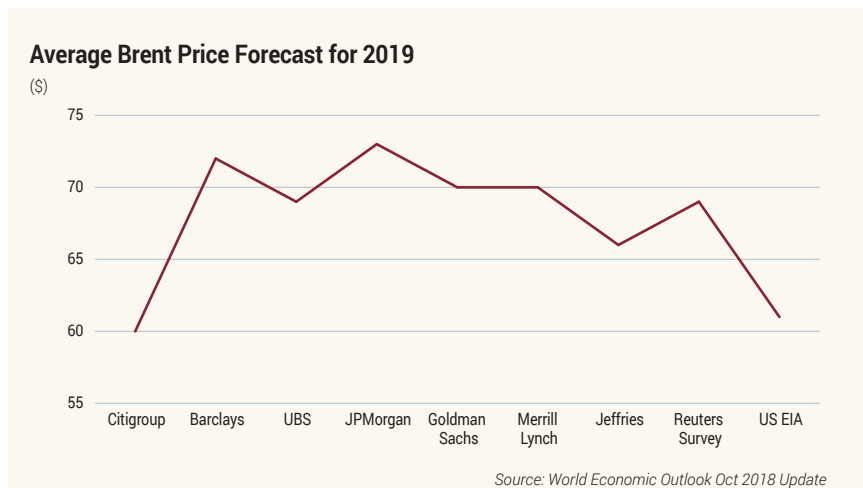
## OPERATIONAL INVESTMENT COMMITTEE REPORT



India to dominate the developing nations throughout with their monetary and fiscal policies placed firmly with the new administration of Prime Minister Narendra Modi.

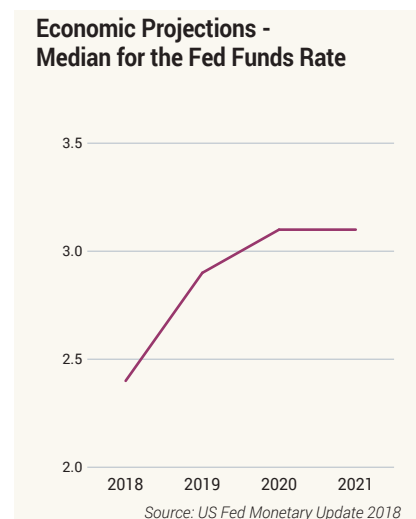
### Oil Oil Oil - Brent Oil analyst forecasts

For 2019, Economists are expecting the Oil prices to be range bound between US\$ 60-70 on average, which is higher than the end of 2018 price.



### US Economy

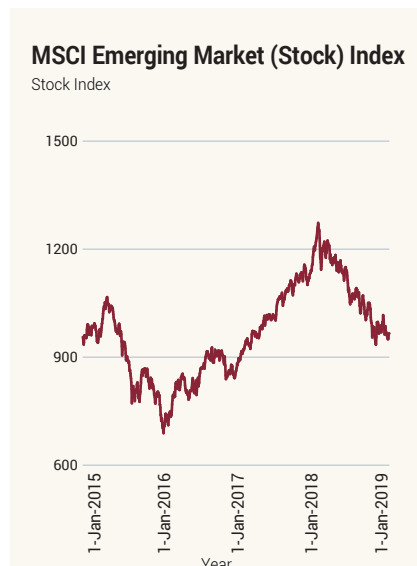
#### Fed Fund rates forecasts



### Best way to see the future - Stock Indexes

#### MSCI Market Indexes

Morgan Stanley Capital International, better known as MSCI Inc, compiles influential indices tracked by global investment managers. The following graph depicts the performance of MSCI World Index over the last three (03) years.



Source: Bloomberg

### MSCI World Index

The MSCI World Index measures the market performance of 4,500 large and mid-cap companies that have a global presence. It is often quoted by financial media to describe how the world's stock market is doing.

Year 2018 was an year with lot of uncertainties and political turmoil. This graphs shows how the volatility moved and the growth became a slowdown.

### MSCI Emerging Market Index

The MSCI Emerging Markets Index tracks the performance of stock markets in 24 developing countries. The Index is considered a good measure of the stock performance of emerging markets. It represents 13% of the world's total market capitalization. It is estimated that \$1.7 trillion is invested in all emerging market funds.

### MSCI Frontier Markets Index

The MSCI Frontier Market Index was created in 2007 and tracks the stock markets of 21 countries which are even more volatile than emerging markets.

All three (03) indices clearly depict a steady growth in 2017 which has reversed to a negative in 2018. Main reason for the same was the political uncertainty which hampered investor sentiments.

### Sri Lankan Economy

The year 2018 was a challenging year for Sri Lanka. Growth remained subdued, although there have been signs of a recovery in the first half from the impact of a series of natural calamities in the preceding two years. Inflation stabilized in the mid to low-single digit levels thanks to low food inflation, which compensated for currency depreciation and the fuel price pass-through. The

lowest level of headline inflation was recorded at 2.8% Year-on-Year (YoY) in December 2018.

The Central Bank was optimistic in its growth forecasts for 2018, expecting growth to be in the 4.5% - 5% range. However, these were subjected to downward revisions on several occasions over the year. The economy registered a 3.3% growth in the first 9

months of the year, contradicting the positive sentiment that prevailed at the start of the year.

The deficit in the external current account widened amid a higher import bill, despite improved export performance. While the primary balance in fiscal accounts remained in surplus, the overall fiscal balance was high due to heavy interest expenses, which continue to mask the overall fiscal improvement.

## OPERATIONAL INVESTMENT COMMITTEE REPORT

Foreign investments in the government securities market and the Colombo Stock Exchange (CSE) recorded outflows during most of the year, exerting pressure on the domestic foreign exchange market, which necessitated intervention by the Central Bank to curb excessive volatility in the exchange rate. The cumulative outflows from the government securities market and the CSE stood at US\$ 802 million and US\$ 29 million respectively as at end-November 2018.

This created significant strain on the country's external position by lowering the foreign currency reserves, while the rupee came under heavy pressure which depreciated by 19.6% during the year, reflecting the effect of global financial market conditions, compounded by adverse domestic political developments.

As at end December 2018, gross official reserves were estimated at US\$ 6.9 billion, equivalent to approximately 3.7 months of imports, down from a high of US\$ 9.9 billion in April, weakening the ability to deal with economic shocks amid large short-term external liabilities.

Adding to the country's woes, the uncertainty that seeped in to the economy following the Local Government election in February and towards the latter part of the year bears testament to how politics continue to be a major factor in Sri Lanka's economic performance and investor sentiment towards it.

The political crisis also paved the way for Sovereign Credit downgrades on the back of refinancing risks, deviation from fiscal consolidation and policy outlook. Both Fitch Ratings and Standard &

Poor's (S&P) lowered Sri Lanka's sovereign rating to 'B' from 'B+' while maintaining a 'Stable' outlook on the economy while Moody's lowered Sri Lanka's rating from 'B1 negative' to 'B2 stable'.

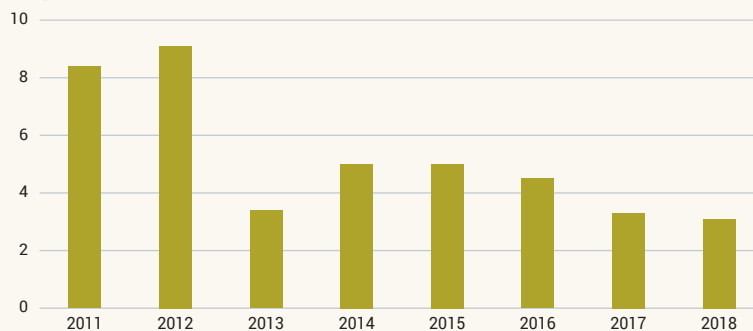
Although, the issues were resolved in mid-December, the uncertainty heightened economic challenges and resulted in a worsened perception of the country's risk profile.

### • Real GDP Growth

The persistent cycle of droughts, floods and tropical storms, experienced since 2016, resulted in continuous poor performance in the agriculture sector. During the first three quarters the year, the economic growth moderated to 2.9% from the 3.2% YOY growth seen during the corresponding period in 2017 - weighed down by the poor performance in the Agriculture sector. However, the Services and Industrial sectors continued to record healthy growth.

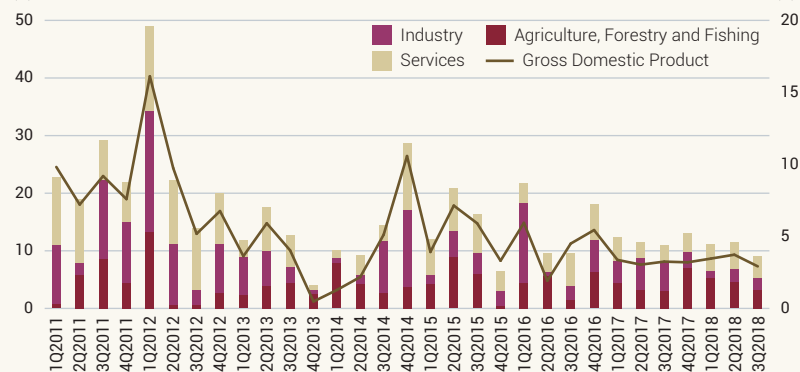
#### Real GDP Growth (YOY)

(Growth %)



#### GDP (Quarterly)

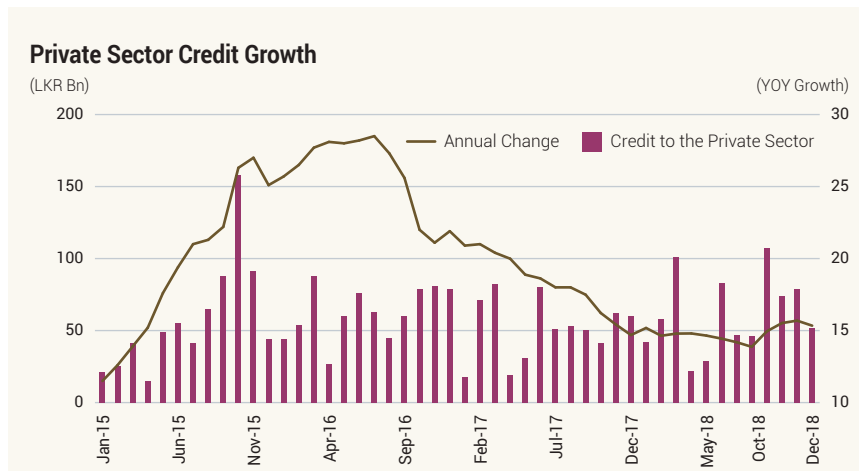
(%)



Source: Central Bank of Sri Lanka (CBSL)

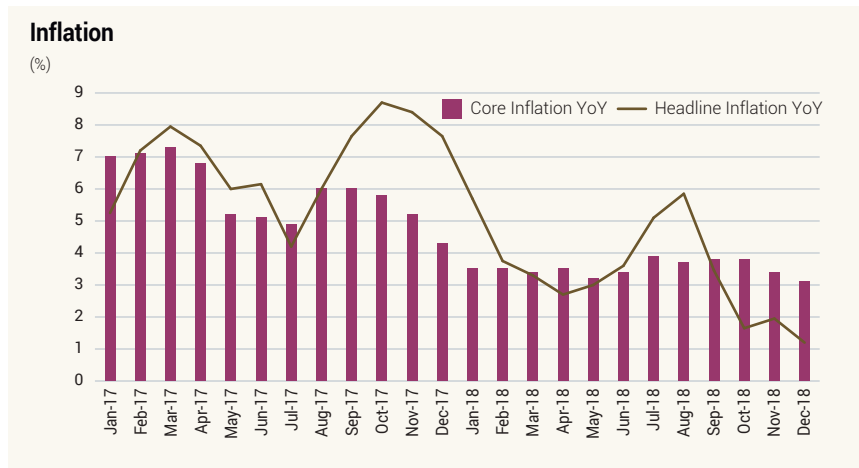
### Private Sector Credit Growth

After two rounds of rate hikes in 2016, another one (01) in 2017, credit growth saw signs of moderation from the peaks of 28% to end the year range bound of 15%. In absolute terms, however, credit growth remained strong, with a monthly average of Rs 62.0 Billion during the year compared to Rs. 51.0 Billion in 2017.



### Inflation

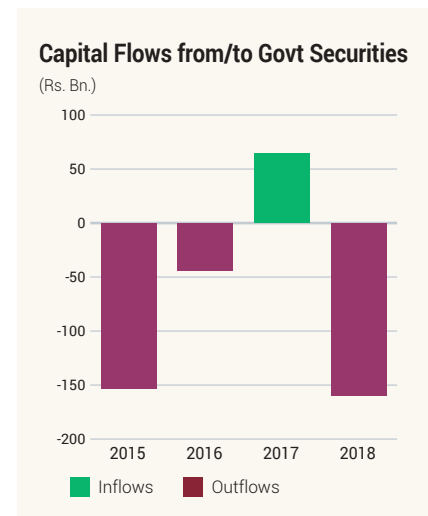
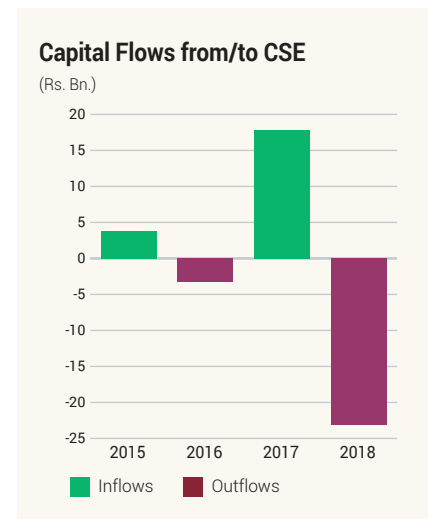
YOY headline inflation recorded a moderation in 2018, remaining at around 4-6% levels during most of the year compared to 6-8% we witnessed in 2017.



Source: Central Bank of Sri Lanka (CBSL)

### Outflows from Investments

A higher capital outflows were witnessed, reversing the continuous inflows experienced in the past into both Colombo Stock Exchange and Government Securities market reflecting disrupted investor sentiment.

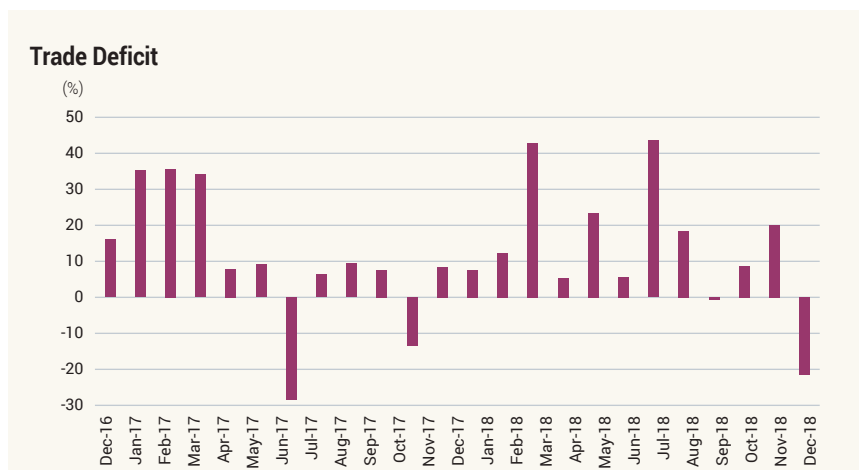
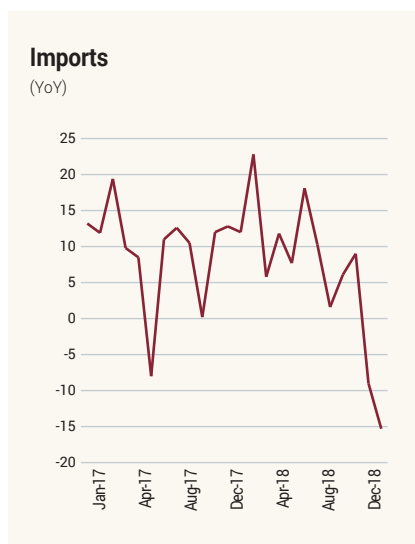


Source: Central Bank of Sri Lanka (CBSL)

## OPERATIONAL INVESTMENT COMMITTEE REPORT

### External Sector Performance

The external sector trade deficit narrowed to US\$ 701 Million at the end of December 2018 compared to US\$ 1,029 Million recorded in Dec 2017. The improvement was mainly driven by the cut down on import expenditure. With the policy measures taken by the Central Bank, we witnessed a decline in Import Expenditure throughout the year, helped by the low oil prices prevailing in the market. Import of vehicles recorded a contraction due to the measures taken to curtail demands, and the growth in imports of investment goods remained subdued.



Source: Central Bank of Sri Lanka (CBSL)

Economic Growth

**3.1%\***

Inflation

**2.8%**

Per Capita Income

**USD 4,073**

Credit Rating

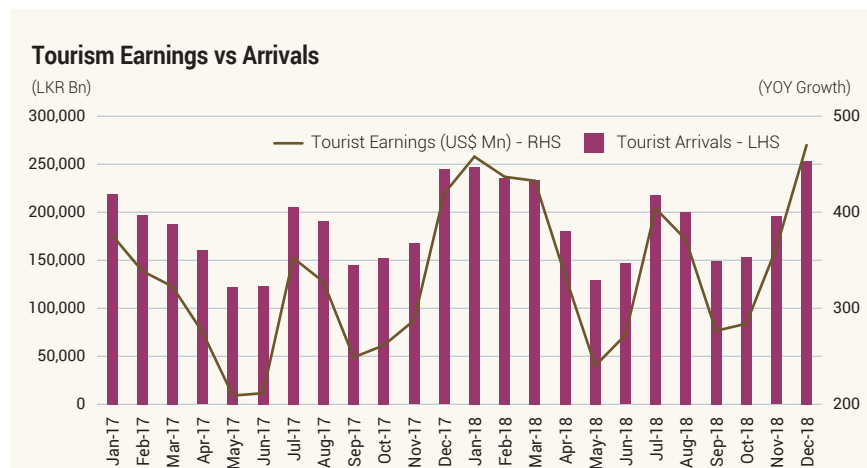
**B, Stable**  
(Fitch)

**B, Stable**  
(S&P)

**B2, Stable**  
(Moody's)



## Tourism Sector

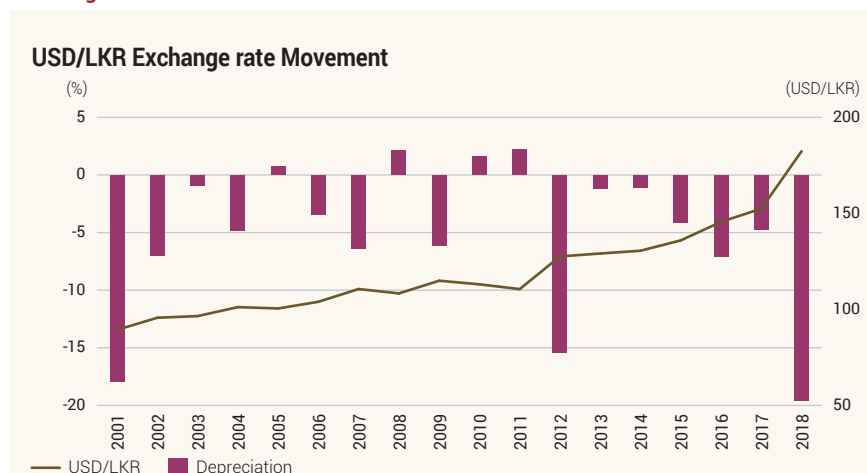


Gross official reserves which strengthened during the year 2017 from a low of US\$ 5.4 Billion in January to US\$ 7.9 Billion, we witnessed a drastic drop in reserves due to the external pressure. Even with the support from the IMF's Extended Fund Facility (EFF) agreement, reserves stood at US\$ 6.1 Billion at the start of 2019.

### 2.1 2019 and Beyond

When looking at 2019, Sri Lanka could face similar external vulnerabilities due to the large debt repayments that mature especially in the first quarter in 2019, backed by looming uncertainty in the political arena.

## Exchange Rate Movement

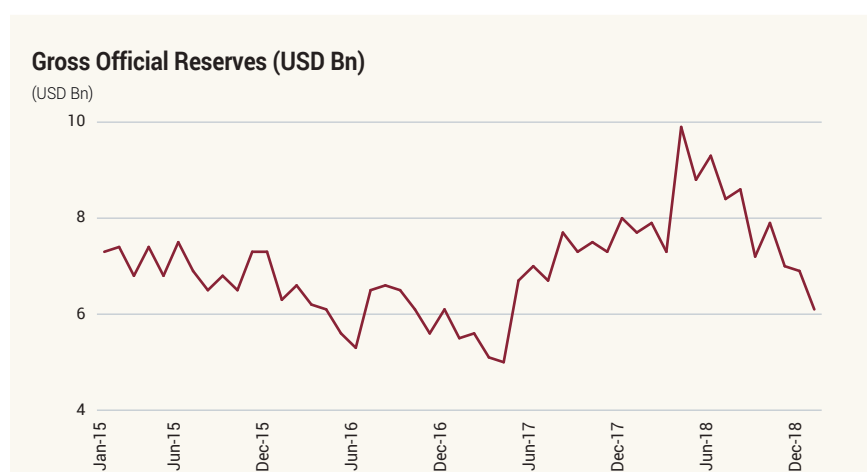


The global environment remains turbulent. Gradually tightening financial market conditions are exerting pressure, as Sri Lanka is preparing to rollover its maturing debt between 2019-2023, which will be at a historical high.

Large refinancing requirements and exposure to foreign currency risk elevate Sri Lanka's vulnerability to exchange rate depreciation and rollover-related risks. Macroeconomic and political stability impact country risk and investor confidence, and commitment to implement reforms can mitigate some of these risks and help secure a more stable outlook. If successfully completed, the IMF program should help build confidence among investors and enhance economic resilience for the medium to long-term.

However, an uptick in growth can be expected in 2019, given the year's importance in the country's political calendar. Higher government expenditure on varied infrastructure and

## Gross Official Reserves



Source: Central Bank of Sri Lanka (CBSL)

## OPERATIONAL INVESTMENT COMMITTEE REPORT

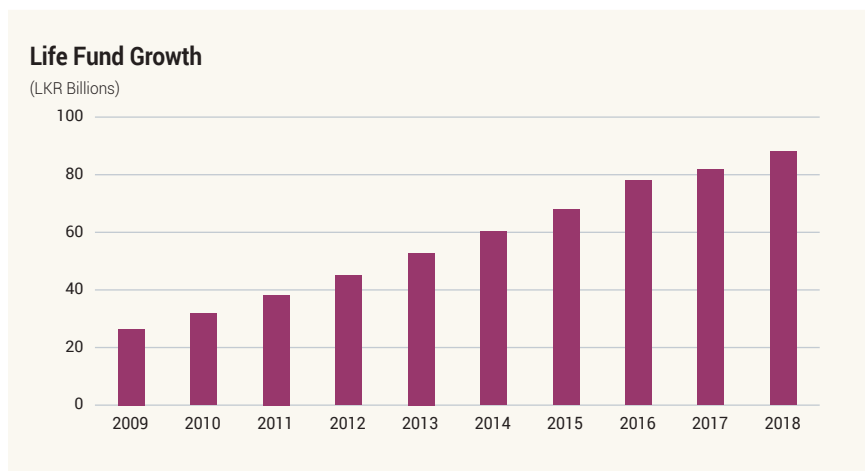
social projects are expected to boost economic growth and have a large impact on consumption expenditure.

The economy is expected to rebound from a low base and move towards 4.0 percent in the medium-term, driven by domestic demand. Inflation will stabilize around mid-single digit level, although pass-through of currency depreciation and fuel prices would exert upward pressure.

### 3. Ceylinco Life Insurance Limited - Strength

#### i. Long Term Insurance Fund - Breaking records each year

The Long-term Insurance Fund of Ceylinco Life, which is considered as a safe haven for investors, has surged over the 88 Billion mark, which depicts the superior performance and stability of its investments, and the continuous trust and loyalty placed by the policyholders.

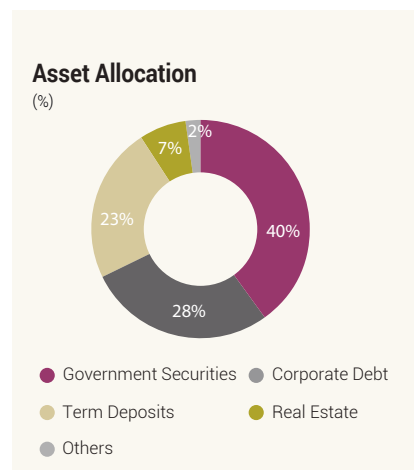


#### ii. Quality of Investments - Why we strive forward

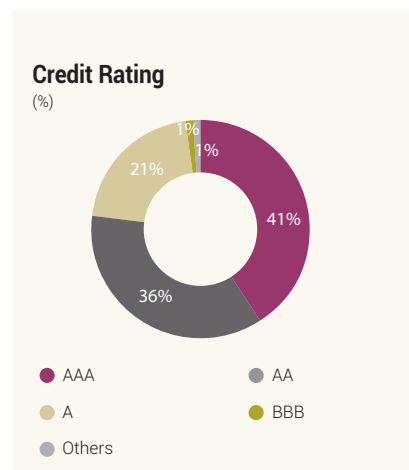
The Investment Division of Ceylinco Life, with the recommendations and guidance of the Operational Investment Committee along with the oversight and supervision of Board Investment Committee, manages the Long-term Insurance Fund, which is regarded as one of the largest and thriving portfolios in Sri Lanka.

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 accountability in providing the best investment solutions to maintain an optimum and cautious balance between the two.

In order to emphasize the prudence and diligence of investments, the below chart elaborates the asset allocation of investments of the Long-term Insurance Fund as at 31st December 2018.

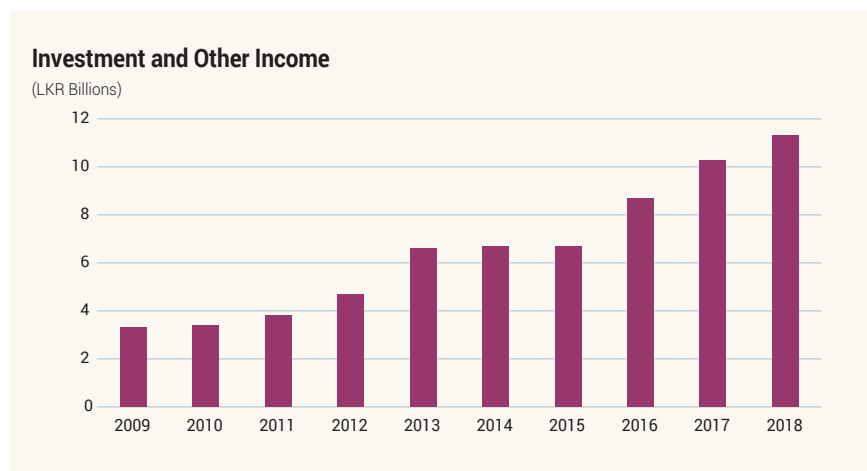


#### Credit Ratings of Financial Assets



### iii. Investment Income - Making History

Amidst challenging and volatile market conditions, Investment Income grew to Rs. 11.3 Billion continuing its high performance throughout the year.



### Operational Investment Committee

The following members served in the Operational Investment Committee during the year,

Mr. R. Renganathan (Chairman)	Chairman
Mr. E.T.L. Ranasinghe (Managing Director/CEO)	Member
Mr. P.A. Jayawardena (Director/CFO)	Member
Mr. S.R. Abeynayake (Director/Deputy CFO)	Member
Mr. R. S. W. Senanayake (Non-Executive Director)	Member
Mr. S. Kumarapperuma (DGM - Actuarial)	Member
Mr. D.M.G.L. Alwis (Senior Portfolio Manager)	Member
Mr. C.S. Kumarasinghe (Assistant Manager)	Member
Mr. K.V. Wickramasuriya (Assistant Manager)	Member

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 external professional advice on matters within its purview.

### Meeting and Attendance

The Operational Investment Committee meets once a week, recognizing the prominence of the investment decision making function, to proactively monitor the implementation of investment strategies, and to timely face the challenges posed from ever-changing global and domestic macro-economic landscapes.

In addition to the members, Management representatives from the areas such as Actuarial, Finance, Life Operations, Marketing and Systems attend the meetings on the invitation of the Committee.

**R Renganathan**

Chairman - Operational Investment Committee

25th February 2019

# REPORT OF THE BOARD INVESTMENT COMMITTEE

As a voluntarily adoption of the "Guidelines on Investment for Insurance Companies" issued by the IRCSL, the Board Investment Committee was established by the approval of the Board of Directors of CLIL to ensure compliance of the said guidelines and good governance.

## Composition

The Board appointed Investment Committee of the Company was comprised of the following Directors as at the end of the year 2018:

Mr. R Renganathan - Chairman  
(Executive Director)

Mr. E T L Ranasinghe - Member  
(Managing Director/CEO)

Mr. P.A. Jayawardena - Member  
(Executive Director - CFO)

Mr. S.R. Abeynayake - Member  
(Executive Director - Deputy CFO)

Mr. R. S.W. Senanayake - Member  
(Non-Executive Director)

Brief profiles of the members of the Committee are given on pages 36 to 39 of the Annual Report.

## Purpose of the Committee

The main objective of the Committee is to ensure that funds under management are invested in a sound and prudent manner. The Committee is accountable for setting out the policies that need to be observed in governance of investment management, management of investment portfolios and associated risks.

## Charter of the Committee

The Committee is governed by "The Investment Committee Charter" and the said Charter sets out Committee's purpose, membership, secretary, meetings, duties and responsibilities, authority to engage advisers and evaluation of the Committee's performance.

## Meetings, Attendance and Secretary

The Investment Committee formally met twice during the year 2018. The DGM - Actuarial and Senior Manager-Portfolio of the Company attended the said meetings on the invitation of the Committee in order to assist in the discussions by providing relevant information.

The attendance of Committee members at meetings is given below;

Board Sub - Committees	Members	No. of meetings	Attendance	Board Sub - Committees
Board Investment Committee	Mr. R. Renganathan	Executive Director - (Chairman)	2	2/2
	Mr. E.T. L. Ranasinghe	Executive Director (Member)	2	1/2
	Mr. P.A. Jayawardena	Executive Director (Member)	2	2/2
	Mr. S.R. Abeynayake	Executive Director (Member)	2	2/2
	Mr. R.S.W. Senanayake	Non Executive Director (Member)	2	2/2

The proceedings of the Committee meetings have been regularly circulated to and confirmed by the Board of Directors. The Company Secretary serves as the secretary to the Committee.

## Initiatives Taken during the Year

During the year under review, the Committee continued to monitor and review the investment policy of the Company against its business requirements.

The committee reviewed and approved changes to the structure of the internal limits to better reflect the credit quality of the issuers and counterparties and to align with the proposed implementation of SAP Finance and Investment Management System.

On behalf of the Board Investment Committee;



**R Renganathan**

Chairman - Board Investment Committee

25th February 2019

# REPORT OF THE BOARD RISK COMMITTEE

## Composition

The Board Risk Committee of the Company was comprised of the following Directors as at the end of the year 2018:

Ms. A. K. Seneviratne - Chairperson (Independent/ Non-Executive Director)

Mr. W.M.P.J.K. Wickramasinghe - Member (Independent/ Non-Executive Director)

Mr. R.S.W. Senanayake - Member (Non-Executive Director)

Brief profiles of the members of the Committee are given on pages 36 to 39 of the Annual Report.

## Meetings, Attendance and Secretary

The Committee formally met four times during the year 2018 and the attendance of Committee members at meetings is given below;

Board Sub - Committee	Members		No. of meetings	Attendance
Risk Committee	Ms. A. K. Seneviratne	Independent - Non Executive Director	4	4/4
	Mr. W.M.P.J.K. Wickramasinghe	Independent - Non Executive Director	4	3/4
	Mr. R.S.W. Senanayake	Non-Executive Director	4	4/4

The proceedings of the Committee meetings have been regularly circulated to and confirmed by the Board of Directors. The Company Secretary serves as the Secretary to the Risk Committee. The Chief Risk Officer and the Senior Manager-Finance were invited to the meetings in order to support the discussions by providing relevant information.

## Risk Committee Charter

The Committee is governed by the "Risk Committee Charter" approved by the Board which sets out Committee's Objective, Membership, Secretary, Advisors, Quorum, Duties, Frequency of meetings, Notice of Meetings, Minutes of Meetings, and Reporting Responsibilities of the Committee, etc.

## Purpose of the Committee

Primary objective of the Committee is to oversee and approve the Company-wide risk management practices to assist the Board in:

- Setting the tone and developing a culture of the Company vis-à-vis risks;
- Overseeing that the executive team has identified and assessed all risks that the Company encountered and has established a risk management framework, capable of addressing those risks;
- Overseeing, in conjunction with other Board level committees, all principal risks facing the Company such as strategic, financial, market, IT, regulatory, reputation and other risks;
- Monitoring risk management capabilities within the Company, including communication about escalating risk and crisis preparedness and recovery plans; and
- Overseeing the division of risk-related responsibilities to each Board Committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.

The Board has granted their approval for the Committee to seek appropriate professional advice inside and outside the Company, if required. The relevant provisions are given in the said Mandate of the Committee.

## Activities during the year

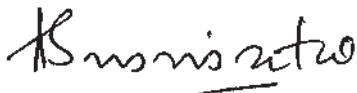
- Reviewed the effectiveness of the revised risk indicators, such as the investment concentration risk indicator
- Reviewed the outcomes of the BCP drills carried out by the Company at the disaster recovery sites

## REPORT OF THE BOARD RISK COMMITTEE

- Reviewed the adequacy of the measures taken by the Company to mitigate cyber risks
- Reviewed the controls on mitigating money laundering and terrorism financing risks
- Reviewed the key business, financial, technical, ICT, regulatory and operational risks of the Company and the adequacy of the mitigating controls and reporting mechanisms
- Reviewed and evaluated the risk portfolio of the Company in relation to the risk appetite

A detailed review of the Company's enterprise risk management (ERM) process is provided in Risk Management Report on pages 52 to 61.

On behalf of the Board Risk Committee;



**Ms. A K Seneviratne**

Chairperson - Board Risk Committee

25th February 2019



# STATEMENT OF DIRECTORS' RESPONSIBILITY TO FINANCIAL REPORTING

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit of the Company for the financial Period. Further, the Board of Directors ensures the compliance of all regulatory requirements imposed by the said act and other applicable statutory and regulatory provisions.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements prepared and presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained.

Reasonable and prudent judgments and estimates have been used so that the form and substance of transactions are appropriately reflected.

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.

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the

Company to continue its operations and to facilitate planned future expansions and capital commitments.

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. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit checks, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

The Directors provided the Statement of Solvency to the Auditors, in respect of the dividend paid on 27th Decemer 2018, conforming to the Section 57 of the Companies Act No. 07 of 2007.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act; they have prepared this Annual Report in time and ensured that a copy thereof is sent to Ceylinco Insurance PLC, the sole shareholder of the Company.

The Directors are required to prepare the Financial statements and to provide its External Auditors Messrs E & Y, with every opportunity to take whatever steps necessary and to undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion. The said Messrs Ernst & Young were reappointed by the shareholder by their circular resolution adopted on 30th March 2018 under section 144 (3) of the Companies Act No. 07 of 2007.

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due, in respect of the Company as at the Balance Sheet date have been duly paid or where relevant, provided for.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

By Order of the Board,



**K I Weththasinghe**  
Company Secretary

Ceylinco Life Insurance Limited  
25th February 2019

## CHIEF FINANCIAL OFFICER'S STATEMENT

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act, No.43 of 2000 as amended, Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995, Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Accounting Policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, except unless otherwise stated in the Notes accompanying the Financial Statements. There are no deviations from the prescribed Accounting Standards in their adoption.

Comparative information has been reclassified wherever necessary to comply with the current presentation. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee.

The Board of Directors of the Company is responsible for preparation and presentation of these Financial Statements which give a true and fair view of the financial performance and the position of the Company. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis.

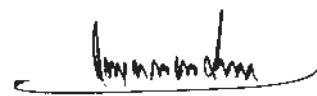
To ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records, which are reviewed, evaluated and updated on an ongoing basis.

All accounting controls are continually updated to ensure prudence and completeness, prevention and detection of fraud and other irregularities. This ensures accounting records are free from error and omission. The internal control system in place functions properly and it is regularly evaluated. All procedure manuals are updated whenever necessary and accessible to all the staff.

The Internal Auditors of the Company have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The financial statements of the Company for the financial year end of 31st December 2018 were audited by Messrs Ernst & Young and the financial statements of the subsidiary companies were audited by the appointed auditors.

The Audit Committee of the Company meets on a quarterly basis. Internal Auditors and the Independent External Auditors join the meeting on invitation when necessary to review the manner in which these Auditors execute their audit procedures and to discuss major variations, observations, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss matters of substance.



**P A Jayawardena**  
Director/ Chief Financial Officer

25th February 2019

# THE BOARD'S STATEMENT ON INTERNAL CONTROL

## Requirement

As per the requirement of the Section D 1.5 of the Code of Best Practice on Corporate Governance - 2017, issued by the Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Report on internal control mechanisms of Ceylinco Life Insurance Limited ('the Company').

## Responsibility

The Board of Directors is responsible for the Company's system of internal controls and reviewing its design and effectiveness in order to safe guard shareholders' investment and the Company's assets.

This system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the business objectives and policies of the Company. Accordingly, a reasonable but not absolute assurance can be provided, against material misstatement of management and financial information and records or against financial losses or fraud.

The Company has established key processes that aid in ensuring the integrity and efficacy of the system of internal controls that has been adopted with respect to financial reporting. These processes are overseen by Committees which assist the Board in matters relating to the Company's operations, and ensure that approved corporate objectives, strategies and policies are adhered to.

## Internal Control Processes

### • Risk Management Committee

The Board Risk Committee is responsible for assisting the Board in all matters relating to the overall management of principal areas of risk to the Company. The Board Risk Committee implements the risk management framework via Executive Risk Committees.

Quarterly meetings are held during which key risk areas are discussed and required action initiated. All areas that come under discussion are escalated to Board level. A detailed account of the activities carried out by the Board and Executive Risk Committees is available in the Risk Management section from pages 52 to 61 of this report.

### • Internal Audit Departments

The Internal audit department and Information system audit department are responsible for reviewing the design and effectiveness of the internal control systems, management information systems, as well as the systems for compliance with applicable laws, regulations, rules and directives.

Audits are carried out on all the branches and departments.

The frequency of these audits is determined using a risk based methodology which factors in the input of senior management. An independent and objective report is mandatory.

Some reviews are outsourced to external parties with specialized

knowledge in the relevant area.

These external audits are carried out depending on the nature and complexity of the area requiring review.

The annual audit plan is drawn up by the Internal Audit Department and Information System Audit Department and is reviewed and approved by the Audit Committee.

### • Audit Committee

The Audit Committee conducts quarterly reviews to address significant issues with respect to non-compliances or ineffectiveness of internal controls that are identified by the internal audit department and information systems audit department.

The Audit committee is also responsible for taking action to deal with significant issues and control weaknesses highlighted by the External Auditors.

The Audit Committee reviews the quality assurance and improvement programmes of the Internal Audit Departments and the performance of External Auditors, in order to evaluate the adequacy and effectiveness of the Company's risk management and internal control system.

The minutes of the Audit Committee meetings, and recommendations with regard to the requirements for improvements, are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company during the year are available in the Audit Committee Report on pages 108 to 110.

## THE BOARD'S STATEMENT ON INTERNAL CONTROL

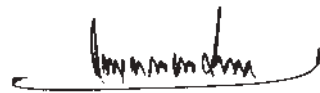
### Confirmation

Backed by the Internal Audit Departments' continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting; and that the preparation of Financial Statements for various stakeholders has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Insurance Industry Act No. 43 of 2000.

By order of the Board,



**J A Setukavalar**  
Chairman - Audit Committee



**P A Jayawardena**  
Director/Chief Financial Officer



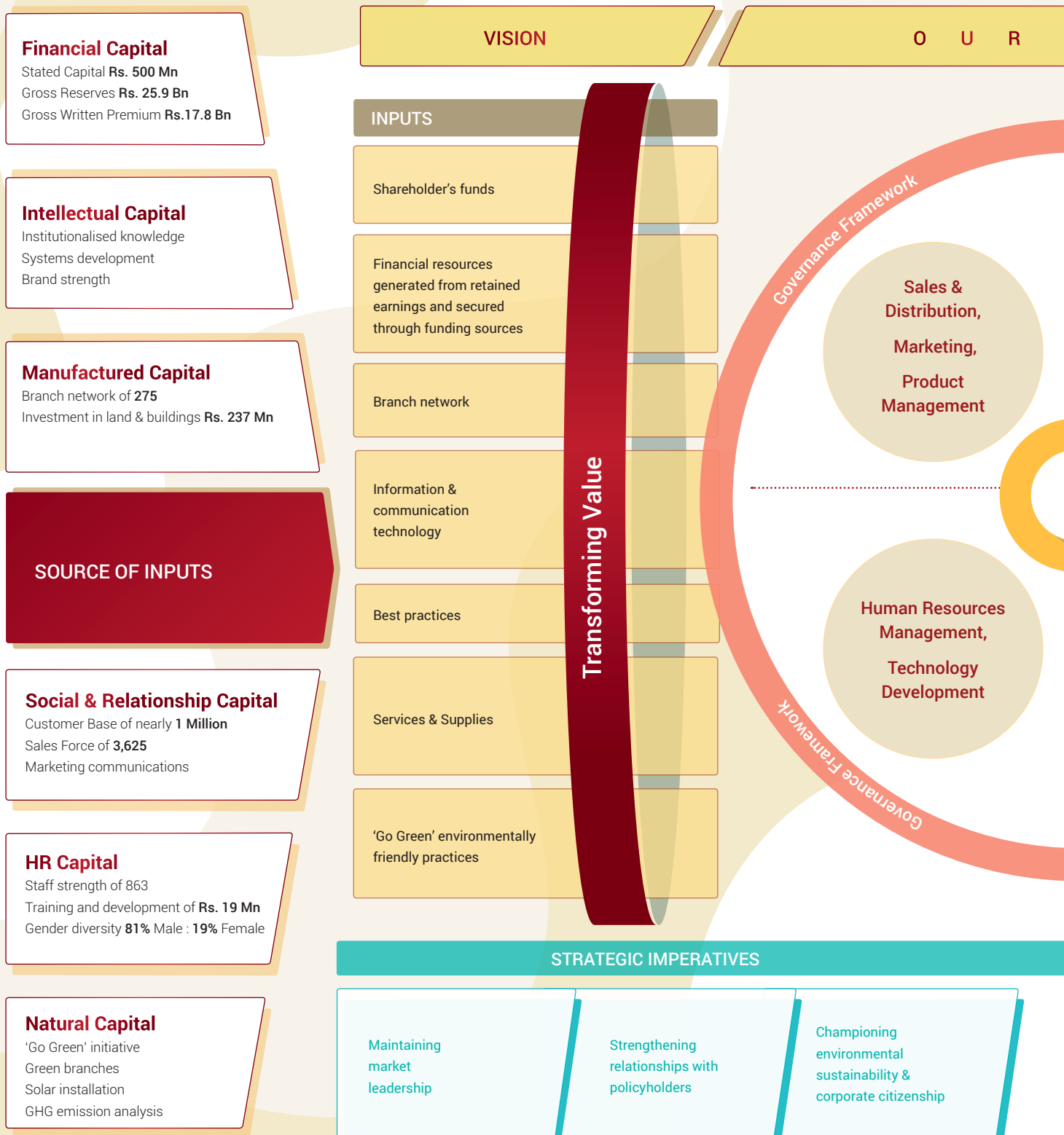
**R Renganathan**  
Chairman

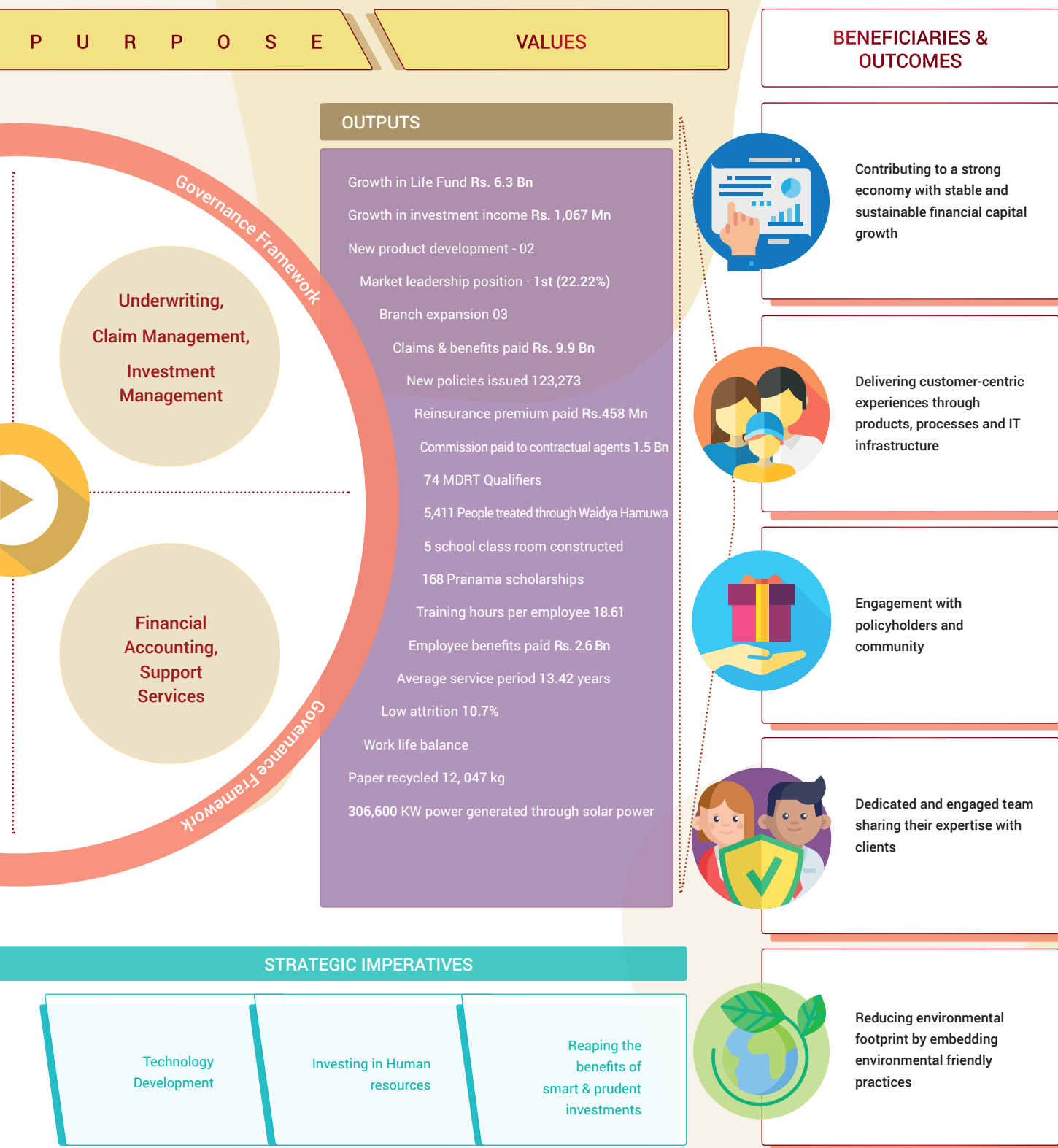
25th February 2019

Ceylinco Life Insurance Limited  
Integrated Annual Report 2018

# BUSINESS MODEL

# BUSINESS MODEL





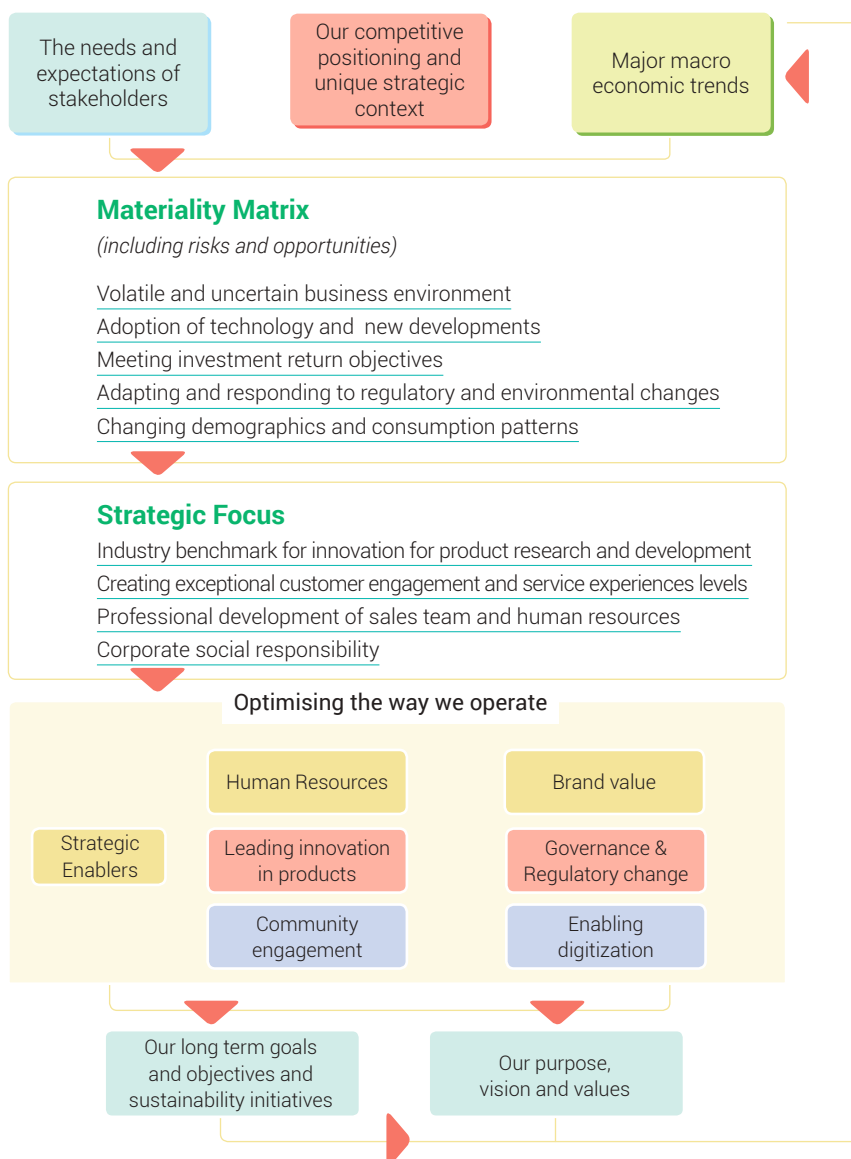


# STRATEGY

## Our Strategic Priorities and Responses

The future of Ceylinco Life will be defined by the strategic choices that we make in our journey. Considering the dynamic and highly competitive life insurance sector, the Company needs to keep abreast with new developments in technology, stakeholder expectations and changing regulatory environment. The developments in the external environment call for strategic responses which need to be taken to achieve long-term growth and profitability by generating returns to shareholders and delivering enhanced value to other stakeholders.

Our competitive strategy represents our commitment to increase penetration levels of insurance in Sri Lanka in realizing our vision to take the message of life insurance to provide protection and financial security to all. We are driven by our 'Go Green' aspirations to build an environmentally friendly enterprise embedding sustainability in our business in a tangible manner.



## Strategic Planning Committee

Ceylinco Life has a dedicated Strategic Planning Committee, which comprises the Executive Directors and Senior Management. The Committee meets every month to review outcomes of the strategies executed, take corrective actions for deviations, and brainstorm new strategies in the light of recent developments in the environment.

### Committee Members

R Renganathan - Executive Chairman

E T L Ranasinghe - Executive Director/ Managing Director/ CEO

P D M Cooray - Executive Director/Head of HR and Training

Palitha Jayawardena - Executive Director/ Chief Financial Officer

Ranga Abeynayake - Executive Director/ Deputy Chief Financial Officer

P A J Jayawardena - General Manager/ Business Development

R.M.U.K. Ratnayake - General Manager/ Chief Digital Officer

A H R Udayasiri - General Manager - Business Development

T N Y Morseth - Senior Deputy General Manager - TAKAFUL

E R S G S Hemachandra - Senior Deputy General Manager/ Marketing

J P Abhayaratne - Senior Deputy General Manager/ Operations

M Thenuwara - Senior Deputy General Manager/ Bancassurance

W A W C Wijesinghe - Senior Deputy General Manager/ Business Development

H G A Sirisena - Senior Deputy General Manager/ Technical

S Kumarapperuma - Deputy General Manager/ Actuarial Services

Accordingly, the Company has identified six strategic imperatives as follows:



### 1) Maintaining market leadership position

Sri Lanka is the only country in the Asian region where market leadership is held by a local insurance company- Ceylinco Life. This is a significant achievement for Ceylinco Life as we have been the forerunner of the industry for 15 consecutive years. The goal of the Company is to maintain its 'No 1' position in the market consistently into the future.

To maintain this position the Company has identified key value drivers which need to be maintained in the medium to long term as follows:

#### Breadth of product portfolio

Providing a broad range of insurance plans to serve varying customer needs

#### Customer Centricity and Customer Experience

Building long term relationships with customers based on trust and loyalty.

#### Growing our Life Fund

Intain growth momentum of our life fund which is one of the largest growing life fund.

#### Maintaining capital adequacy

Enhance capital adequacy by prudent investment strategies





#### Increasing market share

With only 5% of our total population covered by life insurance Ceylinco Llife strives to expand its portfolio through branch expansion, innovative tailor made policies and new products which will meet the evolving demographic

#### Developing our brand

Continue to enhance our brand value and brand equity.

## STRATEGY

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
Gross Written Premium	Rs. 17.8 Bn	Achieved GWP of Rs. 17.8 Bn		GWP of Rs. 19 Bn
Capital Adequacy Ratio (CAR) Internal - 200% Regulatory - 120%	Continue to meet the minimum CAR	CAR 364% as at end 2018		Continue to meet the minimum CAR
Growth in Life Fund	Grow Life Fund by 10%	Life Fund grew by 7.7% (Growth in Life Fund during 2018 reduced due to the higher claims and benefits paid to policyholders)		Grow Life Fund by 10%
Profit after tax	Rs. 6.5 Bn	Achieved a profit after tax of Rs. 5.8 Bn (Increase in income tax expense caused by new basis of income tax computation reduced profits in 2018)		Achieve a profit after tax of Rs. 7 Bn

### 2) Strengthening relationships with stakeholders




We embrace our role as an active contributor to building a thriving society and we strive to engage and align our values with the community.

#### Caring for our policyholders

We strive to build the best client relationships offering the best service levels and prompt payment of claims. Further we enrich the lives of policyholders through continuous engagement.

#### Collaboration with stakeholders

Maintain professional relationships with all business partners and suppliers.

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
Average length of relationships with policyholders	Average 10-15 years	Maintained at 10-15 years		Maintain length of customer relationship at an average of 10-15 years
Customer complaints as a percentage of active policies	Maintain below 3%	0.25%		Maintain below 3%
Net benefits and claims paid	Rs. 9 Bn	Rs. 9.8 Bn worth of net benefits and claims paid		Pay Rs. 10 Bn worth of net benefits and claims

### 3) Championing environmental sustainability and corporate relationships




Environmental sustainability is an integral part of our strategy. We strive to incorporate sustainable business practices. As a responsible corporate citizen, we focus on uplifting the healthcare needs and educating and empowering the youth of Sri Lanka. Our 'Go Green' environmentally friendly initiatives help reserve our environment by conserving energy and natural resources.

#### Focus on community health and education

Ceylinco Life is focused on developing healthcare and education infrastructure in underprivileged rural areas. 'Waidya Hamuwa' projects, class room development and donation of facilities to hospitals form a major part of the Company's CSR agenda

#### Protecting our environment

Our 'Go Green' initiatives embed environmental sustainability to every aspect of our business including the new green branch concept, water recycling, solar power and rainwater harvesting.

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
Reduction in fuel consumption	Reduction by 10%	Fuel consumption increased by 1.6%		Reduce fuel consumption by 5%
Waidya Hamuwa programs	12 clinics	24 Waidya Hamuwa programs conducted		Waidya Hamuwa - 12 programs
Class room development projects	5 projects	5 class room buildings constructed		Class room development projects - 5



## STRATEGY

### 4) Technology Development

We invest in state-of-the-art information systems to support our business operations and drive productivity and efficiency in the organisation. We also take apt measures to enhance the reliability and security of the IT systems through proactive maintenance and upgrades. Data security and privacy is given high importance as well.

#### Investment in Technology

We continuously invest in IT systems to enhance operational efficiency levels. Our sales team is equipped with tabs and smart devices to provide the best customer experience.

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
New IT systems initiated	3 new IT systems	3 new systems (SAP, Life360, E-Submission) were initiated		Implementation of a comprehensive document management system Strengthen IT security measures
Percentage of sales officers enabled with IT	70%	75%		80%

### 5) Investing in human resources

As a service centric business our people are a pivotal factor in our success and in delivering value to our customers. We have set up the right HR platform to nurture and grow our human resources to maintain the highest levels of ethical standards.





We recruit qualified professionals and we promote a culture of continuous learning by creating the right training and development to our employees. We also promote a healthy work life balance to ensure employee well-being.

#### Training and development

Investing in the professional development and growth of our people by offering a wide range of career development opportunities.

#### Work-life balance

Promote a healthy work -life balance.

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
Employee training budget	Rs. 9 Mn. for local training Rs. 15 Mn. for foreign training	Rs. 10 Mn spent on employee training  Rs. 9 Mn spent on foreign training		Rs. 10 Mn for local training Rs. 10 Mn for foreign training
Sales staff training budget	Rs. 30 Mn.	Rs. 30 Mn spent on sales staff training		Rs. 30 Mn for sales staff training
Employee turnover ratio	Maintain below 15%	Turnover 8%		Maintain employee turnover below 12%
Employee service period	Average of 8 years	Average employee service period 13 years		Maintain average service period at 12 years

## 6) Reaping the benefits of smart and prudent investments



We ensure that we follow and abide by the Regulations of the Industry Act No 43 of 2000 as amended by ensuring smart and prudent investments. We are also subject to regular monitoring by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

### Prudent investments

The Board Investment Committee ensures that the Company makes prudent investment decisions which maximize return while managing risk.


### High quality investment portfolio

We strive to maintain a balanced portfolio of government securities, fixed deposits, real estate, corporate debt and other assets.

KPI	Target for 2018	Achievement/Actual	Status	Target for 2019
Investment and Other Income	Rs. 9 Bn	Rs. 11.4 Bn investment and other income earned		Achieve Rs. 10.5 Bn investment and other income
Investment portfolio growth	Growth at 15%	Investment portfolio grew by 12%		Maintain investment portfolio growth at 10%

 Achieved

 Marginally Achieved

 Not Achieved

# STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a vital element in ensuring our business remain sustainable in the long term. We believe that ongoing engagement with our stakeholders contributes toward improving the overall performance of our business, increases institutional knowledge and builds social and relationship capital, thereby enhancing our reputation and strengthening our position as the leading life insurance company in Sri Lanka.

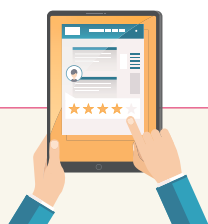
Our stakeholder engagement model is based on the following principles:

- Engaging our stakeholder groups to develop and maintain positive, productive relationships
- Ensuring key stakeholders are well informed and have access to information about our business and our activities
- Involving our stakeholders in identifying issues which are material to our business
- Collaborating with stakeholders to identify emerging trends and develop solutions to future challenges
- Implementing initiatives and programmes that contribute to sustainable development and generate shared value
- Monitoring our success in meeting stakeholder deliverables while continuously identifying areas for improvement



## Shareholder & Investor

- Establishing a list of stakeholders (Internal / External)



## Stakeholder Assessment

- Assessing stakeholder Attributes (Formal / Informal)
- Prioritising stakeholders on account of their influence and interest



## Planning

- Formulating stakeholder engagement objectives
- Directing the level of engagement
- Formulating suitable engagement strategies



## Implementation & Reporting

- Implement planned engagement strategies
- Obtain feedback to determine effectiveness of engagement mechanisms



## Identification of Key Stakeholders

Our stakeholders can be identified as individuals, groups or entities that have a significant effect on the organisation's business decisions and those actions can be reasonably expected to affect the operations of the organisation.

Our stakeholders can be broadly classified as follows:



## Stakeholder Mapping and Prioritizing Our Stakeholders

It is imperative that we map and prioritize our internal and external stakeholders to develop the extent of our engagement and strategic response with different groups.

This mapping process enables us to prioritise stakeholder categories, efficiently allocate resources and manage the time. We use the Mendelow's matrix for prioritising stakeholders and have categorized based on the following diagram:

## STAKEHOLDER ENGAGEMENT



### Assessment Of Stakeholder Concerns and Expectations

The expectations and concerns of each stakeholder group is identified and assessed to provide a clear direction of the varying concerns and expectations. Listed below are primary concerns and expectations of the identified stakeholder groups.



#### Shareholder & Investor

##### Key Topics and Concerns

Healthy financial returns  
 Timely payment of dividends  
 Financial information and disclosures  
 Company news and updates on current affairs

Engagement Methodology	Frequency of Engagement	Strategic Response
AGM and Annual Report	Annually	The Company held their fourth AGM on 30th March 2018
Quarterly Interim Financial Statements	Quarterly	Timely publication of Interim Financial Statements which is accessible to the shareholder and investor groups.
Corporate Website	Continuous	The corporate website is updated with the latest information regularly.



### Customers

#### Key Topics and Concerns

Service standards  
Policy bonuses  
Timely payment of policy claims  
Financial stability of the insurer  
Policy information

Engagement Methodology	Frequency of Engagement	Strategic Response
Complaints, inquiries and requests received from customers	Ongoing	A 24-hour customer hotline/ website to provide information and customer service points of all branches.
Sales force feedback	Ongoing basis	Establishing the widest branch network and increasing interactions with sales team and customers.
Customer surveys	As required	Conduct regular customer satisfaction surveys and take corrective action promptly when necessary.
Inquiries/complaints received through the Call Centre	Ongoing basis	An easily accessible hotline to provide information and monitor service levels.



### Suppliers & Other Business Partners

#### Key Topics and Concerns

Timely settlement of invoices  
Implementation of transparent procurement procedure  
Growth potential

Engagement Methodology	Frequency of Engagement	Strategic Response
Meeting with suppliers/ regular visits to suppliers Letters/email/telephone conversations	Ongoing / as needed	Supplier evaluation mechanism.

## STAKEHOLDER ENGAGEMENT



### Sales Agents

#### Key Topics and Concerns

Healthy commissions  
Job satisfaction  
Job security  
Recognition and rewards

Engagement Methodology	Frequency of Engagement	Strategic Response
Annual and mid-year award ceremonies	Annually	Motivate by recognizing and rewarding outstanding performance through awards, cash rewards, foreign tours and publicity on achievements.
Sports Meet	Annually	Reward best performers and give recognition in the Company newsletters.
Grievance handling	Ongoing	Discussions with immediate supervisors. Dedicated sales support centre.  Frequent visits by senior management to branches and divisions.



### Actuaries

#### Key Topics and Concerns

Data for the actuarial valuation  
Timely payment of actuarial fees  
Product pricing  
Regulatory reporting (Risk)

Engagement Methodology	Frequency of Engagement	Strategic Response
Year-end actuarial valuation of the long-term insurance business	Annually	The data was validated and submitted to the Actuary and the necessary information including the assumptions used and product-wide reserves to determine the bonuses for the participating policyholders.  Computation of the Capital Adequacy Ratio along with the relevant information for the final review of the Actuary.



### Reinsurers

#### Key Topics and Concerns

Timely payment of reinsurance premium

Engagement Methodology	Frequency of Engagement	Strategic Response
Long-term treaty/ Honour contractual obligations including timely payment of reinsurance premium.	Ongoing basis	Actively maintaining business relationships.
Formal interactions with reinsurance partners	Ongoing basis	Implement international underwriting and claims management processes with technical guidelines.
On site visits and meetings	As required	Support product development and knowledge sharing.



### Industry Associations

#### Key Topics and Concerns

Participation in industry-related seminars, forums and conferences

Contribution towards development

Engagement Methodology	Frequency of Engagement	Strategic Response
Participation for industry forums and meetings	As required	<p>The Company participates actively in joint industry efforts such as the Life Insurance Awareness Month, which is a public awareness campaign.</p> <p>The Company plays a leadership role in industry associations. As the market leader, it strives to drive industry initiatives on technical updates, regulatory matters.</p>

## STAKEHOLDER ENGAGEMENT



### Employees

#### Key Topics and Concerns

Competitive salary and remuneration, bonuses and other incentives  
Promotions and career advancement  
Job satisfaction  
Job security

Engagement Methodology	Frequency of Engagement	Strategic Response
Succession planning	Annually and as required	Introduce a career progression path and develop special projects. Leadership training to second tier of managers.
Share information and Company performance	New year message, year-end reviews, mid-year conferences, monthly messages	Planned and scheduled meeting. Company intranet and other communication channels.
Departmental forums with the CEO	Quarterly	Forums within departments to obtain employee ideas and suggestions.
Celebrate financial and other achievements and milestones	As required	Recognizing high performers through annual awards and promotions.
Open-door policy	Ongoing	Accessible communication channels.
Training and development activities	As required	Planned through the annual training calendar.
Align with the Company goals and strategies	Annual objective formulation and bi-annual appraisals	Rewards are linked with the Company objectives
Encouraging for work-life balance	Daily	Through initiatives introduced by the Company.
Show respect	Embedded as a core value in the corporate culture	Encourage all to practice the corporate values.
Encourage volunteering	Company events and other official functions	Creating opportunities and allocation of opportunities based on competencies.



### **Regulator: Insurance Regulatory Commission of Sri Lanka (IRC SL)**

#### **Key Topics and Concerns**

Timely submission of statutory returns  
Financial prudence and stability of the industry  
Compliance with laws and regulations  
Business ethics  
Innovation

Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of statutory returns	Quarterly and annually as stipulated	Timely submission of all statutory returns. Prompt response to clarifications raised by IRC SL.
Submission of other documents	Ongoing	Submission of other documents (e.g. product details, new advertisements etc.) as stipulated by IRC SL.
Industrial forums, meetings and discussions	As and when required	Active participation in industrial forums, meetings and discussions organized by IRC SL.



### **Regulator: Central Bank of Sri Lanka (CBSL)**

#### **Key Topics and Concerns**

Compliance with laws and regulations  
Submission of statistics for national accounts

Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of monthly and quarterly information	Monthly and quarterly	Timely submission of all information.
Contribution to surveys and indices of the Central Bank	Monthly and quarterly	Timely submission of information for Purchasing Managers' Index, Business Outlook Surveys and National Accounts Estimates.



## STAKEHOLDER ENGAGEMENT



### **Regulator: Department of Inland Revenue**

#### **Key Topics and Concerns**

Timely payment of taxes and submission of tax returns  
Compliance with laws and regulations  
Business ethics

Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of tax returns and payment of taxes	Quarterly and annually	Timely payment of all applicable taxes and timely submission of tax returns.
Meetings and discussions with the Department of Inland Revenue	As and when required	Participation at meetings and responding to queries raised.



### **Sri Lanka Accounting and Auditing Standards Monitory Board (SLAASMB)**

#### **Key Topics and Concerns**

Compliance with Sri Lanka Accounting Standards and Auditing Standards  
Business ethics

Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of published financial statements for review	Annually	Ceylinco Life ensures quality in financial reporting and disclosures  Observation of the SLAASMB are positively considered



### **Community**

#### **Key Topics and Concerns**

Identifying groups who need assistance in the areas of healthcare and education  
  
Minimising adverse environmental impacts, optimal use non-renewable natural resources

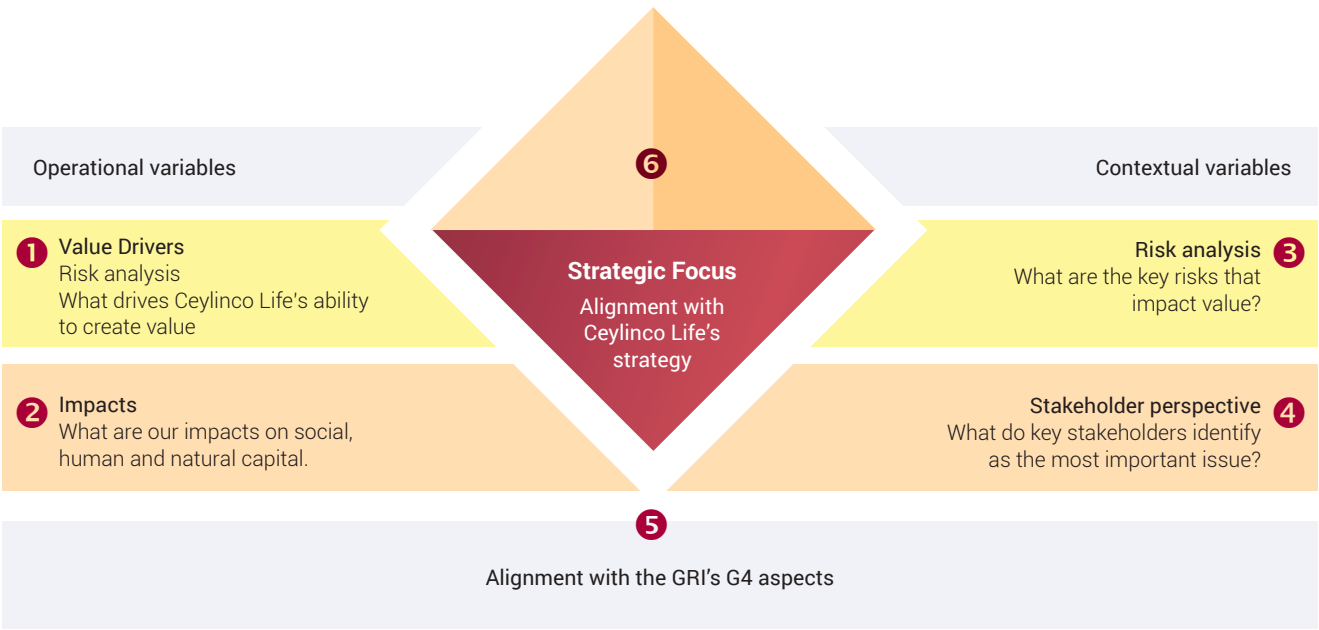
Engagement Methodology	Frequency of Engagement	Strategic Response
CSR projects	Ongoing basis	Identify deserving beneficiaries and assisting through the CSR programmes organized by the Company.
Sustainability initiatives	Ongoing basis	The "Go Green" initiative by the Company. Setting up green branches, installed solar power in Head Office and launching environmentally friendly initiatives in the branches.

# MATERIALITY ANALYSIS

We define material matters as those that substantially affect the Company's ability to create value in the short, medium and long term, and considerably influence key stakeholder decisions.

The process used to determine our most material matters aligns with the approach to materiality recommended in the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

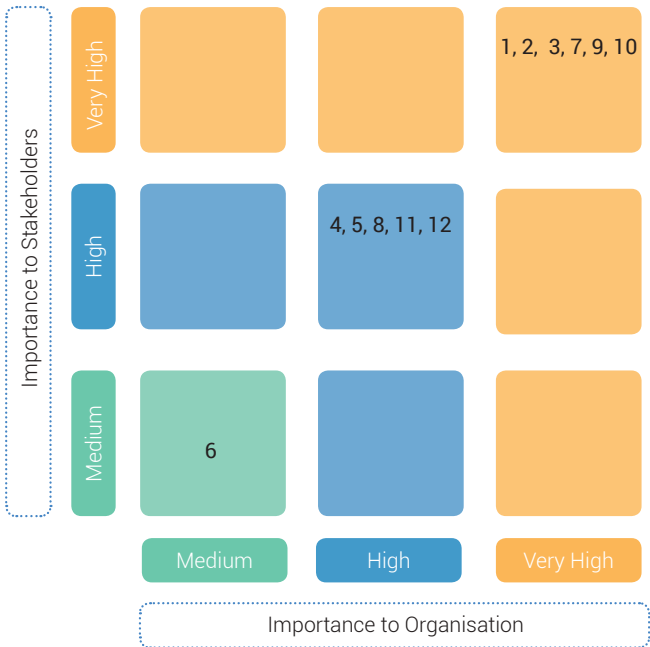
Due consideration is also given to the guidance provided in the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.



In determining material matters, we follow a six-step process that draws from an understanding of our value drivers, and considers operational and contextual variables, as well as the extent and nature of the Company's impacts on social, human and natural capital. Thereby as per the GRI Standards the Company recognises the materiality concept in the process of reporting our sustainability performance.

## Prioritising material matters

Applying the six-step Materiality Determination Model, we have identified 12 Material Topics relevant to our business. These are then plotted on a Materiality Matrix, based on how important each topic is to the business and its stakeholders, with their positioning within Materiality Matrix being used to define the specific Management Approach adopted to address each Material Topic.



## MATERIALITY ANALYSIS

Through the engagement process we have prioritized the issues that are most material to our organisation and our stakeholders. The issues that are of high priority identified through our analysis which are explained in the priority issues matrix are covered in significant detail in this report. For each of the issues we have included as per the GRI requirements, why it is material and a disclosure on management approach.

Considering the dynamic nature of the industry the material aspects and the topic boundary has been adjusted to reflect the topics material and its impact to create value to our organisation in the short, medium and long term planning horizons. These are rated for its importance to the Company and the stakeholder with cross referencing to the GRI Content Index set out in pages 392 to 400.

Material issues, GRI relevance and management approach is detailed in the table below:

Material Aspect	Topic Boundary	GRI Relevance	Why is it Material?	Management Approach
1) Financial Performance	Internal and External	GRI 201 (Economic Performance)	Ensures business continuity and facilitates long term growth plans for the business.  A strong financial position also builds trust and confidence among stakeholders	Our approach towards improving Financial Performance is two-fold; 1) Increase Revenue by deploying market development and product development strategies in order to increase scalability. 2) Improve cost efficiency across the business through stringent cost control and investing in more efficient process architecture to derive economies of scale
2) Brand Leadership	Internal and External	No GRI Relevance	Enables the Company to leverage on the brand to increase market share  Contributes towards building customer loyalty.	Engage in proactive brand stewardship activities, including regular brand tracking to ensure Ceylinco Life retains its top-tier brand ranking in the market.
3) Institutional Knowledge	Internal	GRI 205 (Anti-corruption practices) GRI 206 (Anti-competitive Behavior)	Provides a strong foundation to enhance the Company's competitive position in the market.	Strengthen our institutional knowledge through continuous and ongoing efforts to build capacity of our people, systems and processes.

Material Aspect	Topic Boundary	GRI Relevance	Why is it Material?	Management Approach
4) Innovation	Internal and External	No GRI Relevance	<p>Enables the Company to stay ahead of peers.</p> <p>Increases credibility that contributes towards enhancing brand equity.</p>	We aim to innovate for the benefit of all our stakeholders. Innovative products, services and channels to build trust and improve customer satisfaction; Innovative training and rewards to increase employee motivation; Innovative systems to minimize the Company's carbon footprint; and Innovative investment and risk management strategies to enhance shareholder wealth.
5) Distribution Network	External	No GRI Relevance	Allows the Company to expand market share and increase overall penetration to regions which have not been tapped.	Maximize our island-wide outreach by expanding both physical and digital distribution models.
6) Supply Chain Management		GRI 204 (Procurement Practices)	Ensures business continuity and long-term sustainability of the business	We maintain strong ties with key suppliers in order to build trust and improve sustainability of the supply chain for the long term
7) Attracting and Retaining the best in-class talent	Internal	<p>GRI 202 (Market Presence)</p> <p>GRI 401 (Employment)</p> <p>GRI 402 (Labour Management Relations)</p> <p>GRI 405 (Diversity and Equal Opportunity)</p> <p>GRI 406 (Non-Discrimination)</p> <p>GRI 407 (Child Labour)</p> <p>GRI 408 (Forced or Compulsory Labour)</p>	Provides the Company with the resources to drive strategy.	Benchmark globally accepted best practices to project Ceylinco Life as an employer of choice, thus enabling the Company to recruit and retain the best talent in the industry. All senior managers hired by the Company are locally hired.
8) Employee Safety and Wellbeing	Internal	GRI 403 (Occupational Health and Safety)	Enhances employee satisfaction and retention levels.	Adhere to all mandatory safety standards and undertake additional voluntary activities to maintain the safety and wellbeing of our employees.
9) Training and Education	Internal	GRI 404 (Training and Education)	Helps to build a highly-skilled and capable workforce geared to take the Company to the next level	Our aim is to provide timely and relevant training to ensure our employees are equipped with the required skills and knowledge to perform optimally in carrying out their designated job role.

## MATERIALITY ANALYSIS

Material Aspect	Topic Boundary	GRI Relevance	Why is it Material?	Management Approach
10) Customer Satisfaction and Loyalty	External	<b>GRI 417</b> (Marketing and Labelling) <b>GRI 418</b> (Customer Privacy) <b>GRI 416</b> (Customer Health and Safety)	<p>Creates market development and market penetration opportunities.</p> <p>Building strong relationships with customers on the premise of 'relationship for life' through special programmes focused on health, wellbeing, family values and overall progress of the insured.</p>	<p>We follow an integrated approach to continuously reorient our customer focus. Broadly this includes; Maintaining clear and transparent communication with customers; Investing in the latest digital safeguards to protect the integrity of customer information; and being proactive in resolving customer concerns.</p> <p>Building strong relationships with customers on the premise of 'relationship for life' through special programmes focused on health, well being, family values and overall progress of the insured.</p>
11) Green Ethics	External	<b>GRI 302</b> (Energy) <b>GRI 303</b> (Water) <b>GRI 305</b> (Emissions) <b>GRI 307</b> (Environmental Compliance)	Allows the Company to lead by example in building an eco-friendly corporate culture	We benchmark globally accepted best practices for managing the impact our business has on the environment. Accordingly, we incorporate environmental sustainability into the core operations of our business.
12) Community Investment	External	<b>GRI 203</b> (Indirect Economic Impacts) <b>GRI 413</b> (Operations with local community engagement, impact assessments and development programmes)	Provides an opportunity to provide solutions for key national priorities and address gaps in fulfilling the critical needs of our community.	We strive to eliminate social inequalities across the country by investing in infrastructure development and social services, with special focus on enhancing educational and health facilities in underserved communities.

Ceylinco Life Insurance Limited  
Integrated Annual Report 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

# OPERATING ENVIRONMENT

## GLOBAL ECONOMY

The global expansion weakened during 2018. The global economy was expected to have grown by 3.7 per cent in 2018 despite weaker economic prospects in Europe and Asia, and amidst a tapering of industrial production and trade<sup>1</sup>. Global capital goods production, which is highly trade-intensive, slowed notably in Europe and developing Asia, two tightly interconnected global manufacturing hubs. Trade growth in the first 9 months of 2018 averaged only 3.7 per cent compared to 4.7 per cent growth for the corresponding period in 2017<sup>2</sup>.

On the back of the slowdown in trade and investment, many of the world's economies came under pressure.

### Performance of Advanced Economies

Collectively, growth in advanced economies is estimated to have softened slightly to 2.2 per cent in 2018 from 2.3 per cent in 2017.



### United States

In contrast to other advanced economies, the US economy grew by 2.9 per cent, thanks to stronger-than-expected domestic demand which is the result of ongoing fiscal stimulus and accommodative monetary policy measures by the Federal Reserve.

This growth uptick occurred despite the ongoing US-China trade tensions which began with the U.S. administration raising tariffs on imports from China and other nations; in turn prompting other countries to retaliate with tariffs on U.S. exports.



### Euro Area

Euro Area growth slowed notably in 2018 to an estimated 1.9 per cent, falling short of previous projections. In particular, exports have softened, reflecting the earlier appreciation of the euro and slowing external demand.

The uncertainties associated with Britain's imminent exit from the EU—Brexit—has led to stifling growth in the United Kingdom.



### Japan

In Japan, growth slowed to an estimated 0.8 per cent in 2018, with notable contractions in the first and third quarters due to bad weather and natural disasters.

### Emerging Market and Developing Economies (EMDE)

The expected recovery of EMDE's also did not materialize. EMDE's reported stagnant growth amidst the strengthening of the U.S. dollar,

weakening capital flows, heightened trade tensions, and moderating global manufacturing and trade. Consequently, aggregate growth in EMDEs edged down to an estimated 4.6 per cent in 2018, 0.3 per cent below previous projections.

### Future Outlook

International Monetary Fund (IMF) projects that the global economy will grow at 3.5 percent in 2019 and 3.6 percent in 2020.

United Nations' World Economic Situation and Prospects 2019 report paints a less optimistic picture, with global growth projected to remain at 3.0 percent in 2019 and 2020<sup>3</sup>. The steady pace of expansion observed in the global economy masks an increase in downside risks posing development challenges across the world. The report notes that the global economy faces a confluence of risks, including an escalation of trade disputes, abrupt tightening of global financial conditions and intensifying climate risks and a weakening of trade and investments activity. These may severely disrupt economic activity and



Source: International Monetary Fund



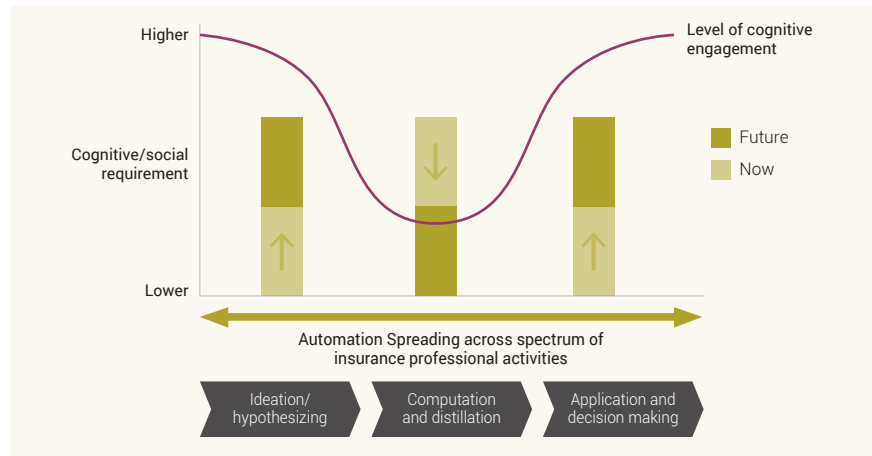
cause significant damage to longer-term development prospects.

In emerging market and developing economies, debt vulnerabilities are likely to increase. More frequent severe weather events point to the possibility of large swings in international food prices. Faced with these challenges, both emerging market and developing economies alike need to rebuild policy buffers and strengthen their economic foundations for future growth in the coming years.

### Insurance Industry - Global Outlook

Rising interest rates, high investment income and economic growth contributed to a strong year globally for insurers<sup>4</sup>. Consequently, the global insurance industry is estimated to grow beyond 3-4 percent in the 2017-2019 period<sup>5</sup>. Life insurance segment of the global industry is expected to grow by approximately 3 percent in the same period. Net income growth for the global insurance industry was 14 percent in 2017 and is expected to have reached 23 percent in 2018.

During 2019 it is expected that further economic growth will bolster the industry performance. There are a number of longer-term trends that would require significant transformations for sustaining the growth momentum. Overall though, the global insurance sector growth is expected to remain weak, but with many reasons for optimism.



Source: "The robots are coming: The future of the actuary," Deloitte Consulting LLP, 2015.

The industry faces a number of challenges and opportunities going into 2019 and 2020. The key issues that insurers must deal with include impacts of advancing technology, recruiting and retaining talent, changing regulatory environments, product development, mergers and acquisitions, and tax reform in their current markets.

Technology and innovation will be key to achieving enhanced top- and bottom-line growth under competitive and challenging environmental pressures. In the coming years, digital transformation becomes critical to cost optimization, to boost innovation and to drive corporate agility. Done right, digital transformation can simplify customer experience, provide transparency and trust. Digital engagement models can attract new customers and educate them, further enhancing customer experience.

Insurers will need to grapple with decisions on how to leverage cloud

and blockchain and how to deal with the challenges in the future of work, including robotic process automation and artificial intelligence (AI). Automation of manual tasks and AI are rapidly infiltrating the global industry, resulting in the remaking or eliminating not just jobs that are labour intensive, but also some with cognitive high-level skill requirements. In the global arena, insurers will be called upon to retrain and repurpose workers who are impacted by automation and technology upgrades in order to make productive use of time and talent.

Both digital and direct distribution channels are considered imperatives for growth. Traditional channels will still remain significant drivers going forward.

Life insurers will be driven to expand their value propositions and product mix to address all aspects of financial wellness, going beyond the current coverage.

<sup>1</sup>IMF, World Economic Outlook (WEO) Update, Jan 2019

<https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

<sup>2</sup>World Bank Group, Global Economic Prospects, Jan 2019

<http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>3</sup>United Nations World Economic Situation and Prospects 2019

<https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2019/>

<sup>4</sup>Deloitte

<https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-industry-outlook.html>

<sup>5</sup>EY

[https://www.ey.com/en\\_gl/insurance/ey-insurance-outlook-what-should-insurers-do-to-prepare-for-tom](https://www.ey.com/en_gl/insurance/ey-insurance-outlook-what-should-insurers-do-to-prepare-for-tom)

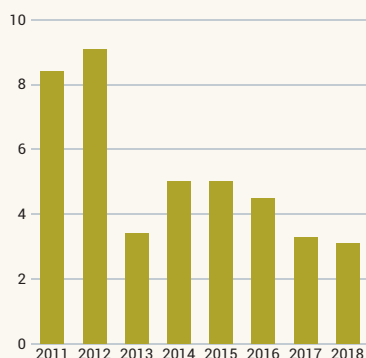
## OPERATING ENVIRONMENT

Increasingly it becomes necessary to adopt more creative and proactive approaches to recruitment and retention. Workplaces that have predominantly more millennials will need to reconsider the very notion of the workplace to win in the future of work in the insurance sector.

The impact of the many internal and external pressures on each insurer, however, rests in their own hands with the largest determining factor being the level of commitment and preparation to remain agile and respond aptly to changing economic conditions and societal trends.

### Real GDP Growth (YOY)

(Growth %)

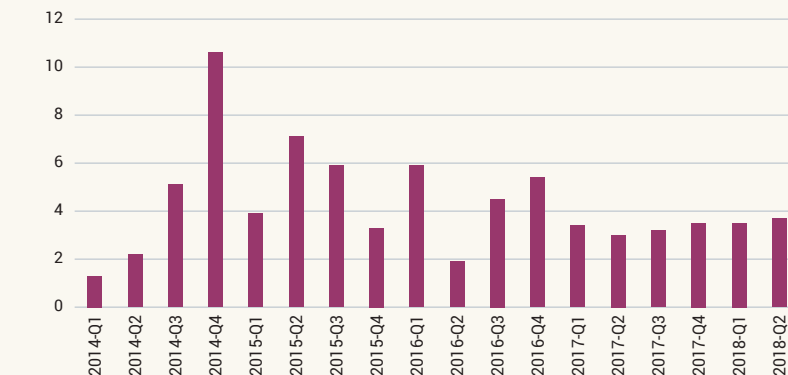


Source: Department of Census and Statistics

There was positive growth in the all three major sectors of the economy—Services, Industries and Agriculture, forestry and fishing.

### Sri Lanka - Quarterly GDP Growth

(%)



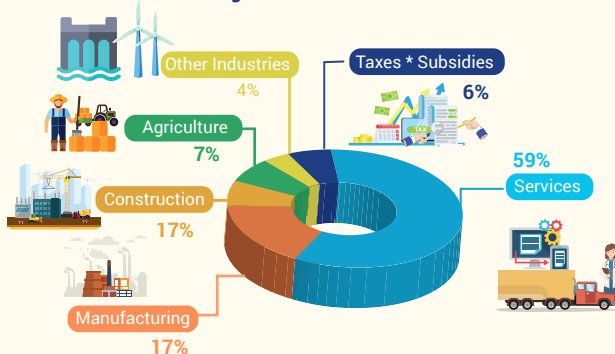
Source: Central Bank of Sri Lanka

### Gross Domestic Product (GDP) – 2018

#### Key Contribution to the Economy....

- Financial Services and Wholesales & Retail Trade led the Services growth
- The recovery in Agriculture has influenced the overall economic performance
- Nevertheless, Construction slowed down, dampening the Industry growth

#### Percentage Share to GDP at Constant 2010 Prices



#### Services

Financial services and Wholesale & Retail Trade were the key drivers

4.8% ▲



#### Manufacturing

Supported by Food and Beverages, and Textile and Wearing Apparels

3.1% ▲



#### Agriculture

Supported by recovery in paddy, vegetables and cereals.

4.9% ▲



#### Construction

-1.8% ▼

Source: Department of Census & Statistics

The Agriculture sector recorded a turnaround in the first half of the year, indicating a recovery from adverse weather conditions that hampered growth during the first half of 2017. The service sector too recorded robust growth supported by the significant growth in financial services together with the expansion in wholesale and retail trade activities and other personal services activities. Meanwhile the industrial sector expanded slightly despite a decline in construction activity and subdued manufacturing activities.

### Inflation

Consumer price inflation remained subdued during the first nine months of 2018. Headline inflation, based on the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100), decelerated to low levels by April 2018 mainly due to the decline in food prices as a result of favourable supply side developments with the dissipation of weather-related disturbances. Nevertheless, upward adjustments to domestic petroleum prices and the increased pressure on domestic food supplies during the off-season caused an acceleration in headline inflation during some months of the year. However, by September 2018, headline inflation, as measured by the YOY change in NCPI stabilized at 0.9 per cent while headline inflation based on CCPI stood at 4.3 per cent.

### External Sector

Sri Lanka's external sector experienced a setback in the second and the third quarters of 2018, with moderate foreign exchange inflows amidst increased import expenditure and higher capital outflows. Higher than expected growth in import expenditure outpaced the increase in export earnings, resulting in a considerable widening of the trade deficit during the first eight months of 2018. Earnings from exports increased by 5.8 per cent, YOY, to US dollars 7,842 million while expenditure on imports grew significantly by 10.9 per cent, YOY, to US dollars 15,083 million during the first eight months of the year.

Political controversy during the last quarter of 2018 has affected external sector performance. Amidst the political turmoil that took place during this period, credit rating agencies—Fitch, S&P and Moody's—cut Sri Lanka's sovereign rating by a notch within a space of 15 days.

The Sri Lankan Rupee faced heightened depreciation pressures vis-à-vis emerging market economies. During the same period, Sri Lanka's bonds spreads measured in terms of Emerging Market Bond Index, rose significantly in the last quarter of 2018.

### Fiscal Sector

As part of its ongoing fiscal policy reform programme, the Sri Lanka government introduced several policy measures in the first eight months of 2018. Accordingly, the new Inland Revenue Act No. 24 of 2017 was enacted with effect from 01 April 2018 with the aim of broadening the direct tax base and rationalizing the existing income tax structure. In line with this, a number of tax administrative measures were also introduced to strengthen the capacity of the revenue collecting agencies while improving the overall tax compliance and tax collection framework.

### Monetary Policy

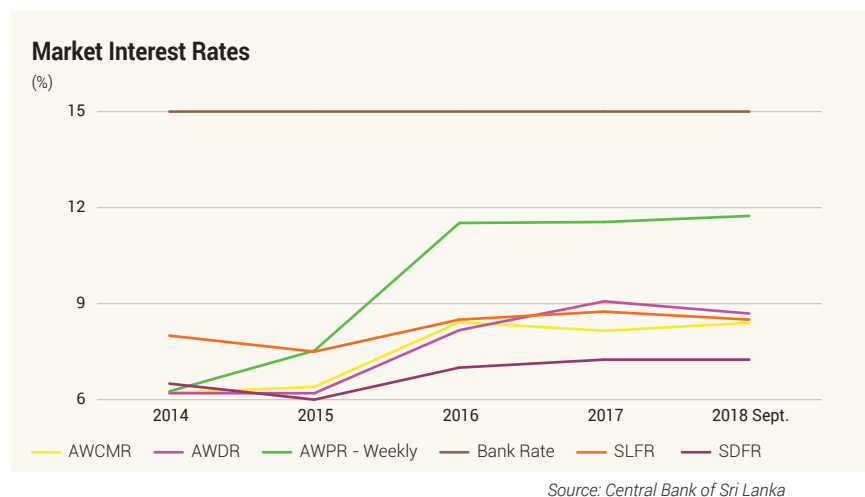
The Central Bank continued to follow a cautious approach in conducting monetary policy during the first nine months of 2018. This was mainly in response to the challenges facing the domestic economy amidst the gradual tightening of global financial conditions. The CBSL raised the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of licensed commercial banks to 7.50 per cent and policy interest rates by a total of 125 basis points, as part of a broader effort to curtail private sector credit expansion.

### Inflation - Consumer Price Indices

	2015 Dec	2016 Dec	2017 Jan	2017 Feb	2017 Mar	2017 Apr	2017 May	2017 Jun	2017 Jul	2017 Aug	2017 Sep	2017 Oct	2017 Nov	2017 Dec	2018 Jan	2018 Feb	2018 Mar	2018 Apr	2018 May	2018 Jun	2018 Jul	2018 Aug	2018 Sep
INDEX																							
NCPI	113.2	118.0	119.3	119.9	119.5	121.0	121.8	123.4	122.4	122.3	123.3	124.8	126.4	126.6	125.8	123.7	122.8	122.9	124.3	126.5	126.6	125.4	124.4
Core NCPI	112.9	120.5	121.4	122.0	122.3	122.5	123.0	123.1	122.9	123.0	123.1	123.1	123.8	123.8	123.9	124.4	124.6	124.8	125.1	125.3	125.7	126.3	126.9
CCPI	109.8	114.7	116.1	116.7	116.5	117.1	118.2	120.1	119.4	118.8	119.7	120.8	122.2	122.9	122.8	121.9	121.4	121.5	122.9	125.4	125.8	125.8	124.9
Core CCPI	113.2	119.8	121.3	121.6	121.8	121.9	122.5	122.8	122.5	123.0	123.3	123.4	124.7	124.9	125.6	125.8	125.9	126.2	126.4	127.0	127.3	127.5	128.0

Source: [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/publications/red/2018/11%20-%20Appendix%20-%20English.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/red/2018/11%20-%20Appendix%20-%20English.pdf)

## OPERATING ENVIRONMENT



### Recent Monetary Policy Measures

The recent policy measures of the Central Bank relevant to the year under review and for the near future are given below

<b>24th March 2017</b>	The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) increased by 25 basis points to 7.25 per cent and 8.75 per cent, respectively.
<b>4th April 2018</b>	The SLFR reduced by 25 basis points to 8.50 per cent. Accordingly, the width of the SRC narrowed to 125 basis points from 150 basis points.
<b>22nd February 2019</b>  Monetary Policy Review: No. 1 - 2019	The Monetary Board of the Central Bank, reduced the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of commercial banks by 1.00 percentage point to 5.00 per cent with effect from 01 March 2019. Policy interest rates remain unchanged at their current levels, and accordingly, the SDFR and the SLFR of the Central Bank will remain at 8.00 per cent and 9.00 per cent, respectively.

Source: Central Bank of Sri Lanka

With the more recent policy measures, the goal is to stabilize inflation at mid single digit levels in the medium-term.

### Outlook

The IMF and ADB projections expect the Sri Lankan real GDP growth rate to reach 4.3 percent in 2019. In the medium-term horizon Sri Lanka's economy is expected to rebound supported by increased investment activities by domestic and foreign investors. These investments are expected to be channelled to high value-added manufacturing sectors and knowledge-based services, which would spur economic growth on a sustainable basis. The gradual evolution of a commercially viable agriculture sector would also support this growth drive.

Meanwhile, enhanced domestic production would facilitate the exploitation of trade links forged through numerous free trade agreements and thereby supporting sustained growth through increased external demand in the years ahead. Notably however, stable macroeconomic conditions supported by low-stable inflation, continued adherence to fiscal discipline and a market based exchange rate remains critical in order to achieve and sustain the desired level of high growth in the medium term.

## SRI LANKA'S INSURANCE SECTOR

As at 30th September 2018, there were 26 insurance companies operating under licences obtained from the Insurance Regulatory Commission of Sri Lanka (IRCSL), of which, 12 were operating as exclusive general insurance companies, 12 as exclusive life insurance companies along with 2 composite insurance companies involved in both long-term and general insurance businesses.

Both the general insurance and life insurance markets in Sri Lanka are highly competitive and made more so due to the low level of insurance penetration in the country. The demand for Life insurance is relatively dependent on the level of disposable income of the consumers. The relatively low level of disposable income coupled with a lack of awareness could be the main reasons for the insurance penetration level which has hovered around 1 per cent over the past decade.

Insurance penetration in Sri Lanka—which is calculated on total premium as a percentage of GDP (at current market prices)—remained at 1.2 per cent in 2017. This amount is considerably lower than in the peer countries. This emphasizes the need for widespread promotion of insurance in Sri Lanka.

Insurance penetration for long-term insurance was 0.5 per cent, whereas general insurance penetration was 0.7 per cent in 2017. Nevertheless, insurance density has increased marginally to Rs. 7,482 per person in 2017, from Rs. 6,743 per person in 2016.

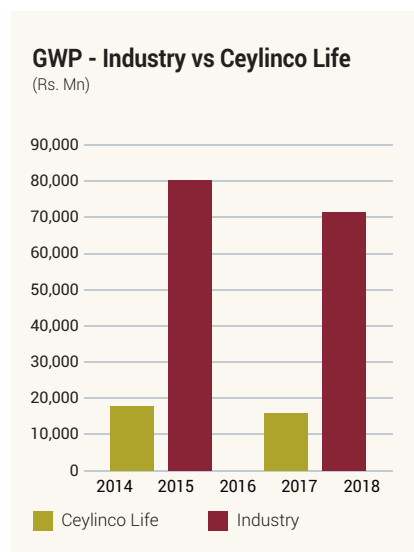
### Gross Written Premium (GWP)

GWP of the life insurance industry grew by 12.12% to Rs. 80,174 Mn in 2018

(2017: Rs. 71,504 Mn). Ceylinco Life's GWP grew by 13% to Rs. 17,813 Mn in 2018 (2017: Rs. 15,765 Mn). This growth in GWP enabled to increase our market share to 22.22% in 2018 from 22.02%.

Insurer	2018		2017	
	Premium (Rs. Mn)	Market Share (%)	Premium (Rs. Mn)	Market Share (%)
Ceylinco Life	17,813	22.22	15,765	22.05
SLIC	13,206	16.47	12,517	17.51
AIA	12,739	15.89	11,511	16.10
Union Assurance	11,177	13.94	10,118	14.15
Softlogic Life	10,006	12.48	7,531	10.53
HNB Assurance	4,419	5.51	3,964	5.54
Other Companies	10,813	13.49	10,098	14.12
Total	80,174	100.00	71,504	100.00

Source: IASL Industry Figures, 4Q 2018

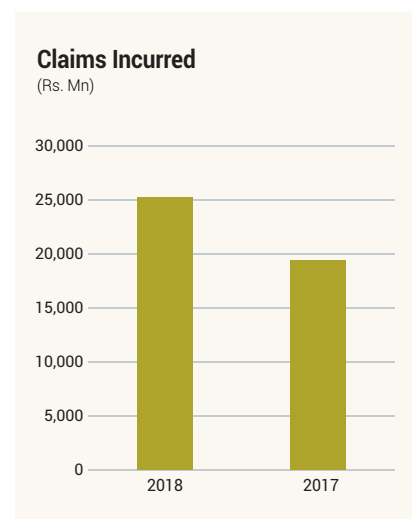


### Profit before tax

The profit before tax of the life insurance industry for the nine months ending 30 September 2018 amounted to Rs. 18,571 Mn, recording 263.42% growth over the profit before tax of Rs. 5,110 million recorded as at 30 September 2017.

### Claims

Claims incurred by the life insurance industry, including maturity and death benefits, amounted to Rs. 25,214 Mn during the nine months ending 30 September 2018, up from Rs. 19,421 Mn worth of claims incurred during the same period in 2017. This reflected a rise of 29.83% over 2017. The claims incurred as a percentage of GWP was 43%.

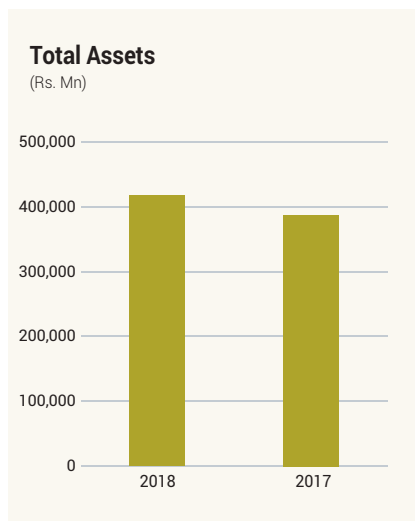


## OPERATING ENVIRONMENT

### Total assets

Total assets of the life insurance industry as at 30 September 2018 stood at Rs. 417,347 Mn, recording 7.7% growth over the total assets of Rs. 387,461 Mn recorded as at 30 September 2017.

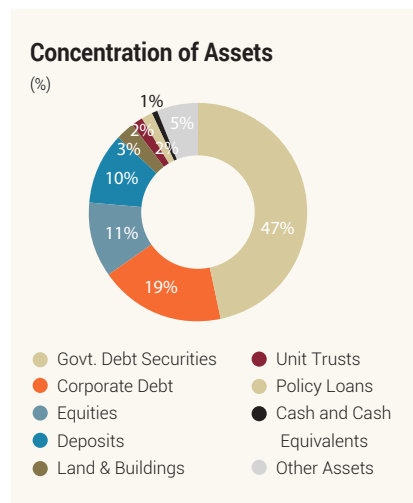
A comparison of the total assets of Ceylinco Life with the industry is provided under Financial Capital on pages 172 to 181.



### Concentration of assets

In compliance with the regulatory investment limits, the life insurance industry predominantly invests in government debt securities, which accounted for the largest proportion (46.7%) of the total assets of the life insurance industry as at end 2017. Other main assets classes of investments of the industry were corporate debt (18.6%), equities (11.3%) and deposits (10.4%).

A comparison of Ceylinco Life with the industry in terms of concentration of assets is provided under Financial Capital on pages 172 to 181.



### THE REGULATORY ENVIRONMENT

The regulatory environment encompasses rules, laws and regulations imposed by regulators. As a life insurer, we are regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL), formerly known as the Insurance Board of Sri Lanka (IBSL) through the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto. Additionally, other laws and regulations issued by regulators such as the Central Bank of Sri Lanka, Department of Inland Revenue and the Government have an impact on our strategy and operations.

The IRCSL is taking a flexible approach to new regulations, obtaining the views of the industry players on proposed regulations through the Insurance Association of Sri Lanka (IASL). This approach improves quality of regulations and minimises resistance to new regulations. Ceylinco Life has been an

active member of the IASL, contributing our views and expertise on regulatory matters.

### Our Approach on Regulatory Changes

Ceylinco Life strives to ensure strict compliance with all applicable laws and regulations and has zero tolerance for regulatory non-compliances. Changes in the regulatory environment are proactively monitored by the Regulatory Risk Committee under Ceylinco Life's broader enterprise risk management framework (refer to pages 52 to 61). Our status of compliance with applicable laws and regulations is reviewed by the Compliance Officer and is subject to periodic audits carried out by the internal audit function.

### Key Changes in the Regulatory Environment

Key regulatory changes introduced during the year under review, and some noteworthy measures introduced previously that are currently relevant are as follows.

#### Direction #14: Refraining from Employing Persons Terminated for Financial Misappropriation or Fraud

Issued on 9 January 2018, this Direction calls for insurers to refrain from employing persons in any capacity whose services have previously been terminated on the grounds of financial misappropriation or fraud. This regulation will improve the transparency and accountability of the insurance industry and help build customer confidence. For individual insurers, this would help develop customer loyalty and trust.

Ceylinco Life response

*This requires the Company to strengthen the recruitment screening process for employees and agents. In accordance with the Directive, Ceylinco Life follows a rigorous screening process to validate the integrity of potential recruits, including sales agents and non-sales staff members.*

#### **Direction #15: Procedures on Management of Insurance Funds - Long-term Insurance Business**

This Direction issued on 16th February 2018, has the objective of ensuring the proper attribution of assets and return on assets, liabilities and expenses and the appropriate segregation of insurance funds.

Ceylinco Life response

*With a view of improving the fund reporting function, Ceylinco Life implemented SAP HANA Enterprise Resource Planning software for our finance and investment departments.*

*The Company also revised its investment policy to fall in line with the requirements of this Direction and other recent developments.*

#### **Direction # 16: Identification and Treatment of One-off Surplus**

Issued on 20 March 2018, this Direction set out guidelines on identification, transfer, maintenance and distribution of the one-off surpluses created due to the change in the regulatory solvency regime from Net Premium Valuation (NPV) to the risk based Gross Premium Valuation (GPV).

Ceylinco Life response

*The Company recognised a total one-off surplus of Rs. 6,195 million, approved by the Appointed Actuary. Out of this total one-off surplus, Rs. 3,456 million pertaining to other than participating business was transferred to the shareholders under the "Restricted Regulatory Reserve".*

*All required disclosures were made in the audited financial statements for the year 2017.*

*The Company made all required disclosures to the IRCSL. The relevant quarterly disclosures are made with each quarterly RBC returns.*

*Our Investment Department monitors the investments supporting the one-off surplus on a market value basis.*

#### **Direction # 17: Corporate Governance Framework for Insurers**

This Direction, issued by the IRCSL on 14th December 2018 with the intention of ensuring greater transparency in the conduct of the affairs of insurance companies, becomes effective from 1st January 2019. This Direction expects insurers to adhere to the Code of Best Practice on Corporate Governance (2017) and Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

#### **The key features of the Corporate Governance Framework for Insurers include:**

- The need to have a minimum of two Directors who are citizens and residents of Sri Lanka

- A nine-year restriction on the period of service of a Non Executive Director in an insurance company.
- The age of a Director serving in an insurance company is limited to 70 years (subject to the exceptions as set out in the direction).
- An insurer must adhere to sec. 7.10 of the listing rule of the Colombo Stock Exchange pertaining to corporate governance.
- Restriction on the number of directorships held by a Director of an insurance company to 20 but not exceeding 10 companies categorised as specified business entities in terms of Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

Ceylinco Life response

*Though not a listed company, at Ceylinco Life we endeavour to ensure compliance with applicable corporate governance rules and voluntarily apply the Code of Best Practice on Corporate Governance in reporting.*

#### **Principles on Fair Treatment of Customers**

Principles on Fair Treatment of Customers, issued on 26th January 2018 aim to ensure that insurance businesses in Sri Lanka are carried on in a professional and prudent manner with a view to protecting the interests of policyholders. Insurers are expected to have proper policies and procedures in place to achieve the Principles on Fair Treatment of Customers.

**The guideline provides 7 principles to which insurers must align their**



## OPERATING ENVIRONMENT

### activities:

- Principle 01 - Fair treatment of customers shall be at the heart of the business model of all companies.
- Principle 02 - Products are developed and marketed in a way, that pays due regard to the interests of customers.
- Principle 03 - Customers are provided with clear information before, during and after the point of sale.
- Principle 04 - Suitability of advice refers to offering appropriate advice based on a proper understanding of the customer's disclosed circumstances and an assessment of their insurance needs.
- Principle 05 - Managing reasonable expectations of customers
- Principle 06 - Fair handling of claims
- Principle 07 - Analysis of customer feedback and fair handling of complaints

These principles obligate insurers to put the interests of customers on top in the design and delivery of products and in providing after sales services. Adhering to these principles is likely to have long term impact on the industry, making it a positive step towards addressing the issues of low insurance penetration in Sri Lanka.

Ceylinco Life response

*Ceylinco Life conducted a comprehensive training program for senior management on the concept of Treating Customers Fairly (TCF).*

*Sales and staff members who are in direct contact with policyholders were trained*

### New Accounting Standards

#### IFRS 17 - Insurance Contracts

The International Accounting Standards Board's new accounting standard for insurance contracts, IFRS 17, comes into effect for annual reporting periods beginning on or after 1st January 2022.

From a compliance perspective IFRS 17 will call for widespread changes to insurers' systems, processes, capital and risk management, among others, possibly requiring additional capital investments in the medium term. The Standards increases transparency about profitability and enable comparability which enhances ability to compare financials across different industries, products, companies as well as jurisdictions.

Ceylinco Life response

*The Company has already set up a team of professionals comprising Accountants, Actuaries, Auditors and IT specialists. The company also has planned to retain local and foreign external professionals who are experts in implementation of IFRS 17. In consultation with Insurance Regulatory Commission of Sri Lanka (IRCSL) and various directions provided by Institute of Chartered Accountant of Sri Lanka (ICASL), the Company has progressed so far up to satisfactory level in process of implementing IFRS 17 requirements in the Company. Presently, the team is involved in conducting a gap analysis to identify the compliances required in the products and software systems relating to actuarial and finance.*

### Key responsibilities of the departments involved are:

#### Finance Department

- Amend the chart of accounts as required
- Change the presentation formats of the financial statements
- Update accounting policies
- Update operating manuals and control documentation
- Liaise with tax authorities and tax consultants on tax implications
- Evaluate and perform changes required to internal reporting, KPIs and incentive schemes

#### Actuarial Department

- Design, build and test new actuarial models
- Design calculation methodology for Contractual Service Margin (CSM)
- Evaluate impact on RBC calculations
- Evaluate impact on product pricing and assumptions

#### Information Technology Department

- Provide IT support for changes in core systems

### SLFRS 9 - Financial Instruments

New Sri Lanka Accounting Standard, SLFRS 9 introduces a logical approach to the classification of financial assets, based on the cash flow characteristics and the business model in which an asset is held. This Standard also brings in a new expected loss impairment model that will require more timely recognition of expected credit losses.

Insurance companies can defer this standard until they implement IFRS 17: Insurance Contracts which comes into effect from 1st January 2022.

Ceylinco Life response

*Collaborate with industry committees on impact analyses*  
*Identified responsibilities of the key departments in SLFRS 9 implementation*  
*Obtained expert knowledge from audit firms*  
*Identified changes required to the treasury and finance systems*

### Inland Revenue Act No. 24 of 2017

The new Inland Revenue Act brought about significant changes to the insurance industry with effect from 1st April 2018.

### Corporate Income Taxes

The corporate income tax rates were revised as per IRA No. 24 of 2017 to a 3-tier structure taking effect from 1st April 2018.

- A lower tax rate of 14 per cent became applicable on profits and income of Small and Medium Enterprises, export of goods or services, agriculture enterprises, educational services, promotion of tourism, IT services, charitable institutions, EPF, ETF and pension funds.
- The standard rate of 28 per cent is applicable on profits and income of all other sectors including banking and finance, insurance, leasing and related activities etc.
- The highest rate of 40 per cent is applicable on profits and income of betting and gaming, liquor and tobacco.

### Withholding Tax (WHT)

The major changes as per IRA No. 24 of 2017 that took place with effect from 01 April 2018 include the following:

- WHT on interest income received by individuals from bank deposits was increased to 5 per cent from the previous 2.5 per cent.
- WHT on interest income received by senior citizens from bank deposits up to Rs. 1.5 million becomes exempt.
- WHT was imposed on service fees and contract payments exceeding Rs. 50,000 per month.

### Value Added Tax (VAT)

With effect from 2nd July 2018, the cost of healthcare services other than the hospital room charges becomes exempted from VAT.

### Impact of Key Changes

Major changes with an impact on the life insurance industry are provided below :

Item	Old Act (No. 10 of 2006)	New Act (No. 24 of 2017)	Impact on Ceylinco Life
Basis for computation of income tax of life insurance business	Taxable income minus allowable expenses (I-E)	Surplus distributed to participating policyholders - at 14% for 3 years and at 28% thereafter  Investment income of shareholder funds less allowable expenses - at 28%  Surplus distributed to shareholders from policyholders as certified by the appointed actuary - at 28%	Very high
Capital gain tax	No tax on capital gains	Capital gains will be taxed at 10%	Low
Notional tax credit on investment income from government securities	Available	Withdrawn	Moderate
WHT on specific transactions	Low scope	Scope will be widened	Low
Deemed divided tax	Available	Removed	Low

## OPERATING ENVIRONMENT

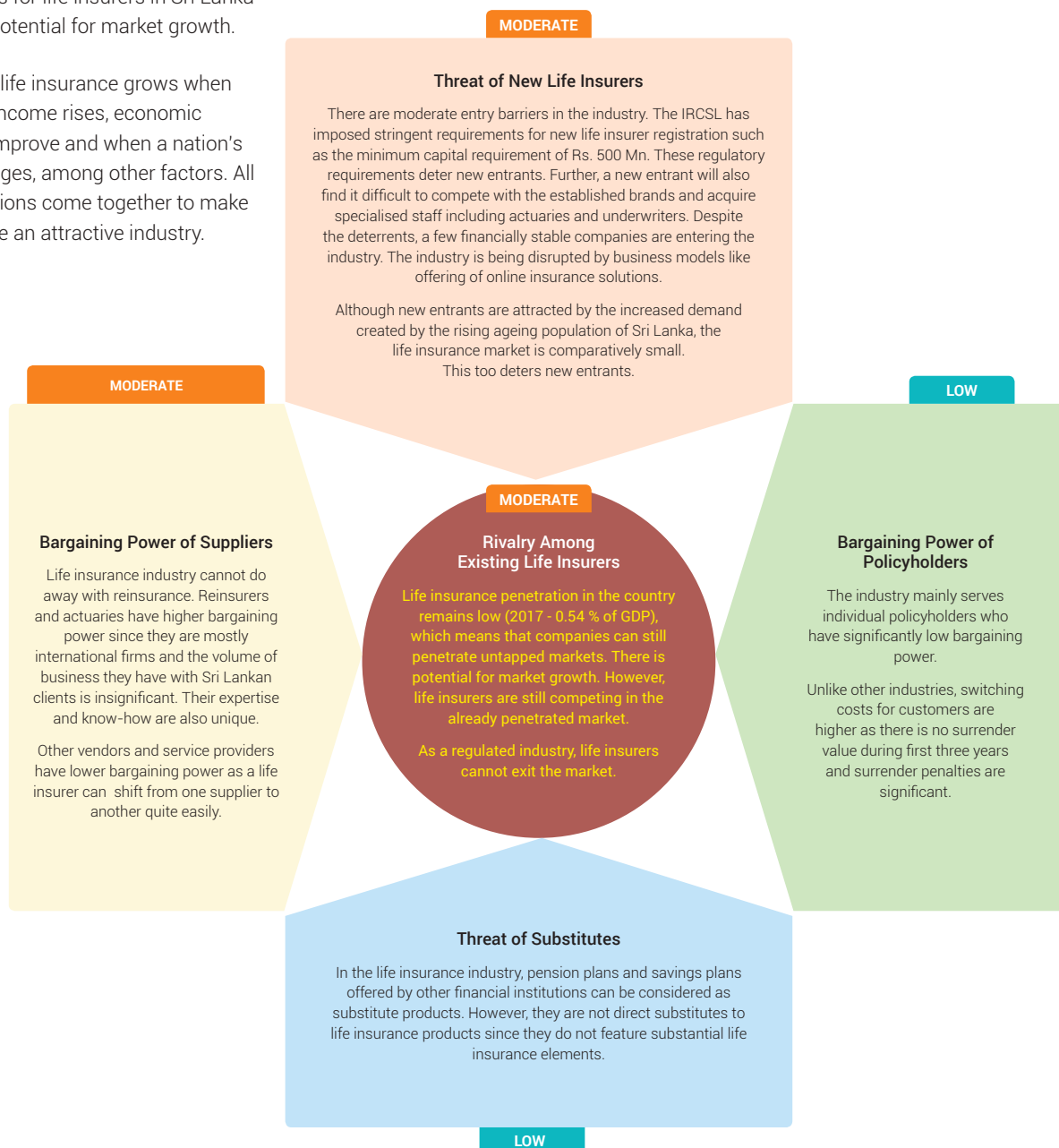
### INDUSTRY ATTRACTIVENESS

Life insurance is a growing industry because life insurance penetration in the country remains low relative to many peer nations. In 2017 the national life premium total accounted for just 0.54 per cent of the country's GDP compared to India's 2.72 per cent. This offers ample opportunities for life insurers in Sri Lanka with much potential for market growth.

Demand for life insurance grows when disposable income rises, economic conditions improve and when a nation's population ages, among other factors. All these conditions come together to make life insurance an attractive industry.

Ceylinco Life constantly monitors and evaluates the dynamics of the life insurance industry and factors that influence industry attractiveness. We have used Michael Porter's Five Forces Model in analysing the attractiveness and competitiveness of the life insurance industry in Sri Lanka.

This analysis indicates that the life insurance industry in Sri Lanka is moderately competitive with prospects for future growth.



## Opportunities, Risks and Challenges

Scanning the external environment for opportunities, risks and execution of optimal strategies to mitigate risks and capitalize on development and growth opportunities is an integral part of Ceylinco Life strategic management approach.

### The Wider Business Environment

Apart from the immediate competitive environment as described by the Five Forces Analysis, the prospects of Sri Lanka's life insurance industry will continue to be affected on a broader scale by a variety of other factors—political, economic, social and cultural, technological, environmental and legal. These are outlined in the PESTEL analysis below.

We outline separately in the following pages, opportunities, risks and challenges we expect to face immediately and in the medium and long term.

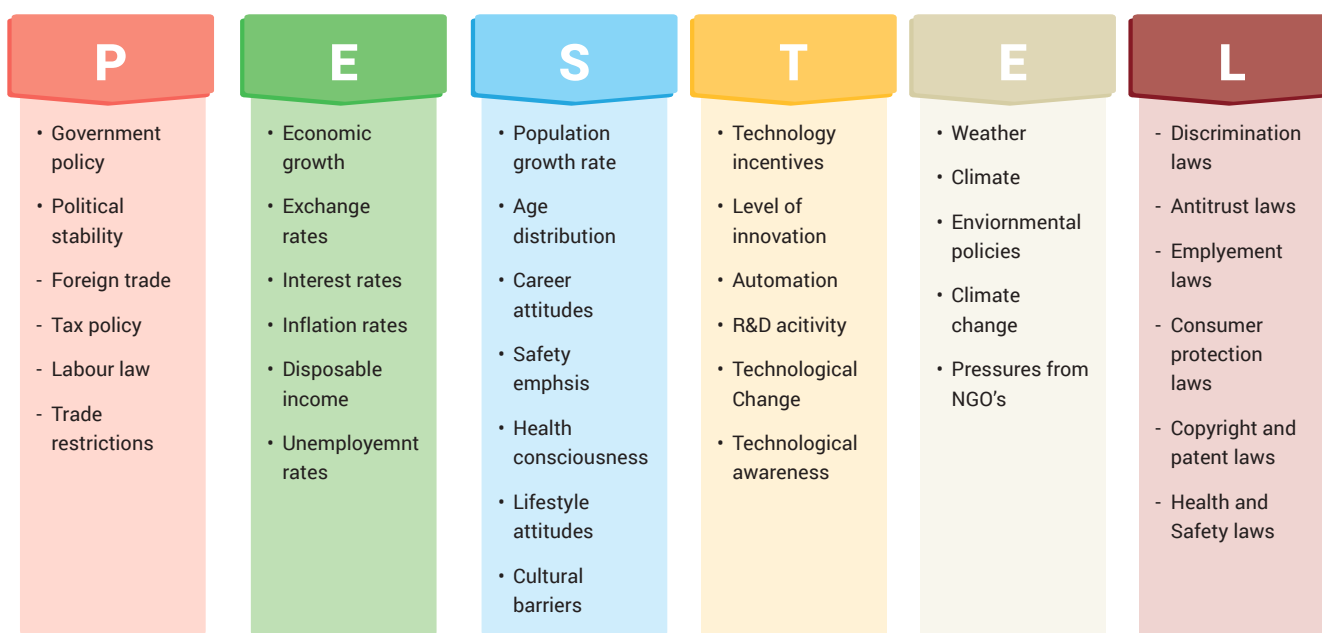
It is our belief that insurance companies that wish to grow and thrive in the future, as we do, at Ceylinco Life whether in the short-term, medium or long-term—must necessarily develop the skills that provide them the agility to adapt to fast changing circumstances. Ceylinco Life is ready to take on these challenges.

### Immediate Risks and Challenges

As a life insurer, and a market leader in the industry, Ceylinco Life has a broad understanding and a sensitivity to the business environment in which we operate. Sustainability of our business can be affected by general economic

and political conditions, performance of financial markets, interest rates, changes in laws, regulations and policies of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and myriad other competitive factors as highlighted in the Five Forces Analysis (Page 162) and the PESTEL Analysis. As a local life insurer, our financial condition and results of operations are mainly dependent on Sri Lankan economic and business conditions.

We outline below the key external factors that affected Ceylinco Life in 2018 together with their potential impact and mitigating actions taken by the Company. For a comprehensive overview of our enterprise risk management, refer to pages 52 to 61.



## OPERATING ENVIRONMENT

	Risks/Challenge	Impact on the company	Our response
Economic	Volatility in interest rates affect the demand for life insurance products and investment income earned.	Affects the Company's profits and pose challenges to projecting the long-term returns of the Company which is done for 10 to 15 years.  Rising interest rates cause a decline in the market value of long-term investments such as government securities	Adopt prudent assumptions in forecasting and implement investment strategies that optimise returns with minimal risk. We do this by investing in real estate, government securities, bank deposits and corporate debt.  Maintain a well-diversified investment portfolio.
Social	Changes in demography and consumer needs disrupt the industry	We need to offer more retirement benefit and medical related insurance solutions to cater to the increasing aging population and urbanisation.	Invested in developing customer-agent relationships to build trust and increases cross-selling and up-selling.  Effecting continuous improvements to our systems, processes, and products.  Actively monitoring new trends and changes in consumer demands by setting up a data analytics unit and by conducting a brand health study through an independent research agency.  Invest in La Serena, a retirement resort at Uswetakeiyawa.
Technological	Keeping pace with changes in technology, cyber security and data security.	We need to cater to an increasingly sophisticated customer base who are technologically savvy. Also new technologies pose threats to information security.	Conduct regular information system audits, maintenance, and system updates.  Maintain a disaster recovery site. Leverage on technology to drive product innovation and customer convenience.
Legal and regulatory	Impact of regulatory changes on financial reporting, operations, and the business overall.	High cost of compliance and limited expert knowledge on regulatory changes.	Regular consultations with our in-house legal officers.  Conducting regular compliance audits.  Provide training to our employees on regulatory aspects.

### Opportunities for Ceylinco Life

We see many opportunities for Ceylinco Life to grow and expand our portfolio of life insurance and related products and services in the short and the medium term time horizons.

Several factors about Sri Lanka buoy our expectations for future growth prospects. These include, low insurance penetration levels in the country, increasing levels of urbanisation, an ageing population, increasing numbers of deaths attributable to non-

communicable disease, a growth trend in per capita and household income and increasing levels of education in the country. Increased levels of mobile phone penetration make marketing and awareness efforts easier.

At the same time, a number of factors that depress demand for life insurance also affect our future prospects in the industry. These include the increasing number of two-income households, inflation and rising interest rates, which tend to offer more alternatives to

prospective consumers of life insurance, thereby depressing demand.

Despite the challenges, we outline below in detail our prospects and our response to optimize these opportunities.

### Low insurance penetration

The greatest opportunity we see ahead is the low level of life insurance penetration in Sri Lanka. In terms of life premium as a percentage of GDP, our country is far behind compared to a number of other Asian countries.

### Life Premium as a Percentage of GDP



Further, the expected regulatory developments in the medium-term in relation to micro insurance, targeting needs of the low income population will have potential to further enhance the insurance penetration level of the country.

To capitalize on this great opportunity, Ceylinco Life aims to:

- Develop products to reach the young and rural customers by offering affordable, tailor-made solutions which are conveniently accessible.
- Promote inclusion through product diversification and innovation.
- Enhance customer reach by investing in branch expansion and growing our agency force.
- Leverage technology in order to improve reaching relatively untapped segments of the life insurance market

### Higher Levels of Disposable Income

Economic forecasts indicate good growth prospects for the Sri Lankan life insurance industry in the medium term. This is especially so as the country aims to move into high middle-income level bracket over the coming years. Higher disposable incomes are positively correlated with higher insurance penetration levels.

### Sri Lanka - GDP Per Capita

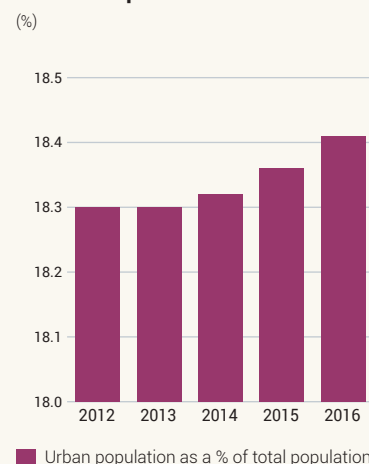
(current market prices)	2012	2013	2014	2015	2016	2017
Rupees	427,538	465,976	498,828	522,304	561,560	621,026
USD	3,351	3,609	3,821	3,842	3,857	4,073

Source: Central Bank of Sri Lanka

### Increasing Urbanization

Research shows that increasing levels of urbanisation create a demand for life insurance products. Sri Lanka's

### Urban Population as a Percentage of Total Population



level of urbanisation is on the rise. Ongoing housing market boom and low unemployment rates bode well for urban living in Sri Lanka, creating an opportunity for industry and business growth.

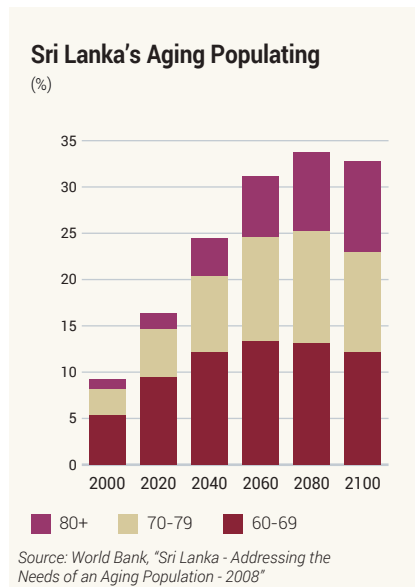
Ceylinco Life plans to capitalise on this trend by developing customised life insurance solutions targeting urban customer segments.

### Rapid Growth in Aging Population

Many countries across the world are facing the gradual aging process of their populations. Declining fertility rates and rising life expectancies are resulting in fewer children and more elderly. These trends are expected to continue in the next few decades.

Sri Lankan population too is undergoing a gradual aging process. Compared to our peers, the country has reached an advanced stage of this demographic transition.

## OPERATING ENVIRONMENT



Working-age population level in Sri Lanka peaked in 2005. It is expected to gradually decline over time. This affects the dependency ratio, defined as the ratio of youth and elderly to the working-age population. The dependency ratio was 51 percent in 2015 when about a quarter of the population were under 15 years old, and just one-tenth were 65 years or older. By 2050, it is projected that the proportion elderly (23 percent) will surpass that of the youth (17 percent).

Aging populations also lead to slowing down a country's growth momentum, influencing employment, labour supply and productivity negatively and creating impacts on savings, income levels and household composition. It is expected that people would set aside more money for dealing with health risks.

Overall, we expect the demand for life insurance to accelerate in line with demographic changes. There will be a high demand particularly for health and pension products. Ceylinco Life is taking into consideration the needs of our ageing population and added new products and services to our portfolio of offerings.

We introduced the Ceylinco Life Retirement Plan, which facilitates the policyholder to build a large retirement fund with personalized benefits. We are also actively monitoring changes in consumer demands by setting up a data analytics unit and by conducting a brand health study through an independent research agency.

Ceylinco Life also invested in La Serena, a retirement resort at Uswetakeiyawa not merely to capitalize on market trends, but also to deepen our understanding of the growing needs of an increasingly aging population.

### Increased deaths due to non-communicable diseases

Non-communicable diseases (NCDs) have shown an increasing trend. Currently, around 71 per cent of all annual deaths are attributed to chronic NCDs. People have become more aware of the risks of NCDs and chronic disease like cancer, heart disease and diabetes and are looking for life and health insurance coverage.

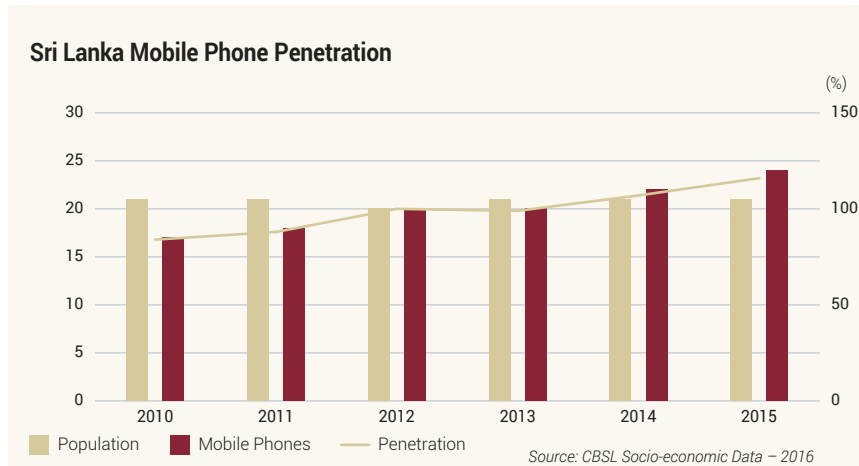
Ceylinco Life responds to these trends and towards meeting the rising and latent demand for life and health insurance through the following:

- Launching new health-based products in the health industry space, related to our core business of life insurance.
- Continuing to expand our operations and healthcare services offered by the four centres of excellence of Ceylinco Healthcare Services Limited.
- Offering rider benefits such as Ceylinco Life Family Digasiri Plus, Ceylinco Life Major Surgery Benefit, Ceylinco Life Family Hospital Cash Benefit and Ceylinco Life Health Support cover the policyholder against most of NCDs.

### Growing Mobile Phone Penetration Levels

Sri Lanka has a high and increasing mobile phone penetration. This offers marketers wider potential and ability to reach current customers more affordably and conveniently. It also offers many opportunities to reach out to and improve awareness among new and potential customer segments using IT and mobile technologies.

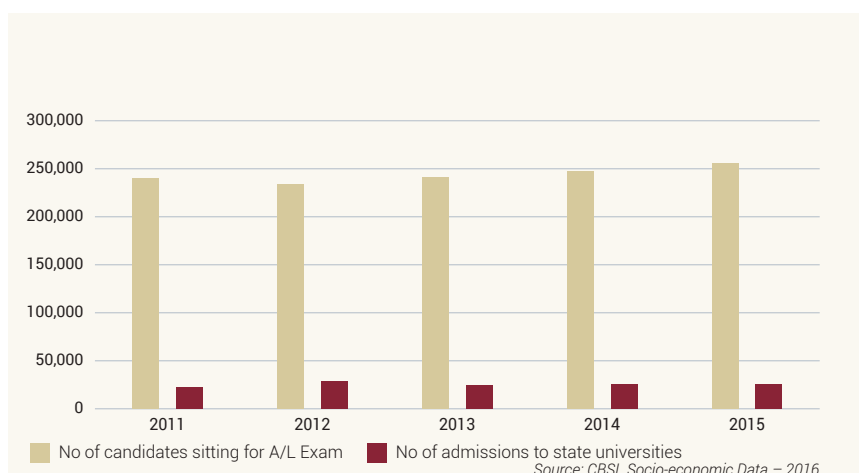




Ceylinco Life responds to these marketing and customer service opportunities through the following measures:

- Increasingly partnering with mobile network operators to use their platforms to conveniently approach a large pool of mobile phone subscribers.
- Reinforce the Customer Relationship Management (CRM) unit to improve customer reach.
- Offering mobile payment methods and SMS notifications to enhance customer service and convenience.

#### Growing Opportunities to Support Tertiary Education



Demographic trends show increasing numbers of youth coming out of the secondary education system over the coming years. At present, Sri Lanka's public financed government universities admit only about 10 per cent of the number of students who sit for the Advanced Level examinations every year. The balance, many of whom qualify for tertiary education, have to find private universities and other educational alternatives. Due to rising costs, many parents lack the funding for their children's tertiary education, through a private degree either locally or abroad.

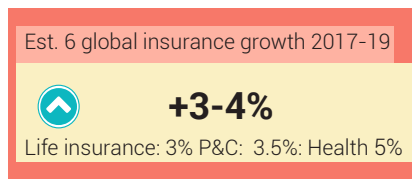
Ceylinco Life response to this market need has been to introduce the Degree Saver Plan which has an education fund and a comprehensive life insurance plan to ensure uninterrupted funding for a child's higher studies. This policy offers parents peace of mind and the knowledge that their children's higher education will continue even if they lose their lives before the policy matures.

#### Opportunities, Risks and Challenges - Medium to Long Term

Although Ceylinco Life operates primarily to serve the life insurance needs of Sri Lankans, we cannot escape the inevitable realities of the global insurance industry and mega trends that affect the industry.

The growing global insurance gross written premium (GWP) in 2017 was around USD 4.8 trillion. By end of 2016, global insurance penetration stood steady at 6.3 per cent (2015 – 6.2 percent). The penetration level in 2007 in contrast, stood at 7.5 per cent.

## OPERATING ENVIRONMENT



It is estimated that the global insurance growth over the 2017-2019 period will reach beyond 3-4 per cent. Life insurance is expected to grow at around 3 percent while health insurance is expected to grow by around 5 percent.

Technology-led disruption continued to unravel within the insurance sector with technology advancements continued to change the nature of risk, opening doors to new entrants and driving convergence of sectors and create new ecosystems.

Major technologies attained greater maturity. Blockchain in particular paved way to multiple platforms, proofs of concepts and even live product launches across lines.

Total InsurTech investments in 2017 grew to USD 2.3 Bn. The estimated 5-year compound annual growth rate CAGR (2012 -17) is likely to top 45 per cent.

The estimated count of wearables sold in 2021 is likely to top 500 million, compared to 266 million in 2016.

### Key Threats

Globally the key threats to growth and profitability include inflationary pressures and sharp reactions to major regulatory

changes. Sharp rises in inflation can create a negative effect on demand. This may even result in policy cancellations and increasing costs.

### The Future of Insurance

We can expect the overall insurance sector performance to be determined by the net impact of a number of enabling factors and impediments.

#### Overall insurance sector

Enablers	Impediments
<ul style="list-style-type: none"> <li>Integrated ecosystems that help create new risk pools and monetization opportunities.</li> <li>Digital adoption enhances access to data and raise process efficiency of insurers through robotic process automation and artificial intelligence.</li> <li>Blockchain helps cut down cycle times and improves reliability of both transactions and processes.</li> <li>Big data and analytics help make sense of data generated and support value creation.</li> </ul>	<ul style="list-style-type: none"> <li>Trade wars and growing protectionism may hit trade volumes and depress demand for insurance.</li> <li>Greater market volatility affects investment considerations and value propositions offered by insurers.</li> <li>Talent constraints limits the appetite for innovation and ability effectively manage change.</li> <li>Rapidly shifting customer expectations globally may hinder plans for less agile insurers.w</li> </ul>

Source: EY

#### Global Life Insurance Sector

Enablers	Impediments
<ul style="list-style-type: none"> <li>New demand from emerging and empowered customers in emerging markets.</li> <li>Rising life expectancy spurs demand for retirement, long-term care and longevity products</li> <li>Reduced role of the state may result in generating demand for private insurance and wealth solutions</li> <li>Secular bear bonds (fixed income) markets open up opportunities for insurers</li> </ul>	<ul style="list-style-type: none"> <li>Continued regulatory pressure is likely to limit focus on growth of life insurers.</li> <li>Competition from alternative products can affect demand for savings and wealth products</li> <li>Maturing guaranteed back-book to hurt margins and capital</li> <li>Structural decline in key markets may occur due to falling populations and stagnant income</li> </ul>

The world increasingly grows smaller, thanks to advancements in technology, steep levels of mobile phone and internet penetration and the declining costs of internet access. We are increasingly moving towards a global culture where needs, wants and desires of the local consumers reflect those of their peers across the globe. This is especially true for the younger generations, including millennials.

The overall Sri Lankan insurance industry and the life insurance sector needs to be ready for these mega trends that are already in motion, even though some of their effects may not be felt in the near term. However, we need to prepare if we are to make use of the opportunities of enabling forces including empowered customers, emerging new customer segments, benefits of automation, big data and artificial intelligence. It is also an imperative that we prepare to mitigate the adverse effects of impediments such as market volatility, talent constraints and competition from alternative products and rapidly shifting customer expectations.

Ceylinco Life, with its forward looking policies and its strategic management approach stands ready for that future.





# RESPONDING TO EVOLVING NEEDS

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With our customer - centric approach, industry expertise and leadership we have created a comprehensive array of insurance plans to create tailor-made insurance solutions. We ensure that your evolving needs are met to protect your future and retirement. We have won the hearts and minds of nearly one million policyholders of our nation.

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## Financial Capital

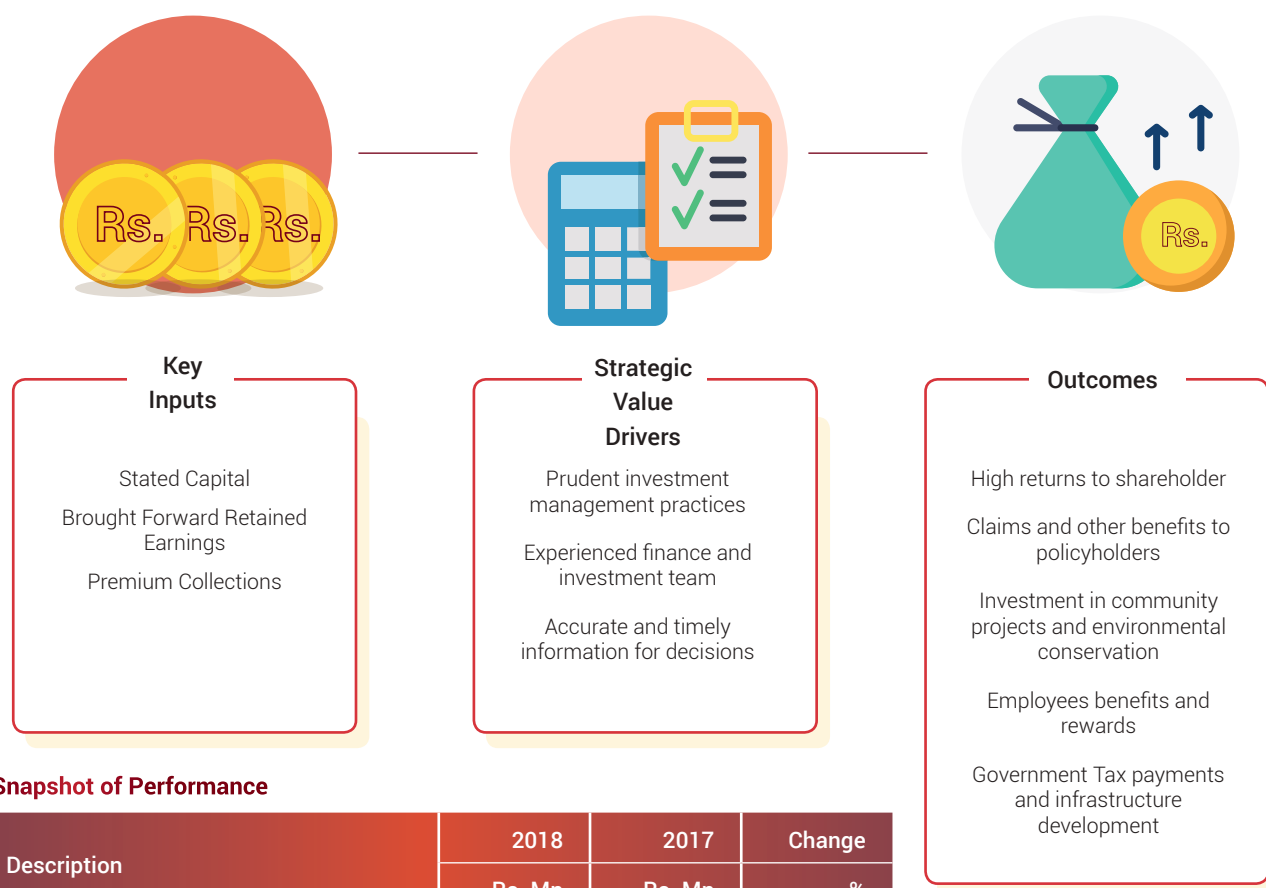
### Delivering Value to Our Stakeholders



Maintaining industry leadership position, Ceylinco Life delivered an unparalleled financial performance levels in 2018. This section explores the strategies executed to improve overall financial performance along with prudent investment and expense management practices to deliver value to our stakeholders.

In 2017, Ceylinco Life made a One-off Surplus transfer of Rs. 3.4 billion to the Shareholders' Fund, which resulted in an increase in profit after tax for 2017 by the same amount. Since this was a non-recurring event and with a view of improving comparability of the financial figures between 2017 and 2018, this financial review is carried out without considering the impact from the One-off Surplus transfer.

## Financial Capital Value Creation Model



### Snapshot of Performance

Description	2018	2017	Change
	Rs. Mn	Rs. Mn	%
Gross written premiums	17,813	15,765	13.0%
Premiums ceded to reinsurers	(458)	(422)	8.4%
Investment and other income	11,394	10,281	10.8%
Change in Contract Liabilities due to transfer of One-Off Surplus	-	3,456	-100.0%
Net benefits and claims paid	(9,804)	(6,687)	46.6%
Acquisition cost	(1,926)	(1,782)	8.1%
Expenses	(3,405)	(3,545)	-3.9%
Income tax expense	(1,363)	(340)	300.8%
Profit after tax (excluding one-off surplus)	5,794	6,011	-3.6%



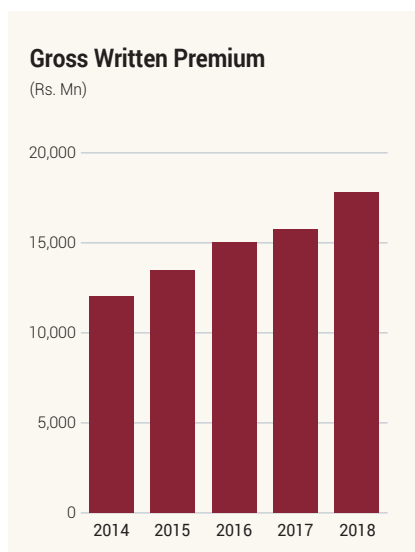
## Financial Capital

### Underwriting Results

Description	2018	2017	Change
	Rs. Mn	Rs. Mn	%
Gross written premiums	17,813	15,765	13.0%
Premiums ceded to reinsurers	(458)	(422)	8.4%
Net written premiums	17,355	15,343	13.1%
Investment and other Income attributable to policyholders	10,102	9,459	6.8%
Net benefits and claims paid	(9,804)	(6,687)	46.6%
Increase in long-term insurance fund	(6,457)	(7,259)	-11.0%
Acquisition cost	(1,926)	(1,782)	8.1%
Operating and administrative expenses attributable to policyholders	(4,228)	(4,195)	0.8%
Interest expense	(17)	(11)	64.0%
Tax expense	(150)	(369)	-59.5%
Surplus from life Insurance business / underwriting result	4,875	4,500	8.3%

### Gross Written Premium (GWP)

Gross Written Premium is the total premium paid by the policyholders to the insurance company, before deducting reinsurance and ceding commission. This is our main source of income. Total gross written premium of life insurance business recorded an increase of 13 % over 2017 to reach Rs. 17,813 million.



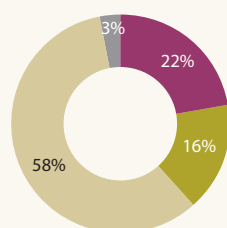
### Composition of GWP

Description	2018	2017	Change
	Rs. Mn	Rs. Mn	%
New business	3,996	3,530	13.2%
Single premium	2,930	2,398	22.2%
Renewal premium	10,299	9,396	9.6%
Group life premium	588	441	33.3%
Total	17,813	15,765	13.0%

Description	2018	2017	Change
Annualised new business premium -Rs. '000	5,876,672	5,415,589	8.51%
No of new policies issued during the period	123,273	126,838	-2.81%
Average premium per policy - Rs.	47,672	42,697	11.65 %

**Composition of GWP - 2018**

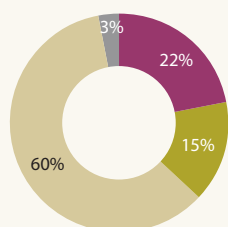
(%)



● New business     ● Single premium  
● Renewal premium     ● Group life premium

**Composition of GWP - 2017**

(%)



● New business     ● Single premium  
● Renewal premium     ● Group life premium

**Industry GWP Growth vs Ceylinco Life GWP Growth**

The gross written premium of the life insurance industry recorded a growth of 12% for the year ended 31st December 2018 year-on-year. Ceylico Life managed to grow its gross written premium by 13% year-on-year over the same period.

**Distribution Channels**

Our sales agents continued to be the dominant channel for generating premium income in 2018, generating 99.6% of our GWP in 2018. Insurance brokers and bancassurance channels each contributed to GWP by 0.2%.

	2018	
	Industry	Company
GWP (Rs. Mn)	80,065	17,813
GWP Growth (YoY)	12.00%	13.00%

Source: IASL Industry Figures - Q4, 2018"

**Investment Income**

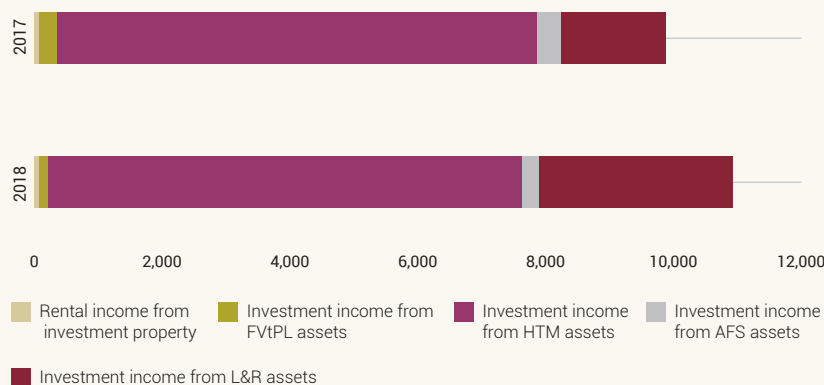
Investment income in 2018 increased by 10.8% compared to the previous year and amounted to Rs. 11,394 million. This performance in investment income is a result of the prudent investment strategies set out by the Investment Committee, the details of which are given in the Investment Committee Report on pages 112 to 121.

Main contributor to the rise in investment income was the income amounting to Rs. 7,422 million generated from held-to-maturity financial assets during 2018.

Matching the long-term nature of the Company's insurance liabilities, investments are heavily made in held-to-maturity assets, which mainly comprise long-term Treasury Bonds and Corporate Debentures.

**Investment Income**

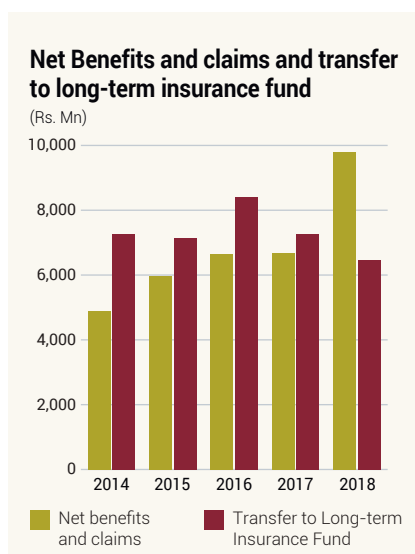
(Rs. Mn)

**Net Benefits and Claims**

Net benefits and claims from life insurance business, when the gross change in contract liabilities is excluded, increased by a staggering 46.6% to hit Rs. 9,804 million in 2018, compared to Rs. 6,687 million in 2017. During the year under review, we paid Rs. 6,368 million worth of maturity benefits, which reflected a 63.3% increase from Rs. 3,900 million worth of maturity benefits paid in 2017.

## Financial Capital

Description	2018	2017	Change
	Rs. Mn	Rs. Mn	%
Claims - death, disability and hospitalization	807	784	3.0%
Policy maturities	6,368	3,900	63.3%
Interim payments on anticipated endowment plans	918	783	17.2%
Policy surrenders	1,718	1,127	52.4%
Encashment of bonus to policyholders - cash and loyalty bonus	159	266	-40.2%
Annuities	26	23	8.6%
Total gross benefits and claims	9,997	6,884	45.2%
Reinsurance recoveries	(194)	(197)	-1.7%
Total net benefits and claims	9,803	6,687	46.6%



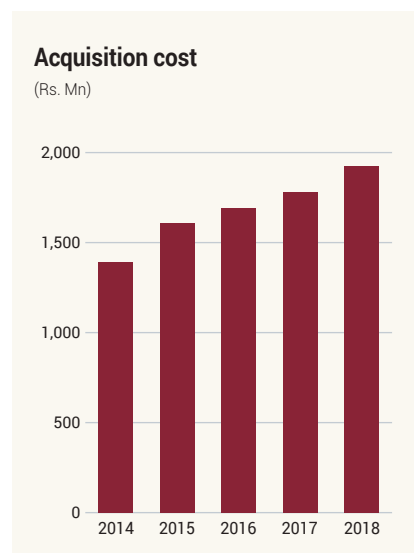
During 2018, the Company transferred Rs. 6,457 million to the Long-term Insurance Fund, after transferring Rs. 4.875 billion to the Shareholders' Fund. In 2017, transfer to the Long-term Insurance Fund was Rs. 7,259 million. This reflects a decline of 11% from 2017. The amount transferred to the Long-term Insurance Fund was reduced in

2018 as a result of the higher claims and benefits given to our policyholders during the year.

This transfer to the Long-term Insurance Fund was permitted by the growth in gross written premium and the higher investment income generated from prudent investments made out of the policyholders' funds, which was more than sufficient to absorb the escalation in acquisition cost, higher value of customer benefits and claims and the increase in tax expense.

### Acquisition Cost

Acquisition cost mainly represents the commission expenses incurred by the Company in underwriting life insurance. The Company uses independent sales agents predominantly in taking the message of life insurance to every family in Sri Lanka. The increase in acquisition cost to Rs. 1,926 million in 2018 from Rs. 1,782 million in 2017 correlates with the increase in gross written premium in the current year.



### Operating and Administrative Expenses

Total operating and administrative expenses dropped by 4.2% from Rs. 3,532 million in 2017 to Rs. 3,385 million in 2018.

The Company spent on advertising and business promotions to win new business and defend its market share in an intensely competitive market.

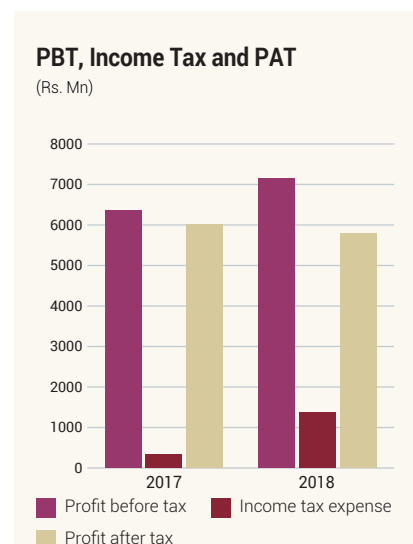
The Company provided higher benefits to reward those exceptional staff members who contributed to the Company's value creation during the year. Employee benefits are discussed in detail under Human Capital on pages 198 to 213. However, the actuarial valuation of the pension and gratuity fund liabilities of the Company resulted in a reversal of the contributions the Company had made to these funds since the fair value of the plan assets was higher than the plan liabilities. This led to reduction in employee benefit expenses in 2018.

Description	2018	2017	Growth
	Rs. Mn	Rs. Mn	
Administrative expenses	1,449	1,318	9.9%
Selling expenses	367	453	-19.0%
Employee benefit expenses	1,569	1,761	-10.9%
Total	3,385	3,532	-4.2%

### Profitability

In 2018, Ceylinco Life recorded a profit before tax of Rs. 7,157 million, up by 13% over Rs. 6,351 million recorded for 2017. The income tax expense for 2018 increased by 301% to Rs. 1,363 million from Rs. 340 million in 2017. The current tax charge for 2018 was Rs. 1,181 million, while it was Rs. 722 million in 2017. The change in the basis of income tax computation for life insurance companies brought about by the Inland Revenue Act, No. 24 of 2017 had a negative financial impact on the industry as a whole.

We recorded a profit after tax of Rs. 5,794 million in 2018, which reflected a decline of 3.6% from Rs. 6,011 million recorded in 2017. The increase in the income tax expense had an adverse impact on the profit after tax in 2018.



### Life Insurance Specific Ratios

Description	2018	2017	Explanation
	%	%	
Claims and benefit ratio	56	44	Claims and other benefits paid as a percentage of premium income
Claims ratio (without maturities and surrenders)	5	5	Claims paid as a percentage of premium income
Reinsurance ratio	3	3	Percentage of the risk transferred to reinsurers
Acquisition ratio	11	12	Acquisition cost as a percentage of premium Income
Capital adequacy ratio (CAR)	364	375	Total Available Capital (TAC) as a percentage of Risk Based Capital Requirement (RCR)

## Financial Capital

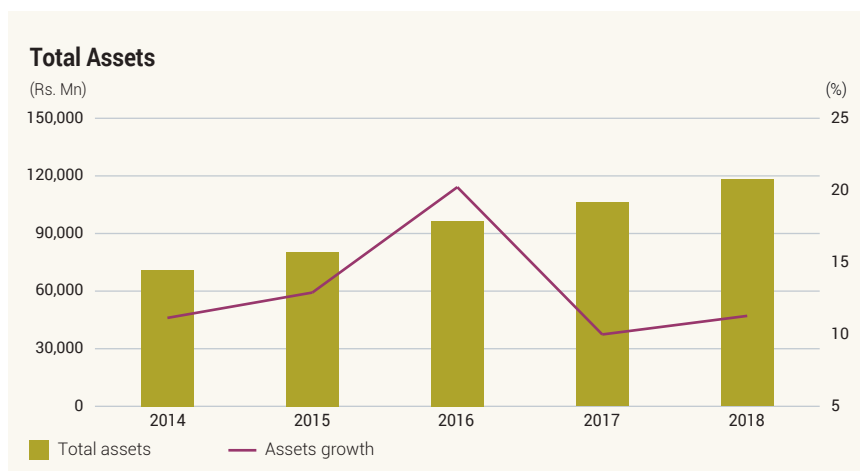
### Performance Dashboard 2018 and Targets for 2019

Performance Indicator	2018			2019	
	Actual	Target	Achievement	Target	Change %
	Rs. Million	Rs. Million		Rs. Million	
Gross written premiums	17,813	17,853	99.8%	20,500	15.1%
Investment and other Income	11,394	10,795	105.5%	10,500	-7.8%
Net benefits and claims	(9,804)	(8,055)	121.7%	(10,000)	2%
Acquisition cost	(1,926)	(1,874)	102.7%	(2,063)	7.1%
Expenses	(3,405)	(3,911)	87.1%	(4,274)	25.5%
Profit after tax (excluding one-off surplus transfer)	5,794	6,500	89.1%	7,000	20.8%

### Total Assets

	2014	2015	2016	2017	2018
	Rs. mn	Rs. mn	Rs. mn	Rs. mn	Rs. mn
Total assets	71,068	80,235	96,458	106,095	118,059
Assets growth	11.14%	12.90%	20.22%	9.99%	11.28%

Total assets of the Company crossed Rs. 118 billion in December 2018, while achieving 11.28% growth over 2017. This increase was fuelled mainly by the growth in loans and receivables financial assets.



### Industry Total Assets vs Ceylinco Life Total Assets

Total assets of the life insurance industry as at 30th September 2018 stood at Rs. 417,347 million, recording 7.7% growth over the total assets of Rs. 387,461 million recorded as at 30th September 2017. Total assets of Ceylinco Life as at 30th September 2018 stood at Rs. 118,386 million, with a growth of 6.36% year-on-year. As the market leader, Ceylinco Life contributed to over a quarter of the total assets of the life insurance industry as at 30th September 2018.

	As at 30 September 2018	
	Industry	Company
Total Assets (Rs. Mn)	417,347	118,059
Assets Growth (YoY)	7.71%	11.28%

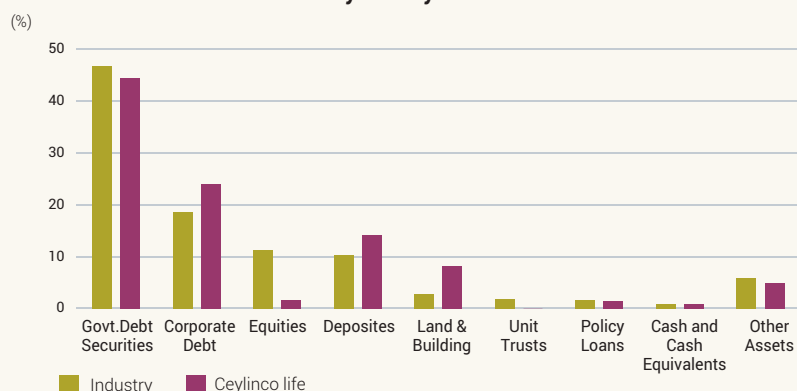
Source: IRCSL Press Release "Performance of the Insurance Industry - Q3, 2018"

### Concentration of Assets - Industry vs. Ceylinco Life

In compliance with the regulatory investment limits, the life insurance industry predominantly invests in government debt securities, which accounted for the largest proportion (46.7%) of the total assets of the life insurance industry as at end 2017. Other main assets classes of investments of the industry were corporate debt (18.6%), equities (11.3%) and deposits (10.4%).

As at end 2017, Ceylinco Life had invested 44.5% of its total assets in government debt securities, 24% in corporate debt and 14.2% in deposits. Considering the highly volatile nature of the Sri Lankan share market, we consciously keep our concentration in

### Concentration of Assets - Industry vs. Ceylinco Life



equities as low as 1.7%. Compared to the industry (2.8%), we have invested a higher proportion of our assets in land and buildings (8.2%), since they enable us to widen our geographical reach and gain from capital appreciation.

### Property, Plant and Equipment

Property, plant and equipment increased by 2.7% from Rs. 7,371 million in 2017 to Rs. 7,568 in 2018. Freehold land and buildings are considered as an admissible asset in capital adequacy calculations and they account for 89% of the value of property, plant and equipment. During the year, the Company acquired land and buildings with a value of Rs. 237 million, which includes a new branch constructed at Chilaw, Kadawatha and expansion of the Wellawatte branch. Additional details on additions, disposals, transfers and depreciation are given on page 290.

### Investment Property

Investment property includes land and buildings held by the Company for investment purposes. Such property generates rental income for the Company and gains from capital appreciation. Ceylinco Life's investment property grew by 6.6% from Rs. 2.1 billion in 2017 to Rs. 2.3 billion in 2018.

This growth was due to the fair value gain of Rs. 144 million recognised from valuation of the properties in 2018. Additional details on investment property are given on page 295

### Investments in Subsidiaries

Investments in subsidiaries were Rs. 1,086 million as at end 2018. This includes the investments in Ceylinco Healthcare Centre and Serene Resorts Limited worth Rs. 771 million and Rs. 315 million respectively.

### Financial Instruments

	2018 Rs. mn	2017 Rs. mn
Held-to-maturity financial assets	60,575	65,273
Loans and receivables	37,446	17,199
Available-for-sale financial assets	1,310	3,808
Financial assets at fair value through profit or loss	566	2,350
Total financial instruments	99,897	88,629

Investments by the Company in financial instruments grew by 12.7% compared to 2017, to reach Rs. 99.9 billion in 2018. Financial instruments account for 85% of the total assets of the Company. A larger percentage of the life insurance fund is invested in government securities and other fixed income securities such as quoted debentures and term deposits, according to the guidelines issued by the Insurance Regulatory Commission of Sri Lanka.

The Company, in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS), has categorised financial instruments into 4 categories: Held to Maturity (HTM), Loans and Receivables (L&R), Available for Sale (AFS) and Fair Value through Profit or Loss (FVTPL). Since we are a life insurance company, with the exemption granted by IFRS 17: Insurance Contracts, we have deferred adoption of the new standard on financial instruments, SLFRS 9, until the effective date of IFRS 17 which is 1st January 2022.

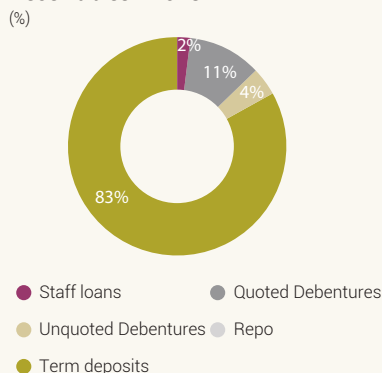
HTM financial assets are those with fixed or determinable payments and fixed maturities. The Company has the positive intention and demonstrated ability of holding such assets until maturity. The Company holds 61% of its financial instruments in the HTM category, as a prudent life insurer will hold longer term investments to match its long-term insurance liabilities. 64% of the HTM financial assets are held in "risk-free" Treasury bonds, and the remaining assets are held in quoted debentures. The Company mainly invests in corporate debentures of issuers bearing credit ratings ideally between AAA to A-. The objective of this strategy is to earn relatively lower-risk, steady returns from investments, while

## Financial Capital

adhering to the stringent regulatory and internal investment guidelines.

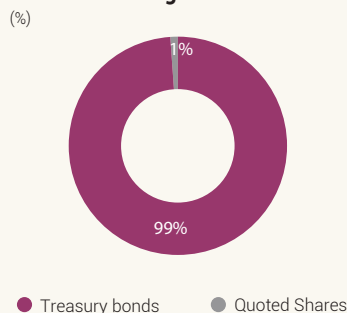
Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. The Company holds 37% of its financial instruments in the L&R category. Loans and receivables are made up of 83% investments in term deposits, out of which 98% are term deposits with Licensed Commercial Banks and the balance deposits are with Licensed Finance Companies.

### Composition of Loans and Receivables - 2018



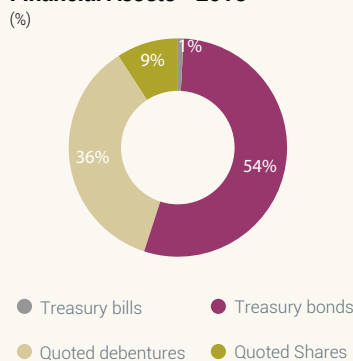
FVtPL financial assets are those financial assets held for trading. The proportion of the FVtPL assets in the financial instruments portfolio of the Company is relatively insignificant, accounting for only 0.6% of the investments in financial instruments. Government securities account for 99% of the FVtPL financial assets.

### Composition of Financial Assets at Fair Value through Profit or Loss - 2018



AFS financial assets are financial assets designated as available for sale and are not classified in any of the other categories. AFS financial assets account for only 1.3% of the investments in financial instruments. 55% of the AFS financial assets are held in Treasury Bills and Treasury Bonds, 36% are held in quoted debentures and 9% are held in quoted shares.

### Composition of AFS Financial Assets - 2018



### Shareholders' equity

The shareholders' equity increased from Rs. 20,647 million in 2017 to Rs. 26,426 million in 2018, which indicates a 28% growth from 2017. The stated capital of

the Company remained unchanged at Rs. 500 million, whereas the impressive financial performance of the Company in 2018 added Rs. 5,778 million to retained earnings. Retained earnings as at end 2018 stood at Rs. 15,057 million. The Restricted Regulatory Reserve, which was reorganized in 2017 in compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka, stood unchanged at Rs. 3,456 million as at end 2018. This Restricted Regulatory Reserve reflects the one-off surplus transfer made to the Shareholders' Fund from other than participating business in 2017.

Shareholders' equity also includes a Special Reserve of Rs. 7,311 million, which represents the value of net assets transferred to Ceylinco Life Insurance Limited from Ceylinco Insurance PLC on 1st June 2015 as an effect of the regulatory segregation of the life insurance business from Ceylinco Insurance PLC.

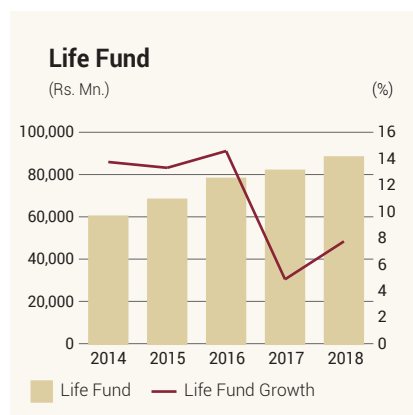
### Insurance Contract Liabilities - Life

Insurance Contract Liabilities (or simply the "Life Fund") is the fund maintained for the long-term insurance business by our Company in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, as amended. The size of the life fund indicates the financial strength and solidity of a life insurer. A bigger fund indicates that the insurance company is financially strong and sound.

Our Life Fund reached Rs. 88 billion as at end 2018, recording a 7.7% growth over Rs. 81.7 billion as at end 2017. This is the net growth in the Life Fund after a transfer of Rs. 4.875 billion to the shareholders' funds in 2018.



The actuarial valuation of the Life Fund as at 31st December 2018 was carried out by the Independent Consulting Actuary, Willis Towers Watson, whose report is given on page 263.

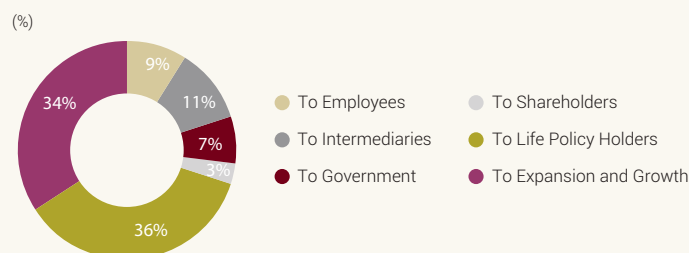


### Value Added Statement

For the year ended December 2018

	2018 Rs.'000	%	2017 Rs.'000
Net Earned Premium	17,355,265		15,343,267
Investment & Other income	11,394,234		10,280,547
	28,749,499		25,623,814
Net Claim incurred	(9,803,550)		(6,686,980)
Cost of external services	(1,207,880)		(772,565)
	17,738,069		18,164,269
To Employees as Remuneration	1,568,514	(10.94)	1,761,122
To Intermediaries as Commission	1,926,454	8.08	1,782,479
To the government as Tax	1,181,511	63.61	722,158
To the Share Holders as Dividend	613,001	41.90	432,000
Increase in Life Fund	6,457,292	(11.04)	7,258,502
Retained as Depreciation	197,009	0.12	196,765
Retained as Reserves	5,794,289	(3.61)	6,011,241
	17,738,069	(2.35)	18,164,269

### Distribution of Income 2018



#### Challenges

Volatility in interest rates had an impact on the yield on investments made by the Company.

Implementation of IFRS 17 remains a key challenge for the industry as a whole due to high cost involved in system changes, extent of training required,



#### Opportunities

Rising ageing population has opened up a new market for life insurers to earn more business from retirement products



#### Future Outlook

Government fiscal policy changes will have a big impact on the industry as a whole

Rising GDP and income levels will increase demand for life insurance

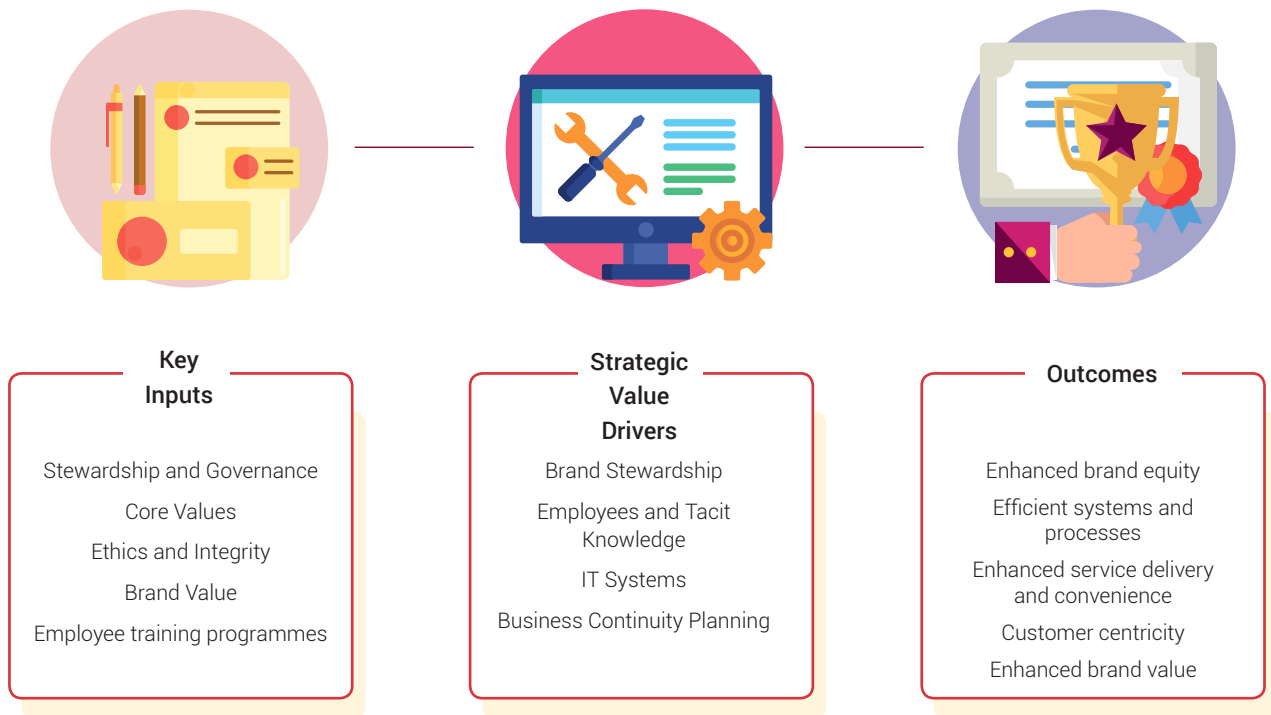
## Intellectual Capital

### Maintaining Market Leadership



This section explores how Ceylinco Life builds its intangible assets such as brand equity, systems, organisational values and culture.

Our Intellectual Capital is essentially a collection of intangibles that define our identity and drive our Unique Selling Proposition as a life insurance company. Protecting and strengthening our intellectual capital therefore goes hand in hand with the achievement of our long-term growth plans. Our aim is to build our intellectual capital by investing in our intangible assets to ensure they continue to deliver a strategic competitive advantage in the market.



The Intellectual Capital of our Company consists of the following:



### Our Brand

#### Brand Stewardship

Guided by our brand vision - "To take the message of life insurance and retirement planning to every Sri Lankan and provide protection to every family", we have worked tirelessly over the past three decades to build a name as the most trusted life insurance brand in Sri Lanka. The stewardship of our brand has always been and continues to be anchored to this primary goal. To achieve this, we have established comprehensive brand guidelines to ensure clarity and consistency in our product strategies, communication, advertising and promotional activities, even including our propaganda vehicle.

## Intellectual Capital

Along its journey, Ceylinco Life in its journey introduced many innovations and value additions, creating an indelible impression in the insurance landscape of Sri Lanka.

Some of these multi-faceted achievements are:

- Introducing the first critical illness insurance product in Sri Lanka "Ceylinco Family Digasiri".
- First private sector insurer to introduce pension plans in 1999.
- Producing the first MDRT (Million Dollar Round Table) winner in Sri Lanka.
- Setting up the Ceylinco Cancer Detection Centre (presently known as Ceylinco Healthcare Centre) with the partnership of Washington Cancer Centre in 1999.
- Setting up the first private radiation centre in 2007.

Our customer relationships too are centred on projecting Ceylinco Life as a symbol of trust. Ceylinco Life possesses the largest sales team in the insurance industry consisting of 3,625 sales agents. We groom our sales team to be Ceylinco Life brand ambassadors to ensure they epitomize PRIDE (Professionalism, Rewarding, Integrity, Dedication and Excellence). The sales team as the first point of contact for our customers reflect our core brand values through their demeanour and appearance. We request that the sales force and all front office staff are attired in the official uniform and we regularly support them with grooming advice.

The "Ceylinco Life Family Savari" is another unique branding initiative that

seeks to strengthen bonds of trust between the customers and the Company. Similarly, Life Insurance Week in February and Retirement Planning month in May, are a few of the other major branding initiatives that demonstrates our commitment to our work and sets our brand apart from peers.

As part of our brand stewardship strategy, we have commissioned a quarterly brand equity study, an initiative that commenced following the brand revamp of 2016. Conducted alternatively to cover all regions of the country, the brand equity study aims to track our reach and brand strength vis-a-vis brand recall, top-of-the-mind awareness etc. The results of our most recent study indicate that the Ceylinco Life brand continues to remain the most trusted life insurance brand in Sri Lanka and holds a commanding lead in the local life insurance market, with an island-wide market share of 22% in 2018. Our findings also reveal that 30 years on, Ceylinco Life is not only the longest serving private life insurance brand, it has also become synonymous with strength, stability and leadership.

Our brand position has been further reaffirmed by the recognition received from independent brand tracking agencies such as Brand Finance Lanka, which has valued the Ceylinco Life brand equity at an estimated Rs. 3,680 million in 2018. Based on this, Ceylinco Life moved up two places to secure 32nd place among the 50 most valuable brands in Sri Lanka in the 2018 Brand Finance Lanka rankings.



During the year under review, Ceylinco Life gained recognition and accolades in many frontiers of excellence. The awards won are as follows:



## Brand Communication

We reach out to our customers through traditional mass media and extensively through social media platforms.



The Company uses social media platforms such as Facebook extensively to engage with the public on an interactive basis. Facebook is a powerful tool through which a company can create a sustained presence as it generates powerful engagement levels to connect meaningfully with the target audience.

The Ceylinco Life Facebook page during the year under review possesses a fan base of 117,318 fans signifying a considerable increase compared to the previous year. During the year under review the Company created several Facebook campaigns which created a significant impact resulting in interactions exceeding 200,000 with average interactions as 763 interactions per day.

The Facebook campaigns which won special acclaim was the 'Children First - Education Next' campaign which was well received. Furthermore, special campaigns were conducted to coincide with 'Retirement Planning Month' and 30th Anniversary celebrations of the Company.

as @ Jan 01, 2018 - Dec 31, 2018



Total Interactions 37.9k  
Reactions 24.7k  
Comments 909  
Shares 12.3k



Total Interactions 34.7k  
Reactions 32.8k  
Comments 216  
Shares 1.7k



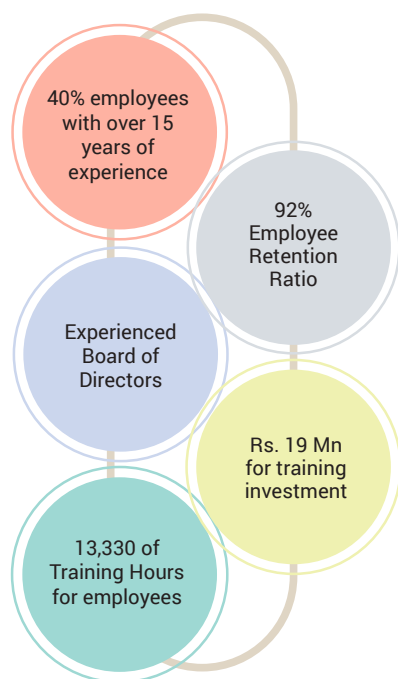
## Employees and Tacit Knowledge

With a 30-year old history, the Company's employee base consists of long-standing experienced employees who possess invaluable insights and tacit knowledge. Approximately 40% of our employee base have served the Company for over 15 years. Our Board of Directors comprise of highly experienced, professional individuals. All of the Executive Directors of the Company have been associated with Ceylinco Life since its inception or for more than 16 years. The tacit knowledge and the valued experience of this segment is greatly valued.

With a steady inflow of new recruits joining the Company, we strive to impart this multi-generational tacit knowledge to explicit knowledge through training programmes. Furthermore, we have commenced documenting this tacit knowledge. Diversity of the team consisting of new recruits and of Company has created a well-balanced team integrating the rich varied long service experience and the vibrancy of new thinking to create a culture that is unique.

Recognizing the importance of employee know-how in building a customer - centric organisation, we strive to retain our talent through a well structure HR structure. Through varied HR initiatives, we have managed to maintain an employee retention ratio of 92 % .

## Intellectual Capital



### Ethics and Integrity

In our business, we gain credibility by adhering to our commitments, displaying honesty and integrity and reaching corporate goals solely through honourable conduct. In fact, we believe that acting with integrity is the cornerstone in building trust in our brand and our company. For us, this means complying with all legal and regulatory requirements applicable to our business and our company.

To further clarify the Company's position on integrity and enforce the highest of standards of ethical conduct across all our operations, we have a comprehensive Ethics and Integrity framework, including set of strict guidelines for our employees and a Code of Business Ethics for our sales agents. The main aim of this framework is to promote a culture of transparency

and accountability and ensure that employees and sales agents are committed to act in the best interest of the Company at all times.

The above framework also includes our Anti-Bribery and Corruption Policy, which explicitly prohibits employees and sales agents from engaging in any transaction which could constitute a bribe or a corrupt payment to or from a public official or body, or a private entity or individual. We also conduct necessary due diligence to ensure our business partners and suppliers stay aligned to our Anti-Bribery and Corruption Policy.

We take proactive action in seeking to assess and mitigate our exposure to corruption risk. Continuous and ongoing risk assessments plays a vital role in identifying the risks associated with our activities and ensures any potential violations of the policies are investigated and reported to relevant governance committees.

In this regard, our Business Intelligence Unit (BIU) conducts integrity audits to determine if sales agents have followed required protocols in the handling of customer monies. If there is a reported case of misappropriation, the BIU will visit the customer to carry out a thorough investigation, with the outcome of the investigation being escalated to the Risk Management Committee for necessary action.

### Corporate Values

With a strong presence in the insurance industry, we are driven by strong corporate values which shape the organisational culture of the Company. The Company is driven by unwavering strength and a strong sense of purpose

to secure the lives of Sri Lankans with the protection of insurance. The corporate values are inculcated in the staff through induction programs and reaffirmed through internal communication and engagement.

Our values have enabled us to build strong relationships with our stakeholders over the years. All activities of our business are founded on good governance and ethical practices, creating a workplace that our employees feel proud to be a part of. As per our tag-line we are committed to nurture and build strong relationships for life.

**A customer-centric approach to business**

**Fostering a workplace reflecting diversity**

**Focussed on professionalism and ethical behaviour**

**Responding with agility to business needs**

### Code of Conduct

Ceylinco Life ensures that it conducts its operations upholding the highest level of ethics in a fair and transparent manner. All our staff members voluntarily comply with the Ceylinco Life Code of Conduct which is a comprehensive list of guidelines. These guidelines are communicated throughout the organisation through an effective communication process. This Code of Conduct is explained to new recruits at the on-boarding stage at the induction programme conducted. The Code of Conduct is available in the HR portal for

easy reference of our employees. Our corporate culture, values and ethics are reinforced to employees at quarterly employee induction programmes as well. All Heads of Departments are empowered to guide their staff members on ethical compliance. All employees can approach their immediate supervisor, Head of the Department on any ethical matters and if necessary conduct the Senior Manager - HR if needed.

### IT Systems

Our IT systems have always been a source of competitive strength for the Company. As such we have continued to invest heavily over the years to ensure that our IT systems are up-to-date in order to perform its role as a key business enabler.

In 2018 we undertook three major projects to enhance our IT capability and align our IT resources towards achieving corporate objectives.



1. SAP integration to improve internal work flow efficiency, enhance company-wide MIS, strengthen the treasury and financial reporting framework. Cascading from this, a mobile-based front-end system was also rolled out to give senior management the ability to access information remotely, thereby further improving the overall efficiency of the work-flow system. The other key development under the first phase

of the SAP implementation, was the completion of the system integration to facilitate seamless connectivity with banking partners.

Aside from these major projects, we also continued with efforts to improve our IT security and governance frameworks. The activities undertaken in this regard include;

- The annual vulnerability assessment to test the resilience of our IT systems under different scenarios. The vulnerability assessment was carried out by an independent third party who has been engaged on a long-term contract with Ceylinco Life.
- Quarterly review to assess the relevance of the Company's ICT policy guidelines
- Commissioned an independent consultant to audit specific IT areas
- Enhancement of AML (Anti-money Laundering) monitoring protocols to comply with CBSL requirements
- Routine information systems audit mainly to verify the performance of information system applications and check effectiveness of cybersecurity protocols. This audit is conducted every month, by the in-house CESA-certified auditor in line with globally accepted best practices recommended by the Information Control Association including the CORBIT standards



2. Implementation of the e-submission module (Phase 1), enabling sales agents to digitally submit proposals while in the field, thus greatly enhancing their productivity. The implementation of the e-submission module follows the automation of the routine underwriting process, which allows our in-house underwriters to complete their task on the system.



3. Roll-out of the CRM (Customer Relationship Management) system (Phase 1) to migrate the call center to a more efficient operational model that would greatly enhance the effectiveness of the customer experience. The main development in this regard was the implementation of a 360 degree customer dashboard to offer greater visibility of the customer journey- from the point of first contact, all the way through to continuous account maintenance and client servicing. The higher degree of customer interaction has made it possible to evaluate the level of customer satisfaction at every step of the customer journey and also created a platform to maximize cross selling and up-selling of our products and services.



## Intellectual Capital

### Knowledge-based Business Support Systems

Being a service organisation, knowledge is one of our most important assets. In addition to the knowledge and experience of our employees and our sales teams, we rely on the specialized expertise of our underwriting team and our actuaries who provide critical support to ensure smooth functioning of our day to day operations.

Our underwriters are a highly skilled team who use research and intuitive knowledge of customer behaviour to validate the authenticity of the information disclosed under each new policy application, while our actuarial department makes vital contribution to our business primarily through their involvement in the predictive pricing strategy and their investigative role in mortality claims, bonus claims etc. The actuarial department also provides support towards the product development process.

Our Business Intelligence Unit (BIU) is another vital component of our knowledge-based business support system. In addition to conducting integrity audits (described above), the BIU also investigates lapsed policies with the aim of reviving such policies. In 2018 the BIU was responsible for conducting 9,100 lapsed policy investigations, of which a revival rate of approximately 5.8% was recorded. Managing fraudulent claims is another area that comes under the purview of the BIU, leading to a total of 48 claim investigations being conducted in 2018.

### Business Continuity Planning (BCP)

Our Company, like any other, is exposed to potential risks that could disrupt or destroy critical business functions that could hamper our ability to meet key deliverables. Our strategy for continuing business in the event of an incident is to ensure the safety and security of all employees; to continue critical business functions, and maintain the delivery of products and services from a predefined alternative site.

We have in place a robust BCP program that is benchmarked against global standards, including the USA based Disaster Recovery Institute (DRI) International, the British Standards Institute (BSI) and the ISO 27031 Business Continuity Standard. Our BCP programme focuses on the maximum point of impact and as such is designed as a total fail-safe mechanism offering 360 degree protection for our people, premises, buildings, technology and information systems. Our Disaster Recovery site located remotely, provides critical support for the execution of our BCP program.

BCP/DR Compliance Verification is carried out annually and is facilitated by a dedicated BCP officer who also provides oversight for the ongoing improvement of our BCP program, including the preparation, implementation, review, verification and amendment of Business Continuity Plans pertaining to individual departments, business units or branches.

The following activities were carried out in 2018 to further strengthen the BCP program;

1. The BCP was incorporated as a reference point for discussion at the quarterly Board Risk Committee meetings.
2. Conducted several structured drills, including a desktop walk-through drill, a simulated drill and an IT recovery drill.
3. A complete DR Drill was conducted including 1 month-end and day-end runs
4. A fire drill was conducted with the participation of all employees
5. The BCP manual was updated and new recovery parameters were incorporated following a comprehensive business impact analysis
6. Extensive training was conducted to improve employee preparedness regarding the BCP deployment



### Challenges

Increased competition from multi-national companies which are entering the market.

Creating products which are targeted at the millennials who are tech savvy.



### Opportunities

Demonstrate industry leadership through the adoption of the latest technology and globally accepted best practices.



### Future Outlook

Continuing our track record of introducing innovative products. We will introduce insurance products to meet the customer expectation at competitive premiums. We create the right working environment conducive for retaining our staff and creating the right working environment

## Manufactured Capital

### Best return on assets and value addition to stakeholders

275

Island-wide branch network

24

Own building branches

285Mn

Investments in branch network

26.1%

Asset turnover ratio

214Mn

Investment in other capital assets

Supporting our business processes, Manufactured Capital helps us improve our efficiency to drive business growth and expansion. This section highlights how we deliver long term returns and value addition to our stakeholders through our branch network and acquisition of assets.

Manufactured Capital is represented by our physical infrastructure consisting of our branch network, vehicles, office equipments and the IT infrastructure which is an integral part of our value creation model. These components represent the key tools used by the Company to develop products and deliver services. We remain fully committed to get maximum output from Manufactured Capital. Hence our aim is to ensure that we have the best in-class infrastructure to meet stakeholder deliverables.

## Manufactured Capital Value Creation Model



### Key Inputs

Stewardship and Governance  
Green Branches  
Digital Transformation Agenda  
Advertising



### Strategic Value Drivers

Branch Network Expansion  
Investment in Property, Plant and Equipment  
Investment in Technology Infrastructure  
Market presence  
Maximum use of resources



### Outcomes

Expanded customer reach  
Enhanced customer service  
Environmental friendly branches  
Enhanced productivity and efficiency

#### OUR FOCUS

- Expansion of the branch network to 275 branches by introducing two new branches in 2018.
- No. of physical locations- 141. Branches constructed on property owned by the Company - 24. and Leased Building - 117.
- Strengthening IT infrastructure to build a robust technology platform for digitization.
- Investment in state-of-the-art equipment to enhance efficiency levels.

## INITIATIVES CONDUCTED IN 2018

### Branch Network Expansion

Our branch network is an integral part of the Ceylinco Life value proposition. Since inception the branch has remained the primary touch point for millions of Ceylinco Life customers across the country to access our products and benefit from our services. Investing in the branch network has therefore has always been a key priority for the

Company. As such, we have continued to invest in widening our branch network to ensure the Ceylinco Life footprint is well represented across all provinces and districts in Sri Lanka. Through our network of 275 branches, we have established a visible presence in Sri Lanka as the leading insurer in Sri Lanka.

Our investment strategy has evolved considerably over the last 30 years. From the early days where we set up branches mainly in large cities, today we select potential locations in hub towns that serve at least 20 neighbouring townships and an even larger number of fringe villages. We believe that a strong branch presence in these hub towns will help

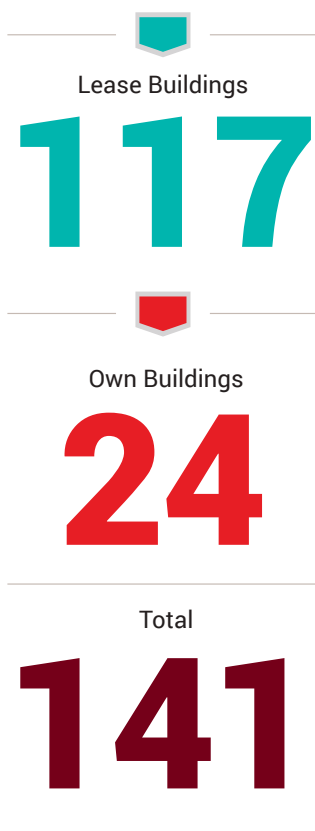
## Manufactured Capital

to maximize our reach in these areas. We have been analysing the potential for adding own branch premises to the branch network by way of analysing the premium income and potential market segments.

The return on investment of all branches are monitored on a continuous basis based on GWP targets and expense ratio.

### Building a network of branches through own premises

Our branch expansion strategy is focused on investing on our own office buildings. This strategy has two key advantages of cost-savings generated whilst increasing investment through capital appreciation of land.

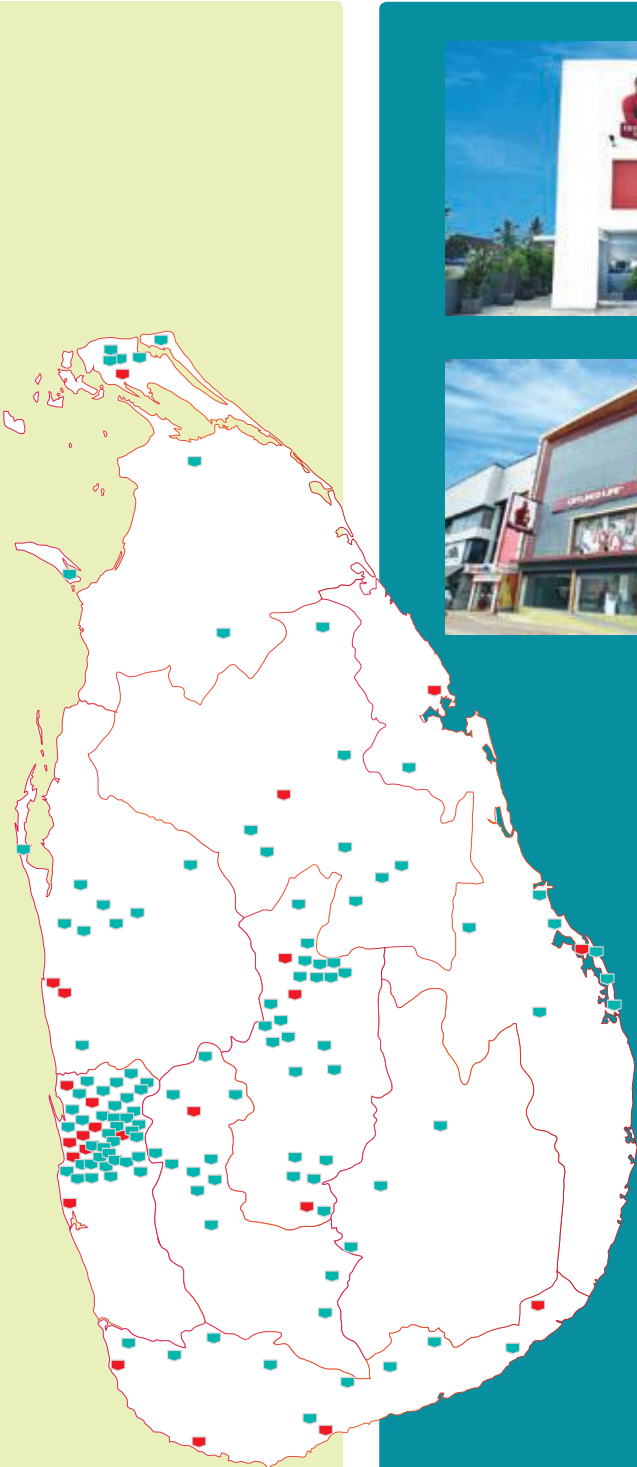


### Our expansive reach through our own and leasehold branches

#### BRANCHES

■ Akkaraipattu	■ Ja-ela	■ Negombo
■ Akuressa	■ Jaffna	■ Nittambuwa
■ Aluthgama/Beruwala	■ Ingiriya	■ Nochchiyagama
■ Ambalangoda	■ Kalmunai	■ Nugegoda
■ Ambalantota	■ Kadawatha	■ Nuwara Eliya
■ Ampara	■ Kekirawa	■ Nelliadi
■ Anamaduwuwa	■ Kaduruwela	■ Nikaweratiya
■ Anuradhapura	■ Kaduwela	■ Neluwa
■ Athurugiriya	■ Kalutara	■ Narammala
■ Avissawella	■ Kandana	■ Padaviya
■ Alawwa	■ Kandy	■ Panadura
■ Atchuvily	■ Kantale	■ Panduwasnuwara
■ Aralaganwila	■ Katugastota	■ Pannala
■ Badulla	■ Kegalle	■ Pilimathalawa
■ Balangoda	■ Kelaniya	■ Piliyandala
■ Bandaragama	■ Kesbewa	■ Puttalam/Norochchle
■ Bandarawella	■ Kirindiwela	■ Pelmadulla
■ Battaramulla	■ Kolonnawa	■ Ragama
■ Batticaloa	■ Jampetta Street	■ Ratnapura
■ Beliatta	■ Kottawa/Homagama	■ Rikillagaskada
■ Borella	■ Kuliypitiya	■ Ruwanwella
■ Boralessgamuwa	■ Kurunegala	■ Rambukkana
■ Baddegama	■ Kalawana	■ Sooriyawewa
■ Bibile	■ Kirulapane	■ Tissamaharama
■ Chilaw	■ Kamburupitiya	■ Trincomalee
■ Chunnakam	■ Kahatagasdigiliya	■ Teldeniya
■ Chavakachcheri	■ Kochchikade	■ Thambuththegama
■ Chenkalady	■ Kaluwanchikudy	■ Uragaha
■ Dambulla	■ Kilinochchi	■ Valachchanai
■ Dankotuwa	■ Maharagama	■ Vavuniya
■ Deniyaya	■ Mahiyangana	■ Veyangoda
■ Divulapitiya	■ Maho	■ Warakapola
■ Dehiattakandiya	■ Maradana	■ Wattala
■ Delgoda	■ Matale	■ Welimada
■ Elpitiya	■ Matara	■ Weliveriya
■ Embilipitiya	■ Matugama	■ Wennappuwa
■ Eheliyagoda	■ Mawanella	■ Wellawatta
■ Galgamuwa	■ Medawachchiya	■ Wadduwa
■ Galle	■ Minuwangoda	■ Wariyapola
■ Gampaha	■ Mirigama	■ Wellawaya
■ Gampola	■ Monaragala	■ Wattegama
■ Godakawela	■ Moratuwa	■ Yakkala
■ Ganemulla	■ Malabe	■ Mt Lavinia
■ Galenbindunuwewa	■ Mawathagama	
■ Hatton	■ Melsiripura	
■ Hingurakgoda	■ Manipay	
■ Horana	■ Mannar	
■ Hanwella	■ Middeniya	
■ Hettipola	■ Nattandiya	

Our branches creating landmarks of trust



Chilaw



Kadawatha



Wellawatte

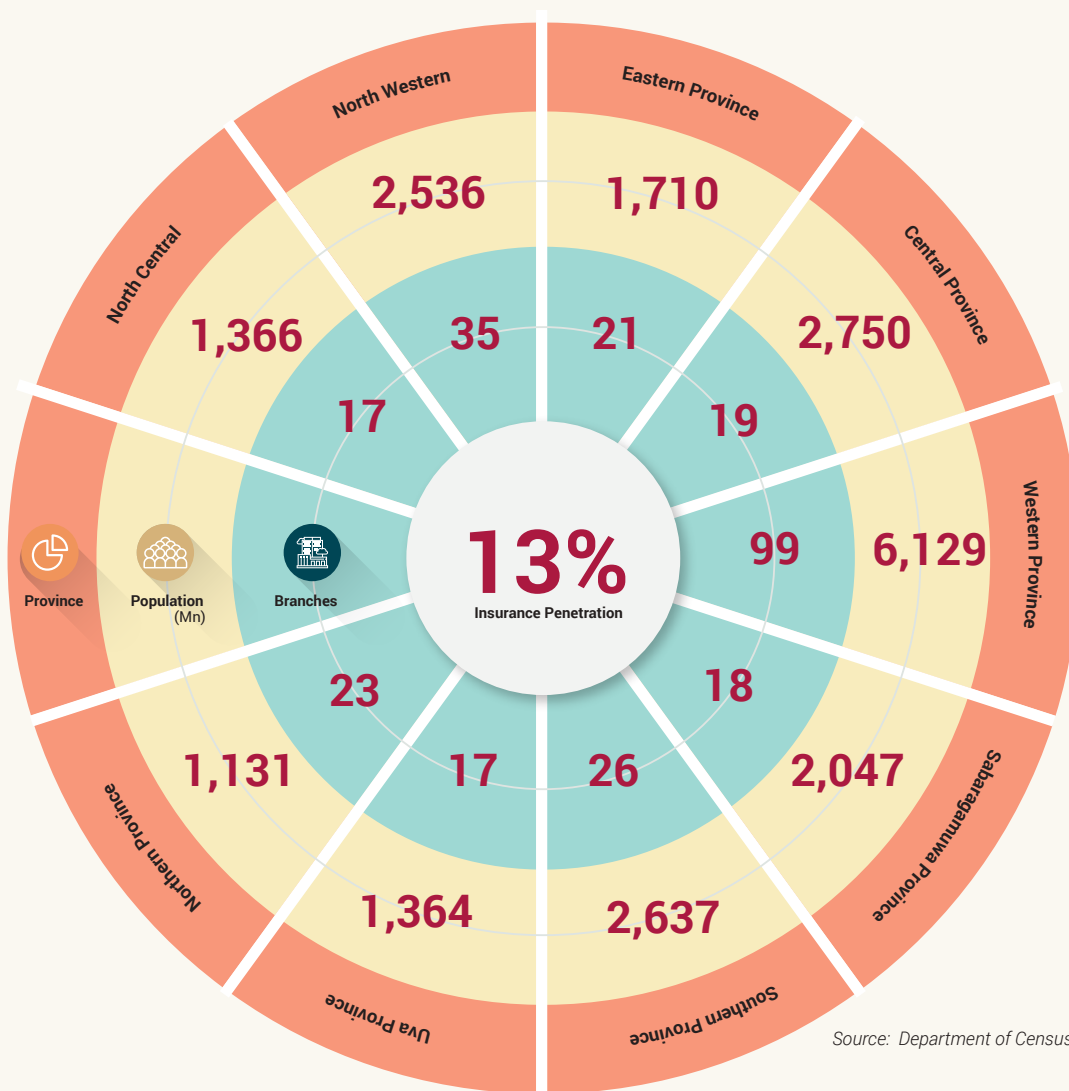


## Manufactured Capital

### Analysis of province-wise branch network with the population of each province

Driven by a mission to secure and protect Sri Lankans with insurance solutions we have established an unrivalled presence island-wide. We have analysed the population levels in each of Sri Lanka's

provinces and established branches to serve the needs of the local community. The analysis above shows that our branch presence correlates positively with populations levels in each province.



Source: Department of Census and Statistics



We strongly believe that a relationship for life cannot be built on an unstable foundation. Just as a family needs shelter with a strong and secure home, we too strive to create a strong, secure and stable platform by setting up branches on company-owned property. We also want our branches to reflect the stability and permanency of our brand. Hence our main strategy is to acquire suitable commercial real estate and construct a building to our own specification in order to house the Ceylinco Life branches in the respective areas. This creates a strong platform to establish our presence in geographical territories.

**During the year under review, the Company made the following significant investments in Manufactured Capital.**



#### Propaganda Vehicles

During the year under consideration, the Company invested in two propaganda vehicles, at a cost of Rs. 21 Million. This mobile vehicle, which carries the branding of Ceylinco Life, is used to create public awareness on the importance of Life Insurance, by providing information and carrying the message of life insurance through town storming campaigns and assists the organisations recruitment through special programs. Furthermore, the propaganda vehicle was used in our flagship CSR programs such as the 'Waidya Hamuwa Program' and Year 5 scholarship seminar. This propaganda vehicle has created a significant impact in key marketing campaigns including augmenting our brand presence when new branches are opened and shifting of branches etc.



#### Industrial Printer

Ceylinco Life invested a sum of Rs. 8.5 Million on an industrial printer with the objective of accelerating the printing process and enhance the quality of printing. This machine which used the latest state-of-the-art technology is environmentally friendly, generating a lesser carbon footprint whilst optimizing efficiency levels. Whilst giving the opportunity for the staff to work with latest equipment this printer has also enhanced the security levels of the printed material.

Company could reach to speedy printing process while ensuring security levels as well as low cost printing.



#### LED Screen

We always believe in increasing the public awareness of life insurance. Furthermore, the Company has always shared its important milestones, new products introduced, promotional activities such as Family Savari tours and CSR projects with the wider public. To enhance the dissemination of such information a LED screen was introduced at a cost of Rs. 4.2 Million.

#### Digital Environment

Facilitate branches to conduct meetings and conduct presentations using sophisticated multimedia projectors and use sub-woofers instead of using the sound system. We also provide a separate workstations for the sales officers to access information needs.

## Manufactured Capital

Based on this approach, the Kadawatha, Wellawatte and Chilaw branches were relocated to company-owned premises in 2018. And with 17% of our network now located on company-owned property, we have also benefited from the significant revaluation gains due to the appreciation in commercial property values over the past decade or so. Regardless, we have continued to make additional investments to further upgrade the profile of Ceylinco Life branches located on company-owned premises.

Meanwhile, the other 83% of our branch network is located on rented premises. Here too, in order to maintain a sense of permanency, we envisage to negotiate longer term contracts with a minimum lease period of at least 10 years.

The table below shows the details of the properties acquired and the investments made in branch network

	2018	2017	2016
Investment in new properties acquired (Rs. Mn)	191	540	134
Investment in new building construction (Rs. Mn)	58	105	85
Investment in branch upgrades (Rs. Mn)	36	37	11
Total	285	682	230

### Concept of Green Branches

In 2017, we launched a new clean energy model to ensure that all newly constructed branches run on solar energy. As part of the same effort, we also began converting existing branches (on company-owned property) towards the solar energy model.

In 2018, we also began adopting green building principles for the construction of new branches. Under this concept we have constructed Kadawatha and Chilaw branches, while the Jaffna branch construction work is expected to be completed by mid-2019.

### Investment in other capital assets

The Company invested a sum of Rs. 214 Mn in capital assets during the year 2018. This comprises Rs. 137 Mn for motor vehicles and Rs. 53 Mn for office equipment. Furthermore, the Company invested a sum of Rs. 20 Mn for computer equipment and Rs. 4 Mn for furniture and fittings. The Company closely monitors the return on investment to ensure that asset turnover is optimized.

	2018	2017	2016
Asset Category	Rs. Mn	Rs. Mn	Rs. Mn
Motor vehicles	137	115	12
Office equipment	53	41	40
Computer equipment	20	70	20
Furniture & fittings	4	11	11
Total	214	237	83

### Investment in Technology Infrastructure

With digitalization fast becoming a critical business pivot, we have continued to increase our investment in technology infrastructure as part of a focused effort to become Sri Lanka's first fully digitally-enabled life insurance company. Steps taken over the years in this regard have made it possible to introduce a host of digital value additions, most notably, the online application module for new policies and the payment of premium using the 'Easy Pay' platform.

2018 was a landmark year in which we undertook several large investments to upgrade our network server infrastructure and data center capacity in order to facilitate three large projects, namely, implementation of the e-submission module, the CRM system roll out and the SAP integration. We expect these projects to significantly enhance our system capabilities and improve the agility of our business model, in turn, paving the way for unrivalled customer outcomes in the future. The investment in IT infrastructure of the Company amounts to Rs. 20 Mn.



### Challenges

We face many challenges in finding suitable buildings to locate new branches. Furthermore, the availability of strategic locations for construction of new branch buildings is also a challenge.

When constructing our own buildings, the Company faces many challenges in completion of the construction activities to meet the scheduled timelines of completion.

The growing threat of cyber-attacks exposes the Company's IT infrastructure. In cognizance of such threats, the Company has taken the required precautionary measures to reduce such threats.



### Opportunities

Economic boom in North and Eastern provinces provides an opportunity to expand our footprint in to these areas.



### Future Outlook

As Sri Lanka's premier insurer, our aim is to increase our geographical footprint to reach out to every part of the country with the message of life insurance and retirement planning to every Sri Lankan. With our professional team, we believe that we could increase penetration levels of insurance to exponential levels in the future, thereby, creating a significant impact in increasing insurance penetration levels in the country.

With a strategic focus on acquiring company-owned buildings, we hope to realise cost savings and enhance investment value.

A strong focus on sustainability backed by green practices and energy saving measures to ensure that we protect our environment.

Leveraging technology along with systems and processes, we are geared to achieve greater growth levels through operational efficiencies. Our investment in IT will continue to enhance customer experience levels, strengthen internal controls and compliance to provide improved information to facilitate decision making.

## Human Capital

### CREATING A WINNING TEAM

40%

% of employees  
with over 15  
years of service

18.30  
hours minutes

No. of training  
hours per  
employee

92%

Employee  
retention  
rate

Rs.  
26,850

Training cost  
per employee

65

Recruitments

62

No of  
employee  
promotions

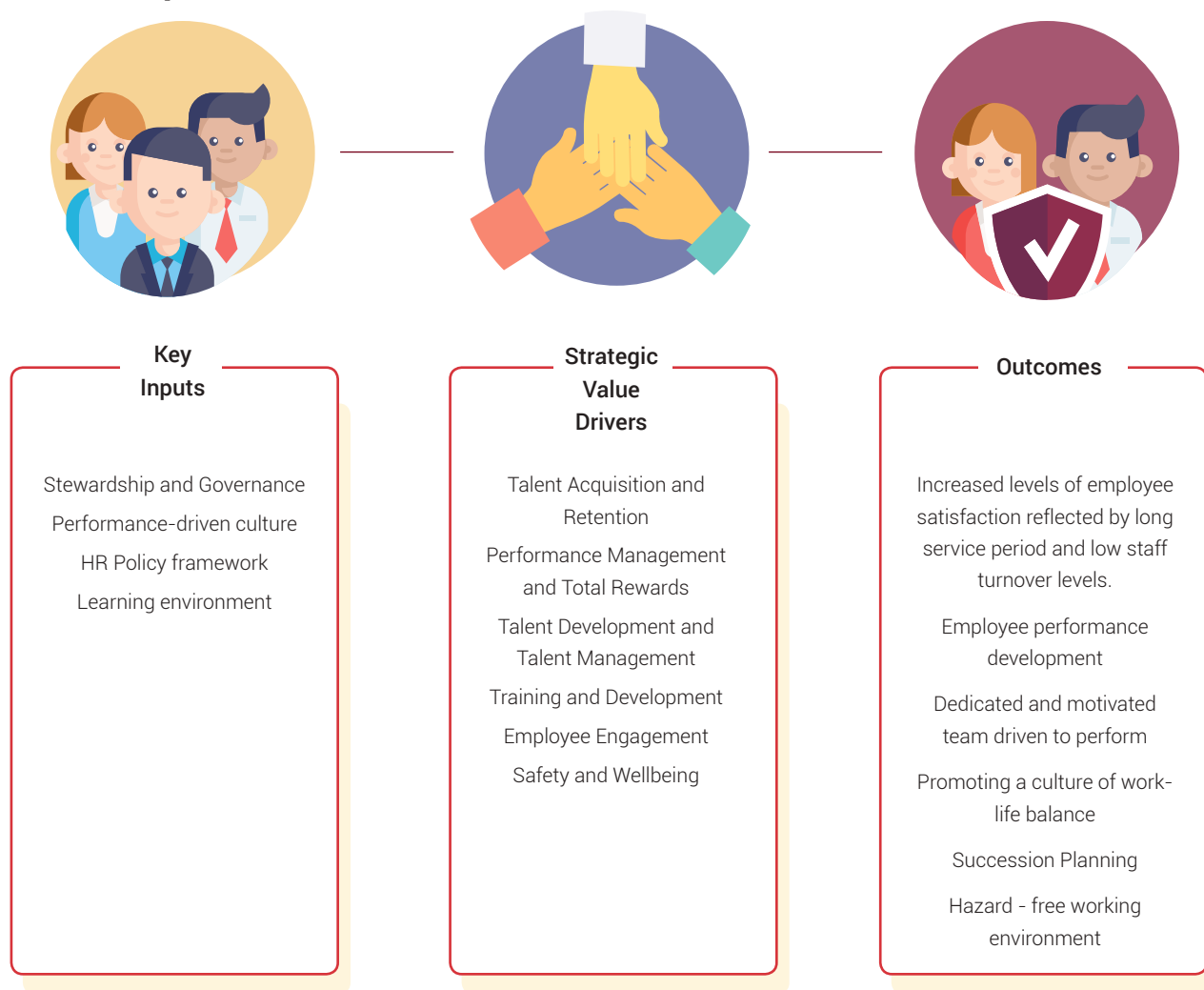
Providing a customer-centric, superior customer experience calls for a team that is agile and nimble to understand the unique needs of our policyholders.

This section examines our employees' ability to create value for the Company and how the Company creates value for them in return.



Our value creation process has been built around our dedicated and committed employees. By creating the right work environment conducive for our employees to perform at their best, we have been able to achieve sustainable and profitable growth level over the years.

## Human Capital Value Creation Model



### Employees at Ceylinco Life

Ceylinco Life made a profound impression on the hearts and minds of Sri Lankans over the last 30 years with an enduring brand presence. As a Company which has been recognised as the SLIM - Nielson People's Life Insurance Brand of the Year, for 12 consecutive years our achievements

reflect the dedication and commitment of our team consisting of 863 employees.

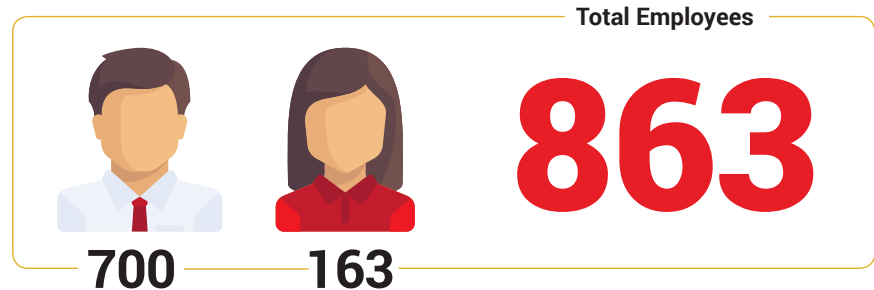
Our staff strength is unique-representing diverse gender, ethnic and generations across many categories. This holistic team is guided with a strong work ethic committed to uphold our core values - PRIDE consisting of professionalism, rewarding, integrity, dedication and excellence.

All employees of the Company are on a full-time basis.

## Human Capital

Employment Type	2018	2017
Permanent	838	865
Contract	9	7
* Special Contract	16	18
<b>Total</b>	<b>863</b>	<b>890</b>

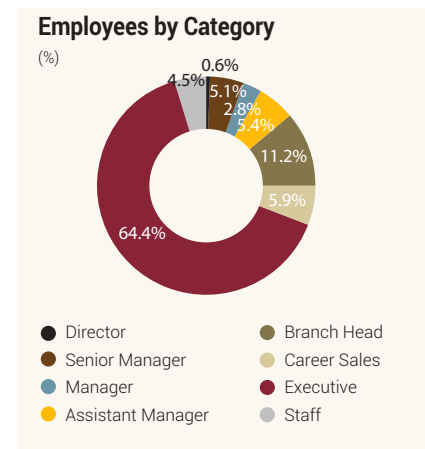
\* Employees who have been short term contracts as post retirement orientation.



### Employees by type of engagement as at 31.12.2018

The table below shows the composition of total employees based on the category and type of the employment.

Category	Employment Type			
	Contract	Permanent	*Special Contract	Grand Total
Director	-	5	-	5
Senior Manager	2	38	4	44
Manager	-	23	1	24
Assistant Manager	-	43	4	47
Branch Head	3	93	1	97
Career Sales	-	51	-	51
Executive	4	547	5	556
Staff	-	38	1	39
<b>Total</b>	<b>9</b>	<b>838</b>	<b>16</b>	<b>863</b>



### Employees By Service

The following table analyses the number of years of service of the employees categorised based on category and gender. The analysis of the employees have been sorted based on designation as province-wise analysis will not be suitable based on regional dispersion of employees.

Service	2>		3-5		6-10		11-15		16-20		21-25		25<		Total
Category	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Directors	-	-	-	-	-	-	-	-	-	-	1	-	4	-	5
Senior Managers	-	1	-	-	10	-	5	-	6	1	8	-	13	-	44
Manager	-	1	1	-	2	-	5	-	6	-	8	-	1	-	24
Asst. Manager	6	2	4	2	2	4	5	1	4	2	9	-	5	1	47
Branch Head	7	-	1	-	21	3	37	-	15	-	9	-	4	-	97
Career Sales	-	-	-	-	8	1	11	1	14	-	14	-	2	-	51
Executive	34	38	53	28	75	29	103	12	71	-	47	11	32	23	556
Staff	-	-	1	-	4	1	3	-	5	-	13	1	11	-	39
<b>Total</b>	<b>47</b>	<b>42</b>	<b>60</b>	<b>30</b>	<b>122</b>	<b>38</b>	<b>169</b>	<b>14</b>	<b>121</b>	<b>3</b>	<b>109</b>	<b>12</b>	<b>72</b>	<b>24</b>	<b>863</b>



### Employees By Gender

The table below shows the gender composition of the employees

Category	Gender		
	Female	Male	Grand Total
Director	-	5	5
Senior Manager	2	42	44
Manager	1	23	24
Assistant Manager	12	35	47
Branch Head	3	94	97
Career Sales	2	49	51
Executive	141	415	556
Staff	2	37	39
Total	163	700	863
%	19%	81%	100%

### Employees By Age

The age composition of the team is analysed below into the category of employment in the table shown below.

Age	18-25		26-35		36-45		46-55		55<		Total
Category	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Directors	-	-	-	-	-	-	1	-	4	-	5
Senior Managers	-	-	4	-	10	-	24	1	4	1	44
Manager	-	-	2	1	7	-	13	-	1	-	24
Asst. Manager	1	-	11	7	8	3	13	1	2	1	47
Branch Head	-	-	6	-	50	2	37	1	1	-	97
Career Sales	-	-	-	-	16	1	33	1	-	-	51
Executive	26	31	161	65	147	10	77	35	4	-	556
Staff	-	-	2	-	12	1	22	1	1	-	39
Total	27	31	186	73	250	17	220	40	17	2	863
%	3%	4%	22%	8%	29%	2%	25%	5%	2%	0%	100%



## Human Capital

An analysis of the employees by region according to category of employment is shown below

Category	Province									
	North	Central	Eastern	North Central	North Western	Sabaragamuwa	Southern	Uva	Western	Grand Total
Director	-	-	-	-	-	-	-	-	5	5
Senior Manager	-	-	-	-	-	-	-	-	44	44
Manager	-	-	-	-	-	-	-	-	24	24
Assistant Manager	2	-	-	-	-	-	-	-	45	47
Branch Head	7	9	7	5	12	7	8	6	36	97
Career Sales	3	7	1	3	3	3	9	3	19	51
Executive	25	37	24	27	45	25	36	20	317	556
Staff	-	-	-	-	-	-	-	-	39	39
Total	37	53	32	35	60	35	53	29	529	863

### Employees by region as at 31.12.2018

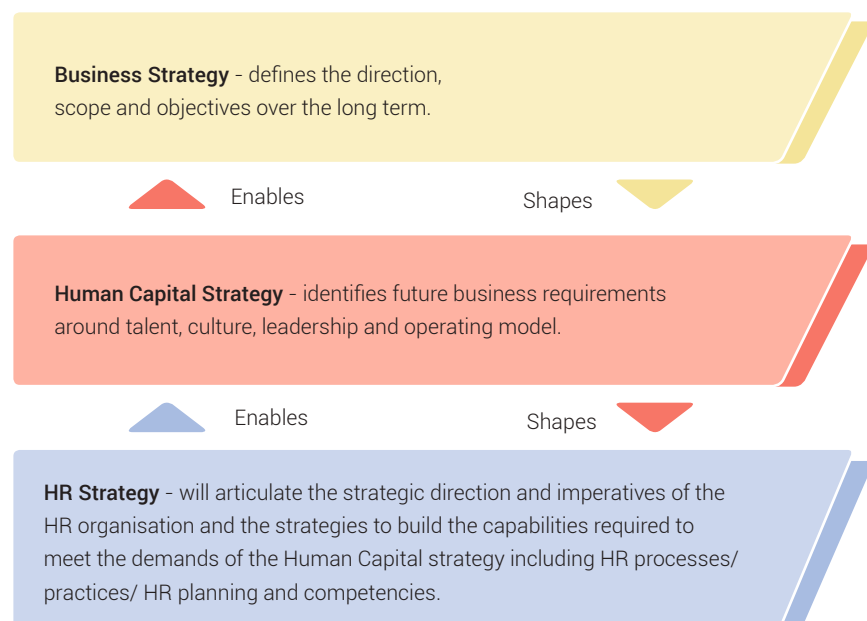
An analysis of the employees by region according to gender is shown below.



Province	Gender		Total
	Female	Male	
Central	6	47	53
Eastern	2	30	32
North	6	31	37
North Central	-	35	35
North Western	4	56	60
Sabaragamuwa	5	30	35
Southern	6	47	53
Uva	4	25	29
Western	130	399	529
Total	163	700	863

## Our HR Strategy

The HR strategy of the Company is closely aligned to our business strategy. In order to meet our strategic imperatives, we continuously focus on recruiting the right people, developing the skills and competencies of employees, providing adequate compensation, and recognizing and rewarding them. We strive to align the goals, skills, knowledge and experience of our people to the corporate strategy to create rewarding work experience for our employees.

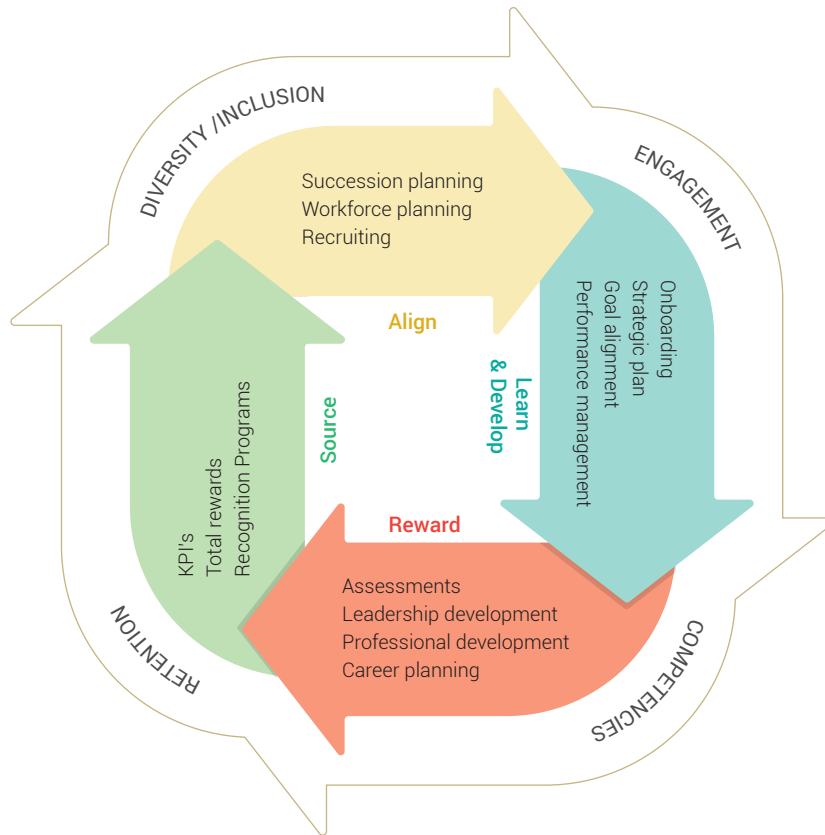


We endeavour to offer a compelling employee value proposition to reinforce Ceylinco Life as an employer of choice in Sri Lanka's insurance industry. Well-designed, transparent HR policies and procedures create a strong value proposition. Recruiting, developing and deploying the best talent in the industry have been the cornerstones of our success in building Ceylinco Life as the leading life insurer in Sri Lanka.

To maintain uncompromising standards of ethical and legal compliance, we place greater emphasis on investing in robust recruitment and training processes in order to attract and retain the best calibre of staff. To ensure that our employees remain occupied and engaged in the Company's success for the long term, we offer each and every one of our employees the opportunity to benefit from the best possible outcomes at each stage of their employment life cycle.

As a life insurance provider committed to building a relationship for life with our policyholders, we believe in hiring an employee base representative of diverse ethnicities, backgrounds and cultures to better understand the needs and expectations of our distinctive customer base.

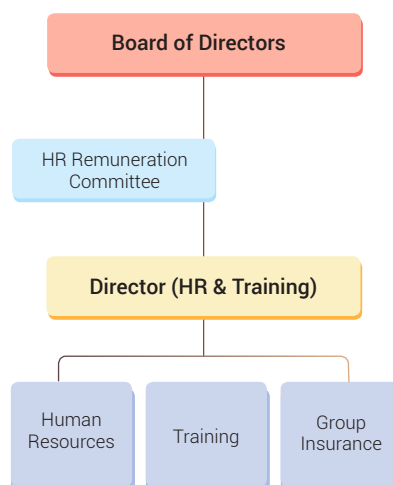
## Human Capital



The key HR functions falling under the scope of HR capital consists of HR planning, talent acquisition and retention, performance management and total rewards, training and development, succession planning and engagement.

### HR Governance Structure

The HR governance structure of Ceylinco Life strives to create a balance between the interests of employees and all other stakeholders. The Board of Directors is responsible for the HR strategy of the Company. The Human Resources Department is responsible for executing the strategies and reports to the Board of Directors on a regular basis on the progress of activities spearheaded by the HR Department.



### HR Planning

To meet the corporate strategic objectives, it is critical that the organisation possesses the right calibre of employees. Thus, HR Planning is a critical area which identifies the current and future employee requirements of the organisation to achieve strategic imperatives. Through effective HR planning and setting the HR departmental objectives at the beginning of the year, the gaps are identified thus helping the Company to achieve the corporate objectives. Gap analysis is conducted on many variables such as staff cadre gaps, skill gaps, training needs and forms the initial input for the Human Resources Department to plan and prioritize the activities of the HR Department.

### Talent Acquisition and Retention

We leverage on our strong employer brand to recruit talented individuals whose attitude and mindset are a best-fit for our corporate culture. We select people based on a combination of skills, competencies, experience and motivation, using a systematic approach to short-list candidates and conducting competency-based interviews.

### Recruitment

Our recruitment process is highly transparent with internal and external applicants being granted equal opportunity. All successful candidates are offered a remuneration package consistent with their qualifications, experience and assigned job role.

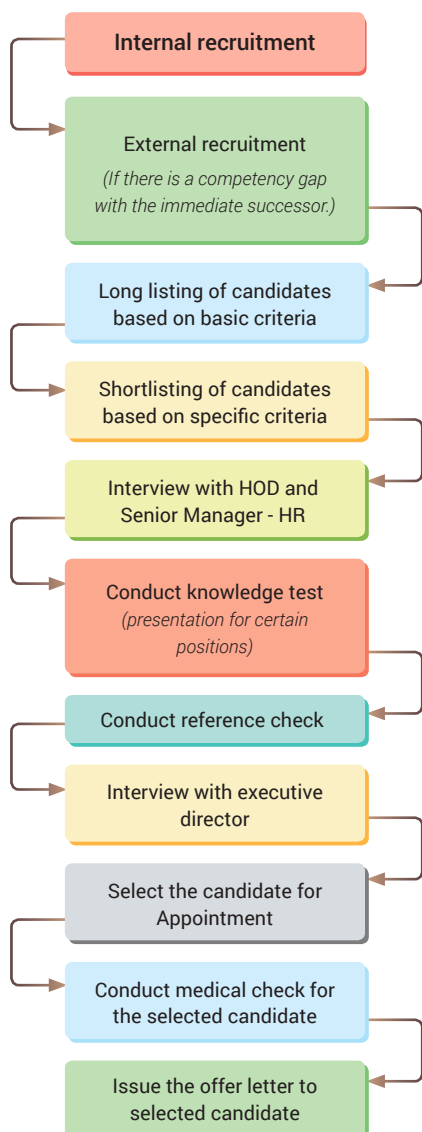
### On-Boarding

While sourcing and hiring the right candidates are important, it is equally important to ensure they have a strong on-boarding experience once they join,

as it plays a significant part in improving employee retention from the outset.

Our comprehensive induction program equips new employees with the tools that enable them quickly to become productive members of our team.

Upon completion of their induction, all new recruits are allocated to respective departments and placed under a mentor to facilitate a smooth transition to their new job role.



To increase the effectiveness of our on-boarding process, we have developed induction programmes as follows:

- **Induction by the Head of Department (HOD)** - introducing the new employee to the organisation and acclimatising to the overall organisation
- **Cross-functional induction** - depending on the position the employee is given a brief understanding of the other functions in the organisation
- **E-induction** - All new recruits need to refer the HR portal on the Company Intranet to obtain an overall understanding of the organisation's procedures. An online test is conducted within 14 days and the score is a mandatory prerequisite for confirmation of employment.
- **Quarterly induction** - A one-day programme is conducted by the HR Department for all new recruits within the first quarter of recruitment. In this induction program the Company's vision, mission and values, key functional areas are discussed in detail. This is followed by a visit to our corporate head office.

The age composition of the recruited team is analysed below into the category of employment in the table shown below.

Age Category	18-25		26-35		36-45		46-55		55<		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Managers	-	-	-	-	-	-	-	-	-	-	-
Manager	-	-	-	1	-	-	-	-	-	-	1
Asst. Manager	1	-	4	1	-	-	-	-	-	-	6
Branch Head	-	-	2	-	2	-	1	-	-	-	5
Career Sales	-	-	-	-	-	-	-	-	-	-	-
Executive	16	20	10	7	-	-	-	-	-	-	53
Staff	-	-	-	-	-	-	-	-	-	-	-
Total	17	20	16	9	2	-	1	-	-	-	65
%	26%	31%	25%	14%	3%	-	1%	-	-	-	100%

### Counselling

As part of our retention strategy, we offer counselling support to employees who are directly affected by various changes taking place across the Company.

For instance, we continue to support those affected by our digital transformation programme, by providing them with additional skills training and coaching to help them align with the new concepts.

### Performance Management and Total Rewards

Our Rewards Philosophy is built upon the principles of providing an equitable, motivating and market-competitive reward package that fosters a strong

## Human Capital

performance-oriented culture. We provide competitive and industry-appropriate benefits to all full-time permanent employees of Ceylinco Life. In addition to their basic salary, all permanent employees are typically entitled to, life insurance cover, medical benefits, staff loan facilities, wedding gift and death donations.

The company also contributes to a special retirement fund for all employees who complete 15 years of service. Commemorating the Company's 30th anniversary in 2018, an additional contribution was made to the fund on behalf of all employees who have served the Company for more than five years.

Ceylinco Life strives to ensure all employees are rewarded appropriately for their contribution towards achieving the Company's strategic objectives. Such HR processes help to foster a performance-based culture where employees are recognised and promoted based on performance. The performance incentive schemes are reviewed and refreshed annually to align with our business objectives with a clear path between performance and rewards.

The rewards and incentives are based directly on the performance of individuals, the departments in which they work, and the overall performance of the business. This process is operationalised in two distinct stages:

### 1. Setting of Key Performance Indicators (KPIs) Using the Balance Scorecard Methodology

As a first step, Heads of Department (HOD), in consultation with their teams are asked to work out KPIs for each individual employee in line with departmental targets for each year. A

balance scorecard is then used to link up departmental KPIs to overall corporate objectives.

### 2. Performance Management Programme

Our robust performance management program is executed in two cycles—the mid-year review process and the annual performance appraisal.

The mid-year review begins with each employee conducting a self-evaluation to determine their performance vis-à-vis KPIs agreed to at the beginning of the year. This is followed by a one-on-one evaluation by the respective HOD and further confirmed by the next-level supervisor. The mid-year review serves as a key lever to encourage employees to improve their alignment with the strategic objectives of the Company.

For the benefit of target-driven employees, we have set a comprehensive evaluation mechanism that allows them to continuously monitor and improve their performance against targets.

An employee's final rating is agreed upon based on results of the annual performance appraisal. The final rating serves as the basis for most of the financial and non-financial rewards. The annual performance appraisal is also the basis on which training needs are established and personal career development plans are set.

High performers identified through the Performance Management Program are rewarded with merits through our annual awards programme. Top achievers are also entitled to overseas training opportunities.

In 2018, all the employees of Ceylinco Life benefited from both performance evaluation cycles.



The long service award program is held every 4 years to affirm our commitment to recognizing and appreciating the loyalty of our employees.

These measures help to ensure employees' salary are paid consistently and continue to be based on their job value, work performance and reflect their efforts at work.



## Talent Development and Talent Management

Our talent management and talent development models are centred mainly on developing leaders at all levels of the business. Our leadership development programme focuses on developing leaders at three levels—Executives, Middle Management and Senior Management in order to safeguard every aspect of our business. As strong advocates of the “develop from within” philosophy we look to groom employees to take on leadership positions in the Company.

The training hours per employee is 18.61 hours. The table below shows the analysis of the training provided based on employee category.

	Total Training hours	Snr. Mgr	Mgr.	Assis. Mgr	Executive	Staff	Male	Female
Training hours	13,330	450	141	489	12,102	148	10,230	3,100
Training hours per employee	18.61	10.22	5.86	10.40	21.77	3.80	18.53	19.62

During the year under review, training programmes conducted in several areas. The table below shows the key areas covered through the training.

Training Type	Training Hours
Compliance	544
Functional	7,129
Leadership	32
Soft Skills	5,625
Total	13,330

## Succession Planning

We are focused on identifying, assessing and developing leaders who can execute our strategy and demonstrate the required behaviours that are key to realizing our corporate vision. Furthermore, the Company has a pipeline of 260 employees within the ages of 46 to 55 who are due to retire within the next 10 years. Thereby, suitable succession planning steps need to be addressed to fill the gaps.

The Company follows a streamlined process to ensure that there is a steady succession for positions falling vacant. As a first step, all the key job roles in the organisation are listed out and the Knowledge, Experience, Skills and Attitude (KESA) needed for each position is identified. Based on actual KESA's, the possible successors are mapped out to identify the most suitable candidates. These candidates are further evaluated to identify the gaps and the improvements to be made. First and second successors for a position are identified based on a marking scheme. A comprehensive



*"My journey with Ceylinco Life started in 1990. I played many diverse roles from being an underwriter, trainer, coach, public speaker and a marketer for Takaful & Life during my corporate journey. I reflect on my career with much fulfilment and joy as I have trained and moulded over 20,000 sales officers."*

**T N Y Morseth**  
Senior Deputy General Manager  
- Takaful / Business Development



*"I joined Ceylinco Life three decades ago as an Underwriting Assistant and steadily progressed by gaining exposure in underwriting and information systems. Ceylinco Life provided me with the right platform to grow as a professional by providing the right opportunities in training, development and career progression. It has certainly been a rewarding and fulfilling journey."*

**P P D Vasantha Hemakumara**  
Assistant General Manager - ICT/Chief  
Information Security Officer

## Human Capital

Training and Development (T&D) plan will be constructed based on the existing and expected KESAs to bridge the gap based on the expected date of promotion. This entire process is evaluated at mid-year/annual reviews with every successor given constructive feedback with further T&D.

Employees earmarked for development have access to additional training, career guidance and leadership development initiatives that improve their capacity to advance their career in tandem with the Company's growth trajectory.

As a part of their development plans, all earmarked associates also benefit from job enrichment opportunities including long and short-term assignments internally, within other departments or businesses as well as job rotation schemes that allow them to take on additional responsibilities and explore new career paths. This is also in part to ensure we have the right leaders, with the right forward-looking skills, in the right positions, at the right time.

### Training and Development

During the year 2018, the Company invested a sum of Rs. 19.1 Mn on training and development of employees. All our employees are given access to training development opportunities which enable them to be suitably knowledgeable and skilled to carry out their designated roles and to develop their talents in ways that support the Company's strategic objectives. We strive to create an environment where we encourage our employees to see learning as a continuous and ongoing process. Accordingly, we provide them with learning opportunities throughout their employment life cycle.

The Company follows a systematic process through a training need analysis which is conducted at departmental level through the performance evaluation system to ascertain training. This is conducted on annual basis at the beginning of the year. Based on this analysis the training programmes are designed, through internal or external programmes, special programmes or foreign programmes. Resources are allocated based on this training need analysis. Time and action plans are devised along with cost allocations based on this need analysis.

Furthermore, the Company places a significant emphasis on functional training to develop the operational, technical, finance, customer service, IT, and technical areas. Training on these specific areas help to enhance the knowledge levels of employees and directly help to offer a superior service to stakeholders.

The average training hours per employee indicates the level of training and development conducted by the organisation in developing the skills and competencies of our staff. On average, an employee undergoes 18.61 hours of training which is translated to Rs. 26,850 investment per employee. This shows the organisation's commitment towards the development of staff to empower them by ups-killing initiatives.

Pre and post evaluation are conducted at different stages of each training programme to assess the effectiveness of the training programme and to ascertain improvement in skills and competencies through key learnings. In the case of foreign training programmes, participants are requested to share their experiences and how they could be



Decisions regarding training and development are based on the needs of the business and the needs of employees' personal development and career progression. Hence, the HODs are empowered to nominate associates for functional training activities, with the overall development being monitored by the HR Department to maintain alignment with the annual training plan and budget.

applied to the Ceylinco Life setting, through a presentation to the Board of Directors.





A special training programme was conducted by Dhananjaya Hettiarachchi, World Champion of Public Speaking of Toastmasters International - 2014, covering leadership.

We regularly review our investment in training and development to ensure that adequate resources are being provided and that activities are delivering the required benefits to both employees and the business.

### Leadership Development

To develop and groom the next level of leadership of Ceylinco Life, promising employees with potential for further development are earmarked under three categories. These three categories emerging leaders - Executives, leadership challenge - Senior Executives and Assistant Managers and leadership development comprising Managers and above.



As part of the leadership development programme, a committed set of second level managers were provided with a comprehensive leadership development

programme with many in-house and external workshops and exercises. This commenced with an in detail pre-training evaluation and the participants were channelled through a 360 degree Leadership Survey, self-learning, class room learning, workshop, group and individual presentations and finally with the team engaging in CSR activities. As a result, most of the emerging leaders were assigned with new projects and assignments which are directly linked to the corporate strategies of 2018.

### Soft Skills Development

#### Ceylinco Life Toastmasters Club

As a Company in the service sector, we greatly emphasize the importance of development of soft skills of our employees. In order to develop our soft skills, the Ceylinco Life Toastmasters Club was formed five years ago to develop the leadership and communication skills of staff members and support their professional growth and confidence levels. The fifth installation ceremony of Ceylinco Life Toastmasters Club was held in 2018.



### Highlights of the Club

- We have been a Distinguished Club throughout the years and won the President's Distinguished award, the highest award a club can achieve.
- We have gone beyond to achieve the Golden Gavel Award as well.
- Ceylinco Toastmasters have always participated in all Toastmaster events
- Have won Area level competitions as well as Divisional ones marking our presence in the Toastmasters Fraternity.

### Employee Engagement

From our 30 years in the sector, we understand that employee engagement is critical to achieving our business strategy and vision. Fully engaged employees are more productive, innovative and satisfied in their work. As employee engagement is an ongoing process, we maintain an open-door policy, where managers at all levels are required to constantly engage with

## Human Capital

those under their purview to collect feedback on the Company's policies and business operations to make appropriate adjustments, where needed.

Staff meetings are conducted regularly to facilitate exchange of ideas and discussion. The Company intranet and informal staff gatherings promote open communication and active staff engagement.



Beyond supporting employees' career development, we also provide opportunities for them to cultivate and display their personal talents. Several annual events including the sports meet, Bhakti Geetha recital, carol service and inter-departmental quiz competition offer a range of opportunities for our staff to develop and project their inner talents.



Employees of Ceylinco Life took part in a blood donation campaign during the month of February. This campaign was organised by the Employees Union of Ceylinco Life with wide participation.



### Parental leave details as at 31.12.2018

The Company grants maternity leave as per the labour laws of Sri Lanka. Given below are the details of employees who took maternity leave.

No of employees on maternity leave	Returned to work	Not Returned to work	Returning due in 2019
9	4	1	4

### Employee Satisfaction

We continuously measure our employee satisfaction levels through feedback received at different points from employees. Such feedback is received at the point of performance appraisals, post-training evaluations and exit interviews.

Employee turnover levels or attrition is the reduction of employees due to retirement or resignations. Attrition levels reflect the satisfaction levels and health of the workplace.

During the year under review, 92 employees resigned from the Company. The age composition of the resigned team is analysed below into the category of employment in the table shown below.

Age	18-25		26-35		36-45		46-55		55<		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Managers	-	-	-	-	-	-	2	-	1	-	3
Manager	-	-	-	-	-	-	-	-	-	-	-
Asst. Manager	-	-	1	1	-	-	-	-	-	-	2
Branch Head	-	-	1	-	4	-	4	-	-	-	9
Career Sales	-	-	-	-	2	-	2	-	-	-	4
Executive	14	6	15	16	4	1	3	4	3	5	71
Staff	-	-	-	1	-	-	2	-	-	-	3
Total	14	6	17	18	10	1	13	4	4	5	92
%	15%	7%	19%	20%	11%	1%	14%	4%	4%	5%	100%

During the past three years, we have maintained a stable employee tenure. This indicates that the employees are content and satisfied with the work place. Our average employee tenure is 13 years and 5 months, which reflects a 3.2% increase compared to the previous year.

### Employee Communications & Grievance Handling

A structured grievance handling mechanism is in place and contains a set of guidelines to ensure employees receive a fair and equitable outcome for personal grievances in the workplace.

#### Action 1

Employee should forward his/her grievance to Senior Manager HR through Head of Department

#### Action 2

Preliminary investigation by the HRD

#### Action 4

The finalized action plan will be rolled out by suggested parties and monitored by Senior Manager HR

#### Action 3

Remedial action with suggestions forwarded to Head of Department for review

#### Action 5

Follow-up will be done by HOD and Senior Manager HR

To increase the robustness of our grievance handling system, we began groundwork to set up a special female care unit, "Liya Saviya", serving as a dedicated unit for female employees development, to inquire into their grievances, including sexual harassment complaints, the unit will also undertake special training activities for women.

Employee grievances can be lodged either via the union, the online help desk or through the formal grievance handling mechanism under the custody of the HR department.

### Safety and Well-being

At Ceylinco Life, we are committed to providing a working environment which promotes and maintains the well-being and good health of all our employees. Although as a service organisation, our business activities do not pose any occupational health and safety risk to our employees, we remain fully committed to the safety and security of our people. A Health & Safety Committee is appointed comprising of representatives from management and executive staff. These Committee members are well trained to execute first aid, fire fighting, evacuation and physiological assistance. During the year under review, no critical incidents of accidents were reported.

We also place great emphasis on maintaining the highest standards of hygiene in the cafeteria. Furthermore, employees have access to a fully equipped gym.

In accordance with our "zero harm to people" policy, we have implemented strict controls and emergency protocols as well as regular monitoring and safety reporting at all our premises, including the branch offices. A dedicated safety

committee provides oversight across all our premises in compliance with national safety guidelines.

We take a proactive approach to well-being with a number of mechanisms in place to promote good health amongst our people.

- We promote striking a healthy work-life balance by mandating that employees work only within the stipulated work hours between 8.30 am to 5 pm on working days. We strictly prohibit employees from working beyond 5.30pm unless special approval has been obtained from relevant authorities.
- Employees are encouraged to utilize minimum 7 days annual leave at a stretch per annum.
- 60% of the allocated annual leave has been utilised by employees. The average utilised annual leave per employee is 11 days (including brought forward annual leave).
- Managers are asked to take an interest in the health and well-being of their staff and inspire them to adopt a healthy lifestyle practices.
- The Company conducts a mandatory annual health camp for all employees.
- In 2018, the health cover was also increased for all employees over 40 years of age. Concessionary rates were offered at the Group hospital to cover health screening expenses of all Ceylinco Life permanent employees.

## Human Capital

### Fostering a learning culture

At Ceylinco Life, we promote and foster a learning culture. We recognise professional qualifications as a KPI when determining promotions and assigning staff for special projects. To encourage our staff members, who pursue courses at professional levels, we grant study leave for those who are studying for professional courses which are directly related to our business.

We believe that our staff should continuously keep updated with developments happening in the industry. To expand technical knowledge levels of our staff, we conduct knowledge sharing sessions on a continuous basis department wise. We also conduct knowledge tests and exams at department levels.

The annual Quiz Competition held among staff members, created a platform to sharpen insurance related knowledge. To broaden the skills of our staff members the Company nominates staff members to participate in conferences, workshops held locally and in foreign countries.



### Employee Benefits and Rewards

As the leading life insurer, we strive to attract the best talent to our organisation. With that objective in mind, our compensation and rewards packages are designed in a manner to be above industry standards.

All employees are provided the following benefits:

Free medical cover including family members
Free life insurance cover
Salary advances and interest free sundry loans
Distress loans
Reimbursement of housing loan interest
Wedding gift
Death donations
Funeral expenses

All staff members receive the statutory contributions of EPF, ETF and gratuity payments as per regulations. Accordingly, Ceylinco Life contributes 12% and 3% to EPF and ETF and an employee contributes 8% to EPF. All employees who complete five years of service are entitled to gratuity according to the statutory requirements on resignation or retirement.

Contribution type	2018	2017
EPF	103	96
ETF	26	24
Defined benefit plan	617	610

### Collective Bargaining and Freedom of Association

All employees of Ceylinco Life are covered by the terms and conditions of the constitution of Ceylinco Insurance Employees Union. We have a cordial and open relationship with the union by encouraging constant dialogue and discussion. We engage actively with the employee union, which represents all permanent employees of the Company. Since inception, the Company has succeeded in maintaining good relations with the union, with any concerns directly addressed at Board level. As a result, there has been no need for a collective bargaining agreement.

The Company consults the union when formulating relevant procedures and policies and has a constant dialogue by giving due consideration of their feedback.

### Diversity and Equality

As an equal opportunity employer, we strongly support the advancement of women in the workplace. We also support the inclusion of people with diverse values, motivations and capabilities, regardless of gender, age, nationality, or disability. Underpinned by our non-discriminatory approach, we encourage all our employees to become the best they can be.

There is a non-discriminatory approach in our recruitment and selection process. It is witnessed by the recruitment ratio by gender where 55% of the recruitments comprise of males and 45% females within the year.

Accordingly, we remain firmly committed to the human rights principles stated under the UN Global Compact from which stems our advocacy of the non-discriminatory approach towards employment

**Child Labour and Forced/Compulsory Labour**

As a responsible corporate citizen, Ceylinco Life does not employ any

children under the age of 18 years. The Company strictly does not follow any discriminatory practices nor engage in forced labour.

**Code of Ethics**

The Company fosters a culture of respect for human rights and values. Leaders and Managers are trained to uphold human rights always.



**Challenges**

- Approximately, 260 employees are in the age group of 46 to 55 years age category and are in the line for retirement within the next 10 years. This will create a significant vacuum in the ten years in terms at tacit knowledge.
- With millennial generations entering the work force meeting the aspirations and development goals of this segment is challenge which the Company needs to recognise.
- Poaching of trained and skilled employees by competitors is a considerable challenge.



**Opportunities**

- Ceylinco Life strives to face head-on the challenges of managing human capital using a multi- pronged approach which includes:
- Investing in developing a strong and sustainable leadership pipeline
- Strengthening employee engagement
- Facilitating greater job security by advocating the concept of lifetime employment
- Promoting diversity in the workplace
- High level of EVP maintained throughout past 03 decades.



**Future Outlook**

Ceylinco Life positions itself as the preferred employer of choice in the industry. By nurturing a strong and motivated team who possess the right skills and attitude, we hope to create a HR platform on which the Company will evolve to the next level. An engaged leadership provides based on mutual trust, respect, integrity and commitment fosters a culture of high performance.

**FOCUS AREAS**



Managing a multi-generational workforce from millennials to generation 317 (37% from workforce) employees.

Create a digitally-enabled workforce

Improve the readiness of the leadership pipeline to meet future challenges to overcome the potential skill gap that would likely be caused by the retirement of long-standing employees

**KEY COMMITMENT**



Introduce greater standardization to benchmark the latest globally accepted best practices

Provide access to relevant technological tools and necessary training to support employees to transition to the fully digitalized work environment

Enhance the specificity of the leadership development program taking cognizance of the evolving needs of the business







# ENRICHING LIVES

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The well-being of our policyholders is at the centre of everything we do. We ensure that our policyholders cherish special memories with their families. Curating priceless experiences through Ceylinco Life Family Savari - we create moments of joy that could be treasured for a lifetime.

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## Social and Relationship Capital

### Promoting relationships for life

Rs.  
**11.9**

Divident per Share

**3,625**

Total Agents

**4,260**

Family Savari Participants

**123,273**

New Policies

**24**

Waidya hamuwa projects

**05**

Class Room Development Projects

**168**

Pranama Scholarship Awardees

**1,461**  
Mn

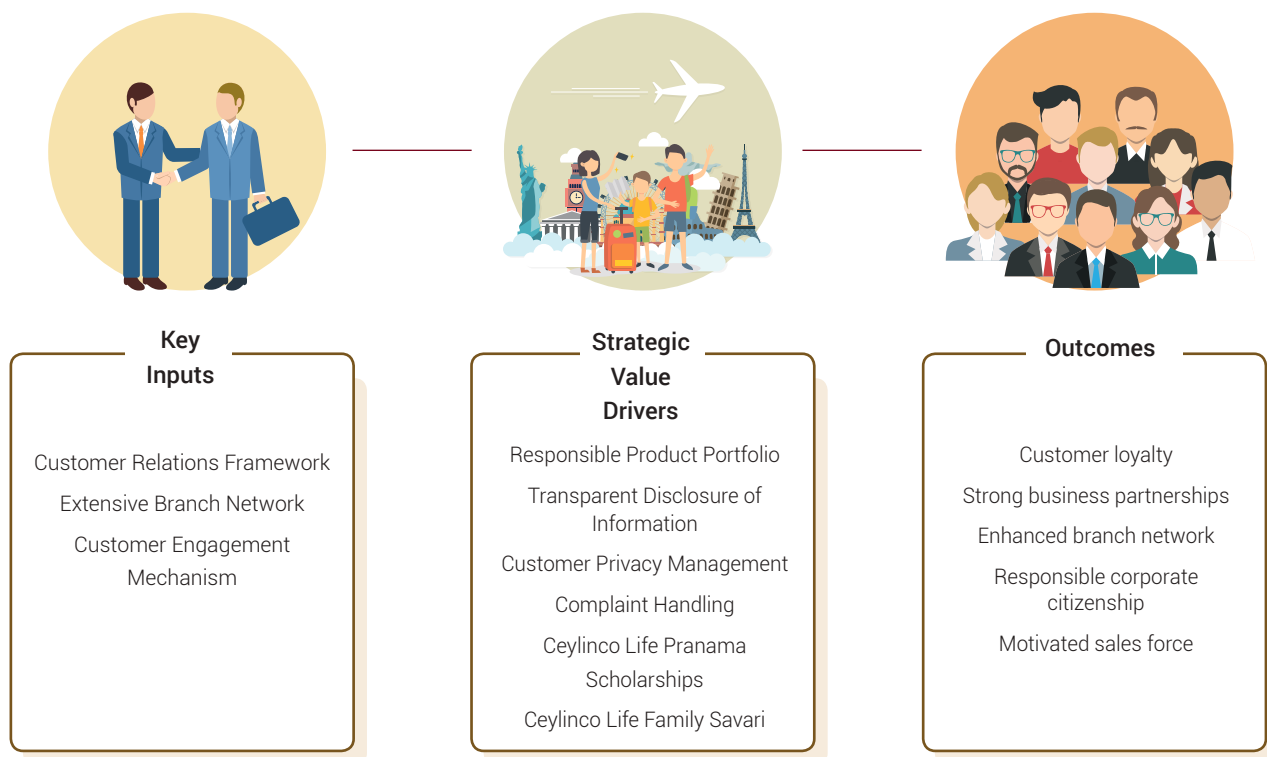
Payments to Suppliers

At Ceylinco Life, we believe that the relationships we continuously promote with our network of customers, contractual agents and the community are a strong foundation for success. Creating strong bonds with our stakeholders form the core of our business. This section delves into these win-win partnerships in detail.

## Customer Capital

With nearly a million lives covered by our extensive array of insurance solutions, we possess the largest customer base by a single insurer in Sri Lanka. With our pioneering presence in the insurance industry, we strive to protect and insure a larger proportion of our population with our insurance products.

## Customer Value Creation Model



### Our Focus

To maintain leadership position in the insurance industry by introducing innovative insurance products which will increase the insurance penetration levels of our country. With a extensive branch presence, with 275 branches spread across the island and an array of digital touch points, we aim to propagate the message of insurance.

With customer-centric products and solutions we build our products around the specific needs of our customer base, thereby, offering unique value

propositions with superior customer service levels.

- Introducing new insurance policies to cater to the evolving market needs and demographic changes.
- Adopting a market responsive approach towards the changes in the competitive platform of the industry and reacting pro-actively.
- Using technology as a lever to enhance the customer experience and speed of servicing.

- Increasing the customer touch points and use of digital touch points to connect in greater intensity and efficiency level at each touch point.
- Introducing technology to our front - end client servicing insurance agents to create speed and efficiency.
- Greater engagement with our customers through different programmes.

## Social and Relationship Capital

### Customer Capital

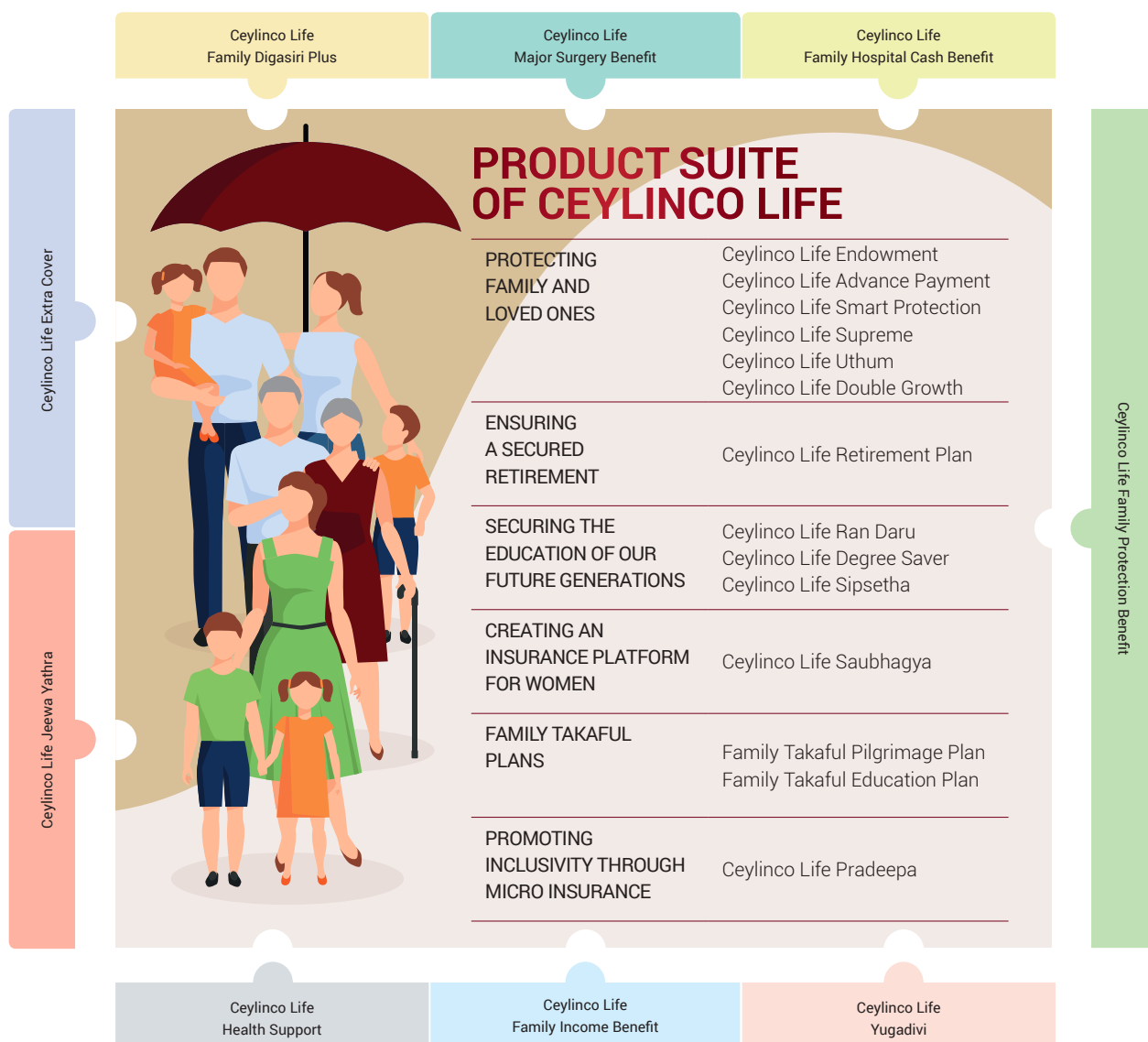
#### Overview

With nearly a million lives covered as active insurance policies, we cover almost 5% of Sri Lankans with the assurance of protection and security. Our customer base is diverse demographically and geographically. Our customers comprise of mainstream and

upper mainstream individuals within the ages of 25 - 45 years. Engaged in diverse occupations, our policyholders are family-oriented aspirational individuals who wish to protect and plan for a secure and stable future for their family members through our range of products which offers protection and retirement benefits.

#### Responsible Product Portfolio

Since inception, Ceylinco Life has reached out to over 5% of our country's population to provide them with the most reliable insurance solutions to fulfil their needs. This has been made possible largely due to our product portfolio, which has continued to evolve over the years and today is perhaps the most comprehensive and competitive within the local life insurance industry.



## PROTECTING FAMILY AND LOVED ONES

### Ceylinco Life Endowment

This unique policy enables the policyholder to customize the insurance cover. Guarantees a return at maturity. The cover can be customized based on policyholder's income.

### Ceylinco Life Advance Payment

This unique and innovative product pays advance payments regularly and the balance amount at maturity with bonuses.

### Ceylinco Life Smart Protection

Ceylinco Smart Protection is essentially a protection+ solution that offers the sum assured as well as payback of the cumulative annual premiums paid at maturity. In the event of the demise of the policyholder the beneficiaries will receive 8 times the sum assured.

### Ceylinco Life Supreme

This unique policy combines a life insurance with a significant investment. This policy provides a comprehensive life cover and optional rider covers such as critical illness, major surgery and hospitalisation.

### Ceylinco Life Uthum

Provides a comprehensive cover to the policyholder and dependents along with a free life time cover even after the policyholder receives the maturity value. The death benefit in the event of a sudden loss of life can be increased up to six times the basic sum assured.

### Ceylinco Life Double Growth

The life cover of the policy is increased by 5% to 10% each year to compensate for inflation.

## ENSURING A SECURED RETIREMENT

### Ceylinco Life Retirement Plan

A plan which enables the policyholder to build a retirement fund with personalized benefits. This is a flexible plan where the policyholder can select the period of contribution and the age of retirement.

## SECURING THE EDUCATION OF OUR FUTURE GENERATIONS

### Ceylinco Life Ran Daru

This is the only product in the market providing a high life cover to children along with educational and medical benefits. In case of accidental death, a life cover of ten to twenty times the basic sum assured is provided.

### Ceylinco Life Degree Saver

The Degree Saver product was introduced to provide parents with a education fund to enable higher education especially overseas education. This product fills a void in the market whereby a long-term education fund is provided along with protection for the policyholder.

### Ceylinco Life Sipsetha

Sipsetha is a unique plan that provides support for children during their decisive GCE Ordinary Level, GCE Advanced Level and higher studies. If a child is left without parental support Sipsetha triples the annuities and waive future premium payments.

## CREATING AN INSURANCE PLATFORM FOR WOMEN

### Ceylinco Life Saubhagya

This is specially designed for women providing a comprehensive life insurance cover and lump sum payment with attractive savings.

## FAMILY TAKAFUL PLANS

### Family Takaful Pilgrimage Plan

A plan designed to enable and support spiritual pilgrimages to Mecca. The plan has four options and additional benefits to select.

### Family Takaful Education Plan

The Family Takaful Education Plan provides financial benefits to the participants children to continue their education.

## PROMOTING INCLUSIVITY THROUGH MICRO INSURANCE

### Ceylinco Life Pradeepa

A policy for low income earners that provides adequate cover at an affordable price. A life cover of Rs. 100,000/- for a term of five years is provided at a single premium of Rs. 1,250/-.

## ADDITIONAL BENEFITS THROUGH RIDERS TO THE MAIN COVER

### Ceylinco Life Family Digasiri Plus

Covers the family against 36 critical illnesses and provides support to obtain treatment in local or overseas hospitals

### Ceylinco Life Major Surgery Benefit

Provides cover against expenses for 526 types of surgeries and benefits include annual incremental benefits and permitting policyholders to draw up to three times the value of the policy.

### Ceylinco Life Family Hospital Cash Benefit

Up to Rs. 15,000/- per day is provided to the

policyholder and his family including children over six months of age for each day spent in hospital. These claims are paid without the submission of bills.

### Ceylinco Life Health Support

Reimburses hospitalization expenses incurred due to hospitalization of a pre-agreed number of critical illnesses, major surgeries and day care surgeries.

### Ceylinco Life Family Income Benefit

The beneficiaries of the policyholder receives an annual payment for 10 years in the event of the policyholder's death.

### Ceylinco Life Extra Cover

A cover specially designed to enhance cancer treatment benefit, provided under the Digasiri plan scheme in the event the policyholder is diagnosed with cancer.

### Ceylinco Life Jeewa Yathra

In the event permanent disability prevents the policyholder from earning a permanent income Jeewa Yathra guarantees a steady monthly income. Benefits include a guaranteed lump sum payment in the event of a death due to accident or partial disability.

### Ceylinco Life Family Protection Benefit

Policyholder receives the option of enhancing the life insurance coverage for a small additional premium.

### Ceylinco Life Yugadivi

This is a special benefit offered to the spouse of the policyholder. Yugadivi enables the policyholder to extend the same cover to his/her spouse for a small additional payment.

## BANCASSURANCE

Presently, the Company has partnered mainly with Seylan Bank and Sampath Bank to offer bancassurance services. The insurance plans which fall within the purview of bancassurance are Advance Payment Plan, Endowment Plan, Sipsetha, Supreme and Uthum.

## GROUP ASSURANCE

Suraksha is a plan which provides employees within an organisation with life insurance cover in the event of a death, disability due to accident, sickness and critical illness benefits.

Decreasing Term Assurance Policies (DTAP) provide loan protection facilities in the event of the untimely death of a borrower prior to settlement of the full loan value.

The Ceylinco Life Group Retirement Plan offers a lump sum monthly payment for a group of employees employed in an organisation upon reaching their Retirement.

## Social and Relationship Capital

### Customer Capital

The core of all our products promote the concept of insurance and are structured to give customers the peace of mind that their future is secure. For instance, the Ceylinco Life Protection suite offers the ultimate protection-based solutions in the event of the untimely demise of the policyholder, while our Education Plans are designed to give parents a guarantee that the cost of their child's education is taken care of. Similarly, our retirement plans and medical plans are robust, well-thought-out offerings that provide policyholders with a range of benefits in tandem with their evolving needs.

Despite our commanding lead in the local life insurance market, we have remained proactive in our efforts to improve the market responsiveness of our product portfolio. We have continued to leverage on the relationships we have built with our customers to gain deeper insights, which have proven to be a valuable source of information towards improving our existing product USP's and also for the development of new products. In recent years, we have looked increasingly to analytics in order to more fully understand customer behaviour, their preferences, and motivations.

As part of a broader strategy to ensure we have a reliable methodology to sharpen our product strategies on a continuous and ongoing basis, we initiated a weekly data analytics program with effect from April 2018.

A cross functional team consisting of senior management representatives from Marketing, Actuarial, Technical Operations, IT and Risk units provide oversight for the development of new products as well as the process of restructuring existing products. The team relies on a comprehensive product development framework to determine the scope and scale of each product in

line with IBSL guidelines and ensures that our products do not contravene any moral and ethical obligations towards society and the environment. In addition, all newly developed products or product revision are subject to a rigorous review and testing process to determine its marketability. The approval of the board is sought for all new products and product revisions prior to their commercial launch.

#### Family Takaful

Recognizing the need to diversify our product range to be inclusive in catering to the varied needs of society, we offer Family Takaful products. Presently, Ceylinco Life is the second largest takaful operator in Sri Lanka. Ceylinco Life obtains counsel from an independent Shariah Council who have vast knowledge and experience. The Council includes a Chartered Accountant, a former ACJU General Secretary and scholars. The Company hopes to promote these products with greater intensity by increasing geographical penetration in to target areas.

The Company has developed two Takaful insurance products as follows:

#### Ceylinco Life Family Takaful Education Plan

Provides financial benefits to the participants children to continue their education uninterrupted. It also stands as an asset that could be made use of in the future for the children's higher education.

#### Ceylinco Life Family Takaful Pilgrimage Plan

A plan designed to enable and support spiritual pilgrimages to Mecca. The plan has four options and additional benefits to select.

#### Takaful Sales Force Training

Ceylinco Life provide comprehensive training for the sales force of the Takaful business, enhancing their knowledge and sharpening their skills to match business conditions today. For the new recruits,

we conduct our three-day Induction Training Program every month. The Bi-Annual Review provides an opportunity for the sales force to learn from the most successful sales members and to identify weaknesses. Customer Orientation Programs, aimed at creating awareness of our Takaful products were conducted in Welimada, Batticaloa, Valaichchenai and Kalmunai during 2018.

#### Takaful Charity Programs

During 2018, we initiated a number of Takaful charity programs, which includes class room development projects at Assenkudhoos Government Muslim College, Puttalam and Muslim College, Welimada. We also started construction of a computer lab in Noon IT Academy, Malwana. In another charity project, we selected 20 families in Matala who will be provided with sanitary and drinking water facilities.

Financial Performance of the Takaful Insurance Business is as follows:

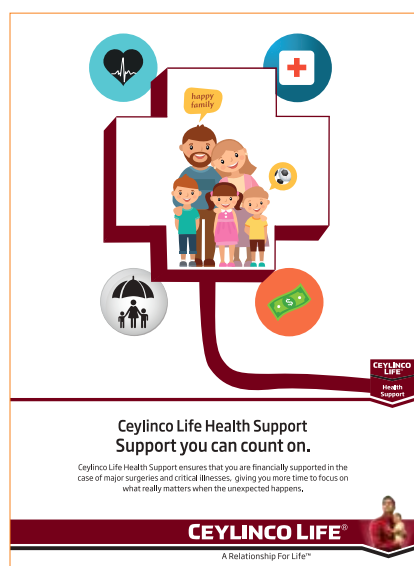
For the Year Ending 31 December 2018	Rs.000
Takaful Contribution	113,848
Transfer to ISF Fund	54,806
Transfer to Tabarru Fund	8,563
Operator as Wakalah Fee	50,479

As at 31 December 2018	Rs.000
Individual Investment Fund - ISF	164,456
Insurance Contract Liability - Family Takaful (Tabarru Fund)	19,548
Mudharabah Investments	136,830
Government Securities	56,993
Mudhraba Savings	705

## New Products Launched in 2018

The Company, recognizing the evolving needs of our policyholders, has introduced two new insurance products with many benefits. Furthermore, the Company is cognizant of the unique needs of millennial and has formulated policies targeting this segment as well.

- Ceylinco Life Health Support, is a dynamic offering developed on par with international standards offering standards with hospitalisation benefits for 34 critical illnesses and for over 500 surgeries.
- Ceylinco Life Smart Protection is essentially a protection+ solution that offers the sum assured as well as payback of the cumulative annual premiums paid at maturity. In the event of the demise of the policyholder, the beneficiaries will receive 8 times the sum assured.



## Customer Touch Points and Increasing Reach

The Company possesses the largest branch network which is spread across 24 districts of Sri Lanka. Our reach is further amplified and strengthened by our 3,625 sales staff force and bancassurance partners. Our Head Office located at Havelock Road provides a comprehensive service level and policyholders have access to a 24 hour Call Line on 011 2 461 461.

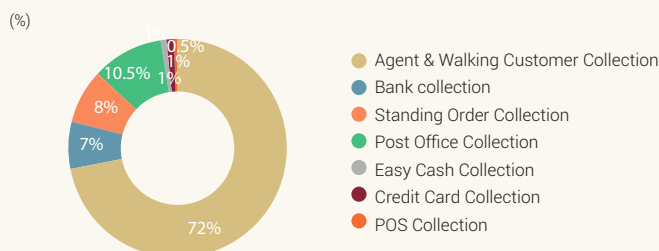
Furthermore, through our website [www.ceylincolife.com](http://www.ceylincolife.com) customers have access to a wide range of information. Furthermore, they have the ability to obtain life insurance directly through this website without the direct intervention of a sales representative.



## Premium Collection

Recognizing the customers' needs for easy and convenient payment of premiums, we have introduced several payment modes. We introduced the added convenience of premiums to be paid at the post offices which would be an added benefit for policyholders who are specially based in rural areas. This is an excellent example of the private - public partnership which derives mutually beneficial benefits. Following chart illustrate percentage of premium collection through collections channels.

### Premium Collection Channels



## Customer Relations Department

With a greater emphasis on customer service management, we have expanded our Customer Relations Department to 62 employees dedicated to enhance the service levels.

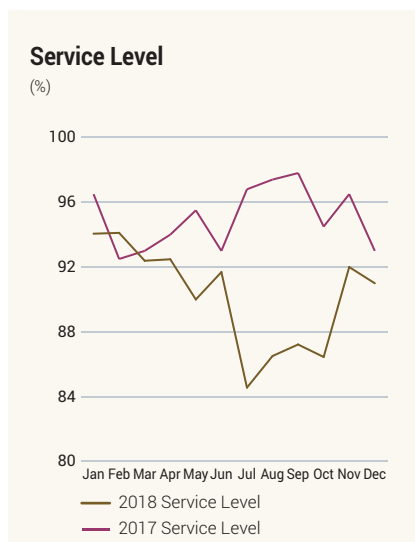


## Social and Relationship Capital

### Customer Capital

#### Service Levels

We have over the years, due to our strong commitment towards enhancing service levels, augmented customer experience levels significantly.



The following sub departments play vital role in customer relationship department.

#### Direct Marketing Unit

With the emergence of online marketing channels and increased awareness on insurance products online insurance has seen a growth. In response to this new development, the Company set up a Direct Marketing Unit (DMU) to drive the Company's sales through online delivery channels. This channel is targeted at the urban / semi-urban customer segments and Sri Lankan expatriates who would like to purchase an insurance policy online. With the growth in the per capita GDP we envisage this marketing channel to develop further in the future.

#### Sales Support Centre

The Sales Support Unit was set up in 2013 to support the Company's sales force and the branch network. The

Centre plays a pivotal role in providing a support framework for the sales agents to increase their performance levels. As a result of this Centre new business levels, payments ratios and LIMRA persistency levels have shown considerable levels of improvement. The Centre is also responsible to introduce new reward schemes and provide assistance to branches on a continuous basis. The Sales Support Centre has shown a consistent increase in revenue over the years.

#### Engaging with Our Policyholders with Campaigns and Promotions

As a responsible life insurance company, we are guided by a compelling responsibility to create a strong bond with our policyholders. During the year under review, we organized a series of promotional activities which strive to strengthen the bonds with our policyholders, enhancing the trust and relationship with Ceylinco Life. Based on the premise of "a relationship for life" - these initiatives create stronger bonds and affinity between the policy holder and Ceylinco Life.

Three iconic engagement programmes conducted have been the 'Ceylinco Life Pranama Scholarship program, Ceylinco Life Family Savari' and 'Children First Education Next.'

#### Ceylinco Life Pranama Scholarship Program

This is a unique programme which has been conducted by Ceylinco Life over the last 17 years. This program assists school children who are studying for their Grade five scholarship and Ordinary Level and Advanced Level examinations with financial assistance, thereby

giving parents financial assistance and encouraging students who excel in their examinations to pursue their dreams.

We have distributed over 131 Mn as scholarships among over 2,408 students who have graduated as doctors, engineers, lawyers serving society as responsible citizens.



CASE IN POINT

*"My father obtained a Sipsetha Insurance Policy from Ceylinco Life. My childhood ambition was to be a doctor. I was placed 1st in the Kegalle District with the best O/Level results and selected as a Ceylinco Life Pranama scholarship awardee seven years ago. At the Awards Ceremony, we were recognised as 'achievers - the future of our country'. This was the turning point in my life. These words were a source of strength as I progressed and eventually entered Peradeniya University to realise my dream. My parents were state sector employees and the Pranama scholarship paved the way to complete my education. Today as a doctor I enjoy the fruits of success of the hard work. I derive a great sense of satisfaction serving and curing patients".*

**Dr. Anjali Pathirana**  
Ceylinco Life Pranama Scholarship Awardee 2007

*(Extracted from the speech delivered at the Pranama Scholarship Awards Ceremony - 2018)*



Scan the QR Code with your smart device to watch this online.





## CASE IN POINT

*"I won the first place in the All Island Sinhala Speech Contest and the National level Sinhala Speech Contest. I wish to thank my parents, principal and the teachers for guiding me. As a Pranama scholarship winner I am grateful to Ceylinco Life for providing the moral and the financial support, helping me to excel in my academic pursuits. As a company committed to develop the future leaders of the country, Ceylinco Life has motivated and supported me with the right direction."*

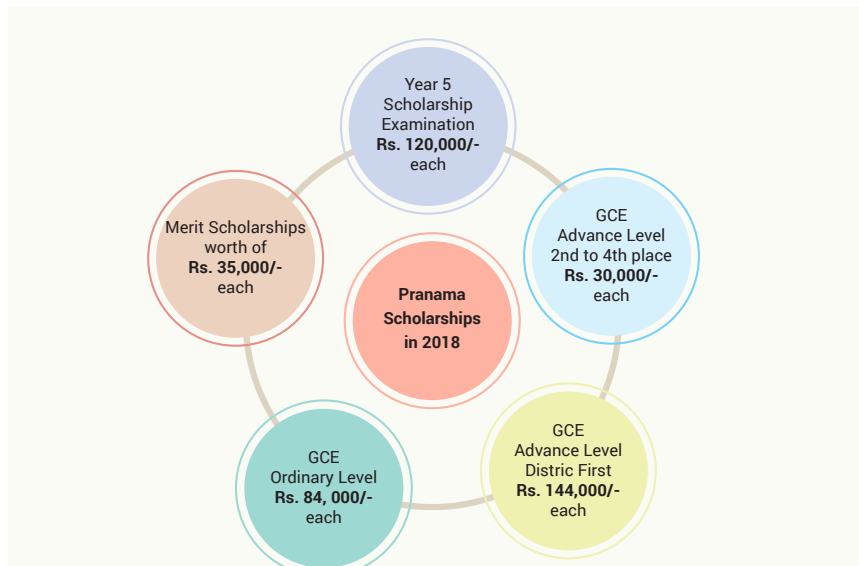
**Dishan Rashmika**

Abhayapura Maha Vidyalaya,  
Trincomalee



Scan the QR Code with  
your smart device to  
watch this online.

During the year, Ceylinco Life disbursed a sum of Rs.11 Mn as Pranama scholarships across a student base of 168 students.



opportunity to visit an all-expenses paid excursion to overseas destinations such as UK, Singapore, Paris, Japan, Switzerland, Germany and Rome.

In 2018, 65 families got the opportunity to visit Rome, China, Singapore after winning prizes at the grand draw. Furthermore, 1,000 families received the opportunity to go on a local excursion to Leisure World in 2018.

**Ceylinco Life Family Savari**

This is a signature promotional campaign which is recognised as the largest in the insurance industry. Through Family Savari every year 260 people get the once-in-a-lifetime

These activities promote family bonding while strengthening the relationship between the Company and the policy holders.



## Social and Relationship Capital

### Customer Capital



In line with the same campaign to promote bonding and unity amongst families to spend quality time, a 1,000 people comprising of 300 Ceylinco Life policyholders and their family members were treated to a day of fun at Saniro Dream Paradise, Veyangoda. This mega fun family event conceptualised, organised and funded by Ceylinco Life included magic shows, face painting opportunities, candy floss stations and surprise appearances of cartoon characters, in addition to the thrilling rides and water excursions at the park.



This opportunity was provided for new policyholders who enrolled between the months of February and April. All families were provided with transport facilities to attend this mega event. The family fun day event included an exciting draw that enabled one lucky policyholder family from Pelmadulla to win a tour to Universal Studios in Singapore. Four other families who purchased their policies from the Ceylinco Life branches at Peradeniya, Yakkala, Mahiyangana and Wellawatte won weekend packages to a Star-class hotel in Sri Lanka.

### Children First Education Next Campaign

Ceylinco Life spearheaded a unique campaign themed 'Children First - Education Next'. This campaign focused on creating awareness about the well-being of children giving them time, space and freedom by giving to think freely, spend time with family and enjoy their childhood.

As a life insurer, the Company believes that the family unit is the nucleus which provides the foundation for a strong society. The Company observed a recent trend in Sri Lanka where parents tended to pressurize children towards academic accomplishments, thereby compromising the well-being and development needs of children. This has resulted in children being pushed towards extra classes and not providing the space and the time to think and act

independently. This was communicated through powerful campaign on print, electronic, social and digital media during the months of February and March 2018 which received a positive feedback.



### Bonus to Policyholders

Sharing the success of the Company's performance, a sum of Rs. 4.4 Bn was declared as bonus by Ceylinco Life in 2018. Bonus is generally declared during the months of April and May.

### Transparent Disclosure of Information

We believe that being transparent with our customers is the cornerstone of building trust in our value proposition. Providing our customers with all relevant information that would enable them to make an informed decision regarding our products and services, is therefore seen as key priority for Ceylinco Life. All our customer communications, including our advertising and promotional material are designed to clearly display standard disclosures including the public safety clause mandated by the IRCSL. Meanwhile, the pre-launch press event held for each new product provides an opportunity to offer greater awareness regarding product features.

Moreover, in our policy document, which is a legally binding agreement between the policyholder and the Company, we apply the principles of fairness to make certain that both parties to the contract understand the same thing in the same sense. Hence the terms and conditions of the agreement are suitably documented in a manner that can be clearly interpreted in a court of law. Over and above these mandatory requirements, we continue to make improvements to our policy disclosures by taking cognizance of the feedback our agents receive from customers. One such example is the change introduced to the Degree Saver product policy document with effect from March 2017, where we began illustrating the

estimated maturity value in the policy booklet itself to give the customer a more transparent view of their maturity entitlement.

### Customer Privacy Management

We strongly believe in the responsible use of information we collect about policyholders and have implemented strict policies and procedures to protect the confidentiality and security of personal information compliance with all data security laws. This includes restricted access protocols to ensure customer information is available only to those who need it to perform their job. For instance as per our structure, sales personnel are given access to only the respective policies handled by them, while supervisory unit heads and branch heads have access to only policy numbers and cannot access personal information.

At the same time, we continue to invest in the latest physical and technical safeguards with a view to protecting the privacy of customer information. During the year we did not report any incidents of breach of privacy nor loss of data.

### Complaint Handling

At Ceylinco Life, we consider every customer complaint to be a welcome opportunity to learn and improve our service parameters. Therefore, we have given our customers the option to make a complaint by walking into any Ceylinco Life branch, in writing, via email or through our contact centre hotline. Over the years, the complaints we have received range from lapses on the part of the sales agents in collecting premium, to delayed responses to complaints made.

Seeing the need to further streamline our complaint handling and management processes and improve response times, we revamped our contact center architecture in 2018. Inbound and outbound operations were clearly segmented and new CRM software was commissioned offering contact center staff a 360 degree perspective in order to manage every stage of the customer interaction quickly and effectively. Once a complaint is received, the CRM facilitates a series of steps to ensure each complaint is reviewed and closed within the IBSL-benchmark 14-day deadline. Through the new CRM platform, we are able to expedite customer requests by following a set of pre-defined processes to manage the complete customer journey - from the initial request for information to continuous account maintenance and ongoing customer servicing. We are also able to leverage in the advanced functionality of the system to assign a unique tag for each complaint, which gives the customer the ability to track the progress of each of their complaints and requests.

**Given below are the details of complaints received and resolved during the year**

Description	Total
Brought forward from 2017	115
Number of complaints received	2,265
Number of complaints resolved in-house by the Company	2,268
Number of complaints not resolved and escalated to disputes	18
Carried forward to 2019	112



# Social and Relationship Capital

## Customer Capital

A dedicated social media monitoring agency was appointed in 2018 to handle feedback and complaints received via various social media platforms.

### Compliance

There were no incidents reported of non-conformity with regulations and

voluntary codes of conduct. Furthermore, there were no incidents reported of litigation filed against the Company for anti-competitive behaviour, breach of trust and monopoly practices. There were no substantiated complaints for breach of customer privacy and losses of customer data. In addition

there were no fines imposed for non-compliance with laws and regulations concerning the provision and use of products and services during the year. There were no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling and marketing communications.



### Challenges

The Company faces a multitude of challenges due to the falling disposable income levels due to adverse economic conditions faced. This has a direct impact on the retention of policies as well as new business penetration as purchasing an insurance policy becomes a last priority.

#### Further challenges faced include:

Maintaining retention rates of insurance policies with the present commission structure which favours a new insurance policy to be issued instead of reviving a lapsed policy.

Enhancing and creating greater awareness of insurance despite higher literacy rates.

Competitive landscape of the country



### Opportunities

With low insurance penetration levels of 13%, Ceylinco Life has an untapped market through which market share could be expanded.

Increased geographical penetration through our branch network creates a strong platform for growth.

Increasing awareness levels amongst the public on the need for a secured retirement through insurance has created a demand for such insurance plans.

The unique opportunity to leverage multiple data sources to create deeper customer relationships and to become more efficient.



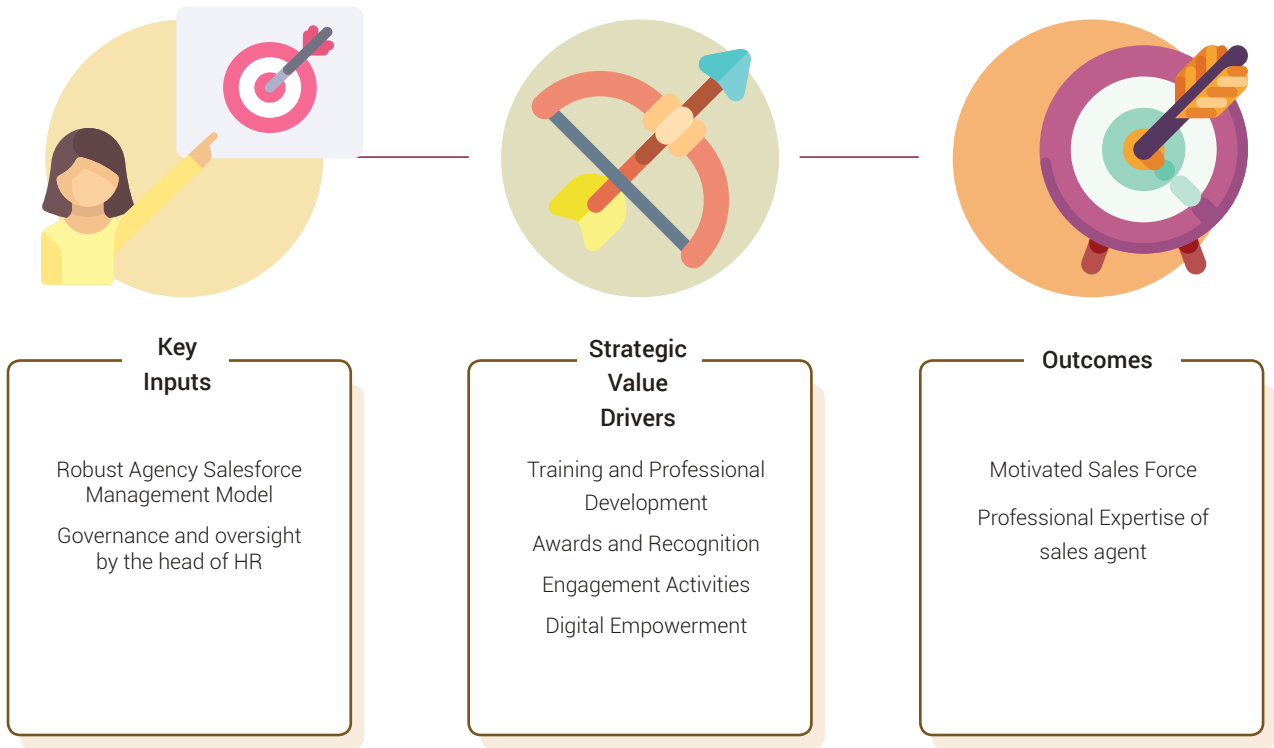
### Future Outlook

With our pioneering presence we strive to create the benchmark in the insurance industry by offering dynamic insurance solutions promoting inclusivity in insurance among Sri Lankans. Placing the interests of our customers at the heart of everything we do, we emphasize customer -centricity, and expansive geographical reach to ensure greater penetration levels of the miracle of insurance in Sri Lanka without compromising on ethical and government regulations.

# Social and Relationship Capital

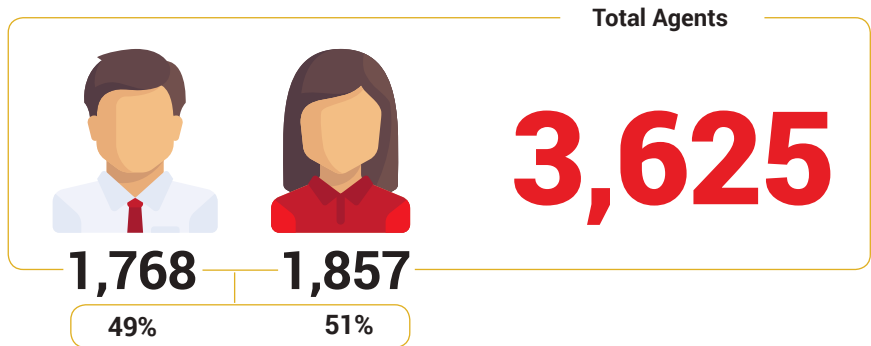
## Business Partners - Sales Agents

### Value Creation Model (Sales Agents)



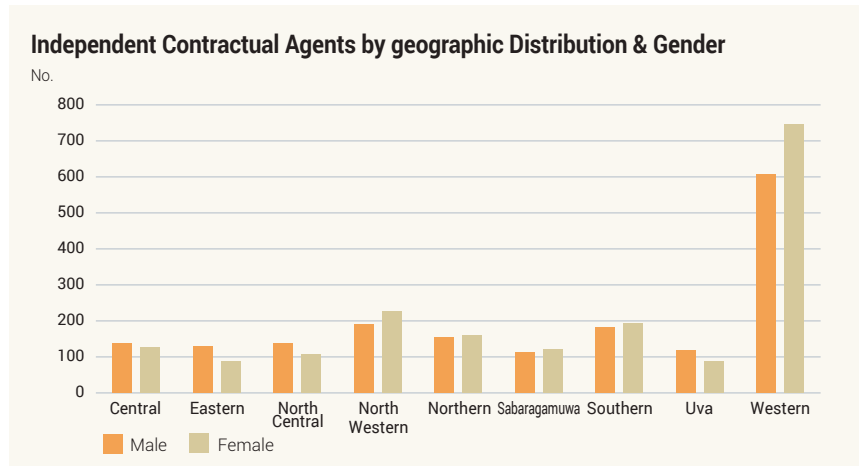
Sales agents play a vital role in the ongoing success of our business for they are the key facilitators in delivering our value proposition to nearly 1 million Ceylinco Life Policyholders. These contractual agents are the first point of contact for a prospective policyholder. Hence, the Company recognises the fact that Sales Agents should portray a professional personal to support the brand values of the Company.

We have a formidable force of 3,625 full-time sales agents who are contracted exclusively to Ceylinco Life and they are responsible for generating over 95% of the business volumes for the Company.



## Social and Relationship Capital

### Business Partners - Sales Agents



Our commitment towards building a strong, reliable sales force begins at the point of hiring. At a minimum we require all new agents to be in possession of the "License to sell insurance" issued by the IRCSL upon the successful completion of the examination conducted by the Insurance Association of Sri Lanka. Meanwhile, to further strengthen the quality of our sales force, we offer strong value proposition that promises to provide the best all-round experience for each member of our sales force. In this context, our management strategies are focused mainly on keeping the sales force motivated about the work they do and fully aligned to our corporate strategy. At the same time, we remain committed to work towards improving their earning capacity and supporting their potential for career growth. We have made a concerted effort to increase female representation in the sales force and have begun offering a structured incentive scheme to achieve this objective.

### Training and Professional Development

Training and professional development is a key component of our Agency Sales force Management model. It is reinforced right from the beginning, with all new agents required to conform to certain prerequisites, including participation in a six-day training programme followed by the successful completion of the pre-contract examination before being formally appointed as a Ceylinco Life sales agent.

Meanwhile to enable our sales force to continuously reorient their skills and live up to their full potential as dynamic value creators for the Company, we focus on providing training on core areas such as life insurance, customer service, selling policies and best management practices. We invest in sourcing local and overseas trainers to conduct these programmes on a regular basis, and at the very minimum, every quarter.

Since 2017, we have reinforced CPD as a standard benchmark for our sales force, with all agents required to submit to an annual assessment to secure a minimum CDP points in order to win bi-annual and annual competitions. We have also made it

mandatory for sales agents to record a minimum CDP points in order to become eligible for promotions as follows.

Sales Consultants 40  
Unit Heads 65  
Head of Branch 110

Name of the Training program	No of participants	No of trainings
Advance Sales Skills Course	2360	36
Orientation Program	1048	30
Basic Sales Skills Course	1166	35
Cross Road	349	34
HOB Training	211	6
Leadership Skills Course	910	33
Management Training	222	22
Sales Refresher	2506	61
Skill Sharpening	474	32
Sales Skills Course	575	17
Health Support	416	20
Know Your Product	249	10



### Million Dollar Round Table (MDRT)

The Million Dollar Round Table is a global, independent association of more than 66,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 72 nations and territories. MDRT membership is recognised internationally as the standard of sales excellence in the life insurance and financial service business.

We have in place a structured programme to assist agents who seek to qualify for the elite MDRT status. The holistic development platform for MDRTs offers bespoke training programmes, regular mentoring and exclusive access to client seminars which give potential applicants the ability to refine their sales approach in line with MDRT criteria.

Based on the 2018 criteria, we select the qualifiers for the MDRT 2019. There were 74 members who qualified on premium criteria for the year 2018. Out of them 4 are Life members and 3 Court of the Table (COT) members and 1 Top of the Table (TOT) member.

2018 MDRT Experience and Global Conference was held at Bangkok International Trade and Exhibition Center (BITEC) Thailand, from 08th to 10th February. Apart from the MDRT members, 31 non-members were selected for this conference based on their performance. 10 Business Development Managers, 3 Regional Sales Managers, 17 Head of Branches and 01 Senior Training manager was selected for this tour.

### Ceylinco Life Achievers at NASCO 2018

Maintaining our consistent track record of achievements, we produced 3 Gold and 1 Bronze Awards at the National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing. Accordingly, Messer A I P Manjula, and W K M C Wickramasinghe won the Gold Award in the Front liner category under the life insurance sector, While Anushath Samarasinghe an Assistant Branch Sales Manager took the Gold Awards in the Territory Manager category in the same sector. Mr H A Surawaera, Assistant General Manager - Sales Administration at Ceylinco Life won the Bronze award in the other sales support - Manager and above category across all sectors.



### IASL's Life Insurance Awareness Month competition

The competition was conducted by the Insurance Association of Sri Lanka (IASL) in connection with its Life Insurance Awareness Month (LIAM) initiative every September and is open to life insurance sales agents from all companies.



CASE IN POINT

*Mrs Sepalika Panagoda a Financial Advisor of Ceylinco Life was appointed as the Country Chair of Million Dollar Round Table (MDRT), the world's premier association of financial professionals for the fourth time. She was a qualifying member of the MDRT since 2008 and has been appointed as Country Chair of the Association for three consecutive years since 2012.*

*Having achieved eight Court of the Table (COT) qualifications she is qualified to be a life member of the MDRT. She has addressed MDRT members and aspirants in Sri Lanka, Malaysia, Philippines and India.*

*Mrs Panagoda joined Ceylinco Life as a Life Insurance Leader in 2004 and since then has had a successful track record.*





## Social and Relationship Capital

### Business Partners - Sales Agents

Sales professionals of Ceylinco Life demonstrated their prowess in emphatic fashion at an industry-wide competition that concluded recently, taking the top spot, half of the top 10 places and nearly a quarter of the top 100 places.

#### Awards and Recognition

The awards and recognition programme we offer our sales agents has proven to be a key motivator in driving results. We have several platforms - the mid-year and annual awards programs that offer cash awards for high achievers as well as foreign tours for top performing sales agents in the 'High Flyers' club. The 'High Flyers' club rewards are granted under four categories: Associate Member (tour to Malaysia), Member (Star Cruise to Singapore), Court of the Table (tour to China) and Top of the Table (tour to UK).

#### Annual awards

The spearheads of Ceylinco Life's remarkable growth in 2017 were recognised at a gala awards ceremony and 30th anniversary celebration at which the life insurance leader honoured 261 members of its sales. This event was held with the participation by over 1,500 sales agents, where the key performers under varying categories of Branch Head, Unit Head and Consultants were recognised. The highlight of the event at the Nelum Pokuna Theatre was the presentation of a luxury Mercedes Benz sedan and two Toyota Axio cars for the use of top achievers, another first in the local life insurance market. High achievers were also presented with overseas tours, certificates, medals and trophies.

In 2018, more than 100 contractual agents were qualified to Singapore, Malaysia, China and United Kingdom on training & vacation.

#### Mid Year awards

This is a bi-annual event organized to honour and reward the achievers for their half, yearly performance. The award winners receive plaques, medals, certificates and cash prizes. Winners are selected on designation wise such as Branch head, Unit head & Consultant and many reward categories

This year more than 350 awards were presented to appreciate and reward their outstanding performances.

#### Foreign Tours

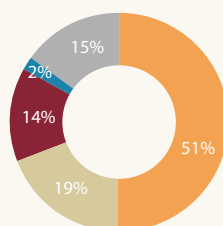
The sales agents who have excelled in their performance objectives are selected to be members of the 'High Flyers' Club'. There are four main membership titles, which are Associate Member, Member, Court of the Table and Top of the Table. The club members are awarded in the Annual Awards Ceremony with a foreign tour packages.



Tour	Selected no. of agents
Star Cruise Singapore	62
Malaysia	23
UK	17
Dubai	2
China	18

### Analysis of Foreign Tours

(%)



- Star Cruise (Singapore)
- Malaysia
- United Kingdom
- Dubai
- China

### Malaysia Tour

Associate Members of the Highflyers' Club are entitled to the Malaysian tour. This year there were 23 agents who were selected as Associate Members. The package was scheduled for 2 nights and 3 days.



### Star Cruise - Singapore

62 Highflyers' Club Members were selected for the Star Cruise tour. The package was scheduled for 2 nights and 3 days.



### China Tour

18 Court of the Table (COT) members were nominated for the China Tour. The tour was scheduled for 3 nights and 4 days and the participants were able to visit Great Wall, China.



### UK Tour

The best of the best are selected for the Top of the Table (TOT) category. 17 agents were selected for the UK tour.



### Dubai Tour

Two members were selected from the Retirement planner's club for this tour.

### Foreign Conferences

Lamp Asia Conference - GAMA International's annual LAMP Asia 2018 was held in Taiwan. This was held at Taipei International Convention Center from 13th to 15th August.

This year four members were nominated for the LAMP Asia conference from Ceylinco Life Insurance Limited.



### Engagement Activities

We have put in place a robust activity calendar to foster greater engagement and build camaraderie between our sales agents. Key highlights include the sports meet and the family outing, both annual events that continue to remain very popular among our sales force.

### Sports Meet

The sports meet is an annual event which is held for the sales team. This event fosters a team spirit, bonding and helps in developing a strong affinity towards the Company.

The sports meet was held in November at Diyagama 'Mahinda Rajapaksha' Stadium Grounds.



### Union Outing

Sales officers and their family members are encouraged to take part in this annual event organized by the Employees Union. The union outing was held in October at 'Cinnamon Bay' Beruwala.

## Social and Relationship Capital

### Business Partners - Sales Agents

#### Digital empowerment

Having understood the growing importance of digital technology as a key competitive lever, we have since 2016 been supporting our sales agents to migrate to digital platforms that would increase productivity and enhance efficiency of their service delivery. Spearheading the effort is our campaign to provide every agent with a digital tablet device, which has resulted in 75% of our sales force now being digitally empowered as at 31st December 2018.

Further complementing our digital empowerment strategy was the launch of the e-submission module in 2018. Sales agents can now access the e-submission module on their tabs, making it possible for them to submit a new client proposal online in real-time. This has helped expedite the policy approval process and resulted in faster turnaround times to the customer.

## Social and Relationship Capital

### Business Partners - Reinsurers & Industry Association

Reinsurers provide the financial strength and flexibility needed by primary insurers to maximise growth and profitability within the boundaries of their risk appetite and tolerance. Reinsurers also provide the additional financial protection required when the magnitude of the risk is too large for a primary insurer to take on. This enables the primary insurer to take on the risk, as well as to obtain more business and offer a wide range of insurance products and services to customers.

We have a long-standing association with world's top two reinsurers; Swiss Re of Switzerland and Munich Re of Germany. During the year we have partnered with the Reinsurance Group of America (RGA) primarily to do the reinsurance operations relevant to the Group insurance business.

Munich Re in Germany, founded in 1880, is the world's leading reinsurer, employing over 40,000 people worldwide. Swiss Re, based in Zurich, Switzerland is the world's second-largest reinsurer. Founded in 1863, Swiss Re operates through offices in more than 25 countries. RGA is a pioneer American reinsurance company which established 1973.

We maintain close relationships with our three reinsurers having frequent meetings to discuss matters relevant to both parties. In addition to reinsurance protection, a host of support services including disciplined underwriting, prudent portfolio management, innovative product development and staff training is provided by them.

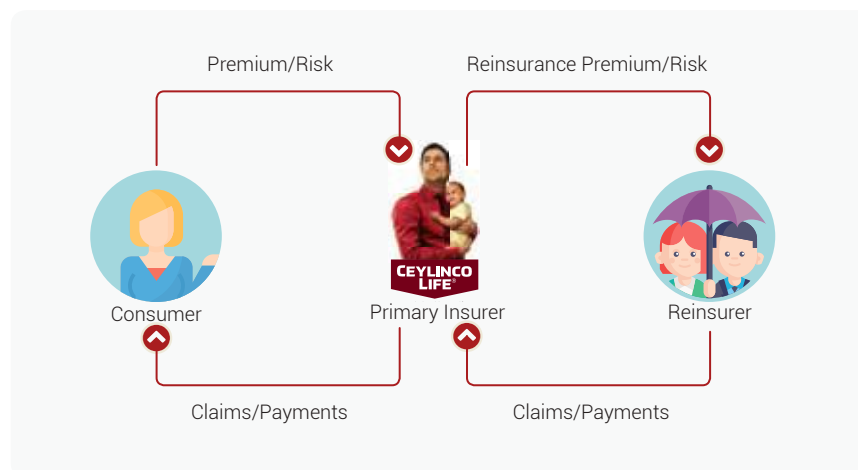
The knowledge sharing sessions with our reinsurers helps us to be up-to-date and aligned with global best practices

in terms of underwriting. This allows us to provide complete protection for insurance portfolios and better terms for customers.

There are five main methods of reinsurance; they are Facultative, Treaty, Proportional, Non proportional and Retrocession. We use three of these on a regular basis to offer optimal benefits to our policy holders:

- Facultative reinsurance is used when the magnitude of the contract is considerably large that it requires its own reinsurance (for example, when formulating a policy for an extremely wealthy life).
- Treaty reinsurance covers a large pool of similar risks.
- Proportional reinsurance allows us to divide a proportional share of risk and claims with the reinsurer.

We also purchase Catastrophe reinsurance to limit the accumulated total loss we would incur in case of natural or man-made disasters.



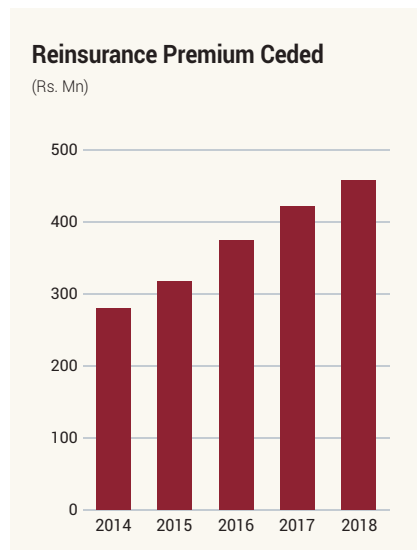
### Gross premium ceded

Ceded gross premium refers to a portion of risk in insurance policies that is transferred from the primary insurer to the reinsurer, in exchange for a predefined premium. The gross premium ceded to reinsurers during 2018 amounted to Rs. 457 Mn.

Reinsurer	2018 Rs. Mn.	2017 Rs. Mn.	2016 Rs. Mn.	2015 Rs. Mn.	2014 Rs. Mn.
Swiss Re	316	306	267	216	187
Munich Re	139	116	107	102	93
RGA	2	-	-	-	-
Total	457	422	374	318	280

## Social and Relationship Capital

### Business Partners - Reinsurers & Industry Association



#### Reinsurance Ratio

Description	2017	2018
Premium income excluding CRA and investments (Rs. Mn.)	12,301	16,591
Reinsurance gross premium ceded including catastrophe cover (Rs. Mn.)	422	460
Reinsurance ratio (%)	3.4	2.8

#### Consulting Actuaries

We have enjoyed a long-term relationship with Willis Towers Watson, a leading global advisory, broking and solutions company, obtaining actuarial advisory services covering the long-term insurance business since inception. Willis Towers Watson employs close to 40,000 people and serves over 140 countries. The Company which has

been in business for almost 200 years, designs and delivers solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals.

#### Industry Associations

##### Insurance Association of Sri Lanka

Ceylinco Life is a member of the Insurance Association of Sri Lanka (IASL) which is the representative body of the insurance industry in Sri Lanka. The IASL Executive Committee functions as the apex forum that takes up for discussion matters of relevance to member companies pertaining to the insurance industry. This forum formulates joint industry initiatives, takes up important issues that come up from the Subcommittees, and coordinates correspondence with the Insurance Regulatory Commission of Sri Lanka (IRCSL). Seven Subcommittees function under the stewardship of this Executive Committee. We actively participate through nominees in its committees and forums.

#### Memberships in Industry Associations

Member of Insurance Association of Sri Lanka (IASL)

Our nominees for IASL Executive Committee and Subcommittees are given below:

- Executive Committee: Thushara Ranasinghe  
(Alternate: Ranga Abeynayake)
- Legal Advisory Forum: Kushan Weththasinghe  
(Alternate: Saman Prematathne)

- Life Insurance Forum  
Asoka Sirisena  
(Alternate: Saman Kumara)
- Finance and Technical sub committee Ranga Abeynayake  
(Alternate: Hemantha Chandana)
- Marketing & Sales Forum Samitha Hemachandra  
(Alternate: Dhiranjan Canagasabay )
- HR Forum Sudharshana Jayathilake  
(Alternate: H.A Suraweera)
- IT Forum Upamalika Rathnayake  
(Alternate: Vasantha Hemakumara)
- Actuarial subcommittee Sujeewa Kumrappuruma  
(Alternate: Roshan Menaka )

#### Sri Lanka Insurance Institute (SLII)

Asoka Sirisena (Head of claims) holds the President post of SLII acts as the main body supporting the Insurance professionals in Sri Lanka offering management courses for further expansion of their careers.



## Social and Relationship Capital

### Business Partners - Suppliers

#### Supply Chain Management

As a critical component of our value chain, suppliers make an important contribution towards the smooth functioning of our business. Our suppliers include all entities from which Ceylinco Life sources goods and services for the development and operation of our assets and in our corporate business activities. We did not carry out any significant changes to the supply chain processes during the year.

Our supplier base consists of over 950 individual suppliers-based Sri Lanka along with few overseas suppliers who are contracted to provide specific services. All procurement is centralized and managed by the central supplies department at the head office. For ease of management, our suppliers are broken down into local and foreign supplier categories as illustrated below;

Local Suppliers			Foreign Suppliers		
Type of Supplier	No of Suppliers	Payments in 2018 Rs. Mn	Type of Suppliers	No of Suppliers	Payments in 2018 Rs. Mn
Advertising & Services	215	146	Actuarial Services	3	17
Capital Item	352	621	IT Services	8	166
Financial Services	59	59	Trainings	4	6
IT Services	37	54	Investment Related	1	4
Security Services	2	49	Reinsurers	4	67
Stationery, Postage & Material Suppliers	24	80			
Telecommunication Services	2	6			
Trainings	183	110			
Water & Electricity	18	44			
Other	46	33			
Total	938	1,202	Total	20	259

For business continuity, it is our policy to work with a minimum of 3 suppliers under each category. We do not allocate separate budgets for different supplier categories.

#### Supplier Management Strategy

We strive to build long-term collaborative partnerships with suppliers who share our values and are willing and capable of helping us achieve our corporate goals. Our efforts to build long term relationships with suppliers are based on the following principles:

- Deal with suppliers in good faith, ethically and responsibly, and make payments in accordance with agreed terms
- When all other requirements remain equal, give preference to suppliers that demonstrate a commitment to sustainably manage their business performance, with values complementary to our own
- Set clear expectations for our suppliers regarding their sustainability performance and embed its minimum requirements within supplier contracts
- Employ appropriate methods for assessing the performance of our key strategic suppliers and monitoring their progress over time
- Encourage our key suppliers to invest in environmentally and socially responsible systems to improve the sustainability performance of their businesses
- Actively engage with key suppliers and provide data and other relevant information to enable innovation and the development of products that meet our aspirations

We believe that this approach results in mutual benefit and enables us to make best use of our suppliers' knowledge and expertise.

#### Supplier Selection and Assessing Strategic Fit

We expect our suppliers to share our commitment to sustainability and to be able to demonstrate how they fulfil this commitment, consistent with our policies. This involves taking a broader view of value, to determine the social

## Social and Relationship Capital

### Business Partners - Suppliers

and environmental value our suppliers are able to offer in addition to the commercial outcomes. Accordingly, while price, quality and service levels continue to be key evaluation criteria in our supplier selection process, more recently we have begun focusing on screening suppliers to ensure that they meet the requirements of our safety, quality and environmental standards as well. On some occasion we do also conduct site visits which enables us to verify information provided by the supplier and further support our assessment.

- Price, quality and delivery
- Management capability
- Employees capability
- Cost structure
- Total quality performance, systems and philosophy
- Process and technological capability

- Environmental regulation compliance
- Financial stability
- Production scheduling and control systems
- e-commerce capability
- Supplier's sourcing strategies, policies and techniques
- Longer -terms relationship potential

#### Key Suppliers Evaluation Criteria

Supplier assessments are carried out by the central procurement unit, with all suppliers who qualify under the above criteria being registered in our supplier data base. The database is updated annually.

A markedly different process is followed for the selection of contractors for construction of buildings. These are handled on a case by case basis through a tender process. All tenders are reviewed by a specialized a cost consultant, while a special advisory panel further reviews the credentials of each contractor for compliance with ICTAD guidelines. These recommendations are submitted to the Board for final approval. In 2018 two successful tenders were awarded.

Mainly one-off purchases such as IT systems are sourced from overseas, with a strict vetting process being applied prior to the decision being made at Board Level.

#### Local Sourcing

While our procurement process is mostly centralized, there are instances when we do engage the services of small scale local suppliers with the intention of supporting local communities in and around our branch network. Local sourcing activities are limited to various maintenance and upkeep activities such as janitorial services, tea services, electrical maintenance etc.

#### Monitoring of Suppliers

We constantly monitor our procurement process by reviewing the contractual documents such as procurement contracts at regular review meetings and by carrying out site visits on a regular

basis. In accordance with our company policy of sustainability we make sure that our suppliers also adhere to acceptable environmental standards.

During the year under review there were no negative incidents reported pertaining to the supply chain.

#### Building relationship of trust with our suppliers

A significant number of our suppliers have been dealing with us for a considerable period. Through these time -tested partnerships we have built relationships of trust with our suppliers. Building on our corporate philosophy we ensure that we build relationships of mutual trust with our suppliers in the long term. At the outset of the relationship we set and define our expectations so that a solid platform is set.

#### Priorities for the Future

Going forward, our main priority is to establish a structured supplier development program to help our suppliers to strengthen their alignment with our growth trajectory. In this context, we will focus on encouraging our suppliers to invest in innovation and working with them to improve their social and environmental indicators.





Challenges

Competitors poaching agents is one of the challenges we face, as every agent represents an investment of time, finance and resources for the Company.

Decreasing unemployment rate in Sri Lanka being a positive sign overall creates a highly competitive environment in which recruiting suitable candidates for the industry becomes a challenge.

Although digitalization is mandatory and is a positive development for the industry, it has created a necessity to invest for the digital tools and a need to keep the sales force trained and updated about the using of systems and devices.



Opportunities

Selling Life insurance products to customers  
- Use digital tools to increase value in an innovative manner.



Future Outlook

- Invest in digital empowerment to drive a distinctive customer-centric service model. Through these initiatives we hope to enhance customer service and ensure that proper systems are in place to provide a superior service level.
- Increasing the technological skills and aptitude of the field sales force to use the digital platforms.
- Enhancing the professionalism and skills of the contractual sales team to enhance their skills and competencies.
- Devising suitable mechanisms to engage, motivate, recognise and reward contractual sales agents. We hope to create strong a strong bond and affinity towards the Company through these engagement initiatives.

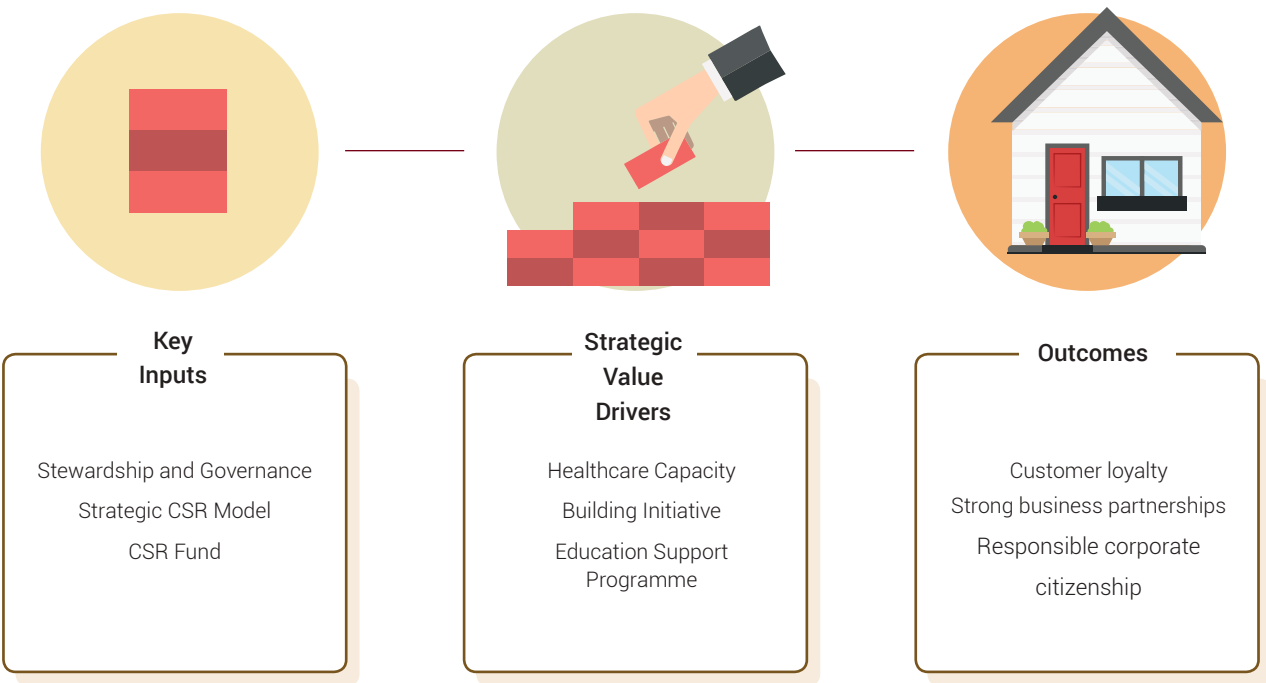
Focus Areas	Key commitment
Expedite digital empowerment of the sales force	Complete the tab deployment roll out and extend the digitization programme to cover the entire front-end. This will enable the Company to benchmark global best practices and enhance the quality of the sales force.

## Social and Relationship Capital

### Community Capital

Ceylinco Life defines its Corporate Social Responsibility (CSR) as 'The continuing commitment of the Company to create a sustainable business environment even in the remotest areas of the country through meaningful interventions in areas such as healthcare and education for needy people, while providing protection and financial security of the highest quality.'

### Community Value Creation Model



The CSR initiatives undertaken by the Company covers two main areas of health and education. As a life insurer we strongly advocate access to education and healthcare to support rural under-privileged communities. Therefore, our CSR projects mainly focus on providing infrastructure for schools and creating awareness and screening for health issues.

Having eased away from the traditional charity based philanthropic approach used in the past we have followed a Strategic Corporate Social Responsibility Model to strike a balance between being a good corporate citizen and engaging in

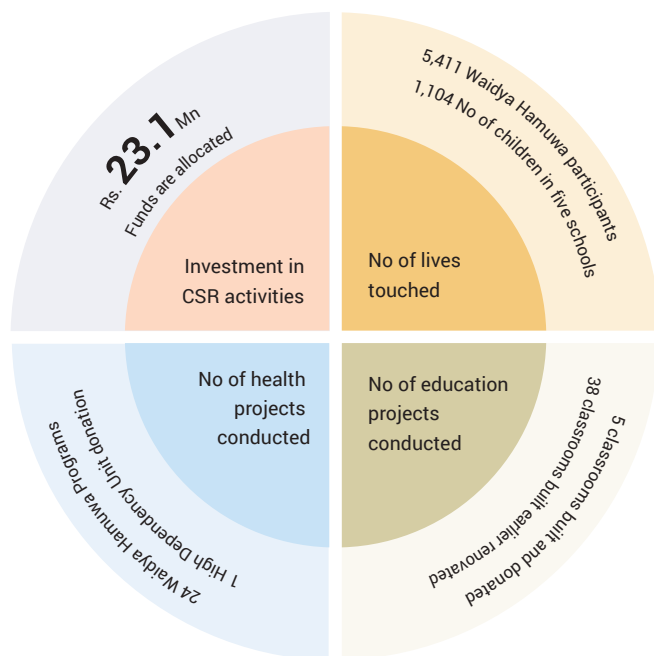
socially responsive CSR activities. In this way, our strategic CSR model has helped us streamline our social investment programme and re-direct our focus

towards potentially high-impact projects that address national priorities such as education and healthcare.

#### Corporate investment in society: a strategic approach

Generic Social Impacts	Value Chain Social Impacts	Social Dimensions of Competitive Context
Good Citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context
Responsive CSR	Transform value chain activities to benefit society while reinforcing strategy	Strategic CSR

### Our Contribution towards Community



By undertaking such projects, we seek to minimise issues arising out because of social inequalities and pave the way for continuous progress. Spearheading our efforts in this regard is the Company's CSR Fund which is managed under the stewardship of the Ceylinco Life MD/ CEO.

Synopsis of CSR projects conducted in 2018

#### HEALTHCARE

##### 'Waidya Hamuwa' - 'Meet the Doctor' programme

Recognizing the need to provide healthcare facilities in rural Sri Lanka, Ceylinco Life took steps to promote good health in rural areas through the Waidya Hamuwa programme, which provides the country's neediest with

access to free medical camps. For many of the participants, the 'Waidya Hamuwa' is probably the first-ever encounter with a qualified medical practitioner.

Waidya Hamuwa or "Meet the Doctor" is programme conducted in rural areas of the country to facilitate them to meet a doctor, undergo health screening tests (BMI, Blood sugar, Pressure, eye check and etc.) and get recommendation on further treatments.

In year under review the Company conducted 24 programmes to celebrate the Company's 30th Anniversary. At present, we have helped over 142,000 people through these medical camps which were held in more than 375 locations across the country including the 24 programmes conducted in 2018

which has benefited approximately 5,411 beneficiaries. The budget allocated for this program was Rs. 2.8 Mn.

This Medical Camp is led by a team of qualified, experienced doctors and nursing staff who are attached to the state health sector and private laboratories.



## Social and Relationship Capital

### Community Capital

Coordinated Branch	Programme Date	'Waidya Hamuwa' Location	No. of Participants
Anuradhapura	18-Feb-18	Wilachchiya	235
Kadawatha	11-Mar-18	Waboda	210
Ambalangoda	24-Mar-18	Aluthwala	295
Galle	25-Mar-18	Pilana	228
Mediwachiya	19-May-18	Wahalkada	213
Padaviya	20-May-18	Poonawa	193
Rikillagaskada	10-Jun-18	Mandaram Nuwara	298
Narammala	07-Jul-18	Halwella	208
Mount Lavinia	14-Jul-18	Moratuwa	120
Welimada	11-Aug-18	Welimada	245
Bandarawela	12-Aug-18	Soragune Primary School	220
Pelmadulla	18-Aug-18	Ganagama Temple	241
Matugama	19-Aug-18	Baduraliya Temple	160
Nugegoda	01-Sep-18	Public Library Colombo	400
Norachcholai	08-Sep-18	Talawa	212
Middeniya	15-Sep-18	Medamulana	225
Sooriyawewa	16-Sep-18	Mahamevnawa Asappuwa	260
Dankotuwa	17-Nov-18	Dankotuwa	210
Balangoda	18-Nov-18	Kaluthota	200
Anuradhapura	26-Nov-18	Anuradhapura Town	238
Monaragala	08-Dec-18	Siyambalanduwa	165
Ambalantota	09-Dec-18	Ranna	280
Nikaweratiya	12-Dec-18	Nikaweratiya	205
Dehiattakandiya	15-Dec-18	Dehiattakandiya	150
Total			5,411

**Experience shared by a doctor who participated in the medical camp:**

"We have met many people in these programmes in the remotest of part of the country who have come to meet a Professional Medical Practitioner for the first time in their life. Recently at one of the programmes held in a rural town of Wahalkada, Padaviya in Anuradhapura District, a beneficiary mentioned that she has undergone an Electrocardiogram (ECG) test for the first in her life at the age of 46".

### **Donation of a Surgical High Dependency Unit to The Colombo South Teaching Hospital, Kalubowila,**

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

The company purchased beds and required equipment and installed the equipment in a location provided by the Hospital. This unit is a scaled down version of an ICU. Ceylinco Life is also responsible for the maintenance of the HDU including the upkeep of the ward and equipment.

This HDU is located in Ward 24 and has a Ger Floored (Anti - Bacterial), four ICU beds, six syringe pumps, two infusion pumps, a patient warmer, a blood or fluid warmer, two DVT pumps, a piped medical gas system for the four beds, two portable ventilators, four cardiac monitors, a central monitoring station.

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



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

**Aloka Pathirana**  
Prof. in Surgery, University Surgical Unit  
Colombo South Teaching Hospital

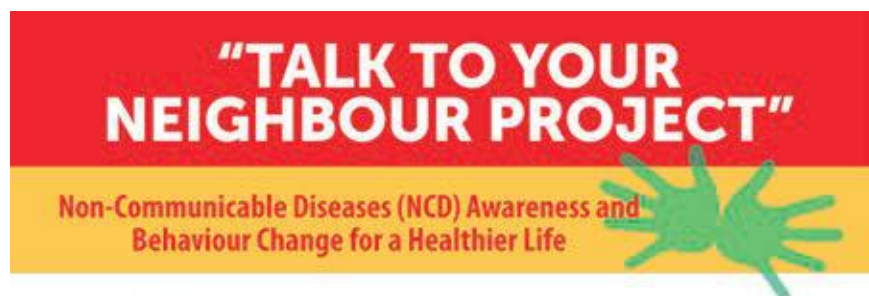
#### CASE IN POINT

### **"Talk to your neighbour" campaign to raise public awareness on Non-Communicable Diseases (NCDs)**

As part of a broader strategy to support the national effort to combat the rising threat of NCDs in Sri Lanka, Ceylinco Life Collaborated with the College of General Practitioners - Sri Lanka, Diabetes and Cardiovascular Disease Initiative, Community Development Services, Health & Education Ministry and Ada Derana - 24 for a unique awareness building campaign entitled "Talk to your neighbour", which seeks to address the emergence of NCDs in Sri Lanka by raising awareness at the school-level. In Sri Lanka, Non-communicable diseases (NCDs) cause more than three-quarters of all deaths and nearly 1 in 5 people die prematurely from NCDs. One out of three people have raised blood pressure, and obesity among adults is of concern. Our food habits is such that the consumption of salt and sugar is known to be high.

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

The project was piloted across 10 selected schools in the Western Province, with students being provided training on how to use their extra-curricular activities (drama, art, music, debating skills) as a platform to raise awareness regarding the rising threat of NCDs among their peers and the wider community. In addition, several awareness champions were appointed within the selected schools, to design appropriate message boards and develop interactive programs to raise awareness and reinforce the importance of NCD prevention, among their teachers and peers. Cascading from this, some of the schools organized awareness talks, others conducted poster campaigns and performed dramas, while a few held dansal programmes for the public or inside the school in order to promote healthy food choices. One particular school organized a seminar on "Say No to Smoking; Stop Alcohol Consumption" in partnership with the National Cancer Prevention Unit and another school held a Program on Risk of Alcohol consumption and how it affects the families' mental health in collaboration with the Narahenpitiya Police Narcotic Division. A mass media campaign was driven by Ceylinco Life to improve public knowledge on the subject of NCD prevention.



#### Main Stakeholders





## Social and Relationship Capital

### Community Capital

This project created a significant impact by increasing awareness levels on NCDs and creating positive behavioural changes. As a result, we witnessed the following positive action initiated by the schools participating in this campaign. These actions will have a far-reaching and sustainable impact in creating tangible change.

- Creating dietary changes within the participants by switching to healthy eating options.
- Some of the schools changed their canteen food menus by serving healthy meals.
- One school initiated a BMI check amongst the students to create awareness.
- Most schools formed Nutrition Food Clubs and other clubs to promote healthy eating habits.
- Organized awareness walks to visit and educate general public about NCD's.
- Poster campaigns, dramas and 'dansal' programmes distributing healthy meals.

### Education Support

#### Classroom Development Project

In Sri Lanka, a vast majority of children are dependent on free education provided by state schools. Ceylinco Life identified that many remote areas lacked the basic infrastructure and facilities. We leverage on our vast network of branches across the country to identify prospective schools for development. Once a particular school has been earmarked for development, we undertake to design and contract a 20'X20' classroom for the school. These classrooms are designed in way that it can be used for a multitude of purposes.

The Company monitors the progress of the construction of the class-room and disburse funds at the completion of each stages.

During the year under review, the following five classroom buildings were constructed at a cost of Rs. 2.5 Million.

Ceylinco Life Donated classroom number	School & Region	District	Coordinated branch	Opening Date
70th Classroom	Sampoor Sri Murugan Vidyalayam Sampoor Mutur	Trincomalee	Trincomalee	02-Feb-18
71st Classroom	Ga/ Welideniya Kanishta Vidyalaya, Welideniya Wanduramba	Galle	Baddegama	27-Nov-18
72nd Classroom	NK /Kirinda Vidyalaya , Nikaweratiya	Kurunegala	Nikawartiya	28-Nov-18
73rd Classroom	Hulandawa Dakuna Maha Vidyalaya, Hulandawa , Monaragala	Monaragala	Monaragala	29-Nov-18
74th Classroom	A/Konketiyawa Vidyalaya, Bogahawawa	Anuradhapura	Padaviya	30-Nov-18



*"The 20 x 20 classroom donated by Ceylinco Life is being used as the Dance classroom. Earlier music, dance and other extracurricular activities were conducted in one shared area, now we are happy to receive this separate classroom as this doesn't affect the academic studies."*

**K M Sarath Kumara**  
Principal (S I P S) - Moneragala

CASE IN POINT

### Renovating of classrooms donated in the past

To mark the Company's 30th Anniversary celebrations, Ceylinco Life decided to renovate / re-paint the classrooms donated over the years. At the beginning of the year, in 2018, Ceylinco Life had donated 70 classrooms. We requested the respective branches located within the vicinity of these schools to inspect the classrooms and initiate the painting. The Company provided the paint for these projects and the painting work was done by the branch staff as a 'shramadhana'. This created a spirit of volunteerism and camaraderie amongst the branch staff. By the end of 2018 we managed to complete the re-painting of 38 classrooms. We also attended to renovations such as roof repairs.

The specialty of this project is that the Ceylinco Life branches were active participants in the this painting and 'shiramadhana' work.



CASE IN POINT

*"We have 200 students in our school. Due to lack of space and proper classroom facilities four classes are conducted within one hall. Some of us have our classes under trees. We will never forget this initiative by Ceylinco Life. This has motivated and encouraged us to study well and be productive citizens."*

**Sisindi Navodya**  
Student  
Welideniya Kanishta Vidyalaya

*'On behalf of the entire school I wish to express my sincere appreciation to Ceylinco Life for creating a conducive environment within our school by constructing the classroom. You visited our school on 16th November 2018 amidst your busy schedule to paint and renovate the classroom which was constructed by you. We thank you for your commitment and dedication to uplift the education standards of our school.'*

**R A S Premakumara**  
Kalaththuwewa Maha Vidyalaya,  
Anuradhapura.

CASE IN POINT



## Social and Relationship Capital

### Community Capital



#### Challenges

Identifying deserving schools which need the classrooms is a challenging task. Since the Company is spending its resources, we carefully scrutinize and assess the schools which are in need of such facilities.

Identifying deserving rural areas for Waidya Hamuwa projects and conducting medical camp is another challenge we face.



#### Opportunities

With the Company initiating CSR projects within rural areas the Company and its staff are exposed to new communities. This creates an opportunity for the staff and the Company to engage and build a rapport directly with communities.



#### Future Outlook

The company hopes to revamp the design of the classroom for its future projects. Further, it hopes to create more details and conduct a detailed evaluation process to identify the deserving schools.

## Social and Relationship Capital

### Investor Capital

Investors provide us with the capital required to conduct our day-to-day business operations and their continued support is vital in sustaining our growth momentum in the long term. Hence, we remain fully committed to continually enhance investor returns by maximizing corporate value over the medium to long term.

Since being carved out as Ceylinco Life in early 2017, we have remained a fully-owned subsidiary of Ceylinco Insurance PLC. We strive to meet the expectations of our parent company by generating consistently higher profits to enable us to increase the dividend paid. This is achieved through our dynamic business management strategies, combined with prudent risk taking underscored by strong governance. In line with our policy to render fair and equitable returns to our sole shareholder, we strive to maintain ROE of 21.93% and a minimum dividend payout ratio of 10.27% annually.

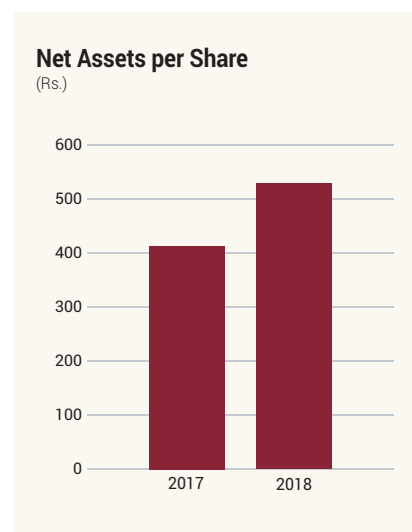
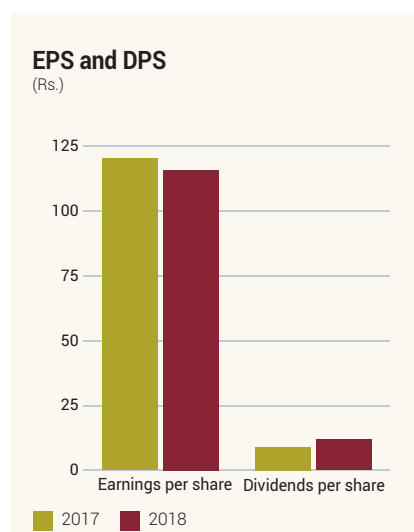
#### Dividend Policy

Our dividend policy is based on providing a fair dividend to the shareholder and the Company. Therefore, whilst maintaining a healthy dividend payout ratio, we ensure that adequate funds are maintained to meet solvency requirements of the Companies Act No 07 of 2017.

#### Dividends

The Ceylinco Life Board having declared a Dividend of Rs. 11.9 per share for the year ending 31st December 2018, made a Dividend payout of Rs. 595 Mn to Ceylinco Insurance PLC, the Company's sole shareholder.

An optimal balance is between dividend payment and retention is maintained to ensure shareholder wealth maximisation.



#### Returns to Investor

	2018	2017	YoY Growth
Profit for the year (Rs. Mn.)	5,794	6,011	-3.6%
Return on equity (%)	21.93	34.97	-37.3%
Net Assets per share (Rs.)	528.51	412.94	27.99%
Earnings per share (Rs.)	115.89	120.22	-3.6%
Dividends per share (Rs.)	11.90	9.00	32.2%
Dividend payout ratio (%)	10.27	4.75	116.2%
Dividend cover (Times)	9.74	13.36	-27.1%

## Social and Relationship Capital

### Investor Capital

#### Economic Value Added

This is a measure of our performance focused more on value creation for our shareholders rather than just the accounting profits. Through efficient use of capital and higher profits we have delivered increased returns to shareholders over the years. We also focus on strengthening our capital management model in an effort to sustain a year-on-year increase in the Economic Value Added (EVA) as per our shareholders' expectations.

Year ended 31 December	2018 Rs.000	2017 Rs.000	2016 Rs.000
<b>Invested equity</b>			
Shareholders' funds	22,969,401	17,190,714	11,911,829
Add: cumulative loan loss provision/provision for impairment	-	-	-
Total	22,969,401	17,190,714	11,911,829
<b>Earnings</b>			
"Profit after tax and dividend on preference shares"	5,794,289	6,011,241	3,079,041
"Add: Impairment provisions and other losses"	-	-	-
Less: Loan Losses Written Off	-	-	-
Total	5,794,289	6,011,241	3,079,041
Cost of equity (based on 12 months weighted average t-bill rate plus 2% for risk premium) (%)	11.11	12.05	11.92
Cost of average equity	2,551,900	2,071,481	1,419,890
<b>Economic value added</b>	<b>3,242,388</b>	<b>3,939,760</b>	<b>1,659,151</b>



### Challenges

The company faces many challenges in the identification process schools which are in need of such class room upgradation needs. Further, choosing the most deserving schools for this project is another challenge the Company faces.

Implementation and supervision of the construction process in terms of filling the BOQs and obtaining payments after the completion of each process.



### Opportunities

Positive economic value generating from operations and the Company's healthy capital based ensures the capital adequacy requirements, so that investor will be benefited with future earnings,



### Future Outlook

We will stay focused not only on meeting but exceeding the expectations of our parent company in the year ahead. In doing so we will continue to execute our business strategies to generate higher profits, while strengthening our capital base in order to consistently improve our medium to long term financial outcomes.

## Natural Capital


### Taking the lead in green initiatives



At Ceylinco Life we embed strong sustainability considerations into all aspects of our business activities. This section explores the strong social and environmental sustainability interconnectedness we try to develop through our 'Go Green' initiatives.

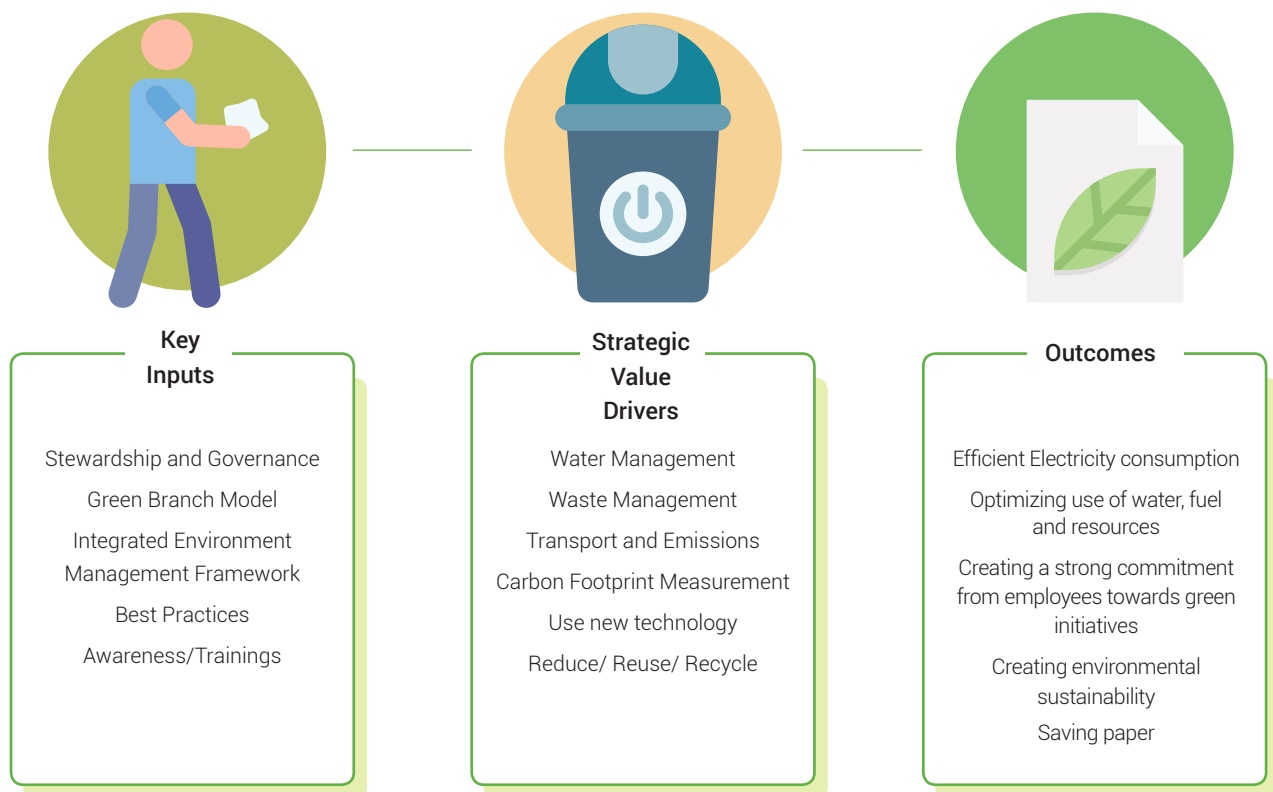
Natural Capital encompasses the natural resources of the earth consisting of water, soil, earth and oil. Our environmental management system is focused on energy conservation, reduction of carbon footprint, optimization of water usage and efficient waste management. As a responsible corporate citizen, we are committed to use our natural resources of the earth in a sustainable manner to ensure that it is preserved for future generations whilst achieving the Sustainable Development Goals (SDGs).

### A strong commitment towards green initiatives

 We are driven by a strong commitment to reduce the environmental impact of all our business operations. With the objective of embedding green, environmentally friendly initiatives within our organisation we launched the 'Go Green' project in 2016. This concept is based on the three pillars of 'Reduce', 'Reuse' and 'Recycle'. In line with our green philosophy where every facet of our business is conducted with the objective of reducing any adverse environmental impact. This has driven us to set up green branches, equivalent to maintain the clean environment by 1,320 trees in 2018, and ensure that our buildings are powered by solar energy.

We have also taken steps to conserve water and energy through several initiatives introduced at our Head Office and branches. Furthermore, the Company has taken the decision to ensure that only fuel efficient vehicles are purchased. We strive to use recycled

## Natural Capital Value Creation Model



## Natural Capital

paper for marketing campaigns. Electricity and water consumption have been incorporated as KPIs for all branch staff and supported by an appropriate incentive scheme to reward those who achieve their targets.

### Green Branches

In striving to ensure that every aspect of business is seen as the benchmark for the local insurance industry, the Green Branch initiative was first launched in 2016, with the intention of incorporating internationally accepted best practices for environmental management across our branch network. Our stated objectives in this regard include the prevention of urbanization as well as promoting environmental-friendly construction for branches located on company-owned premises.

Accordingly, all new branches are constructed keeping a minimum of 1 km from main cities and towns, with strong emphasis being placed on retaining the surrounding environment as much as possible. While every attempt is made not to cut down any trees to facilitate our construction activities, if in the event it becomes necessary, it is our policy to introduce new fauna and flora to match

the footprint of the trees that were felled. At all possible instances we try to repair and recycle the wooden furniture we have in order to avoid discarding existing furniture.

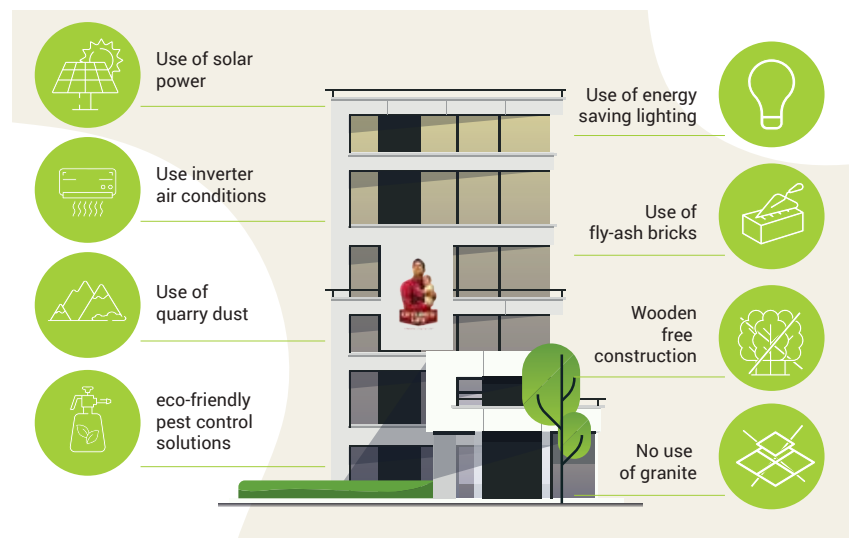
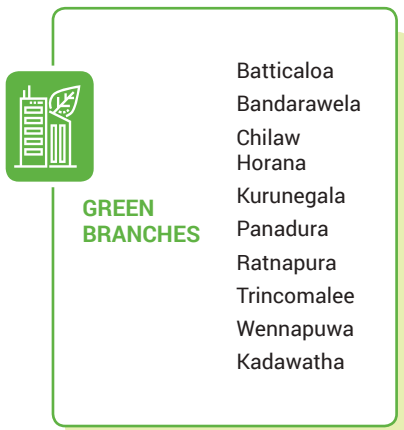


Proposed building (2nd phase) at Jaffna

### Our Green Branches feature the following environment friendly features:

#### Buildings with green design elements

We strive to incorporate globally accepted best practices starting from the design stage. For instance, as a policy we do not use cladding for the external facades or suspended ceilings at any of our building to minimize potential fire risk to people and the surrounding environment. Space saving designs also play a major role in reinforcing the Green Branch concept. Our branch layout is designed to improve economy and minimize unusable spaces, with nearly 85% of the floor area allocated as usable space. The design concepts of many of our buildings incorporate the use of natural light. In the case of rented buildings, we choose smaller buildings to optimize allocation of resources.





Our buildings are constructed with cement floors. Recognizing the fact that suspended ceilings are constructed with mineral fibers we have terminated the installation of suspended ceilings. Therefore, we have been successful in optimizing the space in our buildings effectively.

### Use of eco-friendly building materials

As part of our sustainable construction policy we now use fly-ash bricks, which are an environmental friendly alternative to the red clay bricks. We have also started using quarry dust instead to gradually release the use of river sand in construction. Going further, we do not use granite flooring or wood in the construction of our buildings, especially given that these are non-renewable materials.








However, if timber has been used, especially in rented premises, we use eco-friendly pest control solutions to minimize the risk of termite damage and thereby improve the quality of existing structures.

Meanwhile, an integrated Environment Management Framework is in place to reinforce the concept of Green Branches at an operational level. Underpinning our efforts is a highly focused approach centered mainly on Energy Saving, Water Management and Waste Management activities that would culminate in improving the environmental footprint of our branch network.

### Energy saving initiatives

Being a service organisation, our most significant environment impacts results from the use of electricity for our day-to-day business operation. It is our responsibility to use energy in the most efficient and cost-effective manner possible to reduce adverse environmental impacts. A series of initiatives have been implemented to reduce consumption of energy.



-  Installing LED lights in existing branches and newly constructed branches. We are gradually switching over to LED lighting in all our branches located in Company owned buildings.
-  In rented premises the customer areas are converted to LED lighting.
-  Low usage spaces of our offices such as corridors, lobbies and lunch areas are non-air-conditioned.
-  The temperature of centralized regulated air conditioning systems is maintained at 26 degrees across our branches.
-  The electricity connection at each branch is limited to a 40 KVA system
-  Each branch is provided with a backup generator with sufficient capacity to provide power for only the customer areas and the training room
-  Staff are required to switch off all equipment, air conditioners and lighting latest by 5.30 pm. This measure has been introduced in the Head Office and the branches with the objective of reducing electricity usage.


### Use of renewable energy sources

We are driven by a strong commitment to reduce our environment footprint. Hence, we have switched to energy saving renewable sources such as solar power. Our Head Office possesses a large solar energy installation which has a capacity of 63.18Kw, contributing to a reduction of 252 tonnes of CO<sub>2</sub> emissions annually. Thus saving 7,354 units of electricity per month.

## Natural Capital

An online monitoring system has been introduced to monitor the generation capacity at each building with the details accessible in real time through an App. (Total investment to date Rs. 57.6 Mn)

As we expand our branch network we ensure that new own branches are powered with solar energy. We are also committed to converting our existing branches to solar power. Currently we have been generating 257.5 kw of electricity power from the following branches.

 <b>SOLAR POWERED BRANCHES</b>	
Head Office	63.2 kw
Batticaloa	10 kw
Bandarawela	3.3 kw
Chilaw	20 kw
Horana	18 kw
Kadawatha	20 kw
Kaluthara	20 kw
Kurunegala	3 kw
Kotahena	45 kw
Panadura	20 kw
Ratnapura	10 kw
Trincomalee	10 kw
Wennapuwa	15 kw

### Water conservation

Recognizing the fact that water is a scarce natural resource which needs to be consumed with utmost care, we have introduced several initiatives to monitor our water consumption and reduce wastage. Our Head Office and branches use pipe borne water except the Bandarawela branch which uses ground water.

We have installed rainwater harvesting systems in new own branches. Recycling of water from sewerages is presently done in our Bandarawela and

Panadura branches. The recycled water is used for gardening purposes.

With the objective of reducing water wastage, majority of our wash rooms are fitted with sensor-controlled urinals. We have also taken steps to install flow control taps, valves in many of our branches.



**30,064**

Units of Water Utilization

### Waste Management

Given the nature of our business, our waste footprint consists mainly of paper waste and to a lesser extent e-waste. We are fully committed towards responsible waste disposal practices, with the disposal of paper waste and e-waste being contracted out to CEA registered waste disposal agents.

We hand over our waste paper to Neptune Papers Pvt Ltd who shreds the papers and disposes them in an environmentally friendly manner.

Given the nature of our business, paper usage is significant. However, we have taken the following steps to minimize and reduce paper usage significantly.



Minimize the use of paper by conducting routine customer service functions via electronic mediums. Presently routine customer correspondence such as renewal notices, payment receipts are sent via SMS alerts or email



### Investing in environmentally friendly initiatives

Investment in Solar panels at all company owned premises  
**(Total investment to date Rs. 57.6 Mn)**

Installation of Inverter Air conditioning units at all branches  
**(Total investment to date Rs. 54.7 Mn)**

Commissioning of LED lighting  
**(Total investment to date Rs. 1.1 Mn)**

Replacing multimedia equipment that have been in use for over 7 years with new more energy-efficient equipment  
**(Total investment to date Rs. 4.7 mn)**

Re-use of glass in the construction process  
**(Estimated cost saving in 2018 Rs. 2 Mn)**

Investment in Building Management Software (BMS), to regulate the use of bulk supply of electricity at the head office building






**(Total investment to date Rs. 12.2 Mn)**

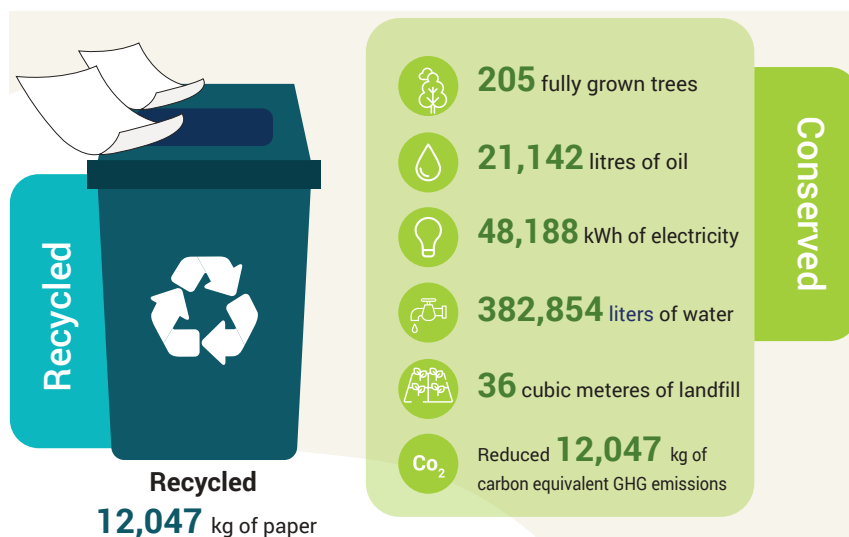
Investment in rainwater harvesting systems and wastewater recycling systems at all company owned buildings constructed after 2017


**(Total investment to date Rs. 2 Mn)**

Raising awareness among employees on environmentally friendly practices

**(Training hours in 2018 - 40 Hrs)**

-  Centrally controlled stationery supply to all branches has been implemented with the objective of having a better control of the consumption patterns and monitor the usage.
-  Maintain strict control over the usage of toners used for printing.
-  Ongoing efforts to increase the scope of the intranet platform to reduce the volume of printed documents being delivered by courier.
-  A re-usable pouch was introduced to reduce the use of paper envelopes especially for internal transfer of documents.
-  The issuing of paper diaries for sales agents was discontinued following the tab deployment project.



-  Reduce the need for printing of paper-based proposal forms following the roll out of the e-submission platform

We are mindful of the e-waste generated by the Company and dispose of our e-waste in a responsible manner. Further, to reduce the use of CDs we invested in a sub-woofer systems.

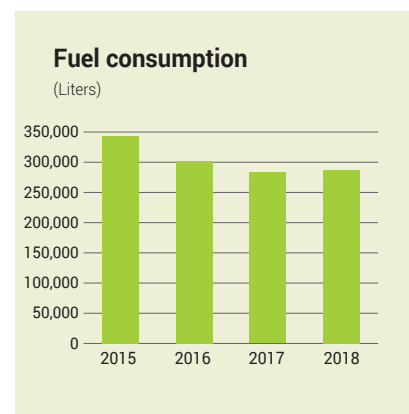
During the year under review there were no incidence of effluents or spills, neither did we encounter any issues pertaining to the disposal of e-waste.

#### Transport and Emissions

With our 3,625 strong sales force majority using vehicles, transport and emissions are two areas that continue to have a strong influence on our environmental footprint. In an effort to improve our performance in this regard we carry out GPS monitoring for all agent vehicles to determine fuel economy. In addition, we have mandated

that agent vehicles can only be used for a maximum of 6 years or 250,000 kms whichever is lower. Alternatively, we now encourage our sales force to purchase plug-in hybrid vehicles that have a lower carbon emission rate.

The fuel consumption details over the last four years are as follows:

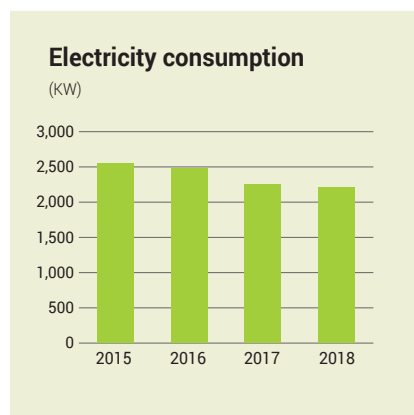


During the year we have consumed 287,459 Litres (2017-283,058 Litres) of fuel for our vehicles and generators. We have consciously managed to reduce our fuel usage over the years.

## Natural Capital

### Electricity usage

The total electricity consumption details are as follows:



The electricity consumed is mainly used for air-conditioning purposes. However, since switching over to solar power we have been able to reduce our consumption of electricity to 2,206 KW (in 2017 - 2,252 KW). During the

year under review, we have reduced 270 tonnes of CO<sub>2</sub> emissions in to the environment, thereby minimizing the consumption of power from the national grid. This is monitored on a monthly basis.

### Carbon Footprint Measurement

To further demonstrate our commitment towards environmental leadership, we have voluntarily undertaken to measure the Company's carbon footprint in line with the GHG protocol Corporate Standard developed by the World Resources Institute and the World Business Council for Sustainability Development. At present, our assessment covers the Head Office and branch offices. The Scope 1 computation is completed except for fugitive emissions from air conditioning plant and equipment (which are relatively negligible), whilst Scope 2 is completed.

Scope 3 disclosure, which is optional, is limited to the availability of relevant data.

### Compliance

During the year under review there were no incidents on non-compliance with environmental laws and regulations. Our business operations located across the island are not in the vicinity of protected environmental areas and do not pose a threat to the biodiversity.

Scope		2018		2017	
		t CO <sub>2</sub> e	%	t CO <sub>2</sub> e	%
Scope 01 (Direct)	Stationary Combustion	6.02	0.35	17.77	1.01
	Mobile Combustion	725.33	42.52	643.11	36.46
	Total Scope 01	731.35	42.87	660.88	37.47
Scope 02 (indirect)	Purchased Electricity (CEB)	904.66	53.03	974.46	55.25
	Total Scope 02	904.66	53.03	974.46	55.25
Scope 03 (Indirect)	Employee Air Travel	69.82	4.10	128.34	7.28
	Total Scope 03	69.82	4.10	128.34	7.28
Total Scope 1,2,3		1,705.83	100	1,763.68	100



### Challenges

Maintaining optimum standards of construction, timely completion of projects within budgeted cost estimates is a challenge that the Company faces. This is particularly high specially with the increase in the exchange rates which increases the cost of building materials



### Opportunities

There are many opportunities to introduce environmentally friendly initiatives by leveraging technology to the best. We will constantly strive to use technology to reduce our overall carbon foot print.

Furthermore, with innovative concepts and new thinking we could introduce new concepts which are energy saving alternatives.



### Future Outlook

We will continue to take the lead by promoting green initiatives and set up a branch network which truly epitomizes the 'Go Green' concept of the Company. We together with our team hope to drive to environmentally friendly business operation which focuses on creating a sustainable operation.

## CAPITAL TRADE-OFFS

While we do make every effort to allocate our capital resources as efficiently and effectively as possible, there is an inevitable trade-off between capitals. Given below is a summary of the trade-offs made in 2018 in executing our strategic commitments.

Strategic Commitment	Trade-off made	Capitals Affected
Aim for operational excellence	This calls for additional investments in infrastructure, technology systems and processes, all of which involve an immediate cost outlay. Some of these activities may also have unfavorable consequences for employees, especially if process automation is involved. However in the long term, these efforts would be responsible for enhancing institutional knowledge leading to efficiency improvements that would boost the Company's financial position.	Financial Capital (Short Term)  Human Capital  Intellectual Capital  Financial Capital (Long Term)
Be customer-centric to the core	Continuously reorienting to the customer would mean developing new products and services, training the sales force, increasing the island-wide reach etc. these will involve substantially costs that will have a bearing on the Company's financial resources in the short term. However these efforts will strengthen customer satisfaction and build trust and loyalty ultimately leading to higher business volumes and increased profits in the long term.	Financial Capital (Short Term)  Human Capital  Intellectual Capital  Social and Relationship (Customer) Capital  Financial Capital (Long Term)
Be an outstanding corporate citizen	Investments made in the community and the environment will impact the Company's bottom line in the short term. However the long term benefits to society and the environment will strengthen our reputation as good corporate citizen, thereby contributing towards improved brand equity in the long term	Financial Capital (Short Term)  Social and Relationship Capital (Community)  Natural Capital  Intellectual Capital
Maintain industry-best compliance record	Implementing new regulations will impact short-term profits due to the fact that they call for new system applications etc. However, taking the lead in compliance will enhance stakeholder perceptions regarding the Company and strengthen brand equity in the long term	Financial Capital (Short Term)  Intellectual Capital

# OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT GOALS



In 2015 UN member states signed the Sustainable Development Goals (SDG) applicable to all entities in all countries worldwide. The 17 goals have been identified as crucial for sustainable development. While it may seem that they are all relevant to Ceylinco Life if looked in terms of impact, we have earmarked several key areas where we can make a stronger impact by leveraging on our position as a leading Life Insurance company in Sri Lanka.

The illustration below captures how we prioritize our commitment to the SDGs together with examples that demonstrate our ongoing efforts to support each respective goal.



Through our extensive reach across the country and by offering affordable insurance products we create inclusive insurance products across varying groups covering a wide spectrum of income groups. Our micro insurance product "Ceylinco Life Pradeepa" provides financial security to the low income earning segment of our society. Insurance provides a safety net and by providing a life cover to low income earners through very small premiums policies we have prevented the vulnerability of people in this segment falling into the poverty lines in the event of an unforeseen event.

More details on pages 218 to 220.



Our strong commitment to promoting good health and wellness is demonstrated through our CSR activities that we engage throughout the year. The health camps conducted in rural villages, donating medical equipment to government healthcare institutions and creating awareness of NCDs are some of the initiatives that we conducted throughout the year.

## What we did in 2018

- 24 'Waidya Hamuwa' health camps for the community
- Donating a Surgical High Dependency Unit to Kalubowila Hospital.
- Creating awareness on NCD's through the 'Talk to your neighbour' awareness program launched in schools.
- Providing specialized healthcare services for cancer through investments in state-of-the-art technology at the Ceylinco Healthcare Services Ltd.
- Health checkups for policyholders and employees at concessionary rates.
- Group medical insurance cover for staff and families.
- Fully equipped gymnasium facilities for staff members.



We are committed to support secondary education through many initiatives which we support throughout the year.

## What we did in 2018

- "Ceylinco Pranama" scholarship scheme to assist deserving children to pursue higher education. This program has benefited 168 students all over the country.
- Ensuring inclusive education and uplifting the standards of classroom facilities in rural schools through the class room project.
- Introducing insurance products which support education - "Sipsetha, Randaru, Family Takaful Education Plan and Degree Saver Plan.
- Creating a learning culture through numerous training and development initiatives introduced for staff and contractual agents.



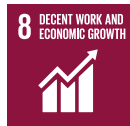
We take pride in being an equal opportunities employer. Over the years we have strived to increase female representation in our sales force which has now reached encouraging levels.



## OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT GOALS

### What we did in 2018

- Female / male ratio in the sales force increased to 52/48.
- In order to create a dedicated grievance handling mechanism for women a special unit has been developed as 'Liya Saviya'.
- Special training programmes focused on women have been organized.
- Products targeted at women - Ceylinco Life Saubhagya.



We focus on an industry-best Value Proposition for employees and sales agents to enable them to pursue personal and professional growth.

### What we did in 2018

- Promoting an inclusive work environment which encourages a learning and development culture for its employees.
- Providing progressive growth opportunities in terms of financial and career progression.
- Growth in GWP contributes to the growth of the economy.
- Investment in government securities and other financial instruments.
- Commitment to anti-corruption and non-discriminatory practices.
- Encouraging work-life balance for employees.



Industry leadership in terms of the largest and most geographically spread branch network among private insurance companies support

### What we did in 2018

- Providing innovative products to suit evolving needs of customers. Two new products were introduced.
- Largest branch network in the industry
- Setting up branches in company owned buildings and thereby creating a solid platform
- Taking leadership in industry related associations and organisation and spearheading an active role in policy formulations.



We believe in providing equitable opportunities for all regardless of geographical location or any other factor.

### What we did in 2018

- With a formidable island wide presence through our extensive branch presence we provide employment opportunities to those in remote areas thereby uplifting the income standards.
- We hire sales team members from across the island thereby contributing to reduced income inequality.



We have eliminated paper-based processes and introduced online processes through many IT developments conducted. We also adopt responsible practices to dispose of our e-waste.

### What we did in 2018

- Introduced e-submission system for proposal processing along with e-receipts.

- Re-using building materials and furniture by repairing and refurbishing same.



We are investing in installing solar powered units in our branch networks. Presently our Head office is powered by solar power.

### What we did in 2018

- Invested Rs. 57.6 Mn in solar panels in 13 branches taking the total investment in solar power.
- Rain water harvesting and sewerage water recycling for gardening purposes.
- Reduced electricity consumption by 46 KW.
- Disposed of 12,047 kg of waste used paper through recycling.



We strictly abide by ethical practices always and comply with all statutory and regulatory practices in our dealings.

- Promoting ethical practices to our sales team and office staff
- Following best practices of corporate and enterprise governance to ensure transparency.

### Compliance

During the year there were no incidents of non-compliance with laws and regulations. There were no fines and non-monetary sanctions imposed for non-compliance with laws and regulations in the social and economic arena.

Ceylinco Life Insurance Limited  
Integrated Annual Report 2018

# FINANCIAL REPORTS

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## FINANCIAL CALENDAR

	2019	2018
Annual Report	25 February	30 March
Annual General Meeting	29 March	30 March (By resolution)
Interim Dividend Paid	In the Second half of the year	-
Final Dividend Proposed	-	30 March

# UNDERSTANDING OUR FINANCIALS

The statement of income of a life insurance company contains the income and expenses pertaining to the underwriting of life insurance. Thus, the statement of income of a life insurer contains income and expense items that do not appear in a statement of income of a manufacturing and trading business. Similarly, the statement of financial position of a life insurer also contains some industry-specific assets and liabilities.

This brief note is aimed at helping the reader to understand our financials and is to be read along with the explanatory notes to the financial statements and the glossary.

## STATEMENT OF COMPREHENSIVE INCOME

		Company	
For the Year Ended 31 December 2018	Comment	Rs.'000	Rs.'000
Gross Written Premiums	The main source of income of a life insurer is the premium paid by customers for the risks transferred to the life insurer through the insurance contract. GWP is comparable to the 'turnover' of a manufacturing and trading company.	17,812,774	
Premiums Ceded to Reinsurers	Reinsurance is the process by which part of the risks undertaken by the life insurer is transferred to a reinsurer, for which reinsurance premium paid by the insurer to the reinsurer.	(457,509)	
<b>Net Written Premiums</b>	Net earned premium is the premium earned by the insurer for the financial year.		<b>17,355,265</b>
Fees and Commission Income	Fees and commission income includes the charges and policy fees paid by customers.	139,251	
Investment Income	Investment income contains the interest income, dividend income and rental income on investments made out of the Life Fund, after deducting the related investment expenses.	10,933,852	
Realised Gains	Realised gains and losses include gains and losses arising on sale of financial assets.	195,068	
Fair Value Gains and Losses	Fair value gains and losses are gains and losses that arise from changes in fair values of assets.	108,102	
Other operating revenue	Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.	17,962	
Other Revenue			11,394,234
<b>Net Income</b>			<b>28,749,499</b>
Gross Benefits and Claims Paid	Gross benefits and claims paid refer to the total amount of claims and claim-related expenses incurred during the year.	(9,997,299)	
Claims Ceded to Reinsurers	Claims ceded to reinsurers contain the proportion of claims paid, which was recovered from reinsurers.	193,749	
Gross Change in Contract Liabilities	Gross change in contract liabilities is the net transfer to the Life Fund during the period.	(6,457,292)	
<b>Net Benefits and Claims</b>			<b>(16,260,842)</b>
Acquisition Cost	Acquisition cost refers to the commission expenses incurred for the financial year. Life insurance business is predominantly transacted through independent contractual agents who are paid commission based on premium they collected.	(1,926,454)	
Other Operating and Administrative Expenses	Other operating and administrative expenses include administration, staff, sales and marketing expenses related to the company	(3,384,487)	
Finance Cost	Finance cost includes charges on the financial services provided by financial institutions, particularly bank charges.	(20,328)	
<b>Total Other Expenses</b>			<b>(5,331,269)</b>
<b>Profit Before Tax</b>			<b>7,157,388</b>
Income Tax Expense	Income tax expense comprises the current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous year.		(1,363,100)
<b>Profit for the Year</b>			<b>5,794,288</b>

## UNDERSTANDING OUR FINANCIALS

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2018		Company
Comment		Rs.'000
<b>Assets</b>		
Intangible Assets		37,358
Property, Plant and Equipment		7,567,806
Investment Properties		2,304,500
Investment in Subsidiaries		1,086,000
Investment in Associates		457,370
Financial Instruments	Financial instruments represent the financial investments made out of the Life Fund by a life insurer, with the aim of earning investment income to increase profitability of the company. Such investment income is accumulated to the Life Fund.	99,897,075
Employee Gratuity Benefit Asset		3,309,722
Employee Pension Benefit Asset		506,201
Reinsurance Receivables	Loans to life policyholders include the loans granted by the life insurer to policyholders. Eligible policyholders can obtain loans up to a pre-determined percentage of the surrender value of their policy.	269,175
Income Tax Receivables		244,051
Loans to life policyholders	Reinsurance receivables represent the amounts receivable by the life insurer for the claims made the policyholders.	1,190,274
Premium receivables	Premium receivables represent the gross written premium accrued up to the reporting date.	268,334
Other Assets		545,052
Cash and Cash Equivalents		376,471
<b>Total Assets</b>		<b>118,059,390</b>
<b>Equity and Liabilities</b>		
Equity Attributable to Equity Holders of Parent		
Stated Capital		500,001
Retained Earnings		15,057,036
AFS Reserve		212
Revaluation Reserve		100,501
Restricted Regulatory Reserve		3,456,184
Special Reserve		7,311,651
<b>Total Ordinary Shareholders' Equity</b>		<b>26,425,585</b>
Non-Controlling Interests		-
<b>Total Equity</b>		<b>26,425,585</b>
<b>Liabilities</b>		
Insurance Contract Liabilities - Life	Due to the long-term nature of life insurance business, life insurers are required to maintain a separate fund to meet future policyholder obligations. This fund is known as 'Insurance Contract Liabilities - Life', or more commonly as 'Life Fund'. An actuarial valuation is performed at each year end to determine the size of the fund necessary in comparison to the assets maintained out of the fund. Any excess of assets over the policy liabilities of the fund, known as the 'Life Surplus', is transferred to the shareholders' funds of the company.	88,049,202
Insurance Contract Liabilities - Unit Linked	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	335,691
Insurance Contract Liabilities-Family Takaful	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	19,548
Individual Investment Fund ISF	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	164,456
Reinsurance Payables	Reinsurance payables contain amounts outstanding to be paid to reinsurers by a life insurer as at the reporting date.	470,889
Trade and Other Payables		2,482,376
Bank Overdraft		111,644
<b>Total Liabilities</b>		<b>91,633,806</b>
<b>Total Equity and Liabilities</b>		<b>118,059,390</b>

# ACTUARIAL REPORT

**WillisTowersWatson** 

25 February 2019

To the Directors of Ceylinco Life Insurance Limited

## **Actuarial Valuation as at 31 December 2018**

I have carried out an actuarial valuation of the Life Fund of Ceylinco Life Insurance Limited ("the Company") as at 31 December 2018. I hereby certify that:

1. I have satisfied myself about the accuracy of the valuation data furnished to me by making a number of reasonableness checks;
2. Adequate and proper reserves have been provided as at 31 December 2018 for all known liabilities in respect of the long term business of the Life Fund, taking into account all bonus declared as at that date in accordance with the requirements of Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015; and
3. Based on information on assets extracted from the audited accounts of the Company for the year ended 31 December 2018, the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015.

Yours faithfully



**Vivek Jalan**

Head of Insurance Consulting & Technology, India  
Insurance Consulting & Technology, Asia Pacific

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CIN — U67190HR1996PTC051336

# INDEPENDENT AUDITORS' REPORT



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HMAJ/KAVS/TW

## TO THE SHAREHOLDERS OF CEYLINCO LIFE INSURANCE LIMITED

### Report on the audit of the financial statements

#### Opinion

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

In our opinion, the accompanying financial statements of the Company and the Group gives a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

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

#### Responsibilities of management and those charged with governance for the financial statements

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

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

#### **Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by the Section 47(2) of the regulation of insurance industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



25 February 2019  
Colombo


# STATEMENT OF FINANCIAL POSITION

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>						
Intangible Assets	285	6	37,358	57,337	37,358	56,950
Property, Plant and Equipment	287	7	9,460,988	8,929,678	7,567,806	7,371,482
Investment Properties	295	8	1,103,000	1,026,000	2,304,500	2,160,914
Investment in Subsidiaries	300	9	-	-	1,086,000	1,036,000
Investment in Associates	303	10	2,412,898	2,077,665	457,370	437,994
Financial Instruments						
Held to Maturity Financial Assets	308	11.(a)	60,575,394	65,272,728	60,575,394	65,272,728
Loans and Receivables	309	11.(b)	38,205,440	17,973,682	37,446,065	17,199,112
Available-For-Sale Financial Assets	310	11(c)	1,469,787	3,851,240	1,309,787	3,807,709
Financial Assets at Fair Value Through Profit or Loss	311	11.(d)	565,829	2,349,607	565,829	2,349,607
Employee Gratuity Benefit Asset	321	12	3,309,722	1,149,672	3,309,722	1,149,672
Employee Pension Benefit Asset	324	13	506,201	1,048,119	506,201	1,048,119
Reinsurance Receivables	326	14	269,175	115,010	269,175	115,010
Income Tax Receivables	329	15.(a)	261,503	789,140	244,051	787,540
Deferred Tax Assets	331	15.(e) & (f)	-	181,589	-	181,589
Loans to Life policyholders	332	16	1,190,274	1,630,346	1,190,274	1,630,346
Premium Receivables	333	17	268,334	247,393	268,334	247,393
Other Assets	333	18	582,764	396,326	545,052	359,035
Cash and Cash Equivalents	334	19	379,390	894,540	376,471	883,303
<b>Total Assets</b>			<b>120,598,057</b>	<b>107,990,074</b>	<b>118,059,390</b>	<b>106,094,505</b>
<b>Equity and Liabilities</b>						
<b>Equity Attributable to Equity Holders of Parent</b>						
Stated Capital	334	20.(a)	500,001	500,001	500,001	500,001
Retained Earnings	335	20.(b).(1)	16,731,981	10,628,715	15,057,036	9,278,621
AFS Reserve	335	20.(b).(2)	212	46,196	212	(60)
Revaluation Reserves	336	20.(b).(3)	233,301	318,887	100,501	100,501
Restricted Regulatory Reserve	336	20.(b).(4)	3,456,184	3,456,184	3,456,184	3,456,184
Special Reserve	337	20.(b).(5)	7,311,651	7,311,651	7,311,651	7,311,651
<b>Total Ordinary Shareholders' Equity</b>			<b>28,233,329</b>	<b>22,261,634</b>	<b>26,425,585</b>	<b>20,646,898</b>
Non-Controlling Interests	355	35.(a)	5,693	6,013	-	-
<b>Total Equity</b>			<b>28,239,022</b>	<b>22,267,647</b>	<b>26,425,585</b>	<b>20,646,898</b>

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Liabilities</b>						
Insurance Contract Liabilities - Life	337	21	88,051,582	81,726,139	88,049,202	81,723,759
Insurance Contract Liabilities - Unit Linked	337	21	335,691	315,943	335,691	315,943
Insurance Contract Liabilities - Family Takaful	337	21	19,548	16,970	19,548	16,970
Individual Investment Fund - ISF	337	21	164,456	94,233	164,456	94,233
Employee Gratuity Benefit Liability	321	12.(a)	12,918	11,683	-	-
Deferred Tax Liabilities	330	15.(d)	353,996	176,807	-	-
Reinsurance Payables	342	23	470,889	165,715	470,889	165,715
Trade and Other Payables	343	24	2,671,936	2,849,523	2,482,376	2,781,246
Interest Bearing Borrowings	342	22.(a)	120,070	-	-	-
Bank Overdraft	334	19	157,949	365,414	111,644	349,745
<b>Total Liabilities</b>			92,359,034	85,722,427	91,633,806	85,447,611
<b>Total Equity and Liabilities</b>			120,598,057	107,990,074	118,059,390	106,094,505

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 273 to 384 which form an integral part of the Financial Statements.

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



**P A Jayawardene**  
Director/Chief Financial Officer

The Board of Directors are responsible for these Financial Statements.  
Approved and Signed on behalf of the Board by;



**R Renganathan**  
Executive Chairman



**E T L Ranasinghe**  
Managing Director/Chief Executive Officer

25th February 2019

# STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December,	Page No.	Note	Group			Company		
			2018	2017	Change	2018	2017	Change
			Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
<b>Net Income</b>			29,064,269	25,979,885	12.16	28,749,499	25,623,814	12.20
Gross Written Premium	344	25.(a)	17,812,718	15,765,392	12.99	17,812,774	15,765,484	12.99
Premium Ceded to Reinsurers	344	25.(c)	(457,509)	(422,217)	8.36	(457,509)	(422,217)	8.36
Net Written Premium			17,355,209	15,343,175	13.11	17,355,265	15,343,267	13.11
<b>Revenue from Subsidiaries</b>	<b>345</b>	<b>25.(e)</b>	358,556	328,917	9.01	-	-	-
			17,713,766	15,672,093	13.03	17,355,265	15,343,267	13.11
Fees and Commission Income	345	26	139,251	127,129	9.54	139,251	127,129	9.54
Investment Income	346	27	10,942,605	9,894,635	11.34	10,933,852	9,866,801	10.81
Realised Gains / (Losses)	347	28	195,068	39,421	394.83	195,068	39,421	394.83
Fair Value Gains / (Losses)	347	29	41,516	215,095	(80.70)	108,102	215,095	(49.74)
Other Operating revenue			32,063	31,513	1.75	17,962	32,101	(44.04)
<b>Other Revenue</b>			11,350,503	10,307,793	10.84	11,394,234	10,280,547	10.83
Gross Benefits and Claims Paid	348	30.(a)	(9,997,299)	(6,883,413)	45.24	(9,997,299)	(6,884,013)	45.22
Claims Ceded to Reinsurers	348	30.(a)	193,749	197,033	(1.67)	193,749	197,033	(1.67)
Gross Change in Contract Liabilities	348	30.(b)	(6,457,292)	(7,258,502)	(11.04)	(6,457,292)	(7,258,502)	(11.04)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	348	30.(c)	-	3,456,184	-	-	3,456,184	-
<b>Net Benefits and Claims</b>			(16,260,842)	(10,488,698)	55.03	(16,260,842)	(10,489,299)	55.02
Direct Costs of Subsidiaries			(173,261)	(181,627)	(4.61)	-	-	-
Acquisition Cost	349	31	(1,922,762)	(1,782,479)	7.87	(1,926,454)	(1,782,479)	8.08
Other Operating and Administrative Expenses	349	32	(3,544,134)	(3,706,968)	(4.39)	(3,384,487)	(3,532,496)	(4.19)
Finance Cost	351	33	(25,072)	(13,244)	89.31	(20,328)	(12,005)	69.32
<b>Total Benefits, Claims and Other Expenses</b>			(21,926,071)	(16,173,017)	35.57	(21,592,110)	(15,816,279)	36.52
<b>Profit Before Share of Associates</b>			7,138,198	9,806,868	(26.45)	7,157,389	9,807,535	(27.02)
Share of Profit of Associates	304	10.(b)	534,730	346,032	54.53	-	-	-
<b>Profit Before Tax</b>			7,672,928	10,152,910	(23.69)	7,157,388	9,807,535	(27.02)
Tax Expense	353	34.(a)	(1,540,288)	(495,892)	210.61	(1,363,100)	(340,109)	300.78
<b>Profit for the Year</b>			6,132,640	9,657,008	(35.72)	5,794,288	9,467,426	(38.80)
<b>Profit Attributable to:</b>								
Equity Holders of the Parent			6,132,136	9,656,646	(35.73)	5,794,288	9,467,426	(38.80)
Non-Controlling Interests	355	35.(b)	504	363	38.84	-	-	-
			6,132,640	9,657,009	(35.72)	5,794,288	9,467,426	(38.80)
<b>Basic Earnings Per Share (Including One-Off Surplus Transfer)</b>	<b>356</b>	<b>36.(a)</b>	124.13	193.13	(35.73)	115.89	189.35	(38.80)
<b>Basic Earnings Per Share (Excluding One-Off Surplus Transfer)</b>	<b>356</b>	<b>36.(b)</b>	124.13	124.01	0.10	115.89	120.22	(3.61)
<b>Dividend Per Share</b>	<b>356</b>	<b>37</b>	11.90	9.00	32.22	11.90	9.00	32.22

The above Income Statement is to be read in conjunction with the notes to the Financial Statements on pages 273 to 384 which form an integral part of the Financial Statements.

For the Year Ended 31 December,	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the Year</b>			6,132,640	9,657,009	5,794,289	9,467,426
<b>Other Comprehensive Income</b>						
<b>Items that will not be reclassified subsequently to income statement</b>						
Actuarial Gain / (Losses) on Defined Benefit Plans	357	38	597,125	(206,728)	597,125	(206,728)
Share of other comprehensive income of equity accounted investees	357	38	(47,357)	16,252	-	-
<b>Items that may be reclassified subsequently to income statement</b>						
Share of other comprehensive income of equity accounted investees			-	21,983	-	-
Net Gain/(Loss) on Available-For-Sale Assets	357	38	(131,577)	(20,685)	(131,577)	(20,685)
Income Tax relating to Components of Other Comprehensive Income			-	27,257	-	27,257
<b>Other Comprehensive Income for the Year, Net of Tax</b>			418,191	(161,920)	465,548	(200,156)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			6,550,830	9,495,088	6,259,836	9,267,270
<b>Total Comprehensive Income Attributable to:</b>						
Equity Holders of the Parent			6,550,326	9,494,725	6,259,836	9,267,270
Non-Controlling Interests			504	363	-	-
			6,550,830	9,495,088	6,259,836	9,267,270

The above Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements on pages 273 to 384 which form an integral part of the Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

Group	Page No.	Note	Attributable to Equity Holders of the Parent							
			Stated Capital	Special Reserve	Restricted Regulatory Reserve	Revaluation Reserves	Retained Earnings	Available for Sale Reserve	Total Ordinary Shareholders' Equity	Non-Controlling Interests
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance As At 1st January 2017			500,001	7,311,651	-	290,772	5,165,535	24,212	13,292,171	6,464
Net Profit for the Year			-		3,456,184	-	6,200,461	-	9,656,645	363
Other Comprehensive Income for the Year			-		-	28,115	(208,345)	18,310	(161,921)	-
<b>Total Comprehensive Income for the Year</b>					3,456,184	318,887	5,992,116	18,310	9,494,725	363
Final Dividend Paid - 2016			-		-	-	(103,875)	-	(103,875)	-
Interim Dividend Paid - 2017			-		-	-	(425,061)	-	(425,061)	(814)
Transferred to Long Term Insurance Fund			-		-	-	-	3,674	3,674	-
<b>Balance As At 31st December 2017</b>			500,001	7,311,651	3,456,184	318,887	10,628,7156	46,196	22,261,634	6,013
Net Profit for the Year			-	-	-	-	6,132,136	-	6,206,598	504
Other Comprehensive Income for the Year			-	-	-	(33,353)	583,121	(131,577)	418,191	-
Disposal of Seraka Ltd.			-	-	-	-	-	-	-	(824)
<b>Total Comprehensive Income for the Year</b>			-	-	-	(33,353)	6,715,257	(131,577)	6,550,326	(320)
Adjustment for Associate for Transitional provision under SLFRS 9			-	-	-	-	(51,225)	(46,255)	(97,480)	-
Final Dividend Paid - 2017	356	37	-	-	-	-	(18,000)	-	(18,000)	-
Interim Dividend Paid - 2018	356	37	-	-	-	-	(595,001)	-	(595,001)	-
Transferred to Long Term Insurance Fund			-	-	-	-	-	131,849	131,849	-
Transfers			-	-	-	(52,233)	52,233	-	-	-
<b>Balance As At 31st December 2018</b>			500,001	7,311,651	3,456,184	233,301	16,731,981	46,468	28,233,329	5,693

Company	Page No.	Note	Stated Capital	Special Reserve	Restricted Regulatory Reserve	Revaluation Reserves	Retained Earnings	Available for Sale Reserve	Total Ordinary Shareholders' Equity	Total Equity
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance As At 1st January 2017			500,001	7,311,651	-	96,484	4,003,754	(60)	11,911,830	11,911,830
Net Profit for the Year			-	-	3,456,184	-	6,011,241	-	9,467,426	9,467,426
Other Comprehensive Income for the Year			-	-	-	4,017	(200,499)	(3,674)	(200,156)	(200,156)
<b>Total Comprehensive Income for the Year</b>			-	-	3,456,184	4,017	5,810,742	(3,674)	9,267,270	9,267,270
Final Dividend Paid - 2016			-	-	-	-	(103,875)	-	(103,875)	(103,875)
Interim Dividend Paid - 2017	356	37	-	-	-	-	(432,000)	-	(432,000)	(432,000)
Transferred to Long Term Insurance Fund			-	-	-	-	-	3,674	3,674	3,674
<b>Balance As At 31st December 2017</b>			500,001	7,311,651	3,456,184	100,501	9,278,621	(60)	20,646,898	20,646,898
Net Profit for the Year			-	-	-	-	5,794,289	-	5,794,289	5,794,289
Other Comprehensive Income for the Year			-	-	-	-	597,125	(131,577)	465,548	465,548
<b>Total Comprehensive Income for the Year</b>			-	-	-	-	6,391,414	(131,577)	6,259,836	6,259,836
Final Dividend Paid - 2017	356	37	-	-	-	-	(18,000)	-	(18,000)	(18,000)
Interim Dividend Paid - 2018	356	37	-	-	-	-	(595,001)	-	(595,001)	(595,001)
Transferred to Long Term Insurance Fund			-	-	-	-	-	131,849	131,849	131,849
<b>Balance As At 31st December 2018</b>			500,001	7,311,651	3,456,184	100,501	15,057,036	212	26,425,585	26,425,585

# STATEMENT OF CASH FLOWS

			Group		Company	
For the Year Ended 31 December	Page No.	Notes	2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers			17,838,611	15,817,109	17,838,611	15,817,201
Reinsurance Premiums (net of Commission) Paid			(76,899)	(282,338)	(76,899)	(282,338)
Commission Paid			(1,907,023)	(1,759,704)	(1,907,023)	(1,760,304)
Claims and Benefits Paid			(9,880,745)	(6,613,051)	(9,880,745)	(6,613,051)
Reinsurance Receipts in respect of Claims & Benefits			47,770	4,598	47,770	4,598
Interest and Dividends Received			9,751,501	10,664,230	9,726,855	10,598,198
Other Operating Cash Payments			(3,879,944)	(3,176,422)	(3,995,598)	(3,249,950)
Other Income			68,067	75,727	68,067	65,990
Gratuity/Pension payments	322	12(b) & 13	(278,395)	(162,129)	(278,395)	(158,794)
Income Taxes Paid			(9,979)	(8,075)	-	
Interest paid			(24,927)	(39,977)	(20,328)	(12,005)
<b>Net Cash Flows from Operating Activities</b>		<b>Note A</b>	<b>11,648,035</b>	<b>14,519,968</b>	<b>11,522,313</b>	<b>14,409,545</b>
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/ Associates			(5,351)	-	(50,000)	-
Proceeds from sale of Investment Property			(19,297)	7,425.00	-	7,425
Acquisition of Financial Investments	315	11(h)	(205,342,942)	(377,482,324)	(205,215,012)	(376,305,598)
Proceeds from Financial Investments	315	11(h)	194,432,918	368,502,930	194,431,668	367,460,490
Acquisition of Property , Plant & Equipment	287	7	(697,641)	(916,780)	(463,512)	(885,631)
Proceeds from Disposal of Property , Plant & Equipment			44,176	29,194	43,466	29,194
Acquisition /Disposal of Intangible Assets	385	6	-	(57,038)	-	(57,038)
Reverse REPO Borrowings (net)			-	(2,923,131)	-	(2,980,013)
<b>Net Cash Flows from Investing Activities</b>			<b>(11,588,137)</b>	<b>(12,839,724)</b>	<b>(11,253,390)</b>	<b>(12,731,170)</b>
<b>Cash Flows from Financing Activities</b>						
Increase in Share Capital			50,000	-	-	-
Proceeds from short-term borrowing			120,070	(999,335)	-	(1,000,000)
Dividends Paid to Equityholders			(537,654)	(506,745)	(537,654)	(498,992)
<b>Net Cash Flows from Financing Activities</b>			<b>(367,584)</b>	<b>(1,506,079)</b>	<b>(537,654)</b>	<b>(1,498,992)</b>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>Note B</b>	<b>(307,686)</b>	<b>174,164</b>	<b>(268,731)</b>	<b>179,382</b>



## STATEMENT OF CASH FLOWS

			Group		Company	
For the Year Ended 31 December	Page No.	Notes	2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Note A						
Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities						
Profit before tax			7,212,660	9,806,868	7,157,389	9,807,535
Adjustments for:						
Depreciation	289	7	238,863	275,010	197,009	196,765
Provision for Gratuity & Pension			(1,081,314)	(41,847)	(1,084,245)	(45,741)
Amortisation of Intangible Assets	285	6	10,423	2,951	10,036	2,847
Change in Trade and Other Receivables			(2,699,740)	(213,329)	(2,605,883)	(204,767)
Change in Reinsurance Receivable			(154,165)	(73,712)	(154,165)	(73,712)
Increase in Life Insurance Funds	348	30.(c)	6,457,292	7,258,502	6,457,292	7,258,502
Increase in Unit-linked Fund			19,748	50,258	19,748	50,258
Increase in Takaful Fund			2,578	6,406	2,578	6,406
Increase in Individual Investment Fund (IFS)			70,223	37,353	70,223	37,353
Change in Contract Liabilities Due to Transfer of One-Off Surplus			-	(3,456,184)	-	(3,456,184)
Change in Trade and Other Payables			2,218,170	1,357,990	2,016,026	1,227,510
Realised gain	347	28	(177,199)	(17,859)	(177,199)	(23,341)
Fair value Gain recorded in Income Statement	347	29	(108,102)	(300,610)	(108,102)	(215,095)
Income Tax Paid			(5,641)	(8,075)	-	-
Interest Paid			(2,905)			
Payment to gratuity and pension funds	323 & 325	12.(b) & 13	(278,395)	(163,755)	(278,395)	(158,794)
Net Cash Flows from Operating Activities			11,648,035	14,519,968	11,522,313	14,409,545
Note B						
Cash and Cash Equivalents at 1st January			529,126	354,962	533,558	354,176
Cash and Cash Equivalents at 31st December			221,440	529,126	264,827	533,558
Increase / (Decrease) in Cash and Cash Equivalents			(307,686)	174,164	(268,731)	179,382
Note C						
Cash at Bank and in Hand	334	19	379,390	894,540	376,471	883,303
Bank Overdraft	334	19	(157,949)	(365,414)	(111,644)	(349,745)
			221,440	529,126	264,827	533,558

The above Statement of Cash flows is to be read in conjunction with the notes to the Financial Statements on pages 273 to 384 which form an integral part of the Financial Statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### Entity Information

#### 1.1 Reporting Entity

Ceylinco Life Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 106, Havelock Road, Colombo 05. Additional corporate information is given on the inner back page.

#### 1.2 Nature of Operations and Principal Activities

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Associate are given on pages 300 - 305. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent of Ceylinco Life Insurance Limited is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka.

### Financial Statements

#### 1.3 Consolidated Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited, as at and for the year ended 31 December 2018 encompass the Company, its Subsidiaries (together referred to as the 'Group') and the Group's interest in Associates. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The assets and liabilities presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

#### 1.4 Responsibility for Financial Statements

The Board of Directors are responsible for preparation and presentation of these Financial Statements of the Group/ Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The responsibility of the Directors in relation to the Financial Statements is set out in detail in the Statement of Directors' Responsibility Report in on page 125.

#### 1.5 Approval of Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited and its Subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue by the Directors on 25 February 2019.

## 2. BASIS OF ACCOUNTING

### 2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act, No. 07 of 2007 and the requirements of the Regulation of Insurance Industry Act, No. 43 of 2000.

### 2.2 Basis of Measurement

The Financial Statements, except for information on cash flows, have been prepared on accrual basis under the historical cost convention except for the following:

Item	Basis of Measurement
Land and buildings	Initially at cost and subsequently at revalued amount
Investment property	Fair value
Financial assets at fair value through profit or loss and available-for-sale financial assets	Fair value
Policyholder liabilities	Valued actuarially
Net defined benefit assets or liabilities	Valued actuarially and recognized at present value

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.3 Functional and Presentation Currency

Items included in the Financial Statements of the company are measured using the currency of the primary economic environment in which the company operates (the Functional Currency). These Financial Statements are presented in Sri Lankan rupees, which is the company's Functional and Presentation Currency. There was no change in the Company's Presentation Format and Functional Currency during the year under review. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

### 2.4 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted LKAS 1 - "Presentation of Financial Statements".

### 2.5 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied about the ability to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

### 2.6 Comparative information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Policies Disclosed within Individual Notes

A summary of significant accounting policies have been disclosed along with the relevant individual notes to the Financial Statements. The accounting policies presented within each note have been applied consistently by the Company.

### Policies not covered with individual notes

Following accounting policies which have been applied consistently by the company, are considered to be significant but are not covered with individual notes.

### 3.1 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 Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a Pro-rata basis.

For assets excluding goodwill, 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.

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

### 3.2 Cash Flow Statement

The Statements of Cash Flows has been prepared using the 'Direct Method'. Interest paid is classified as an operating cash flow. Dividend and interest income are classified as operating cash flows. Dividends paid are classified as financing cash flows. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

### 3.3 Shadow Accounting

In some of the accounting policies for insurance liabilities that have been adopted for the Group, realised gains or losses on certain assets have a direct effect on the measurement of certain related insurance assets and liabilities. This is either because of the way that the accounting model works or because the policyholder has a contractual right linked to realised gains and losses only. In these situations, if unrealised gains or losses on these assets exist, the Group applies shadow accounting'. By applying shadow accounting, the Group treats the impact of unrealised gains or losses on insurance assets and liabilities affected by an unrealised gain or loss on a financial asset in the same way as the realised gain or loss on that asset. In particular, the related adjustment to insurance liabilities, Present Value of Acquired in-force Business (PVIF) or DAC is recognised in equity if the unrealised gains or losses are recognised directly in equity.

## 4. USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgments, 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 for 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 under uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

Critical Accounting Judgments, Estimates and Assumptions	Disclosure Reference	
	Note	Page
Insurance Provision - Life	21	337
Valuation of Investment Property	8.(a)	296
Measurement of Defined Benefit Obligation	12-13	320 - 326

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. SEGMENT INFORMATION

#### Accounting Policy

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, 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 operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

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 offers a wide range of whole life, endowment, anticipated endowment, term insurance, mortgage protection, retirement and group insurance products.
- Healthcare segment includes Healthcare Centre for Cancer Screening, Radiation Treatment Unit and Diabetes Centre.
- Other segment includes retirement resorts.

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

**5. (a). Segment Income Statement for the Year Ended 31 December 2018**

	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	17,812,774	-	-	(56)	17,812,718
Premiums Ceded to Reinsurers	(457,509)	-	-	-	(457,509)
<b>Net Premiums</b>	17,355,265	-	-	(56)	17,355,209
Revenue from Subsidiaries	-	361,646	601	(3,692)	358,556
Fees and Commission Income	139,251	-	-	-	139,251
Investment Income	10,933,852	63,131	24,997	(79,374)	10,942,605
Realised Gains	195,068	-	-	-	195,068
Fair Value Gains and Losses	108,102	-	-	(66,586)	41,516
Other Operating Revenue	17,962	11,687	4,765	(2,351)	32,063
<b>Other Revenue</b>	11,394,234	436,465	30,363	(152,003)	11,709,059
<b>Segment Revenue</b>	28,749,499	436,465	30,363	(152,059)	29,064,268
Gross Benefits and Claims Paid	(9,997,299)	-	-	-	(9,997,299)
Claims Ceded to Reinsurers	193,749	-	-	-	193,749
Gross Change in Contract Liabilities	(6,457,292)	-	-	-	(6,457,292)
<b>Net Benefits and Claims</b>	(16,260,842)	-	-	-	(16,260,842)
Direct Cost of Subsidiaries	-	(172,823)	(438)	-	(173,261)
Acquisition Cost	(1,926,454)	-	-	3,692	(1,922,762)
Other Operating and Administrative Expenses	(3,384,487)	(135,679)	(28,936)	4,968	(3,544,134)
Finance Costs	(20,328)	-	(4,744)	-	(25,072)
<b>Other Expenses</b>	(5,331,269)	(308,502)	(34,118)	8,660	(5,665,229)
<b>Segment Benefits, Claims and Other Expenses</b>	(21,592,111)	(308,502)	(34,118)	8,660	(21,926,071)
Share of Profit of Associates	-	-	-	534,730	534,730
<b>Segment Results</b>	7,157,388	127,963	(3,755)	391,331	7,672,927

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Segment income statement for the year ended 31 December 2017

	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	15,765,484	-	-	(91)	15,765,392
Premiums Ceded to Reinsurers	(422,217)	-	-	-	(422,217)
<b>Net Premiums</b>	<b>15,343,267</b>	<b>-</b>	<b>-</b>	<b>(91)</b>	<b>15,343,176</b>
Revenue from Subsidiaries	-	341,195	161	(12,440)	328,917
Fees and Commission Income	127,129	-	-	-	127,129
Investment Income	9,866,801	57,884	31,353	(61,403)	9,894,635
Realised Gains / (Losses)	39,421	-	-	-	39,421
Fair Value Gains / (Losses)	215,095	-	-	-	215,095
Other Operating revenue	32,101	(181)	1,467	(1,873)	31,513
<b>Other Revenue</b>	<b>10,280,547</b>	<b>398,898</b>	<b>32,981</b>	<b>(75,716)</b>	<b>10,636,710</b>
<b>Segment Revenue</b>	<b>25,623,814</b>	<b>398,898</b>	<b>32,981</b>	<b>(75,808)</b>	<b>25,979,886</b>
Gross Benefits and Claims Paid	(6,884,013)	-	-	600	(6,883,413)
Claims Ceded to Reinsurers	197,033	-	-	-	197,033
Gross Change in Contract Liabilities	(7,258,502)	-	-	-	(7,258,502)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	3,456,184	-	-	-	3,456,184
<b>Net Benefits and Claims</b>	<b>(10,489,298)</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>(10,488,698)</b>
Direct Cost of Subsidiaries	-	(176,364)	(5,264)	-	(181,627)
Acquisition Cost	(1,782,479)	-	-	-	(1,782,479)
Other Operating and Administrative Expenses	(3,532,496)	(140,042)	(21,357)	(13,073)	(3,706,968)
Finance Costs	(12,005)	-	(1,239)	-	(13,244)
<b>Other Expenses</b>	<b>(5,326,980)</b>	<b>(316,406)</b>	<b>(27,860)</b>	<b>(13,073)</b>	<b>(5,684,319)</b>
<b>Segment Benefits, Claims and Other Expenses</b>	<b>(15,816,280)</b>	<b>(316,406)</b>	<b>(27,860)</b>	<b>(12,473)</b>	<b>(16,173,017)</b>
Share of Profit of Associates	-	-	-	346,032	346,032
<b>Segment Results</b>	<b>9,807,536</b>	<b>82,493</b>	<b>5,122</b>	<b>257,752</b>	<b>10,152,901</b>



## 5. (b). Segment Statement of Financial Position at 31 December 2018

	Life Insurance Rs.'000	Ceylinco Healthcare Services Ltd Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets	37,358	-	-	-	37,358
Property, Plant & Equipment	7,567,806	752,027	20,826	1,134,914	9,460,988
Investment Property	2,304,500	-	-	(1,201,500)	1,103,000
Investment in Associates	457,370	-	-	1,955,528	2,412,898
Investment in Subsidiaries	1,086,000	-	-	(1,086,000)	-
Financial Instruments	99,897,075	643,125	276,250	-	100,816,450
Reinsurance Assets	269,175	-	-	-	269,175
Loans to Policy holders	1,190,274	-	-	-	1,190,274
Premium Receivables	268,334	-	-	-	268,334
Other Assets	4,981,498	26,582	19,919	-	5,027,998
<b>Total Assets</b>	<b>118,059,390</b>	<b>1,421,734</b>	<b>316,995</b>	<b>802,942</b>	<b>120,598,057</b>
Insurance Contract Liabilities	88,568,897	-	-	2,380	88,571,277
Other Liabilities	3,064,909	415,460	4,817	302,572	3,787,757
<b>Total Liabilities</b>	<b>91,633,806</b>	<b>415,460</b>	<b>4,817</b>	<b>304,952</b>	<b>92,359,034</b>

## Segment Statement of Financial Position at 31 December 2017

	Life Insurance Rs.'000	Ceylinco Healthcare Services Ltd Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets	56,950	388	-	-	57,338
Property, Plant & Equipment	7,371,482	414,419	23,450	1,120,324	8,929,675
Investment Property	2,160,914	-	-	(1,134,914)	1,026,000
Investment in an Associate	437,994	-	-	1,639,671	2,077,665
Investment in Subsidiaries	1,036,000	-	44,649	(1,080,649)	-
Financial Instruments	88,629,157	540,577	277,527	-	89,447,261
Reinsurance Assets	115,010	-	-	-	115,010
Loans to Policy holders	1,630,346	-	-	-	1,630,346
Premium Receivables	247,393	-	-	-	247,393
Other Assets	4,409,259	27,329	22,798	-	4,459,386
<b>Total Assets</b>	<b>106,094,505</b>	<b>982,713</b>	<b>368,422</b>	<b>544,433</b>	<b>107,990,074</b>
Insurance Contract Liabilities	82,150,905	-	-	2,380	82,153,285
Other Liabilities	3,296,706	79,705	53,771	138,961	3,569,143
<b>Total Liabilities</b>	<b>85,447,611</b>	<b>79,705</b>	<b>53,771</b>	<b>141,341</b>	<b>85,722,428</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. (c). Segment Statement of Cash Flows for the year ended 31 December 2018

For the Year Ended 31 December	Notes	Ceylinco Life Insurance Rs.'000	Healthcare Services Limited Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers		17,838,611	-	-	-	17,838,611
Reinsurance Premiums (net of Commission) Paid		(76,899)	-	-	-	(76,899)
Commission Paid		(1,907,023)	-	-	-	(1,907,023)
Claims and Benefits Paid		(9,880,745)	-	-	-	(9,880,745)
Reinsurance Receipts in respect of Claims & Benefits		47,770	-	-	-	47,770
Interest and Dividends Received		9,726,855	-	24,646	-	9,751,501
Other Operating Cash Payments		(3,995,598)	163,088	(43,932)	(3,502)	(3,879,944)
Other Income		68,067	-	-	-	68,067
Gratuity payments		(278,395)	-	-	-	(278,395)
Income Taxes Paid		-	(4,338)	(5,641)	-	(9,979)
Interest paid		(20,328)	(1,695)	(2,905)	-	(24,927)
<b>Net Cash Flows from Operating Activities</b>	Note A	11,522,313	157,055	(27,832)	(3,502)	11,648,035
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/Associates		(50,000)	-	44,649	-	(5,351)
Proceeds from sale of Investment Property		-	-	(19,297)	-	(19,297)
Acquisition of Financial Investments		(205,215,012)	(84,430)	(43,500)	-	(205,342,942)
Proceeds from Financial Investments		194,431,668	-	1,250	-	194,432,918
Acquisition of Property , Plant & Equipment		(463,512)	(229,337)	(4,792)	-	(697,641)
Proceeds from Disposal of Property, Plant & Equipment		43,466	710	-	-	44,176
<b>Net Cash Flows from Investing Activities</b>		(11,253,390)	(313,057)	(21,690)	-	(11,588,137)
<b>Cash Flows from Financing Activities</b>						
Increase in Share Capital		-	-	50,000	-	50,000
Proceeds from short-term borrowing		-	120,070	-	-	120,070
Dividends Paid to Equity holders		(537,654)	-	-	-	(537,654)
<b>Net Cash Flows from Financing Activities</b>		(537,654)	120,070	50,000	-	(367,584)
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	Note B	(268,731)	(35,932)	478	(3,502)	(307,686)

For the Year Ended 31 December	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Note A.</b>					
<b>Reconciliation of Profit before tax with Net Cash Flows from Operating Activities</b>					
Profit before tax	7,157,389	127,963	(1,979)	(70,713)	7,138,198
<b>Adjustments for:</b>					
Depreciation	197,009	34,437	7,417	-	238,863
Interest Income	-	-	-	-	-
Provision for Gratuity & Pension	(1,084,245)	2,316	614	-	(1,081,314)
Amortisation of Intangible Assets	10,036	387	-	-	10,423
Change in Trade and Other Receivables	(2,605,883)	(70,054)	(24,429)	626	(2,699,740)
Change in Reinsurance Receivable	(154,165)	-	-	-	(154,165)
Increase in Life Insurance Funds	6,457,292	-	-	-	6,457,292
Increase in Unit-linked Fund	19,748	-	-	-	19,748
Increase in Takaful Fund	2,578	-	-	-	2,578
Increase in Individual Investment Fund (IFS)	70,223	-	-	-	70,223
Change in Trade and Other Payables	2,016,026	62,005	(908)	66,585	2,143,708
Realised gain / (Losses)	(177,199)	-	-	-	(177,199)
Fair value Gain / (Losses) recorded in Income Statement	(108,102)	-	-	-	(108,102)
Income Tax Paid	-	-	(5,641)	-	(5,641)
Interest Paid	-	-	(2,905)	-	(2,905)
Payment to gratuity and pension funds	(278,395)	-	-	-	(278,395)
<b>Net Cash Flows from Operating Activities</b>	<b>11,522,313</b>	<b>157,054</b>	<b>(27,831)</b>	<b>(3,502)</b>	<b>11,573,573</b>
<b>Note B.</b>					
Cash and Cash Equivalents at 1st January	533,558	(6,926)	50	2,444	529,126
Cash and Cash Equivalents at 31st December	264,827	(42,858)	528	(1,056)	221,441
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(268,731)</b>	<b>(35,932)</b>	<b>478</b>	<b>(3,500)</b>	<b>(307,685)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Segment Statement of Cash Flows for the year ended 31 December 2017

For the Year Ended 31 December	Notes	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers		15,817,201	-	-	(91)	15,817,109
Reinsurance Premiums (net of Commission) Paid		(282,338)	-	-		(282,338)
Commission Paid		(1,760,304)	-	-	600	(1,759,704)
Claims and Benefits Paid		(6,613,051)	-	-	-	(6,613,051)
Reinsurance Receipts in respect of Claims & Benefits		4,598	-	-	-	4,598
Interest and Dividends Received		10,598,198	57,884	11,460	(3,312)	10,664,230
Other Operating Cash Payments		(3,249,950)	-	(1,530)	75,058	(3,176,422)
Other Income		65,990	25,918	1,114	(17,295)	75,727
Gratuity payments		(158,794)	(3,336)	-	-	(162,129)
Income Taxes Paid		-	(6,931)	(1,144)	-	(8,075)
Interest paid		(12,005)	-	(27,968)	-	(39,977)
<b>Net Cash Flows from Operating Activities</b>	Note A	14,409,545	73,535	(18,068)	54,960	14,519,968
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/Associates		-	-	(44,649)	44,649	-
Proceeds from sale of Investment Property		7,425	-	-	-	7,425
Acquisition of Financial Investments		(376,305,598)	(123,268)	(14,000)	(1,039,458)	(377,482,324)
Proceeds from Financial Investments		367,460,490		57,587	984,853	368,502,930
Acquisition of Property, Plant & Equipment		(885,631)	(3,909)	(27,240)		(916,780)
Proceeds from Disposal of Property, Plant & Equipment		29,194	-	-	-	29,194
Acquisition /Disposal of Intangible Assets		(57,038)	-	-	-	(57,038)
Reverse REPO Borrowings (net)		(2,980,013)	56,881	-	-	(2,923,131)
<b>Net Cash Flows from Investing Activities</b>		(12,731,170)	(70,296)	(28,302)	(9,956)	(12,839,724)
<b>Cash Flows from Financing Activities</b>						
Increase in Share Capital		-	-	45,000	(45,000)	-
Proceeds from short-term borrowing		(1,000,000)	-	665	-	(999,335)
Dividends Paid to Equityholders		(498,992)	(7,753)	-	-	(506,745)
<b>Net Cash Flows from Financing Activities</b>		(1,498,992)	(7,753)	45,665	(45,000)	(1,506,079)
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	Note B	179,383	(4,514)	(705)	4	174,164

	Life Insurance	Ceylinco Healthcare Services Limited	Other Operations	Adjustments and Eliminations	Group
For the Year Ended 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

**Note A.****Reconciliation of Profit before tax with Net Cash Flows from Operating Activities**

Profit before tax	9,807,535	82,493	5,122	(88,282)	9,806,868
<b>Adjustments for:</b>					
Depreciation	196,765	62,281	3,789	12,175	275,010
Provision for Gratuity & Pension	(45,741)	3,336	558		(41,847)
Amortisation of Intangible Assets	2,847	103	-	-	2,951
Change in Trade and Other Receivables	(204,767)	(6,121)	(1)	(2,440)	(213,329)
Change in Reinsurance Receivable	(73,712)	-	-	-	(73,712)
Increase in Life Insurance Funds	7,258,502	-	-	-	7,258,502
Increase in Unit-linked Fund	50,258	-	-	-	50,258
Increase in Takaful Fund	6,406	-	-	-	6,406
Increase in Individual Investment Fund (IFS)	37,353	-	-	-	37,353
Change in Contract Liabilities Due to Transfer of One-Off Surplus	(3,456,184)	-	-	-	(3,456,184)
Change in Trade and Other Payables	1,227,510	(5,265)	2,241	133,504	1,357,990
Realised gain / (Losses)	(23,341)	5,482	-		(17,859)
Fair value Gain / (Losses) recorded in Income Statement	(215,095)	-	-	(85,515)	(300,610)
Income Tax Paid	-	(6,931)	(1,144)		(8,075)
Interest Paid		(56,881)	(28,633)	85,515	
Payment to gratuity and pension funds	(158,794)	(4,961)	-		(163,755)
<b>Net Cash Flows from Operating Activities</b>	<b>14,409,542</b>	<b>73,536</b>	<b>(18,068)</b>	<b>54,957</b>	<b>14,519,968</b>

**Note B.**

Cash and Cash Equivalents at 1st January	354,176	(2,413)	3,199	-	354,962
Cash and Cash Equivalents at 31st December	533,558	(6,926)	2,494	-	529,126
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>179,382</b>	<b>(4,513)</b>	<b>(705)</b>	<b>-</b>	<b>174,164</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. (d). Summarised information of Significant Subsidiaries - Ceylinco Healthcare Services Ltd

#### Summarised Income Statement

	2018	2017
	Rs.'000	Rs.'000
Revenue	361,646	341,195
Cost of Sales	(172,823)	(176,364)
Other Income	11,687	821
Administrative Expenses	(129,057)	(134,006)
Selling & Distribution Expenses	(6,622)	(6,036)
Finance Income/ (Cost)	63,131	56,881
Profit Before Tax	127,963	82,493

#### Summarised Statement of Financial Position

	2018	2017
	Rs.'000	Rs.'000
Current Assets	669,707	567,906
Non-Current Assets	752,027	414,806
<b>Total Assets</b>	<b>1,421,734</b>	<b>982,712</b>
Current Liabilities	161,481	31,751
Non-Current Liabilities	253,979	47,953
<b>Total Equity</b>	<b>1,006,274</b>	<b>903,007</b>
<b>Total Equity and Liabilities</b>	<b>1,421,734</b>	<b>982,712</b>

#### Summarised Statement of Cash Flows

	2018	2017
	Rs.'000	Rs.'000
Operating Cash Flows	112,042	73,536
Investing Cash Flows	(268,044)	(70,296)
Financing Cash Flows	120,070	(7,753)
Net Increase /(Decrease ) In cash and cash equivalents	(35,932)	(4,513)
Cash and Cash Equivalents at the Beginning of the Year	(6,926)	(2,413)
Cash and Cash Equivalents at the End of the Year	(42,858)	(6,926)

## 6. INTANGIBLE ASSETS

### Accounting Policy

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

### Intangible assets with finite useful lives

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 amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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 Intangible Assets are as follows:

Item	Useful Life
Computer software	3-5 years

### De-recognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the statement of profit or loss when the asset is de-recognised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Group		Company	
	Computer Software & License Rs.'000	Total Rs.'000	Computer Software & License Rs.'000	Total Rs.'000
<b>Cost</b>				
As at 1 January 2017	294,457	294,457	282,996	282,996
Addition During the Year	57,038	57,038	57,038	57,038
As at 1 January 2018	351,495	351,495	340,034	340,034
Transfers	(9,556)	(9,556)	(9,556)	(9,556)
<b>As At 31 December 2018</b>	<b>341,939</b>	<b>341,939</b>	<b>330,478</b>	<b>330,478</b>
<b>Accumulated Amortisation and Impairment</b>				
As at 1 January 2017	291,207	291,207	280,237	280,237
Amortisation for the Year	2,951	2,951	2,847	2,847
As at 1 January 2018	294,158	294,158	283,084	283,084
Amortisation for the Year	10,423	10,423	10,036	10,036
<b>As at 31 December 2018</b>	<b>304,581</b>	<b>304,581</b>	<b>293,120</b>	<b>293,120</b>
<b>Carrying amount</b>				
As at 1 January 2018	57,337	57,337	56,950	56,950
<b>As at 31 December 2018</b>	<b>37,358</b>	<b>37,358</b>	<b>37,358</b>	<b>37,358</b>

### 6. (a). Acquisition of Intangible Assets During the Year

During the year, the Group/Company did not acquire intangible assets.

### 6. (b). Fully Amortised Intangible Assets in use

#### Group / Company

Intangible Assets includes fully amortized Computer software which are in the use of normal business activities having a gross carrying amounts of Rs. 280.19 Million. (2017 - Rs. 280.19 Million).

### 6. (c). Title Restriction on Intangible Assets

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

## **6. (d). Assessment of impairment of Intangible Assets**

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31st December 2018. Based on the assessment, no impairment indicators were identified.

## **6. (e). Capitalisation of Borrowing Costs**

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year. (2017 - Nil)

## **7. Property, Plant and Equipment**

### **Accounting Policy**

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

### **Basis of Recognition**

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with "LKAS 16 - Property, Plant and Equipment".

### **Basis of Measurement**

Items of property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

### **Initial Measurement**

Initially items of property, plant and equipment are measured at its cost. Cost includes expenditure that is directly attributable to the acquisition or construction 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 assets to a working condition for their 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 construction of qualifying assets are also 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.

### **Subsequent Measurement**

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 de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Revaluation

Revaluation is performed on freehold land and buildings by professionally qualified valuers using the open market values. Land and buildings are revalued in every three years. The revaluation surplus is recognised on the net carrying value of the asset.

Any revaluation gain or loss attributable to policyholders is recognised in the Life Insurance Fund, whereas any revaluation gain or loss attributable to shareholders is recognised in revaluation reserve.

### Depreciation

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

The estimated useful lives for property, plant and equipment are as follows:

	2018	2017
Item	Useful Life	Useful Life
Buildings	50-70 years	50-70 years
Furniture and fittings	5-10 years	5-10 years
Office equipment	3-10 years	3-10 years
Computer equipment	2-5 years	2-5 years
Motor vehicles	4-5 years	4-5 years
Plant and machinery - Medical equipment	5 years	5 years
Plant and machinery - Electrical equipment	5 years	5 years
Plant and machinery - Other	4-33 years	4-33 years

### Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in Property, Plant and Equipment, under construction.

### Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard - LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing cost are recognized in the income statements in the period in which expense incur.

## 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 or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Income Statement in the year the asset is de-recognised. When a previously revalued asset is de-recognised, the revaluation reserve pertaining to such asset is transferred to retained earnings.

Group	Freehold Land Rs'000	Building Rs'000	Plant & Machinery Rs'000	Motor Vehicles Rs'000	Office Equipment Rs'000	Computer Equipment Rs'000	Furniture & Fittings Rs'000	Capital WIP Rs'000	Total Rs'000
<b>At Cost/Valuation</b>									
At 1 January 2017	4,621,000	2,481,500	861,413	470,400	522,114	457,976	375,078	25,938	9,815,419
Additions During the Year	486,977	157,293	40	115,002	68,139	72,271	10,986	104,789	1,015,497
Transfers During the Year	-	-	-	-	-	-	-	(104,575)	(104,575)
Disposals During the Year	-	-	-	(46,316)	(4,591)	(20)	(2,306)	-	(53,233)
At 1 January 2018	5,107,977	2,638,793	861,453	539,086	585,662	530,227	383,758	26,152	10,673,108
Additions During the Year	145,934	91,419	344,745	137,414	77,175	25,487	7,193	58,308	887,674
Transfers During the Year	-	-	-	-	-	(44,558)	-	(46,769)	(91,328)
Disposals During the Year	-	-	(236,997)	(60,019)	(2,903)	(16)	(3,954)	-	(303,889)
<b>At 31 December 2018</b>	<b>5,253,911</b>	<b>2,730,212</b>	<b>969,201</b>	<b>616,480</b>	<b>659,934</b>	<b>511,140</b>	<b>386,998</b>	<b>37,690</b>	<b>11,165,566</b>
<b>Accumulated Depreciation at Cost/Valuation</b>									
At 1 January 2017	-	-	409,629	229,320	294,313	333,995	234,375	-	1,501,632
Depreciation for the Year	-	54,645	55,472	56,519	44,598	39,641	24,135	-	275,010
Disposals During the Year	-	-	-	(27,189)	(4,141)	(11)	(1,871)	-	(33,212)
At 1 January 2018	-	54,645	465,101	258,650	334,770	373,625	256,639	-	1,743,430
Depreciation for the Year	-	41,909	30,728	61,088	45,947	37,144	22,047	-	238,862
Disposals During the Year	-	-	(236,442)	(35,473)	(2,247)	(15)	(3,537)	-	(277,714)
<b>At 31 December 2018</b>	<b>-</b>	<b>96,553</b>	<b>259,387</b>	<b>284,265</b>	<b>378,470</b>	<b>410,754</b>	<b>275,149</b>	<b>-</b>	<b>1,704,578</b>
<b>Carrying Amount</b>									
At 1 January 2018	5,107,977	2,584,149	396,352	280,436	250,891	156,602	127,119	26,152	8,929,678
<b>At 31 December 2018</b>	<b>5,253,911</b>	<b>2,633,659</b>	<b>709,814</b>	<b>332,215</b>	<b>281,464</b>	<b>100,386</b>	<b>111,848</b>	<b>37,690</b>	<b>9,460,988</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
<b>At Cost/Valuation</b>									
At 1 January 2017	4,193,000	2,145,500	-	462,925	508,557	446,328	300,292	23,059	8,079,661
Additions During the Year	486,977	74,502	-	115,002	40,863	70,492	10,911	104,789	903,536
Transfers to Investment Properties	(141,000)	(146,000)	-	-	-	-	-	(104,575)	(391,575)
Disposals During the Year	-	-	-	(38,841)	(4,591)	(20)	(2,306)	-	(45,758)
At 1st January 2018	4,538,977	2,074,002	-	539,086	544,829	516,800	308,897	23,273	8,545,864
Additions During the Year	145,934	91,419	-	137,414	53,069	19,710	4,429	58,308	510,281
Transfers During the Year	-	-	-	-	-	(44,558)	-	(46,769)	(91,328)
Disposals During the Year	-	-	-	(60,019)	(2,903)	(16)	(3,954)	-	(66,892)
<b>At 31 December 2018</b>	<b>4,684,911</b>	<b>2,165,421</b>	<b>-</b>	<b>616,480</b>	<b>594,994</b>	<b>491,936</b>	<b>309,372</b>	<b>34,811</b>	<b>8,897,925</b>
<b>Accumulated Depreciation at Cost/Valuation</b>									
At 1 January 2017	-	-	-	228,447	283,489	322,832	176,258	-	1,011,026
Depreciation for the Year	-	42,433	-	55,398	40,322	39,524	19,088	-	196,765
Disposals During the Year	-	-	-	(25,196)	(4,141)	(11)	(1,871)	-	(31,219)
Transfers During the Year	-	(2,190)	-	-	-	-	-	-	(2,190)
At 1st January 2018	-	40,243	-	258,649	319,670	362,345	193,475	-	1,174,382
Depreciation for the Year	-	41,909	-	61,088	41,689	36,478	15,845	-	197,009
Disposals During the Year	-	-	-	(35,473)	(2,247)	(15)	(3,537)	-	(41,272)
<b>At 31 December 2018</b>	<b>-</b>	<b>82,152</b>	<b>-</b>	<b>284,264</b>	<b>359,112</b>	<b>398,808</b>	<b>205,783</b>	<b>-</b>	<b>1,330,119</b>
<b>Carrying Amount</b>									
At 1st January 2018	4,538,977	2,033,759	-	280,437	225,158	154,455	115,422	23,273	7,371,482
<b>At 31 December 2018</b>	<b>4,684,911</b>	<b>2,083,269</b>	<b>-</b>	<b>332,216</b>	<b>235,882</b>	<b>93,128</b>	<b>103,589</b>	<b>34,811</b>	<b>7,567,806</b>

### 7. (a). Valuation of Freehold Land and Building

The Company did not perform the valuation as of 31 December 2018 for the freehold land and buildings as there is no significant change in the market value of the properties recorded in the books as of reporting period.

As at 31 December 2018, the fair values of the freehold land and building are based on last valuations performed by an accredited independent valuer, Mr. Chandrasena Weerasinghe. The Effective date of valuation of the property, plant and equipment's is 31 December 2016

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

## 7. (b). Acquisition of Property, Plant and Equipment During the Year

### Group

During the financial year Group has acquired Property, Plant & Equipment to the aggregate value of Rs. 887 million (2017-Rs. 1,015 million). As at the year end cash payments amounting to Rs. 698 million (2017 - Rs.916 million) were made for the purchase of Property, Plant and Equipment .

### Company

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 510 million (2017 - Rs. 903 million) - As at the year end cash payments amounting to Rs. 885 million (2017- Rs. 463 million) were made during the year for purchase of Property, Plant and Equipment.

## 7. (c). Capital Commitments and Assets Pledged

The Company has committed to pay an amount of Rs.62,035,731/- (2017 - Rs.43,336,727/-) as at the reporting date under contract entered into on Capital expenditure projects.

## 7. (d). Title Restrictions on Property, Plant and Equipment

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

## 7. (e). Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property , Plant and Equipment as at year ended 31 December 2018.

## 7. (f). Assessment of Impairment

The Board of Directors has assessed the potential Impairment indicators of Property Plant and equipments as at 31 December 2018. Based on the assessment, no impairment indicators were identified.

## 7. (g). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2017 Nil)

## 7. (h). Fully Depreciated Property, Plant and Equipment

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

At 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Plant and Machinery	94,718	330,816		
Computer Equipment	321,492	223,076	310,917	212,501
Office Equipments	147,194	124,437	140,571	117,814
Furniture and Fittings	167,560	142,198	134,573	109,211
Motor Vehicles	186,093	189,954	186,093	189,954
	917,057	1,010,482	772,154	629,481

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. (i). Details of Freehold Land & Buildings of Company

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Estimation for Unobservable		Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
				Significant Unobservable Inputs	Unobservable Inputs				
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 5,000	30,000	46,000	76,000	31/12/2016
No. 63, Janadhipathi Mawatha, Colombo 1	-	A-0-R-0-P-13.84	Residual Method	Price per perch	Rs. 10,000,000	138,500	-	138,500	31/12/2016
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,500,000 Rs. 6,500	37,000	59,000	96,000	31/12/2016
No.54, Dharmapala Mawatha, Anuradhapura	23,100	A-0-R-1-P-10.68	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,200,000 Rs. 6,500	61,000	114,000	175,000	31/12/2016
No.144, Hambanthota Road, Kachcheriyagama, Tissamaharama	8,130	A-0-R-1-P- 01.00	Replacement Cost Method	Price per perch Price per Sq ft	Rs. 738,000 Rs. 6,000	30,000	41,000	71,000	31/12/2016
No. 45, Dharmapala Mawatha , Rathnapura	2,560	A-0-R-0-P-35.50	Investment Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 4,500	71,000	9,200	80,200	31/12/2016
No. 45, Dharmapala Mawatha , Rathnapura (New Building)	8,102	-	Investment Method	Price per Sq ft	Rs. 8,500	-	72,420	72,420	31/12/2016
No. 401, Main street , Panadura	7,116	A-0-R-1-P-4.12	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 3,500,000 Rs. 7,200	154,000	61,968	215,968	31/12/2016
No. 423, Main Street , Kalutara	12,000	A-0-R-0-P-32.75	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,500,000 Rs. 8,000	49,000	79,000	128,000	31/12/2016
No. 327, Badulla Road , Bandarawela	8,970	A-0-R-0-P-17.01	Market Comparable Method	Price per perch Price per Sq ft	Rs. 900,000 Rs. 9,800	15,000	88,000	103,000	31/12/2016
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 10,000,000 Rs. 11,500	353,000	673,000	1,026,000	31/12/2016
No. 32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch Price per Sq ft	Rs. 450,000 Rs. 2,000 - 5,000	12,000	22,000	34,000	31/12/2016
No15, Rexdias Mawatha, Wennappuwa	9,114	A-0-R-0-P-37.40	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 750,000 Rs. 6,500	28,000	60,851	88,851	31/12/2016
No 91, Baudhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,750,000 Rs. 8,000	89,000	68,000	157,000	31/12/2016



Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Estimation		Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
				Significant Unobservable Inputs	for Unobservable Inputs				
No. 40, Rajapihilla Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,000,000 Rs. 9,000	31,000	89,000	120,000	31/12/2016
No.90/4, Kurunegala Road, Chilaw	6,150	A-0-R-0-P-30.0	Direct Comparison Method	Price per perch	Rs. 600,000	18,000	56,390	74,390	31/12/2016
No 38, Abdul Gafoor Mawatha, Colombo 03	-	A-0-R-1-P-4.5	Income Capitalization Method	Price per perch	Rs. 10,000,000	445,000	-	445,000	31/12/2016
No 406, Galle Road, Rawatawatta, Moratuwa	6,874	A-0-R-0-P-39.73	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,500,000 Rs. 4,000 - 4,500	99,000	16,000	115,000	31/12/2016
No. 37,39 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-7.9	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,800,000 Rs. 4,500	86,000	12,000	98,000	31/12/2016
No.22 (New 32), Lloyd's Avenue, Batticaloa	11,690	A-0-R-0-P-23.83	Market Comparable Method	Price per perch Price per Sq ft	Rs. 1,500,000 Rs. 7,000	35,000	82,113	117,113	31/12/2016
No.2, Gower Street, Colombo-05	5,210	A-0-R-1-P-27.25	Market Comparable Method	Price per perch Price per Sq ft	Rs. 10,000,000 Rs. 5,000	672,500	14,500	687,000	31/12/2016
No. 20 & 22/3 Kandy Road, Trincomalee	11,340	A-0-R-1-P-20	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 750,000 Rs. 8,000	40,000	90,121	130,121	31/12/2016
No.38,38/B Rajapilla Road, Kurunegala	-	A-0-R-0-P-23.93	Market Comparable Method	Price per perch	Rs. 2,000,000	48,000	-	48,000	31/12/2016
No.92 & 98 Jampettah Street, Colombo - 13	19,470	A-0-R-1-P-11.22	Market Comparable Method	Price per perch Price per Sq ft	Rs. 3,000,000 Rs. 5,000 - 6,000.	146,000	71,000	217,000	31/12/2016
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch Price per Sq ft	Rs.10,000,000 Rs. 27,000	724,000	122,000	846,000	31/12/2016
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	Market Comparable Method	Price per perch Price per Sq ft	Rs. 3,000,000 Rs. 5,000	157,500	19,500	177,000	31/12/2016
No.274, Panadura Road, Horana	5,670	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,800,000 Rs. 7,000	46,000	41,802	87,802	31/12/2016
No.65, King Street, Kandy	14650	A-0-R-1-P-1.25	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 5,500,000 Rs. 5,000	227,000	49,000	276,000	31/12/2016
No.45, Anagarika Dharmapala Mawatha, Matara	7232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch Price per Sq ft	Rs. 4,250,000 Rs. 4,500	112,500	19,500	132,000	31/12/2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Addresses Company	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
No.213, Highlevel Road, Nugegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per perch	Rs. 3,350,000	80,000	-	80,000	31/12/2016
No.15A, Jaya Mawatha, Kadawatha	-	A-0-R-0-P-19.5	Market Comparable Method	Price per perch	Rs. 870,000	17,000	46,769	63,769	31/12/2016
No.26 Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,500,000	50,000	-	50,000	31/12/2016
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs. 2,500,000	66,517	-	66,517	31/12/2016
No 43 & 45, Galle Road, Wellawatta, Colombo 6	12,676	A-0-R-0-P-25.31	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 15,000,000 Rs. 6,500	370,460	41,052	411,513 -	31/12/2016
No. 301, Point Pedro Rd, Nelliady, Karveddy	-	A-0-R-0-P-29				91,349	235	91,584	
No 582,Kaduwela Road, Malabe		A-0-R-1-P-4.32				20,999		20,999	
No.301, Mirigama Road, Wewagedara, Divulapitiya.		A-0-R-1-P-0				25,187		25,187	
No.301/A, Point Pedro Road, Nelliaddy,Jaffna		A-0-R-1-P-13.92				8,399		8,399	
<b>Total</b>						4,684,911	2,165,421	6,850,332	

## 7. (j). Movement of Revalued Freehold Land and Buildings if Accounted at Cost

	Freehold land	Building
<b>At Cost</b>		
As at 1 January 2017	2,743,562	2,003,197
Addition During the Year	486,977	74,502
Transfers to the Investment Property	(94,000)	(149,714)
As at 31 December 2017	3,136,539	1,927,985
Addition During the Year	145,934	91,419
<b>As at 31 December 2018</b>	<b>3,282,473</b>	<b>2,019,404</b>
<b>Depreciation</b>		
As at 1 January 2017	-	104,466
Addition During the Year	-	42,433
Transfers During the Year		(11,709)
As at 31 December 2017	-	135,190
Addition During the Year		41,909
<b>As at 31 December 2018</b>	<b>-</b>	<b>177,099</b>
<b>Carrying amount</b>		
As at 1 January 2017	2,743,562	1,898,731
As at 31 December 2017	3,136,539	1,792,795
<b>As at 31 December 2018</b>	<b>3,282,473</b>	<b>1,842,305</b>

## 8. INVESTMENT PROPERTIES

### Accounting Policy

#### Initial Measurement

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 Measurement

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Transfers

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 investment property, the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

### De-recognition

Investment properties are de-recognised 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.

	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January			1,026,000	1,032,000	2,160,914	1,796,000
Transfers			-	-	-	370,914
Disposal During the Year			-	(6,000)	-	(6,000)
Fair Value Gains	347	29	77,000	-	143,586	-
<b>At 31 December</b>			<b>1,103,000</b>	<b>1,026,000</b>	<b>2,304,500</b>	<b>2,160,914</b>

### 8. (a). Valuation of Investment Properties

As at 31 December 2018, the fair values of the land and buildings held for investment purpose are based on valuations performed by an accredited independent valuer, Mr. Chandrasena Weerasinghe.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method which are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

The effective date of valuation of the land and buildings held as investment properties is 31 December 2018.

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

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

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

## 8. (b). Temporarily Idle Investment Property

There are no temporarily idle Investment property as at year ended 31 December 2018.

## 8. (c). Assessment of Impairment

The Company has assessed the potential Impairment indicators of Investment property as at 31 December 2018. Based on the assessment, no impairment indicators were identified.

## 8. (d). Capital Commitments and Assets Pledged

There are no capital commitments as at reporting date under contract entered into on Capital expenditure projects.

## 8. (e). Title Restriction on Investment Property.

There are no restriction that existed on the title of the Investment Property of the Group and Company as at reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. (f). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Investment Property during the year. (2017 Nil)

### 8. (g). Details of Investment Properties of Company

	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	2018			Date of the Valuation
						Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.50-Rs-150	95,000	16,000	111,000	31/12/2018
No.24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.75-Rs-100	60,000	17,000	77,000	31/12/2018
No. 115, Green Road, Negombo		A-0-R-0-P-37.5	Market Comparable Method	Price per perch	Rs.2,700,000	103,000	-	103,000	31/12/2018
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.65-Rs-125	-	135,000	135,000	31/12/2018
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.80-Rs-150	450,000	210,000	660,000	31/12/2018
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	128,500	128,500	31/12/2018
No. 06, Railway Station Road, Matara	2,982	A-0-R- 0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.60-Rs-120	64,500	4,500	69,000	31/12/2018
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.135		240,000	240,000	31/12/2018
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.135	-	250,000	250,000	31/12/2018
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs.135	-	118,000	118,000	31/12/2018
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.375,000	176,000	237,000	413,000	31/12/2018
				Price per Sq ft	Rs. 3,000 - 5,500				
<b>Total</b>						<b>948,500</b>	<b>1,356,000</b>	<b>2,304,500</b>	

	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2017				Date of the Valuation
					Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.85 - Rs. 130	90,000	16,000	106,000	12/2/16
No.24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.75 - Rs. 100	55,000	17,000	72,000	12/2/16
No. 115, Green Road, Negombo		A-0-R-0-P-37.5	Market Comparable Method	Price per perch	Rs.2,500,000	94,000	-	94,000	12/25/16
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.120 - Rs. 160	-	125,000	125,000	12/28/16
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	428,000	210,000	638,000	12/22/16
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	126,000	126,000	12/18/16
No. 06, Railway Station Road, Matara	2,982	A-0-R- 0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.40 - Rs. 60	52,000	5,000	57,000	12/3/16
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs. 160		226,000	226,000	12/15/16
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs. 165	-	233,000	233,000	12/15/16
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs. 170	-	113,000	113,000	12/15/16
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.300,000	141,000	229,914	370,914	12/25/16
				Price per Sq ft	Rs. 3,000 - 5,500				
Total						860,000	1,300,914	2,160,914	

The fair value of investment property reflects the actual market value as at reporting date.

No Depreciation/Amortization recognized for the investments properties carried at Fair Value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. (h). Rental Income

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental Income Derived from Investment Properties	346	27	71,859	74,438	71,859	76,147
Direct operating Expenses Generating Rental Income			-	(1,348)	-	(1,348)
Direct operating Expenses did not Generating Rental Income			(4,027)	(4,409)	(4,027)	(4,409)
<b>Net Profit Arising from Investment Properties</b>			<b>67,832</b>	<b>68,681</b>	<b>67,832</b>	<b>70,390</b>

## 9. INVESTMENT IN SUBSIDIARIES-COMPANY

### Accounting Policy

Business combinations are accounted for using the purchase method. Transaction costs directly attributable to the acquisition form part of the acquisition costs. Non-controlling interests are 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 measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in Income Statement or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

### Subsidiary Companies

- Serene Resorts Limited
- Ceylinco Healthcare Services Limited

### **Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income expenses arising from intra-group transactions and dividend, are eliminated in preparation of the Consolidated Financial Statements.

### **Subsidiaries**

Subsidiaries are entities controlled by the parent company. Control is achieved when the Group is exposed or has the right, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specially, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., Existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable returns from its involvement with the investee
- 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 a 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:

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

The Group reassesses 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 to bring their accounting policies into line with the Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Financial Statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Unquoted Shares

As at 31 December	% of Direct Holding		Number of Shares		Cost	
	2018	2017	2018	2017	2018	2017
					Rs.'000	Rs.'000
Serene Resorts Ltd.	98.44%	98.15%	31,500,000	26,500,000	315,000	265,000
Ceylinco Seraka Ltd.	-	5%	-	5,000	-	-
Ceylinco Healthcare Services Ltd.	99.45%	99.45%	77,100,000	77,100,000	771,000	771,000
					1,086,000	1,036,000

### 9. (a). Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under 'Non-Controlling Interest'. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

### 9. (b). Disposal of Seraka Ltd

During the year, the Company disposed the investment in Seraka Ltd and disposal gain arisen from the transaction has been recognized in income statement.

	Rs.000
Net assets as at date of Disposal	46,871
Net Assets attributable to NCI 1.76%	824
Share of the Group	46,047
Sales Proceed Received	47,341
Gain of Disposal	2,117

### 9. (c). Assessment of Impairment

The Company has assessed the recoverability of investment made as at 31 December 2018. Based on the assessment, no impairment indicators were identified

## 10. INVESTMENT IN ASSOCIATES

### Accounting Policy

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The Income Statement reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate is prepared for the same Reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. At each Reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises 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 recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in Income Statement.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Associate Companies

- Citizens Development Business Finance PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. (a). Group/ Company Investments in Associates

As at 31 December	% Holding		Number of Shares		Value	
	2018	2017	2018	2017	2018	2017
					Rs.'000	Rs.'000
<b>Company</b>						
<b>Quoted Investments</b>						
Citizens Development Business Finance PLC	30.67%	30.25%	16,655,116	16,429,116	457,370	437,994
<b>Company Investment in Associates (At Cost)</b>					457,370	437,994
<b>Group</b>						
<b>Negative Goodwill on Acquisition over Consideration</b>						
Citizens Development Business Finance PLC					103,749	103,749
<b>Group's Share of Retained Assets of Associates</b>						
Citizens Development Business Finance PLC					1,851,779	1,535,922
<b>Group Investment in Associates (Equity Basis)</b>					2,412,898	2,077,665

### 10. (b). Summarised Financial Information of the Associate

As at 31 December	Total -Associate		Share of Associate	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Associate's Statement of Financial Position</b>				
Total Assets	87,968,467	670,304,228	26,979,929	20,361,748
Total Liabilities	80,101,176	60,436,662	24,567,031	18,284,083
<b>Net Assets</b>	7,867,291	609,867,566	2,412,898	2,077,665
<b>Associate's Revenue and Profit</b>				
Revenue	13,460,395	9,291,773	4,128,303	3,229,598
Profit Before Tax	2,099,129	1,518,082	643,803	459,270
Profit After Tax	1,743,498	1,217,898	534,730	346,032
Other Comprehensive Income	(154,410)	374,780	(47,357)	38,229
Dividend Received	271,528	190,068	74,462	51,752
<b>Above summarised financials includes following account balances</b>				
Cash and Cash Equivalent	4,539,549	839,243	1,392,280	253,871
Non Current Financial Liabilities	24,883,723	11,109,476	7,631,838	3,360,616
Interest Expenses	(8,493,037)	(6,074,399)	(2,604,814)	(1,837,506)
Income Tax Expense	(355,631)	(300,184)	(109,072)	(90,830)

Citizens Development Business Finance PLC (CDB) is a public limited liability Company incorporated in Sri Lanka and is listed on the Colombo Stock Exchange. It provides a wide range of Financial Services including accepting deposits, leasing, hire purchase, and loan facilities etc.

## 10. (c). Fair Value of the Investment

Fair Value of the Company's investment in the Associate as at reporting date is Rs. 1,366 Mn (2017 Rs.1,041 Mn)

The Citizens Development Business Finance PLC has early adopted SLFRS 9 - "Financial instruments" issued in 2014 with a date of initial application of 1 April 2017. The requirements of SLFRS - 9, represent a significant change from LKAS 39 - Financial Instruments" Recognition and Measurement".

## 11. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

### Accounting Policy

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM)
- Loans and receivables (L&R) and
- Available-for-sale (AFS) financial assets as appropriate.

### Initial Recognition

The Group/Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group/Company becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRS/LKAS, or for gains and losses arising from a group of similar transactions such as in the Group/Company's trading activity.

The following table consists of the fair values of the financial investments together with their carrying values.

Fair Value through Profit or Loss investments and Available-For-Sale investments are valued at fair value. Held to maturity investments and loans and receivable investments are valued at amortised cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Impairment of Financial Assets

#### Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses 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 has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 EIR.

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 finance 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 realised 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 finance costs in the Income Statement.

#### 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 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.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.



## Offsetting

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 de-recognised amounts and there is an intention to settle on a net basis, or to realise 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.

## De-recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to maturity financial assets	308	11(a)	60,575,394	65,272,728	60,575,394	65,272,728
Loans and receivables	309	11(b)	38,205,440	17,973,682	37,446,065	17,199,112
Available-for-sale financial assets	310	11(c)	1,469,787	3,851,240	1,309,787	3,807,709
Financial assets at fair value through profit or loss	311	11(d)	565,829	2,349,607	565,829	2,349,607
<b>Total Financial Instruments</b>			<b>100,816,450</b>	<b>89,447,257</b>	<b>99,897,075</b>	<b>88,629,156</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December	Group				Company			
	2018		2017		2018		2017	
	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Held to maturity financial assets	60,575,394	60,488,162	65,272,729	65,785,966	60,575,394	60,488,162	65,272,729	65,785,966
Loans and receivables	38,205,440	38,205,440	17,973,682	17,973,682	37,446,065	37,446,065	17,199,112	17,199,112
Available-for-sale financial assets	1,469,787	1,469,787	3,851,240	3,851,240	1,309,787	1,309,787	3,807,709	3,807,709
Financial assets at fair value through profit or loss	565,829	565,829	2,349,607	2,349,607	565,829	565,829	2,349,607	2,349,607
<b>Total Financial Instruments</b>	<b>100,816,450</b>	<b>100,729,218</b>	<b>89,447,259</b>	<b>89,960,496</b>	<b>99,897,075</b>	<b>99,809,843</b>	<b>88,629,157</b>	<b>89,142,394</b>

### 11. (a). Held to Maturity Financial Assets

#### Accounting Policy

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 it to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in finance income in the Income Statement.

The losses arising from impairment are recognised as finance cost in the Income Statement.

As at 31 December	Page No	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Fair value</b>						
Treasury Bonds			38,936,641	42,577,694	38,936,641	42,577,694
Debentures - Quoted			21,551,521	23,208,272	21,551,521	23,208,272
<b>Total Held to Maturity Financial Assets at Fair Value</b>			<b>60,488,162</b>	<b>65,785,966</b>	<b>60,488,162</b>	<b>65,785,966</b>
<b>Amortised Cost</b>						
Treasury Bonds			38,603,523	41,750,734	38,603,523	41,750,734
Debentures - Quoted	317	11(j)(1)	21,971,871	23,521,994	21,971,871	23,521,994
<b>Total Held to Maturity Financial Assets at Amortised Cost</b>			<b>60,575,394</b>	<b>65,272,729</b>	<b>60,575,394</b>	<b>65,272,729</b>

**11. (a). 1. Impairment of Financial Investments at Held to Maturity Financial Assets at Amortised Cost**

The Group/ Company has not experienced any indication for impairment in respect of Held to Maturity Financial Assets at Amortised Cost.

**11. (a). 2. Re-Classification**

During the year, the Group/Company did not reclassified any financial assets under this category.

**11. (a). 3. Fair Value Measurement**

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 11.(g).

**11. (b). Loans and Receivables****Accounting Policy**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently 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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs:'000	Rs:'000	Rs:'000	Rs:'000
Staff Vehicle Hire			559,522	399,283	559,522	399,283
Staff Loans other than vehicle Hire			173,936	168,627	173,936	168,627
REPO Investment			166,925	241,199	159,918	236,199
Debentures - Unquoted	317	11(j)(2)	1,301,203	1,301,203	1,301,203	1,301,203
Debentures - Quoted	317	11(j)(3)	4,213,041	-	4,213,041	-
Term Deposits	318	11(j)(4)	31,790,812	15,863,370	31,038,444	15,093,799
<b>Total Loans and Receivables at Amortised Cost</b>			<b>38,205,440</b>	<b>17,973,682</b>	<b>37,446,065</b>	<b>17,199,112</b>

The carrying value of the staff loan and the Car hire to sales agents have been computed based on the market interest rates prevailed at the time of granting the loan.

**11. (b). 1 Impairment of Loans and Receivables**

The Group/ Company has not experienced any indication for impairment in respect of Loans and Receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. (b). 2. Re-Classification

During the year, the Group/Company did not reclassify any financial assets under this category

### 11. (b). 3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 11 (g).

### 11. (c). Available-For-Sale Financial Assets

#### Accounting Policy

Available-for-sale financial assets are financial assets that are designated as Available-for-Sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for sale equity instruments are recognised in Other Comprehensive Income and presented within equity in the available-for-sale reserve. When an investment is de-recognised, the cumulative gain or loss in Other Comprehensive Income is transferred to the Income Statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that 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.

The Group evaluates 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. There classification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury Bills & Bonds			724,523	2,844,923	724,523	2,844,923
Unquoted preference share investments	319	11(j)(7)	-	131,886	-	131,886
Quoted debentures	318	11(j)(5)	469,633	656,091	469,633	656,091
Quoted Share Investments	319	11(j)(6)	115,631	218,341	115,631	174,810
Unit Trust Investments			160,000	-	-	-
<b>Total Available-For-Sale Financial Assets at Fair Value</b>			<b>1,469,787</b>	<b>3,851,240</b>	<b>1,309,787</b>	<b>3,807,709</b>

**11. (c). 1. Impairment of Financial Investments at Available-For-Sale Financial Assets at Fair Value**

The Group/ Company has not experienced any indication for impairment in respect of Available-For-Sale Financial Assets at Fair Value.

**11. (c). 2. Re-Classification**

During the year, the Group/Company did not reclassified any financial assets under this category

**11. (c). 3. Fair Value Measurement**

The Group/ Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 11 (g).

**11. (d). Financial Assets at Fair Value Through Profit or Loss****Accounting Policy**

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Attributable transaction costs are recognised in Income Statement as incurred.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Income Statement. Financial assets designated at fair value through profit or loss comprises quoted equity instruments and Treasury Bonds unless otherwise have been classified as available-for-sale.

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Fair value</b>						
Treasury Bonds			557,918	2,336,205	557,918	2,336,205
Short Term Investment - Quoted	318	11(j)(8)	7,911	13,402	7,911	13,402
<b>Total Financial Assets at Fair Value Through Profit or Loss</b>			<b>565,829</b>	<b>2,349,607</b>	<b>565,829</b>	<b>2,349,607</b>

**11. (d). 1. Re-Classification**

During the year, the Group/Company did not reclassified any financial assets under this category

**11. (d). 2. Fair Value Measurement**

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 11 (g).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. (e). Accrued Income

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity Investments	1,999,708	2,012,385	1,999,708	2,012,385
Financial assets at fair value through profit or loss	28,588	65,557	28,588	65,557
Loans & Receivables	1,911,854	565,268	1,885,856	557,388
Available for sale investments	30,971	102,565	30,971	102,565
	3,971,122	2,745,775	3,945,123	2,737,895

### 11. (f). Pledged Assets of Financial Instruments

Details of pledged assets held under Financial assets have been disclosed under note number 42 on page 378.

### 11. (g). Determination of Fair Value and Fair Values Hierarchy

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

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **Fair Value Basis – Instrument Wise**

<b>Instrument</b>	<b>Measurement Basis</b>
<b>Government Securities</b>	
Treasury Bonds	Average of the buy/sell yields included in the weekly economic indicators published daily by the Central Bank of Sri Lanka
Treasury Bills	Average of the buy/sell yields included in the weekly economic indicators published daily by the Central Bank of Sri Lanka
<b>Investment in Listed Shares</b>	Volume Weighted-Average (VWA) prices
<b>Corporate Debt</b>	
Listed	Last traded price
Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method (Cost plus accrued interest)
<b>Fixed and Term Deposits</b>	
Term of Deposit > 1 Year	Discounted Cash Flow (DCF) Method (Cost plus accrued interest)
<b>Fixed Rate Financial Instruments</b>	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
<b>Quoted debt instruments</b>	Quoted market prices
<b>Unquoted debt instruments</b>	Carrying amounts approximate the fair value of the investments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows an analysis of Assets & Liabilities recorded at fair value by level of the fair value hierarchy:

Company Investment	2018				2017			
	Level 1	Level 2	Level 3	Total fair	Level 1	Level 2	Level 3	Total fair
	Rs.'000	Rs.'000	Rs.'000	value Rs.'000	Rs.'000	Rs.'000	Rs.'000	value Rs.'000
<b>Financial assets</b>								
<b>Financial Assets at Fair Value Through Profit/Loss</b>								
Equity securities	7,911	-	-	7,911	13,403	-	-	13,403
Debt securities	557,918	-	-	557,918	2,336,205	-	-	2,336,205
	565,829	-	-	565,829	2,349,608	-	-	2,349,608
<b>Available-For-Sale Financial Assets:</b>								
Equity securities	115,631	-	-	115,631	174,810	-	131,886	306,696
Debt securities	1,354,156	-	-	1,354,156	3,501,014	-	-	3,501,014
	1,469,787	-	-	1,469,787	3,675,824	-	131,886	3,807,709
<b>Held to Maturity Financial Assets</b>	38,936,641	21,551,521		60,488,162	42,577,694	23,208,272		65,785,966
<b>Total Financial Assets</b>	40,972,257	21,551,521	-	62,523,778	48,603,126	23,208,272	131,886	71,943,284
<b>Property Plant and Equipments</b>								
Land	-	-	4,684,911	4,684,911	-	-	4,538,977	4,538,977
Buildings	-	-	2,083,269	2,083,269	-	-	2,033,759	2,033,759
	-	-	6,768,180	6,768,180	-	-	6,572,736	6,572,736
Investment Properties	-	-	2,304,500	2,304,500	-	-	2,160,914	2,160,914
<b>Total Assets</b>	40,972,257	21,551,521	9,072,680	71,596,458	48,603,126	23,208,272	8,865,536	80,676,933

## 11. (h). Carrying Values of Financial Instruments

The movement of carrying value of above financial instruments as of Reporting date is as follows:

### Group

	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
<b>At 1 January 2017</b>	66,581,928	13,664,302	1,219,654	165,561	81,631,445
Purchases	2,535,876	333,359,363	16,865,157	24,765,278	377,525,675
Maturities	(3,224,095)	(328,228,001)	-	-	(331,452,096)
Disposals	-	-	(14,331,726)	(22,719,107)	(37,050,834)
Fair value gains recorded in the income statement	-	-	-	215,095	215,095
Fair value gains recorded in other comprehensive income	-	-	(20,685)	-	(20,685)
Interest Accrual Adjustment	(16,658)	(856,579)	92,788	58,385	(722,064)
Amortisation adjustment	(604,322)	34,598	26,052	(135,605)	(679,277)
<b>At 1 January 2018</b>	65,272,728	17,973,682	3,851,240	2,349,607	89,447,258
Purchases	5,126,893	177,241,892	11,859,391	11,114,766	205,342,942
Maturities	(9,053,438)	(158,478,779)	-	-	(167,532,217)
Disposals	-	-	(14,144,906)	(12,755,795)	(26,900,701)
Fair value gains recorded in the income statement	-	-	-	(35,484)	(35,484)
Fair value gains recorded in other comprehensive income	-	-	(131,577)	-	(131,577)
Interest Accrual Adjustment	(12,676)	1,346,586	(71,594)	(36,969)	1,225,347
Amortisation adjustment	(758,114)	122,058	107,232	(70,296)	(599,120)
<b>At 31 December 2018</b>	60,575,394	38,205,440	1,469,787	565,828	100,816,449

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### Company

	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
<b>At 1 January 2017</b>	66,581,928	12,998,491	1,219,654	165,561	80,965,634
Purchases	2,535,876	332,182,817	16,821,626	24,765,278	376,305,598
Maturities	(3,224,095)	(327,185,561)	-	-	(330,409,656)
Disposals	-	-	(14,331,726)	(22,719,107)	(37,050,834)
Fair value gains recorded in the income statement	-	-	-	215,095	215,095
Fair value gains recorded in other comprehensive income	-	-	(20,685)	-	(20,685)
Interest Accrual Adjustment	(16,658)	(860,443)	92,788	58,385	(725,928)
Amortisation adjustment	(604,322)	63,808	26,052	(135,605)	(650,067)
<b>At 1 January 2018</b>	65,272,728	17,199,111	3,807,709	2,349,607	88,629,156
Purchases	5,126,893	177,273,963	11,699,391	11,114,766	205,215,013
Maturities	(9,053,438)	(158,521,061)	-	-	(167,574,499)
Disposals	-	-	(14,101,374)	(12,755,795)	(26,857,169)
Fair value gains recorded in the income statement	-	-	-	(35,484)	(35,484)
Fair value gains recorded in other comprehensive income	-	-	(131,577)	-	(131,577)
Interest Accrual Adjustment	(12,676)	1,328,467	(71,594)	(36,969)	1,207,228
Amortisation adjustment	(758,114)	165,584	107,232	(70,296)	(555,594)
<b>At 31 December 2018</b>	60,575,394	37,446,065	1,309,787	565,828	99,897,074

### 11. (i). 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.

## 11. (j). Entity wise Details of Financial Instruments

### 11. (j). (1). Held to Maturity Financial Assets -Debentures (Quoted)

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	1,354,276	2,829,938	1,354,276	2,829,938
Central Finance PLC	280,932	320,247	280,932	320,247
Citizens Development Business Finance PLC	-	100,339	-	100,339
Commercial Bank of Ceylon PLC	1,359,656	1,371,753	1,359,656	1,371,753
Commercial Credit & Finance PLC	14,349	14,226	14,349	14,226
DFCC Bank PLC	5,114,293	4,474,600	5,114,293	4,474,600
Hatton National Bank PLC	3,126,213	4,612,188	3,126,213	4,612,188
National Development Bank PLC	1,558,516	1,829,636	1,558,516	1,829,636
Nations Trust Bank PLC	661,952	496,437	661,952	496,437
Peoples' Leasing & Finance PLC	729,775	749,363	729,775	749,363
Sampath Bank PLC	5,714,498	5,161,228	5,714,498	5,161,228
Seylan Bank PLC	2,057,411	1,562,040	2,057,411	1,562,040
<b>Total</b>	<b>21,971,871</b>	<b>23,521,995</b>	<b>21,971,871</b>	<b>23,521,995</b>

### 11. (j). (2). Loans and Receivables -Debentures (Unquoted)

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Regional Development Bank	300,135	300,132	300,135	300,132
National Savings Bank	1,001,068	1,001,071	1,001,068	1,001,071
<b>Total</b>	<b>1,301,203</b>	<b>1,301,203</b>	<b>1,301,203</b>	<b>1,301,203</b>

### 11(j). (3). Loans and Receivables -Debentures (Quoted)

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Hatton National Bank PLC	4,213,041	-	4,213,041	-
<b>Total</b>	<b>4,213,041</b>	<b>-</b>	<b>4,213,041</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. (j). (4). Loans and Receivables - Fixed Deposits

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	1,062	100,093	1,062	100,093
Citizens Development Business Finance PLC	527,214	271,267	527,214	271,267
Commercial Bank of Ceylon PLC	-	-	-	-
DFCC Bank PLC	1,055,381	3,449,214	1,055,381	3,345,214
Hatton National Bank PLC	8,140,800	95,298	8,057,612	42,608
National Development Bank PLC	4,012,256	1,770,399	3,568,256	1,750,399
National Savings Bank	263,619		263,619	
Nations Trust Bank PLC	851,050	1,053,885	851,050	1,053,885
Pan Asia Bank PLC	109,905	2,115	109,905	2,115
Peoples Bank	10,846,594	3,972,198	10,674,914	3,842,198
Sampath Bank PLC	4,717,125	4,376,728	4,697,125	3,913,848
Seylan Bank PLC	1,254,904	772,173	1,221,404	772,173
Union Bank of Colombo PLC	10,903	-	10,903	-
<b>Total</b>	<b>31,790,812</b>	<b>15,863,370</b>	<b>31,038,444</b>	<b>15,093,799</b>

### 11. (j). (5). Available-For-Sale Financial Assets - Quoted Debentures

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	1,041	2,183	1,041	2,183
Central Finance PLC	20,124	25,123	20,124	25,123
Commercial Bank of Ceylon PLC	54,685	46,603	54,685	46,603
DFCC Bank PLC	50,926	50,926	50,926	50,926
Hatton National Bank PLC	54,461	54,205	54,461	54,205
National Development Bank PLC	64,797	125,870	64,797	125,870
Nations Trust Bank PLC	50,947	126,124	50,947	126,124
Peoples' Leasing & Finance PLC	-	1,016	-	1,016
Sampath Bank PLC	22,597	73,986	22,597	73,986
Seylan Bank PLC	25,050	25,051	25,050	25,051
Siyapatha Finance PLC	125,007	125,005	125,007	125,005
<b>Total</b>	<b>469,633</b>	<b>656,091</b>	<b>469,633</b>	<b>656,091</b>

**11. (j). (6). Available-For-Sale Financial Assets - Quoted Shares**

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Blue Diamonds Jewellery Worldwide Ltd	1,200	2,160	1,200	2,160
Commercial Credit and Finance PLC	114,423	172,638	114,423	172,638
Merchant Bank of Sri Lanka	8	11	8	11
Investrust Wealth Management Limited	-	43,531	-	-
<b>Total</b>	<b>115,631</b>	<b>218,340</b>	<b>115,631</b>	<b>174,810</b>

**11. (j). (7). Available-For-Sale Financial Assets - Unquoted Preference Shares**

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Unquoted preference shares - Castle Realty (Pvt) Ltd	-	131,886	-	131,886
<b>Total</b>	<b>-</b>	<b>131,886</b>	<b>-</b>	<b>131,886</b>

**11. (j). (8). Financial Assets at Fair Value Through Profit or Loss - Shares**

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
<b>Banking, Finance and Insurance</b>				
National Development Bank PLC	11	14	11	14
Commercial Bank of Ceylon PLC	38	45	38	45
DFCC Bank PLC	167	223	167	223
Central Finance PLC	19	19	19	19
<b>Manufacturing, Plantations</b>				
Chevron Lubricants Lanka PLC	36	60	36	60
Tokyo Cements Company PLC	30	77	30	77
Dipped Products PLC	30	30	30	30
Chemical Industries Colombo PLC	7,200	12,480	7,200	12,480
Hayleys PLC	19	24	19	24
Kotagala Plantation	1	1	1	1
Kotmale Holdings PLC				
<b>Service</b>				
John Keels Holdings PLC	66	62	66	62
Aitken Spense PLC	106	120	106	120
Hemas Holdings PLC	109	154	109	154
Dialog Axiata PLC	35	46	35	46
Royal Palms Beach Hotels PLC	2	2	2	2
Asiri Surgical Hospital Holdings PLC	30	32	30	32
Ceylon Hospitals PLC	12	14	12	14
<b>Total</b>	<b>7,911</b>	<b>13,403</b>	<b>7,911</b>	<b>13,403</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12/13 PENSIONS, GRATUITY AND OTHER POST-EMPLOYMENT BENEFITS

#### Accounting Policy

##### (a) 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 as recommended by LKAS 19 - 'Employee Benefits'. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income (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 expected 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 recognised 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'. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the Group. The provision is externally funded.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 12 and 13 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

##### (b). 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 recognised 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.



## 12. GRATUITY BENEFIT LIABILITY/(ASSET)

The amounts recognised in the income statement are as follows:

As at 31 December	Group		Company	
	2,018	2,017	2,018	2,017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current service cost	47,577	37,940	47,577	37,940
Interest cost on benefit obligation	128,025	116,066	128,025	116,066
Expected return on plan assets	(330,240)	(199,747)	(330,240)	(199,747)
	(154,638)	(45,741)	(154,638)	(45,741)
Net actuarial gain/ (loss) recognised in other comprehensive income	457,843	(203,444)	457,843	(203,444)

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

As at 31 December	Page No.	Note	Group		Company	
			2,018	2,017	2,018	2,017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of the defined benefit obligation	321	12.a	(1,034,001)	(1,219,289)	(1,034,001)	(1,219,289)
Fair value of plan assets	322	12.b	4,343,724	2,368,961	4,343,724	2,368,961
Net defined benefit obligation			3,309,722	1,149,672	3,309,722	1,149,672
<b>Total Net Defined Benefit Asset</b>			<b>3,309,722</b>	<b>1,149,672</b>	<b>3,309,722</b>	<b>1,149,672</b>

### 12. (a). The Movement in the Defined Benefit Liability is as Follows:

	Group		Company	
	2,018	2,017	2,018	2,017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Defined Gratuity Benefit obligation of the company</b>				
At 1 January	1,219,289	967,217	1,219,289	967,217
Current service cost	47,577	37,940	47,577	37,940
Interest cost	128,025	116,066	128,025	116,066
Benefits paid	(274,120)	(64,828)	(274,120)	(64,828)
Actuarial (gains )/ losses	(86,770)	162,894	(86,770)	162,894
<b>At 31 December</b>	<b>1,034,001</b>	<b>1,219,289</b>	<b>1,034,001</b>	<b>1,219,289</b>
<b>Gratuity Liability -Subsidiaries</b>	<b>12,918</b>	<b>11,683</b>		

As at 31 December 2018, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) Method by Consultant Actuary Mr K A Pandit as required by LKAS 19 - 'Employee Benefits'.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability/assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. (b). The Movement in the Plan Assets is as Follows:

	Page No.	Note	Group		Company	
			2,018	2,017	2,018	2,017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January			2,368,962	1,664,555	2,368,962	1,664,555
Contribution Paid by employer			771,391	610,038	771,391	610,038
Expected return on plan assets			330,240	199,747	330,240	199,747
Recognition of Plan Assets			776,178	-	776,178	-
Actuarial gains			371,073	(40,550)	371,073	(40,550)
Benefit Paid			(274,120)	(64,828)	(274,120)	(64,828)
At 31 December	322	12.(b).1	4,343,724	2,368,962	4,343,724	2,368,962

### 12. (b). 1 Details of Plan Assets

	Group		Company	
	2,018	2,017	2,018	2,017
As at 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in shares	2,696,744	1,696,330	2,696,744	1,696,330
Corporate Debentures	-	11,250	-	11,250
Commercial Papers & Other Short Term Investments	435,505	222,229	435,505	222,229
Fixed Deposits	514,831	146,783	514,831	146,783
Other Assets	696,643	292,370	696,643	292,370
Total Plan Assets	4,343,724	2,368,962	4,343,724	2,368,962

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.

Gratuity funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 2,696,744,000/- as at the reporting date.(2017 - Rs. 1,696,329,770/-).

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

	2018	2017
Future salary increases	10.00%	10.00%
Discount rate	12.00%	10.50%
Expected rate of return on plan assets	12.00%	10.00%
Retirement Age	55 Yrs	55 Yrs
Attrition Rate	1%	1%
Mortality Table	IALM2006-08	IALM2006-08

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

**Group/ Company**

31- December 2018	Amounts charged to Profit or Loss							Remeasurement gains/(Losses) in other comprehensive income	contribution by employers	31-Dec-18
	1-Jan-18	Recognition of Plan Assets	Service cost	Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)			
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,219,289)		(47,577)	(128,025)	(175,602)	274,120	-	86,770		(1,034,001)
Fair value of plan assets	2,368,961	776,178	-	-	-	(274,120)	330,240	371,073	771,391	4,343,723
Benefit assets/ (Liability)	1,149,672	776,178	(47,577)	(128,025)	(175,602)	-	330,240	457,843	771,391	3,309,722
31- December 2017	Amounts charged to Profit or Loss							Remeasurement gains/(Losses) in other comprehensive income	contribution by employers	31-Dec-17
	1-Jan-17	Recognition of Plan Assets	Service cost	Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)			
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(967,217)	-	(37,940)	(116,066)	(154,006)	64,828	-	(162,894)		(1,219,289)
Fair value of plan assets	1,664,554	-	-	-	-	(64,828)	199,747	(40,550)	610,038	2,368,961
Benefit assets/ (Liability)	697,337	-	(37,940)	(116,066)	(154,006)	-	199,747	(203,444)	610,038	1,149,672

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Sensitivity level	Discount Rate		Rate of future salary increment		Rate of Employee Turnover	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%	1%	1%
Impact on defined benefit obligation (Rs. Mn) - 2018	(49,127)	55,355	55,885	(50,400)	7,268	(8,042)
Impact on defined benefit obligation (Rs. Mn) -2017	(54,933)	62,415	62,115	(55,642)	1,768	(1,989)

Following amounts are expected be paid out of the defined benefit plan obligation in the future years.

	2018	2017
	Rs.'000	Rs.'000
Within the next 12 Months	324,640	483,575
2nd Following Year	33,287	39,450
3rd Following Year	94,982	85,993
4th Following Year	71,061	103,021
5th Following Year	97,311	84,044
Between 5 and 10 Years	591,863	667,390

### 13. PENSION BENEFIT OBLIGATION

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

As at 31 December 2018, and as at the end of the comparative period the pension liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary K A Pandit, as required by Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits'.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability/assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

Group/Company	Amounts charged to Profit or Loss							Remeasurement gains/(losses) in other comprehensive income	Contributions by employer	31 Dec 2018	
	1 Jan 18	Disposal of Plan Assets	Current Service cost	Interest cost on benefit obligation	Sub total included in Profit/Loss	Benefit paid	Return on plan assets (excluding recognised amounts in net interest expenses)				Past service costs recognised
31- December 2018											
Defined benefit Obligation	(624,572)	-	(383)	(51,567)	(51,950)	4,275	-	-	(47,675)	391	- (671,856)
Fair value of plan assets	1,672,693	(776,178)	-	-	- (4,275)	94,134	94,134	-	89,859	138,891	52,792 1,178,057
Total recognised benefit (liability) / Asset	1,048,121	(776,178)	(383)	(51,567)	(51,950)	- -	94,134	-	42,184	139,282	52,792 506,201

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

	Amounts charged to Profit or Loss							Remeasurement gains/(losses) in other comprehensive income	Contributions by employer	31 Dec 2017
	1 Jan 17	Current Service cost	Interest cost on benefit obligation	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised			
31- December 2017										
Defined benefit Obligation	(576,251)	(352)	(69,150)	(69,502)	8,853	-	-	(60,650)	12,328	- (624,573)
Fair value of plan assets	1,468,184	-	-	- (4,275)	176,182	176,182	-	171,907	(20,190)	52,792 1,672,692
Total recognised benefit (liability) / Asset	891,933	(352)	(69,150)	(69,502)	4,578	176,182	-	111,258	(7,862)	52,792 1,048,119

Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs.885,680,708/- at the Reporting date. (2017 - Rs.2,166,129,278/-)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2018	2017
Discount rate	12.04%	10.50%
Rate of return on Plan Assets	12.04%	10.50%
Salary Escalation rate	10%	10%
Attrition rate	1% p.a	1% p.a
Retirement age	55Yrs	55Yrs
Mortality Table	IALM2006-08	IALM2006-08

### 14. REINSURANCE RECEIVABLES

#### Accounting Policy

Reinsurance receivables consist of short term balances due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

#### Impairment

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group/Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group/Company will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

#### De-recognition

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to an another party.

	Group		Company	
As at 31 December	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Receivable - Swiss Re	214,658	83,742	214,658	83,742
Reinsurance Receivable - Munich Re	54,516	31,268	54,516	31,268
<b>Total Reinsurance Receivables</b>	<b>269,175</b>	<b>115,010</b>	<b>269,175</b>	<b>115,010</b>

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

#### 14. (a). The Age Analysis of the Reinsurance Receivable:

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Up to 30 Days	44,780	57,995	44,780	57,995
31 to 60 Days	-	-	-	-
61 to 90 Days	50,264	43,769	50,264	43,769
91 to 180 Days	43,583	10,508	43,583	10,508
Above 180 Days	130,548	2,739	130,548	2,739
Total	269,175	115,010	269,175	115,010

#### 14. (b). Fair Value Measurement

The carrying value of reinsurance receivables approximate the fair value at the reporting date.

#### 14. (c). Impairment Losses on Reinsurance Receivables

The Company has assessed potential impairment loss of reinsurance receivables as at 31st December 2018. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

### 15. TAXATION

#### Accounting Policy

##### (a) Income Tax Expense

Income tax expense comprises current and deferred tax.

##### (i) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss 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 Company has provided income tax for the 3 months from 1 January to 31 March 2018 as per the provisions in Inland Revenue Act No. 10 of 2006 and for the balance 9 months as per the provisions of new Inland Revenue Act, No 24 of 2017.

##### (ii) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized for:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly-controlled entities to the extent that the Group/Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group/Company expects, at the end of the Reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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:

- When 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, equity accounted investee and interests in joint ventures, deferred tax assets are recognized 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 tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits 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 in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside Income Statement is recognized outside Income Statement. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed.

**(iii) Withholding Tax on Dividends**

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized.

**15. (a). Tax Receivable**

Page No.	Note	Group		Company	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January		789,140	1,044,662	787,540	1,042,571
Amounts recorded in the income statement		(1,181,511)	(764,188)	(1,181,511)	(747,211)
Notional tax/ WHT recognized		719,241	500,591	713,369	492,180
Payments made on-account during the year		9,979	8,075	-	-
Tax on Dividend Distribution		(75,347)	-	(75,347)	
<b>At 31 December</b>	329 15.(b)	<b>261,503</b>	<b>789,140</b>	<b>244,051</b>	<b>787,540</b>

**15. (b). Details of Tax Receivables**

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Notional Tax Receivable	242,297	760,363	242,297	760,363
WHT Receivable	16,919	28,581	1,285	26,981
ESC Receivable	2,287	195	469	195
	<b>261,503</b>	<b>789,140</b>	<b>244,051</b>	<b>787,540</b>

As per the transitional provisions of new Inland Revenue Act, No 24 of 2017, Unclaimed Notional Tax Credits (NTC) can be claimed within next three years of assessment, commencing from year of assessment 2018/19. The Company assessed the recoverability of notional tax during next three year of assessment, and based on the management judgement, notional tax has been made for the reporting period. The Company has Rs.242,297,292/- of Notional tax credit as of reporting date, which can be utilized in claiming the income tax liability of future periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. (c). Deferred Tax Assets- Group

As at 31- December	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Losses carried forward	-	-	11,009	-	8,383	-
Temporary Difference from Retirement Benefit Liability - Gratuity	-	45,610	341,119	(116,190)	1,725	341,401
Temporary Difference from Retirement Benefit Liability - Pension	-	(4,734)	174,880	(170,147)	-	174,880
Temporary Difference from Property Plant and Equipment	-	-	(294,497)	(118,223)	(72,649)	(308,466)
Revaluation reserve	-	(68,134)	-	-	-	-
Temporary Difference from Land (Capital gain)	-	-	(26,226)	26,226	-	(26,226)
Deferred Tax on Share of profit of Associate	-	-	152,492	138,963	(291,455)	(138,963)
<b>Deferred Tax Expense/(Income)</b>	-	(27,258)	358,777	(239,371)	-	-
<b>Deferred Tax Liability</b>					(353,996)	(176,847)

### 15. (d). Total Deferred Tax Liability

	Group	
	2018	2017
	Rs.'000	Rs.'000
At 1 January	176,808	261,847
Deferred tax Assets recognized for Ceylinco Life Insurance Limited	(181,589)	181,589
Amounts recorded in the income statement	206,285	(378,334)
Amounts recorded in other comprehensive income	-	(27,257)
Deferred Tax on Share of profit of Associate	152,492	138,963
<b>At 31 December</b>	<b>353,996</b>	<b>176,808</b>

**15. (e). Deferred Tax Asset- Company**

	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Losses carried forward	-	-	-	-	-	-
Temporary Difference from Retirement Benefit Liability - Gratuity	-	45,610	341,401	(116,190)	-	341,401
Temporary Difference from Retirement Benefit Liability - Pension	-	(4,734)	174,880	(170,147)	-	174,880
Temporary Difference from Property Plant and Equipment	-	-	(308,466)	(121,937)	-	(308,466)
Revaluation reserve	-	(68,134)	-	-	-	-
Temporary Difference from Land (Capital gain)	-	-	(26,226)	26,226	-	(26,226)
<b>Deferred Tax Expense/(Income)</b>	-	(27,257)	181,589	(382,048)	-	-
<b>Deferred Tax Liabilities</b>						181,589

**15. (f). Total Deferred Tax Assets**

	Company	
	2018	2017
	Rs.'000	Rs.'000
At 1 January	(181,589)	227,716
Amounts recorded in the income statement	181,589	(382,048)
Amounts recorded in other comprehensive income	-	(27,257)
<b>At 31 December</b>	-	(181,589)

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16. LOANS TO POLICY HOLDERS

#### Accounting Policy

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit. Policyholder Loans are reviewed for impairment at each reporting date. Loans receivable as at reporting date as follows.

#### 16. (a). Movement of Policy Loans

	Group		Company	
	2018	2017	2018	2017
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
As at 1 January	1,630,346	1,378,954	1,630,346	1,378,954
Loans Granted During the Year	1,235,745	1,037,829	1,235,745	1,037,829
Repayment During the Year	(1,675,818)	(786,437)	(1,675,818)	(786,437)
As at 31 December	1,190,274	1,630,346	1,190,274	1,630,346

#### 16. (b). Fair Value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

#### 16. (c). Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the company has a large number of dispersed receivables. the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans.

#### 16. (d). Impairment of Loans to Life Policyholders

The Board of Directors has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2018. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders.

## 16. (e). Number of Policy Loans

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

## 16. (f). Collateral Details

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

## 17. INSURANCE RECEIVABLES

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration 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 de-recognised when the de-recognition criteria for financial assets have been satisfied.

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Premium Receivables	268,334	247,393	268,334	247,393
Total	268,334	247,393	268,334	247,393

## 18. OTHER ASSETS

### Accounting Policy - Inventories

Inventories include all consumable items and are measured at the lower of cost and net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell. The cost of the inventories include all expenses incurred in bringing inventories to the present location and condition.

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances, Deposits & Prepayments	384,691	174,292	347,727	137,002
Inventories	41,197	59,597	40,449	59,597
Deferred staff benefits	156,875	162,437	156,875	162,437
	582,764	396,326	545,052	359,035

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. CASH AND CASH EQUIVALENTS

#### Accounting Policy

Cash and cash equivalents comprise cash in hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand and at Bank	379,390	894,540	376,471	883,303
Bank Overdraft	(157,949)	(365,414)	(111,644)	(349,745)
Total Cash and Cash Equivalents	221,441	529,126	264,827	533,558

### 20. EQUITY

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ordinary Shares - Voting	334	20.(a)	500,001	500,001	500,001	500,001
Other Reserves	335	20.(b)	27,733,329	21,761,635	25,925,584	20,146,899
			28,233,329	22,261,635	26,425,585	20,646,900

#### 20. (a). Ordinary Shares - Voting (Stated Capital)

#### Accounting Policy

#### Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	500,001	500,001	500,001	500,001
50,000,050 Ordinary Shares Voting	500,001	500,001	500,001	500,001



All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares - voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. 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.

## 20. (b). Other Reserves

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Retained Earnings	335	20.(b).(1)	16,731,981	10,628,715	15,057,036	9,278,621
Available for Sale Reserve	335	20.(b).(2)	212	46,196	212	(60)
Revaluation Reserve	336	20.(b).(3)	233,301	318,887	100,501	100,501
Restricted Regulatory Reserve	336	20.(b).(4)	3,456,184	3,456,184	3,456,184	3,456,184
Special Reserve	337	20.(b).(5)	7,311,651	7,311,651	7,311,651	7,311,651
<b>Total Reserve</b>			<b>27,733,329</b>	<b>21,761,635</b>	<b>25,925,584</b>	<b>20,146,899</b>

## 20. (b). (1). Retained Earnings

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	10,628,716	5,165,535	9,278,623	4,003,754
Profit for the Period	6,132,136	6,200,462	5,794,289	6,011,243
Other Comprehensive Income for the Year	583,121	(208,345)	597,125	(200,499)
Dividend Paid Equity Holder for Previous Year	(18,000)	(103,875)	(18,000)	(103,875)
Dividend Paid Equity Holder for Current Year	(595,001)	(425,061)	(595,001)	(432,000)
Adjustment for Transitional provision under SLFRS 9 in Associate	1,008	-	-	-
<b>Balance as at 31 December</b>	<b>16,731,981</b>	<b>10,628,716</b>	<b>15,057,036</b>	<b>9,278,623</b>

## 20. (b). (2). Available for Sale Reserve

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	46,196	24,212	(60)	(60)
Other Comprehensive Income for the Year	(131,577)	18,310	(131,577)	(3,674)
Transferred to Long Term Insurance Fund	131,849	3,674	131,849	3,674
Adjustment for Transitional provision under SLFRS 9 in Associate	(46,255)	-	-	-
<b>Balance as at 31 December</b>	<b>212</b>	<b>46,196</b>	<b>212</b>	<b>(60)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. (b). (3). Revaluation Reserve

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	318,887	290,772	100,501	96,484
Other Comprehensive Income for the period	(33,353)	28,115	-	4,017
Adjustment for Transitional provision under SLFRS 9 in Associate	(52,233)	-	-	-
<b>Balance as at 31 December</b>	<b>233,301</b>	<b>318,887</b>	<b>100,501</b>	<b>100,501</b>

### 20. (b). (4). Restricted Regulatory Reserve

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	3,456,184	3,456,184	3,456,184	3,456,184
<b>Balance as at 31 December</b>	<b>3,456,184</b>	<b>3,456,184</b>	<b>3,456,184</b>	<b>3,456,184</b>

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

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

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

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

	Rs.'000
Participating Business	2,736,685
Other than Participating Business	3,456,184
Tabarru Reserve	1,920
<b>Total</b>	<b>6,194,789</b>

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

One-off surplus of participating business amounted to Rs. 2,736,685,339/- will be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

The composition of the assets, which will be held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2018 are disclosed below at their market values:

	Market Value (Rs. 000)
<b>Assets</b>	
Government Debt Securities	1,501,956
<b>Deposits with a licensed commercial bank</b>	
Peoples Bank	1,702,224
Sampath Bank PLC	533,562
<b>Total</b>	<b>3,737,742</b>

## 20. (b). (5). Special Reserve

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	7,311,651	7,311,651	7,311,651	7,311,651
<b>Balance as at 31 December</b>	<b>7,311,651</b>	<b>7,311,651</b>	<b>7,311,651</b>	<b>7,311,651</b>

The special reserve represents the value (net book value) of net assets transferred from Ceylinco Insurance PLC on 1 June 2015 as a result of the segregation.

## 21. INSURANCE CONTRACT LIABILITIES

### Accounting Policy

#### (a). Classification of Insurance Contracts

SLFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The classification of contracts identifies both, the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception, if insurance risk becomes significant. Insurance and investment contracts are further classified as being either with or without discretionary participating features (DPF).

### **(b). Discretionary Participating Features (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; and that are contractually based on:
- The performance of a specified pool of contracts or a specified type of contracts;
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the Company, fund or other entity that issues the contract.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders.

At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary. All DPF liabilities including unallocated surpluses, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

### **(c). Unit-Linked Contracts**

Unit-Linked contracts are those contracts that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-Linked contracts, the liabilities are valued at current unit value, i.e., on the basis of the fair value of the financial investments backing those contracts at the reporting date together with rights to future management fees.

**(d). Life Insurance Contract Liabilities**

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities'.

The liability is released when the contract expires, discharged or cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

**(e). Liability Adequacy Test (LAT)**

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates. Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

As at 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liability - Long Term	340	21(a)	88,051,582	81,726,139	88,049,202	81,723,759
Insurance Contract Liability - Unit Linked			335,691	315,943	335,691	315,943
Insurance Contract Liability - Takaful			19,548	16,970	19,548	16,970
Individual Investment Fund			164,456	94,233	164,456	94,233
<b>Total Insurance Contract Liabilities</b>			<b>88,571,277</b>	<b>82,153,285</b>	<b>88,568,897</b>	<b>82,150,905</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2018 is 364% (2017 - 375%) and is well above the minimum requirement of 120%.

### Effect of Taxation on Surplus/Bonus Transferred to Policyholders

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

### Key Assumption

Key assumption used for deciding Life insurance contract liabilities are discussed under Note No. 40 (a) (1) in page No 362.

## 21. (a). Life Insurance Contract Liabilities

The following tables show the concentration of life insurance contract liabilities by type of contracts.

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
<b>At 1 January 2018</b>	46,822,618	34,901,141	81,723,759
Gross Premium Income	6,334,239	11,478,535	17,812,774
Premiums ceded to reinsurers	(5,561)	(451,949)	(457,509)
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,838,402)	(5,965,148)	(9,803,550)
Investment return	5,454,486	4,647,599	10,102,085
Other operating and Admin Expenses Including Income Tax	(1,893,723)	(2,501,332)	(4,395,055)
Underwriting and net Acquisition Cost	(729,210)	(1,197,243)	(1,926,454)
Net Transfer to Shareholder	(210,310)	(4,664,690)	(4,875,000)
Revaluation Reserve and AFS Reserve Transferred to Life Fund	(54,964)	(76,885)	(131,849)
<b>At 31 December 2018</b>	51,879,174	36,170,028	88,049,202

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
<b>At 1 January 2017</b>	41,725,814	36,199,300	77,925,114
Gross Premium Income	6,390,098	9,352,874	15,742,972
Premiums ceded to reinsurers	(17,123)	(404,930)	(422,052)
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,053,219)	(3,633,761)	(6,686,980)
Investment return	4,909,644	4,471,213	9,380,857
Reinsurance commission income	4,689	73,621	78,310
Other operating and Admin Expenses Including Income Tax	(2,057,350)	(2,494,775)	(4,552,125)
Underwriting and net Acquisition Cost	(864,329)	(918,150)	(1,782,479)
Net Transfer to Shareholder	(204,758)	(4,295,242)	(4,500,000)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	(3,456,184)	(3,456,184)
Revaluation Reserve and AFS Reserve Transferred to Life Fund	(10,847)	7,174	(3,674)
<b>At 31 December 2017</b>	46,822,618	34,901,141	81,723,759

## 22. FINANCIAL LIABILITIES

### Accounting Policy

#### (i). Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as Financial Liabilities at Fair Value through Profit or Loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowing and amounts due to equity accounted investees.

#### (ii). Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

##### (a). Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at Fair Value through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value through Profit or Loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Statement of comprehensive Income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial liabilities designated upon initial recognition at Fair Value through Profit and Loss are so designated at the initial date of recognition, if and only if the criteria of LKAS 39 are satisfied.

### (b). Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Income Statement when the liabilities are de-recognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of comprehensive Income.

### (iii). De-recognition of Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of comprehensive Income.

### (iv). 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 de-recognised amounts and there is an intention to settle on a net basis, or to realise 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.

## 22. (a). Interest Bearing Borrowings

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st January	-	1,000,000	-	1,000,000
Addition During the Year	120,070	-	-	-
Settlement During the Year	-	(1,000,000)	-	(1,000,000)
As at 31 December	120,070	-	-	-

## 23. REINSURANCE PAYABLES

### Accounting Policy

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to an another party.

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance payables - Swiss Re	362,143	109,600	362,143	109,600
Reinsurance payables - Munich Re	106,910	56,115	106,910	56,115
Reinsurance payables - RGA	1,836	-	1,836	-
	470,889	165,715	470,889	165,715

## 24. TRADE AND OTHER PAYABLES

### Accounting Policy

#### (a). Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are de-recognised when the obligation under the liability is discharged, cancelled or expired.

#### (b). Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

As at 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Policyholders payment in advance	909,062	570,990	909,062	570,990
Agency commission payable	238,823	219,392	238,823	219,392
Government Levies	-	5,820		
Trade Creditors & Accrued Expenses	828,080	1,474,013	638,520	1,411,556
Death Claims payable	97,310	65,157	97,310	65,157
Unclaimed Other Benefits	598,662	514,151	598,662	514,151
	2,671,936	2,849,523	2,482,376	2,781,246

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

All amounts are payable within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. NET PREMIUMS

#### 25. (a). Gross Premium

##### Accounting Policy

Gross recurring premium is recognised as revenue when receivable from the policyholder. Premium received in advance are not recognised as revenue but as a liability until the premium become due. For single premium business, revenue is recognised on the date on which the policy is effective.

			Group		Company	
For the Year Ended 31 December	Page No.	Note	2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life insurance premium	344	25.(b)	17,812,718	15,765,392	17,812,774	15,765,484
Gross written premium			17,812,718	15,765,392	17,812,774	15,765,484

#### 25. ( b). Life Insurance Premium

			Group		Company	
For the Year Ended 31 December			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
New Businesses			3,995,655	3,530,010	3,995,655	3,530,010
Single Premium			2,930,101	2,398,444	2,930,101	2,398,444
Renewal Premium			10,298,538	9,395,895	10,298,594	9,395,987
Group Life Premium			588,425	441,043	588,425	441,043
Total			17,812,718	15,765,392	17,812,774	15,765,484

#### 25. (c). Premiums Ceded to Reinsurers on Insurance Contracts

##### Accounting Policy

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

			Group		Company	
For the Year Ended 31 December			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life insurance			457,509	422,217	457,509	422,217
Premium ceded to reinsurers			457,509	422,217	457,509	422,217

## 25. (d). Annualised New Business Life Premium - Rs.

For the Year Ended 31 December	Company	
	2018	2017
	Rs.'000	Rs.'000
Annualised New Business Life Premium	5,876,672	5,415,589

## 25. (e). Revenue From Subsidiaries

For the Year Ended 31 December	Company	
	2018	2017
	Rs.'000	Rs.'000
<b>Ceylinco Healthcare Services Limited</b>		
Revenue from Treatments	333,895	300,548
Medical Tests	34,405	43,399
Registration Fees	579	1,146
Refunds (Packages and Test)	(7,232)	(3,898)
	361,646	345,093
<b>Serene Resorts</b>		
Resident Income	601	161
Consolidation Adjustments	(3,691)	(12,440)
Total Revenue from Subsidiaries	358,556	332,653

Ceylinco Healthcare Services Limited has conducted a gap analysis based on the "SLFRS 15- Contracts with customers" and there are no significant adjustments to be made in the financial statement.

## 26. FEES AND COMMISSION INCOME

### Accounting Policy

#### Reinsurance Commission Income

Commission received or receivable in respect of premium paid or payable to a Reinsurer. Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance commission income	89,147	78,310	89,147	78,310
Other fees	50,105	48,819	50,105	48,819
Total fees and commission income	139,251	127,129	139,251	127,129

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. INVESTMENT INCOME

#### Accounting Policy

##### Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

##### Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

##### Rental income

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

##### Other Income

Other income comprises fees charged for policy administration services, and miscellaneous income.

For the Year Ended 31st December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental income from investment properties	300	8.(h)	71,859	74,438	71,859	76,147
<b>Financial Assets at Fair Value Through Profit or Loss (Held for trading purposes)</b>						
Interest income			137,478	269,651	137,478	268,986
Held to Maturity Financial Assets Interest Income			7,504,993	7,517,873	7,421,777	7,517,873
<b>Available-for-Sale Financial Assets</b>						
Interest income			179,106	304,422	179,106	304,422
Dividend income			3,236	10,152	3,236	17,091
<b>Loans and Receivables Interest Income</b>			3,020,226	1,700,350	3,020,226	1,612,781
Interest Income from Staff Loan			25,706	17,749	25,706	17,749
<b>Total Investment Income</b>			<b>10,942,605</b>	<b>9,894,635</b>	<b>10,859,390</b>	<b>9,815,049</b>

#### 27. (a). Dividend Income from Associate

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Citizens Development Business Finance PLC	-	-	74,462	51,752
<b>Total Investment Income</b>	<b>10,942,605</b>	<b>9,894,635</b>	<b>10,933,851</b>	<b>9,866,801</b>

## 28. REALISED GAINS

### Accounting Policy

Realised gains and losses recorded in the Income Statement include gains and losses on financial assets and on disposal of property, plant and equipment. 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.

Gains and losses on disposal of property, plant and equipment are calculated as the difference between net sales proceeds and the carrying amount on the date of disposal.

For the Year Ended 31st December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Property, Plant and Equipment</b>				
Realised gains	17,869	16,080	17,869	16,080
<b>Available-for-Sale Financial Assets</b>				
Realised Gains				
Debt Securities	177,199	23,341	177,199	23,341
<b>Total Realised Gains for Available-for-Sale Financial Assets</b>	177,199	23,341	177,199	23,341
<b>Total Realised Gains</b>	195,068	39,421	195,068	39,421

## 29. FAIR VALUE GAINS AND LOSSES

### Accounting Policy

Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets at fair value through profit or loss, and on investment property.

For the Year Ended 31st December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair value gains on investment properties	77,000	-	143,586	-
Fair value gains on financial assets at fair value through profit or loss (Held for Trading purposes)	(35,484)	215,095	(35,484)	215,095
<b>Total fair value gains and losses</b>	41,516	215,095	108,102	215,095

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. NET BENEFITS AND CLAIMS

#### Accounting Policy

#### Gross Benefits and Claims Expense

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

#### Reinsurance Claims Recoveries

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

For the Year Ended 31st December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
30.(a) Gross benefits and claims paid	349	30.(d)	9,997,299	6,883,413	9,997,299	6,884,013
Claims ceded to reinsurers	349	30.(d)	(193,749)	(197,033)	(193,749)	(197,033)
<b>Net benefits and claims</b>			<b>9,803,550</b>	<b>6,686,380</b>	<b>9,803,550</b>	<b>6,686,980</b>
30.(b) The amount transferred during the year to Life Fund is as Follows.						
<b>Gross change in contract liabilities</b>			<b>6,457,292</b>	<b>7,258,502</b>	<b>6,457,292</b>	<b>7,258,502</b>
<b>30.(c) Change in Contract Liabilities Due to Transfer of One-Off Surplus</b>			<b>-</b>	<b>(3,456,184)</b>	<b>-</b>	<b>(3,456,184)</b>

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



### 30. (d). Gross Claims and Benefits (Excluding Life Fund Increase)

For the Year Ended 31st December	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Claims - death, disability and hospitalisation	807,049	782,929	807,049	783,529
Policy Maturities	6,368,351	3,900,156	6,368,351	3,900,156
Interim payments on Anticipated Endowment plans	918,945	783,377	918,945	783,377
Surrenders	1,718,132	1,127,385	1,718,132	1,127,385
Encashment of bonus to policyholders				
Cash & Loyalty Bonus expenses	159,317	266,092	159,317	266,092
Annuities	25,504	23,473	25,504	23,473
<b>Total</b>	<b>9,997,299</b>	<b>6,883,413</b>	<b>9,997,299</b>	<b>6,884,013</b>
Share of Claim	(193,749)	(197,033)	(193,749)	(197,033)
<b>Life Insurance net claims and benefits</b>	<b>9,803,550</b>	<b>6,686,380</b>	<b>9,803,550</b>	<b>6,686,980</b>

### 31. ACQUISITION COSTS

#### Accounting Policy

Commission expense is charged to the period in which it is incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

	Group		Company	
For the Year Ended 31 December	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fees and commission expenses	1,922,762	1,782,479	1,926,454	1,782,479
<b>Total</b>	<b>1,922,762</b>	<b>1,782,479</b>	<b>1,926,454</b>	<b>1,782,479</b>

### 32. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

#### Accounting Policy

#### Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December	Page No.	Note	Group		Company	
			2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation of intangible assets	285	6	10,423	2,951	10,036	2,847
Depreciation on property and equipment	287	7	238,862	275,010	197,009	196,765
Other Operating Expenses			1,269,574	1,119,812	1,220,868	1,104,928
Auditors' remuneration			6,700	5,701	6,323	5,288
Employee benefits expense	350	32.(a)	1,627,317	1,834,240	1,568,514	1,761,122
Selling expenses			376,895	465,520	367,374	453,311
Legal Expenses			14,363	8,234	14,363	8,234
<b>Total other operating and administrative expenses</b>			<b>3,544,134</b>	<b>3,706,968</b>	<b>3,384,487</b>	<b>3,532,496</b>

### 32. (a). Employee benefits expense

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Wages and salaries including bonus & incentives	2,565,492	1,752,703	2,512,352	1,679,585
Employees' Provident Fund 12%	107,193	95,642	102,663	95,642
Employees' Trust Fund 3%	26,799	23,910	25,666	23,910
Defined gratuity benefit & Pension costs	(1,084,245)	(45,741)	(1,084,245)	(45,741)
Other staff related cost	12,078	7,726	12,078	7,726
<b>Total employee benefits expense</b>	<b>1,627,317</b>	<b>1,834,240</b>	<b>1,568,514</b>	<b>1,761,122</b>

### 32. (b). Other Operating Expenses

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

**32. (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.

### 33. FINANCE COSTS

#### Accounting Policy

Finance cost mainly includes the charges and commission paid on financial services provided by financial institutions, particularly bank charges.

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest expense	25,072	13,244	20,328	12,005
<b>Total finance cost</b>	<b>25,072</b>	<b>13,244</b>	<b>20,328</b>	<b>12,005</b>

### 34. INCOME TAX EXPENSE

#### Accounting Policy

Income tax expense comprises current and deferred tax.

#### (a). Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss 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. 24 of 2017 and amendments thereto are applied in determining the taxable income/loss of the Company and its subsidiaries.

#### (b). Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly-controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the Reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, except;

- When 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, equity accounted investee 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 utilised.

The carrying amount of deferred tax assets is reviewed at each Reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside Income Statement is recognised outside Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws and the amount and timing of future taxable income. Given the long term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

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

### 34. (a). Current Year Tax Charge

			Group		Company	
For the Year Ended 31 December	Page No.	Note	2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Current tax</b>						
Income tax	354	34.(c)	1,138,685	764,188	1,138,685	747,211
Over/under provision in respect of previous year			42,827	(28,925)	42,827	(25,054)
<b>Total current tax</b>			1,181,511	735,2643	1,181,511	722,158
<b>Deferred tax</b>						
Origination of temporary differences	330/331	15.(c) & (e)	358,777	(239,372)	181,589	(382,048)
<b>Total income tax expense</b>			1,540,288	495,8921	1,363,100	340,109

### 34. (b). Tax Recorded in Other Comprehensive Income

			Group		Company	
For the Year Ended 31 December	Page No.	Note	2018	2017	2018	2017
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax			-	-	-	-
Deferred tax	357	38	-	(27,257)	-	(27,257)
<b>Total tax charge to other comprehensive income</b>			-	(27,257)	-	(27,257)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34. (c). Reconciliation of Tax Charge

#### Company

A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

For the Year Ended 31 December	2018	2017
	Rs.'000	Rs.'000
Accounting Profit Before Tax	7,157,389	9,807,535
Surplus Transfer included in Profit, which is not subjected to Tax	(2,700,000)	-
Less - Income not a part of taxable income		
Net Premium income *	(3,870,354)	(15,765,484)
Non investment income *	(460,383)	(127,129)
Add - Benefits, Claims & Other expenses *	3,362,873	15,816,279
Investment Income from the business	3,489,525	9,731,202
Less - Exempted Interest Income *	(651,590)	(1,543,652)
Less - Management Expenses *	(1,779,497)	(5,518,937)
Total Statutory Income	1,058,439	2,668,613
Tax Losses Utilised during the year	-	-
Taxable income	1,058,439	2,668,613
Income Tax @ 28%	296,363	747,212
	Rs.'000	Rs.'000
Income Tax for Bonuses distributed/declared to policyholders @ 14%	1,666,585	233,322
Income Tax for Surplus distributed to Shareholders @ 28%	2,175,000	609,000
<b>Total Tax Expense for the Company</b>	<b>1,138,685</b>	

\* Figures have been considered for 3 months from 01st January to 31 March 2018 for entire Company and for the 9 months starting from 01 April 2018 in Shareholders Fund

Applicable tax provision under new Island revenue Act. No24 of 2017 has been disclose in page no. 161.

The Company has received tax assessments for the years of assessments 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017. Assessments have been issued by the Department of Inland Revenue in contrary to the Inland Revenue Act No. 10 of 2006.

Therefore, the Company is of the view that these assessments will not materialise and there will be no additional tax liabilities arising against the Company. Hence, no provision has been made for the assessments received. The Company has made representations against the assessments issued to the Department of Inland Revenue in consultation with the tax consultants of the Company.

Above Balances are free from Material Misstatements.

### 35. NON CONTROLLING INTERESTS (NCI)

#### 35. (a). Accumulated Balances of Non-Controlling Interest

Name of Company	2018	2017	Effective
			ownership by NCI
	Rs.'000	Rs.'000	%
Ceylinco Sereka Ltd (dispose during 2018)	(877)	(21)	0.00%
Ceylinco Healthcare (Pvt) Ltd	4,430	3,839	0.55%
Srerene Resort Ltd	2,140	2,201	1.85%
Total	5,693	6,019	

#### 35. (b). Profit Allocated to Non-Controlling Interest

Name of the Company	2018	2017
	Rs.'000	Rs.'000
Ceylinco Sereka Ltd (dispose during 2018)	(26)	(1)
Ceylinco Healthcare (Pvt) Ltd	591	363
Srerene Resort Ltd	(61)	2
Total	504	364

### 36. BASIC/DILUTED EARNINGS PER SHARE

#### Earnings Per Share (EPS)

##### Accounting Policy

The Group/Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Basic 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36. (a). Earnings Per Share (Including One-Off Surplus Transfer)

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
Profit for the year (Rs.'000)	6,206,598	9,657,009	5,794,289	9,467,427
Weighted Average Number of Ordinary Shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings per Ordinary Share (Rs.)	124.13	193.13	115.89	189.35

### 36. (b). Earnings Per Share (Excluding One-Off Surplus Transfer)

For the Year Ended 31 December	Group		Company	
	2018	2017	2018	2017
Profit for the year (Rs.'000)	6,206,598	6,200,461	5,794,289	6,011,241
Weighted Average Number of Ordinary Shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings per Ordinary Share (Rs.)	124.13	124.01	115.89	120.22

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.

### 37. DIVIDENDS PAID AND PROPOSED

For the Year Ended 31 December	Company	
	2018	2017
	Rs.'000	Rs.'000
Interim Dividend (Rs.'000) - Paid	595,001	432,000
Final Dividend (Rs.'000) - Proposed	-	18,000
<b>Total Dividend (Rs.'000)</b>	<b>595,001</b>	<b>450,000</b>
No. of Shares in issue for the year ('000)	50,000	50,000
Dividend per share (Rs.)		
<b>Total Dividend Paid Per Share</b>	<b>11.90</b>	<b>9.00</b>

Total dividend of Rs. 11.90 per share (paid as Interim Dividend) for the year ended 31 December, 2018 (2017 - Rs. 9.00 - per share) was approved by Board of Directors on 24 December 2018.

As required by Section 56 of the Companies Act No. 07 Of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57, prior to recommending the interim and final dividend for the year ended 31 December 2018. A statement of solvency was completed and duly signed Directors on 24 December 2018 and has been audited by Messrs Ernst & Young Chartered Accountants.

### 38. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

Group	2018			2017		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	amount	(expense)	amount	amount	(expense)	amount
	Rs.'000	benefit	Rs.'000	Rs.'000	benefit	Rs.'000
Net gain/(loss) on Available-for-Sale Financial Assets	(131,577)	-	(131,577)	(20,685)	-	(20,685)
Actuarial gain on defined benefit plans	597,125	-	597,125	(206,728)	(40,877)	(247,605)
Share of other comprehensive income of equity accounted investees	(47,357)	-	(47,357)	38,236	-	38,236
Revaluation surplus/(Deficit) during the year	-	-	-	-	68,134	68,134
<b>Total</b>	<b>418,191</b>	<b>-</b>	<b>418,191</b>	<b>(189,177)</b>	<b>27,257</b>	<b>(161,920)</b>

Company	2018			2017		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	amount	(expense)	amount	amount	(expense)	amount
	Rs.'000	benefit	Rs.'000	Rs.'000	benefit	Rs.'000
Net gain/(loss) on Available-for-Sale Financial Assets	(131,577)	-	(131,577)	(20,685)	-	(20,685)
Actuarial gain on defined benefit plans	597,125	-	597,125	(206,728)	(40,877)	(247,605)
Revaluation surplus/(Deficit) during the year	-	-	-	-	68,134	68,134
<b>Total</b>	<b>465,548</b>	<b>-</b>	<b>465,548</b>	<b>(227,413)</b>	<b>27,257</b>	<b>(200,156)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39. RISK MANAGEMENT FRAMEWORK

#### 39. (a). Governance Framework

The primary objective of the Group's financial risk management is to manage financial risks within its risk appetite and provide reasonable assurance on the achievement of financial objectives.

Financial risk management is embedded into the Group's broader Risk Management Framework and spans across the Group with clear objectives, duties and responsibilities specified at each level. The Board of Directors, with the assistance of the Board Risk Committee, bears the overall responsibility for establishment and oversight of the risk management framework. The Executive Risk Management Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies. The line management and staff are responsible for day-to-day risk management and are represented at the Sub-committee level. Regular review of risks and effective risk mitigation strategies ensure consistent corporate performance, while risks are managed within the risk appetite of the Group.

#### 39. (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 return on capital employed meet the requirements of its capital providers
- 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 insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRC SL). New changes in regulations are timely adopted and necessary changes are made to internal processes.

#### Approach to Capital Management

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

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

The return expectations are regularly foretasted and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd has following capital resources.

For the Year Ended 31 December	2018	2017
	Rs.'000	Rs.'000
Total equity	26,425,584	20,646,899
Adjustments onto regulatory basis	27,434,492	31,829,952
<b>Available capital resources</b>	<b>53,860,076</b>	<b>52,476,851</b>

The adjustments onto a regulatory basis Includes the followings:.

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frame works.
2. Unallocated valuation surplus maintained in the insurance funds.
3. 50% of net future bonuses in respect of participating business
4. Value of Inadmissible Assets under RBC framework.

### 39. (c). Regulatory framework

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

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

Financial risks arise due to movements in market variables. The risks mainly involve interest rate risk and equity price risk. The company manages these risks through various strategies adopted at the Investment Committee and Financial Risk Committee.

The new Risk Based Capital framework or RBC is focused on managing the risks rather than complying with solvency margin rules. The RBC framework has been tested and refined since 2011 and full implementation of RBC started from January 2016. RBC reporting to the regulator consists of templates and questionnaires developed over the past years.

The insurance industry was going through a challenging phase in the recent past with increase in capital requirements, segregation of composite companies and future listing requirements in addition to the implementation of RBC.

RBC is a flexible framework for maintenance of minimum capital requirements based on riskiness of respective insurance company. It consist of risk factors insurance companies are exposed to such as Credit Risk, Concentration Risk, Market Risk, Operational Risk and Liability Risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

It also includes quantified capital charges for those risk factors and valuation methodology for assets and liabilities of insurance companies. The implementation of RBC was intended to increase transparency and establish appropriate risk management systems. It was expected to create a more stable industry with greater public confidence.

This framework helps to develop a culture of risk awareness in the industry while encouraging efficient use of capital to improve returns based on the risk exposure. This will be advantageous to the companies with good risk management practices.

The Capital Adequacy Ratio (CAR) of the Company is as follows:

		31st December 2018	31st December 2017
Total Available Capital (TAC)	Rs. Mn	53,860	52,477
Regulatory Minimum Capital Requirement	Rs. Mn	14,813	13,985
Risk-based Capital Adequacy Ratio (CAR)	%	364%	375%
Regulatory Minimum CAR Ratio	%	120%	120%

### 39. (d). Asset Liability Management (ALM) Framework

ALM framework is used to manage the risks arising from mismatch of asset and liability cash flows. ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve our financial objectives, given our risk appetite, tolerance and other constraints. ALM deals with 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 instruments, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is the interest rate risk.

The Board Investment Committee, along with inputs from Operational Investment Committee, identifies the nature of liabilities arising from the product portfolio and evaluates investment options that best suit to hedge/manage the liability. The Company manages these selected positions prudently, within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates, to achieve risk-adjusted investment returns in excess of its obligations in the long term.

## 40. INSURANCE AND FINANCIAL RISK

### 40. (a). Insurance Risk

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

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

More details on how we mitigate underwriting, claims and reinsurance risks are described under Risk Management Report on pages 55.

### Reinsurance Credit Ratings

The following table shows the credit ratings of reinsurance companies with whom the Company has entered in to reinsurance arrangements as of 31. December 2018

Reinsurer	Country of Origin	Ratings	Rating Agency
Munich-Re	Germany	AA	Fitch Rating
Munich-Re Takaful	Malaysia (Retakaful branch)	AA	Fitch Rating
Swiss-Re	Switzerland	AA-	Standard & Poor
RGA	Ireland	AA-	Standard & Poor

The below note shows the reinsurance receivables as of 31 December, with the respective ratings of each reinsurer Company has engaged with.

	Ratings	Group		Ratings	Company	
		2018	2017		2018	2017
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Reinsurance Receivable - Swiss Re	AA-	214,658	27,268	AA-	214,658	83,742
Reinsurance Receivable - Munich Re	AA	54,516	14,030	AA	54,516	31,268
<b>Total Reinsurance Receivables</b>		<b>269,175</b>	<b>41,298</b>		<b>269,175</b>	<b>115,010</b>

## 40. (a). (1). Life Insurance Contracts

Life insurance contracts offered by the Company include: whole life, term assurance, endowment plans, retirement plans, critical illness benefit, disability insurance, daily hospital cash, and major surgery benefit.

The main risks that the Company is exposed to are as follows:

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The strategy also addresses regular review of actual claim experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

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

### Key Assumptions

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

### Mortality rate

Mortality assumptions are based on standard mortality tables.

### Lapse rates

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

### Risk Free Rate

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

### Fund-based yield

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

### Management Expenses

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



#### 40. (a). (2). Sensitivity of the Value of Insurance Liabilities for Changes in Assumptions

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

#### 40. (b). Credit Risk

Credit Risk (in ALM context) is the risk that a borrower or counter-party will fail to meet its obligations towards Ceylinco Life in accordance with agreed terms, due to various reasons such as declining financial strength.

The sub-categories of credit risk include;

- i. Default risk: the risk that the issuer will fail to make timely interest or principal payments.
- ii. Downgrade risk: the risk that the rating of the issuer/debt instrument may be downgraded.
- iii. Credit spread risk: the risk that credit spreads (in general) will widen or narrow.

To minimize credit risk, financial investments (such as term deposits, debentures, etc.) are placed, investment transactions (such as Government Security purchases and sales, repurchase/reverse repurchase agreements) are entered in to, strictly adhering to the guidelines set by the Board Investment Committee (BIC).

In addition, individual exposures to such approved counter-parties are set and monitored based on the determinations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) as well as internal limits, which are set by the BIC. The internal limits and their exposures are reviewed periodically by the BIC.

Since a default by an issuer could create a significant credit loss, Ceylinco Life usually invests in debt instruments (term deposits, corporate debentures, etc.) issued by reputed and stable issuers such as top tier Licensed Commercial Banks.

In addition to the check for credit rating floors applied at the point of purchase of debt instruments, subsequent rating upgrades/downgrades are monitored periodically.

- Reinsurance is placed with counter-parties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers is performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

More details on how we mitigate credit risk is described under Risk Management Report on pages 59 to 60.

### Credit Risk 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.

						Company				
Page No.		Note	2018		2017		2018		2017	
			Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Financial Instruments										
Held-to-Maturity Financial Assets										
308	11.(a)		38,603,523	37.51	41,750,734	45.22	38,603,523	37.85	41,750,734	45.63
Government Securities			21,971,871	21.35	23,521,994	25.47	21,971,871	21.55	23,521,994	25.71
Corporate Debts										
Loans and Receivables										
309	11.(b)		166,925	0.16	241,199	0.26	159,918	0.16	236,199	0.26
Government Securities										
Corporate Debts			5,514,244	5.36	1,301,203	1.41	5,514,244	5.41	1,301,203	1.42
Term Deposits			31,790,812	30.89	15,863,370	17.18	31,038,444	30.44	15,093,799	16.50
Other			733,458	0.71	567,911	0.62	733,458	0.72	567,912	0.62
Available-for-Sale Financial Assets										
310	11.(c)		115,631	0.11	350,227	0.38	115,631	0.11	306,696	0.34
Equity securities			1,354,156	1.32	3,501,014	3.79	1,194,156	1.17	3,501,014	3.83
Debt securities										
Financial Assets at Fair Value Through Profit or Loss										
311	11.(d)		7,911	0.01	13,402	0.01	7,911	0.01	13,403	0.01
Equity securities			557,918	0.54	2,336,205	2.53	557,918	0.55	2,336,205	2.55
Debt securities										
Reinsurance assets			269,175	0.26	115,010	0.12	269,175	0.26	115,010	0.13
326	14		1,190,274	1.16	1,630,346	1.77	1,190,274	1.17	1,630,346	1.78
Insurance receivables			247,393	0.24	247,393	0.27	247,393	0.24	247,393	0.27
Premium Receivables										
Cash and cash equivalents			379,390	0.37	894,540	0.97	376,471	0.37	883,303	0.97
334	19									
Total Credit Risk Exposure			102,902,682	100	92,334,548	100	101,980,388	100	91,505,212	100

Investments in Government securities consist of Treasury Bonds, Treasury Bills and REPO investments. Treasury Bills and Treasury Bonds are considered to be risk free instruments , which are fully backed by the Government of Sri Lanka.

**Industry analysis - Company****31 December 2018**

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
<b>Assets</b>						
<b>Held-to-Maturity Financial Assets</b>						
Debt securities	21,971,871	38,603,523				60,575,394
	21,971,871	38,603,523	-	-	-	60,575,394
<b>Loans and Receivables</b>						
Term Deposits	31,038,444	-	-	-	-	31,038,444
REPO Investments	159,918	-	-	-	-	159,918
Unquoted Debentures	1,301,203	-	-	-	-	1,301,203
Quoted Debentures	4,213,041	-	-	-	-	4,213,041
Staff and vehicle Loans (Hire Purchase)	-	-	-	-	733,458	733,458
	36,712,607	-	-	-	733,458	37,446,065
<b>Available-for-Sale Financial Assets</b>						
Equity securities	114,431		-	1,200	-	115,631
Debt securities	469,633	724,523	-	-	-	1,194,156
	584,064	724,523	-	1,200	-	1,309,787
<b>Financial Assets at Fair Value Through Profit or Loss</b>						
Equity securities	236		360	7,315	-	7,911
Debt securities		557,918				557,918
	236	557,918	360	7,315	-	565,829
<b>Total</b>	<b>59,268,776</b>	<b>39,885,965</b>	<b>360</b>	<b>8,515</b>	<b>733,458</b>	<b>99,897,076</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
<b>Held-to-Maturity Financial Assets</b>						
Debt securities	23,521,994	41,750,734				65,272,728
	23,521,994	41,750,734	-	-	-	65,272,728
<b>Loans and Receivables</b>						
Term Deposits	15,093,799					15,093,799
REPO Investments	236,199					236,199
Unquoted Debentures	1,301,203					1,301,203
Staff and Vehicle Loans (Hire Purchase)	-	-	-	-	567,911	567,911
	16,631,201	-	-	-	567,911	17,199,112
<b>Available-for-Sale Financial Assets</b>						
Equity securities	172,649			2,160	131,886	306,695
Debt securities	656,091	2,844,923				3,501,014
	828,740	2,844,923	-	2,160	131,886	3,807,709
<b>Financial Assets at Fair Value Through</b>						
<b>Profit or Loss</b>						
Equity Securities	301		430	12,671	-	13,402
Debt Securities		2,336,205				2,336,205
	301	2,336,205	430	12,671	-	2,349,607
<b>Total</b>	<b>40,982,236</b>	<b>46,931,862</b>	<b>430</b>	<b>14,831</b>	<b>699,797</b>	<b>88,629,156</b>

The below table indicates the rating of investments as at 31st December 2018 & 2017.

### 31 December 2018

	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BBB- Rs.'000	Not rated Rs.'000	Total Rs.'000
<b>Financial Instruments</b>												-
<b>Held-to-Maturity Financial Assets</b>												-
Debt Securities	38,585,636	1,354,276	1,359,656	8,988,168	7,553,946	661,952	2,057,411	-	14,349	-	-	60,575,394
<b>Loans and Receivables</b>	1,424,606	10,639,815	4,213,041	9,112,993	8,265,381	1,187,346	1,221,404	527,214	10,903	109,905	733,458	37,446,065
<b>Available-for-Sale Financial Assets</b>												-
Equity Securities	-	-	-	-	-	8	-	-	114,423	-	1,200	115,631
Debt Securities	722,138	1,041	54,685	105,432	109,643	50,947	150,270	-	-	-	-	1,194,156
<b>Financial Assets at Fair Value Through Profit or Loss</b>												
Equity Securities	35	66	38	295	30						7,446	7,911
Debt Securities	557,918											557,918
<b>Total</b>	41,290,334	11,995,198	5,627,420	18,206,887	15,929,001	1,900,252	3,429,085	527,214	139,675	109,905	742,105	99,897,075

### 31 December 2017

	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BBB- Rs.'000	Not rated Rs.'000	Total Rs.'000
<b>Financial Instruments</b>												
<b>Held-to-Maturity Financial Assets</b>												
Debt Securities	41,750,734	2,829,938	1,371,753	9,836,150	7,311,603	496,437	1,562,040	99,847	14,226	-	-	65,272,728
<b>Loans and Receivables</b>	1,237,270	3,942,290	-	3,387,822	5,664,247	1,053,885	1,072,305	271,267	-	2,115	567,911	17,199,112
<b>Available-for-Sale Financial Assets</b>												-
Equity Securities	-	-	-	-	-	11	-	-	172,638	-	134,046	306,695
Debt Securities	2,844,923	-	2,183	224,415	153,314	-	251,129	25,051	-	-	-	3,501,015
<b>Financial Assets at Fair Value Through Profit or Loss</b>												
Equity Securities	46	-	-	446	33	-	-	-	-	-	12,878	13,403
Debt Securities	2,336,205											2,336,205
<b>Total</b>	48,169,178	6,772,228	1,373,936	13,448,833	13,129,197	1,550,333	2,885,474	396,165	186,864	2,115	714,835	88,629,158

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Corporate Debt Securities by Credit Ratings

The following table shows the credit rating of Investment in Corporate Debt.

Held to Maturity Financial Assets -Debentures (Quoted)	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	1,354,276	6.16	2,829,938	12.03	1,354,276	6.16	2,829,938	12.03
AA	1,359,656	6.19	1,371,753	5.83	1,359,656	6.19	1,371,753	5.83
AA-	8,988,168	40.91	9,836,150	41.82	8,988,168	40.91	9,836,150	41.82
A+	7,553,946	34.38	7,311,111	31.08	7,553,946	34.38	7,311,111	31.08
A	661,952	3.01	496,437	2.11	661,952	3.01	496,437	2.11
A-	2,039,524	9.28	1,562,040	6.64	2,039,524	9.28	1,562,040	6.64
BBB+	-	-	100,339	0.43	-	-	100,339	0.43
BBB	14,349	0.07	14,226	0.06	14,349	0.07	14,226	0.06
	21,971,871	100	23,521,994	100	21,971,871	100	23,521,994	100

The Group/Company has invested 90.65 % (2017- 92.87 %) of its investment in Corporate Debentures (Quoted) held under Held to Maturity category in instruments, which are rated A and above by Fitch Ratings Lanka Ltd. and ICRA Lanka Ltd.

Loans and Receivables -Debentures (Quoted)	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA	4,213,041	100.00	-	-	4,213,041	100.00	-	-
	4,213,041	100.00	-	-	4,213,041	100.00	-	-

The Group/Company has invested 100 % (2017- Nil%) of its investment in Corporate Debentures (Quoted) held under Loans and Receivables category in instruments, which are rated AA by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

Loans and Receivables -Debentures (Unquoted)	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	1,001,068	74.85	1,001,068	74.85	1,001,068	74.85	1,001,068	74.85
A	336,296	25.15	336,296	25.15	336,296	25.15	336,296	25.15
	1,337,364	100.00	1,337,364	100	1,337,364	100.00	1,337,364	100

The Group/Company has invested 100 % (2017- 100%) of its investment in Corporate Debentures (Unquoted) held under Loans and Receivables category in instruments, which are rated A and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

Available for Sale -Debentures (Quoted)	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	1,041	0.22	-	-	1,041	0.22	-	-
AA	54,685	11.64	2,183	0.33	54,685	11.64	2,183	0.33
AA-	103,047	21.94	224,415	34.20	103,047	21.94	224,415	34.20
A+	109,643	23.35	153,314	23.37	109,643	23.35	153,314	23.37
A	50,947	10.85	-	-	50,947	10.85	-	-
A-	150,270	32.00	251,129	38.28	150,270	32.00	251,129	38.28
BBB+	-	-	25,051	3.82	-	-	25,051	3.82
	469,633	100	656,091	100	469,633	100	656,091	100

The Company has invested 68% (2017- 57.9%) of its investment in Corporate Debentures (Quoted) held under Available for Sale category in instruments, which are rated A and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

### Fixed Deposits by Credit Ratings

The following table shows the credit rating of Investment in Fixed Deposits

Loans and Receivables -Fixed Deposits	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	263,619	0.83	-	-	263,619	0.85	-	-
AA+	10,847,656	34.12	4,072,290	25.67	10,675,976	34.40	3,942,290	26.12
AA-	9,196,181	28.93	3,544,512	22.34	9,112,993	29.36	3,387,821	22.45
A+	8,729,381	27.46	6,147,127	38.75	8,265,381	26.63	5,664,246	37.53
A	851,050	2.68	1,053,885	6.64	851,050	2.74	1,053,885	6.98
A-	1,254,904	3.95	772,173	4.87	1,221,404	3.94	772,173	5.12
BBB+	527,214	1.66	271,267	1.71	527,214	1.70	271,267	1.80
BBB	10,903	0.03	-	-	10,903	0.04	-	-
BBB-	109,905	0.35	2,115	0.01	109,905	0.35	2,115	0.01
	31,790,812	100	15,863,370	100	31,038,444	100	15,093,799	100

The Company has invested 93.98% (2017- 93.07%) of its investment in Fixed Deposits held under Loans and Receivables in instruments, which are rated A and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40. (c). Liquidity Risk

Liquidity risk is the risk that Ceylinco Life will not be able to meet efficiently, both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or financial condition.

In the context of providing financial protection to policyholders through life Insurance, timely settlement of financial commitments such as customer benefits and claims is essential. In addition, preserving the confidence of policyholders and investors is vital for Ceylinco Life.

Since a strain on liquidity would lead to sale of assets which would adversely affect the profitability and policyholder/investor confidence, zero tolerance is maintained for adverse deviations. The investment strategy of Ceylinco Life ensures that sufficient liquid assets/credit lines are available to comfortably meet any such unforeseen cash outflows.

More details on how we mitigate liquidity risk is described under Risk Management Report on pages 59.

### 40. (d). Market Risk

Market risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market prices and/or financial variables which are directly/indirectly related to financial markets.

The sub-categories of market risk include;

- i. Interest rate risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This includes reinvestment risk and inflation risk, which eventually impacts the interest rate.
- ii. Currency risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates.
- iii. Equity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in equity prices.
- iv. Commodity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in commodity prices.

In addition, due to its investments in real estate, Ceylinco Life is exposed to changes in real estate values.

### 40. (e). Currency Risk

The Group has no significant exposure to currency risk.

### 40. (f). Interest Rate Risk

Interest rate risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in the absolute level of interest rates, in credit spreads or in the shape of yield curve. This includes reinvestment risk and inflation risk, which eventually impacts the interest rate.

More details on how we mitigate interest rate risk is described under Risk Management Report on pages 58.

### Exposure to Interest Rate Risk

The following table presents the financial assets and liabilities which are subject to interest rate risk.

Group	2018				2017			
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>								
Held to Maturity	-	60,575,394	-	60,575,394	-	65,272,729	-	65,272,729
Loans & Receivables	-	38,045,440	-	38,045,440	-	17,973,682	-	17,973,682
Available For Sale	-	1,354,156	115,631	1,469,787	-	3,501,014	350,227	3,851,240
Fair Value through Profit & Loss	-	557,918	7,911	565,829	-	2,336,205	13,402	2,349,607
Loans to Life Policyholders	-	1,190,274	-	1,190,274	-	1,630,346	-	1,630,346
Cash and Cash Equivalents	-		379,390	379,390		894,540	-	894,540
<b>Total Assets</b>	-	101,723,182	502,932	102,226,114	-	91,608,516	363,629	91,972,145
<b>Financial Liabilities</b>								
Interest Bearing Borrowings	-	120,070	-	120,070	-	-	-	-
Bank Overdraft	-		157,949	157,949	-	-	365,414	365,414
<b>Total Liabilities</b>	-	120,070	157,949	278,019	-	-	365,414	365,414

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	2018				2017			
	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non-Interest Bearing Rs. '000	Total Rs. '000	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non-Interest Bearing Rs. '000	Total Rs. '000
<b>31 December</b>								
<b>Financial Assets</b>								
Held to Maturity		60,575,394		60,575,394	-	65,272,729	-	65,272,729
Loans & Receivables		37,446,065		37,446,065	-	17,199,112	-	17,199,112
Available For Sale		1,194,156	115,631	1,309,787	-	3,501,014	306,696	3,807,709
Fair Value through Profit & Loss		557,918	7,911	565,829	-	2,336,205	13,402	2,349,607
Loans to Life Policyholders		1,190,274	-	1,190,274	-	1,630,346	-	1,630,346
Cash and Cash Equivalent		-	376,471	376,471	-	-	883,303	883,303
<b>Total Assets</b>	-	100,963,807	500,013	101,463,820	-	89,939,406	1,203,401	91,142,806
<b>Financial Liabilities</b>								
Bank Overdraft	-	-	111,644	111,644	-	-	349,745	349,745
<b>Total</b>	-	-	111,644	111,644	-	-	349,745	349,745

Since financial investments of Ceylinco Life consist mainly of Fixed Income Securities (such as Government securities, term deposits, corporate debt, etc.), interest rate risk is one of the most prominent risks faced by Ceylinco Life.

Given (a) unavailability of long-term financial instruments with adequate yields, (b) cyclical and volatile nature of domestic interest rates, and (c) frequent changes to taxation, to optimize the returns on its investment portfolio, Ceylinco Life diligently carries a duration gap in its asset-liability management.

The Group/Company's Investment Policy recognizes the cyclical nature of the Sri Lankan interest rate environment. The company closely monitors the current and future expected shifts in monetary and fiscal policy, movements in domestic and global interest rates, inflation expectations, movements in exchange rates, Balance of Payment, changes in taxation and other key macroeconomic indicators when making investment decisions and fine tune the investment horizons/vehicles accordingly.

In addition to internal expertise, to ensure prudence and integrity, the Company seeks the views of independent macro research providers in crafting its investment strategy.

#### 40. (g). Equity Price Risk

The equity price risk is relatively negligible due to our low exposure to equity market. However, the company maintains a closer watch on movements in stock prices and indices.

Following table shows diversification of equity investments of the Company as of 31 December 2018

As at 31 December	Group				Company			
	2,018		2,017		2,018		2,017	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
Banking, Finance and Insurance	114,667	92.82	216,484	58.91	114,667	93.72	172,950	54.03
Manufacturing, Plantations	8,515	6.89	18,676	5.08	7,323	5.99	14,832	4.63
Service	360	0.29	132,298	36.00	360	0.29	132,316	41.34
Total	123,542	100	367,457	100	122,350	100.00	320,098	100.00

#### 40. (h). Operational Risks

This is the risk that the Group may not meet its objectives due to failed, inadequate or incomplete internal processes, people, systems, controls, or due to external events." In the context of financial risk management, this involves management of operational risks which could lead to financial losses.

The Group manages operational risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, ethical business practices and standards, staff education, training and assessment processes, including the use of internal audit.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40. (i). Maturity Profile

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Group	Page No.	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
As at 31 December 2018			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>								
<b>Financial Instruments</b>								
<b>Held-to-Maturity Financial Assets</b>								
Debt Securities	308	11.(a)	60,575,394	4,928,463	11,962,402	14,689,377	23,377,930	5,617,222
<b>Loans and Receivables</b>	309	11.(b)	38,365,440	32,109,459	1,235,928	4,711,794	308,259	-
<b>Available-for-Sale financial Assets</b>	310	11.(c)						
Equity Securities			115,631	115,631	-	-	-	-
Debt Securities			1,354,156	913,317	214,226	159,070	67,543	-
<b>Financial Assets at Fair value Through Profit or Loss</b>	311	11.(d)						
Equity Securities			7,911	7,911	-	-	-	-
Debt Securities			557,918	-	-	65,179	492,739	-
Reinsurance Receivables	326	14	269,175	269,175	-	-	-	-
Loans to Life Policyholders	332	16.(a)	1,190,274	112,609	164,288	153,020	579,257	181,100
Premium Receivables			268,334	268,334	-	-	-	-
Cash and Cash Equivalents	334	19	379,390	379,390	-	-	-	-
			103,083,623	39,104,290	13,576,844	19,778,441	24,825,727	5,798,322
<b>Liabilities</b>								
<b>Other Financial Liabilities</b>								
Reinsurance Payables	342	23	470,889	470,889	-	-	-	-
Trade and Other Payables	343	24	2,671,936	2,671,936	-	-	-	-
Bank Overdraft	334	19	157,949	157,949	-	-	-	-
			3,300,774	3,300,774	-	-	-	-

Group	Page No.	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
As at 31 December 2017			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>								
<b>Financial Instruments</b>								
<b>Held-to-Maturity Financial Assets</b>								
Debt Securities	308	11.(a)	65,272,727	11,883,273	9,435,193	10,977,793	27,545,776	5,430,692
<b>Loans and Receivables</b>								
	309	11.(b)	17,973,682	16,172,534	63,883	1,319,621	417,644	-
<b>Available-for-Sale Financial Assets</b>								
	310	11.(c)	-	-	-	-	-	-
Equity Securities			306,696					306,696
Debt Securities			3,501,014	361,106	2,774,849	144,429	144,939	75,691
<b>Financial Assets at Fair Value Through Profit or Loss</b>								
	311	11.(d)						
Equity Securities			13,402	-	-	-	-	13,402
Debt Securities			2,336,205	65,557	610,064	101,631	417,748	1,141,205
<b>Reinsurance Receivables</b>								
	326	14	115,010	115,010	-	-	-	-
<b>Loans to Life Policyholders</b>								
	332	16.(a)	1,630,347	153,339	217,316	203,797	798,179	257,716
Premium Receivables			247,393	247,393	-	-	-	-
<b>Cash and Cash Equivalents</b>								
	334	19	894,540	894,540	-	-	-	-
			92,291,016	29,892,752	13,101,305	12,747,271	29,324,286	7,225,402
<b>Liabilities</b>								
<b>Other Financial Liabilities</b>								
			-	-	-	-	-	-
Reinsurance Payables	342	23	165,715	165,715	-	-	-	-
<b>Trade and Other Payables</b>								
	343	24	2,849,523	2,849,523	-	-	-	-
Bank Overdraft	334	19	365,415	365,415	-	-	-	-
			3,380,653	3,380,653	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Page No.	Note	Total Rs.	Less Than 1 Year Rs.	1 year to 3 Years Rs.	3 year to 5 Years Rs.	5 year to 15 Years Rs.	More than 15 Years Rs.
As at 31 December 2018								
<b>Assets</b>								
<b>Financial Instruments</b>								
<b>Held-to-Maturity Financial Assets</b>								
Debt Securities	308	11.(a)	60,575,394	4,928,463	11,962,402	14,689,377	23,377,930	5,617,222
<b>Loans and Receivables</b>	309	11.(b)	37,446,065	31,190,084	1,235,928	4,711,794	308,259	
<b>Available-for-Sale Financial Assets</b>	310	11.(c)						
Equity Securities			115,631	115,631	-	-	-	-
Debt Securities			1,194,156	753,317	214,226	159,070	67,543	-
<b>Financial Assets at Fair Value Through Profit or Loss</b>	311	11.(d)						
Equity Securities			7,911	7,911	-	-	-	-
Debt Securities			557,918	-	-	65,179	492,739	-
Reinsurance Receivables	326	14	269,175	269,175				
Loans to Life Policyholders	332	16.(a)	1,190,274	112,609	164,288.48	153,020	579,257	181,100
Premium Receivables			268,334	268,334				
Cash and Cash Equivalents	334	19	376,471	376,471				
			102,001,329	38,021,996	13,576,844	19,778,441	24,825,727	5,798,322
<b>Liabilities</b>								
Reinsurance Payables	342	23	470,889	470,889				
Trade and Other Payables	343	24	2,482,376	2,482,376				
Bank Overdraft	334	19	111,644	111,644				
			3,064,909	3,064,909	-	-	-	-

Company	Page No.	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
As at 31 December 2017			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>								
<b>Financial Instruments</b>								
<b>Held-to-Maturity</b>								
<b>Financial Assets</b>								
Debt Securities	308	11.(a)	65,272,727	11,883,273	9,435,193	10,977,793	27,545,776	5,430,692
<b>Loans and Receivables</b>	309	11.(b)	17,199,161	15,398,013	63,883	1,319,621	417,644	
<b>Available-for-Sale</b>								
<b>Financial Assets</b>	310	11.(c)	-					
Equity Securities			306,696					306,696
Debt Securities			3,501,014	361,106	2,774,849	144,429	144,939	75,691
<b>Financial Assets at Fair Value Through Profit or Loss</b>								
	311	11.(d)						
Equity Securities			13,402					13,402
Debt Securities			2,336,205	65,557	610,064	101,631	417,748	1,141,205
<b>Reinsurance</b>								
Receivables	326	14	115,010	115,010	-			
<b>Loans to Life</b>								
Policyholders	332	16.(a)	1,630,347	153,339	217,316	203,797	798,179	257,716
Premium Receivables			247,393	247,393				
<b>Cash and Cash Equivalents</b>								
	334	19	883,303	883,303				
			91,505,258	29,106,994	13,101,305	12,747,271	29,324,286	7,225,402
<b>Liabilities</b>								
Reinsurance Payables	342	23	165,715	165,715	-	-	-	-
<b>Trade and Other</b>								
Payables	343	24	2,781,246	2,781,246				
Bank Overdraft	334	19	349,745	349,745				
			3,296,706	3,296,706	-	-	-	-

## 41. CONTINGENCIES AND COMMITMENTS

### (a) Legal proceedings and regulations

There are no any contingencies due to legal proceeding and regulations.

### (b). Capital commitments

Capital commitments relating to property, plant and equipment have been disclosed separately in Note 7 (c).

### (c). Operating Leases:

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Future minimum rentals payable under none-cancellable operating leases as at 31 December are, as follows:

As at 31 December	2018	2017
	Rs.' 000	Rs.' 000
Within one year	76,532	97,185
After one year but not more than three years	152,075	148,224
After three years but not more than five years	55,961	56,609
More than five years	3,406	7,701
<b>Total operating lease rentals payable</b>	<b>287,975</b>	<b>309,719</b>

### 42. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount	
		Pledged	Included under
		Rs.'000	
Fixed Deposits	Pledged to Seylan Bank PLC to obtain banking facilities.	520,050	Loans & Receivables
Fixed Deposits	Pledged to Nation Trust Bank PLC to obtain banking facilities.	100	Loans & Receivables
Fixed Deposits	Pledged to National Development Bank to obtain banking facilities.	600,000	Loans & Receivables

### 43. RELATED PARTY DISCLOSURES

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of CIPLC have the authority and responsibility for planning, directing and controlling the activities of the Company, the Directors of CIPLC and their immediate family members have also been identified as Key Management Personnel of the Company.

For the year ended 31 December	Page No.	Note	Company	
			2018	2017
			Rs.	Rs.
<b>43. I. Amounts Received from Related Parties</b>				
Subsidiaries	379	43.I.a	9,913,589	7,059,420
Equity Accounted Investees	379	43.I.b	234,998,601	102,231,816
Other Related Companies	379	43.I.c	48,458,301	41,550,186
Key Management Personnel	380	43.I.d	2,912,268	656,745
<b>Total</b>			296,282,759	151,498,167
<b>43. II. Amounts Paid to Related Parties</b>				
Subsidiaries	380	43.II.a	(3,691,515)	(16,400,546)
Equity Accounted Investees	380	43.II.b	(502,000,000)	(250,000,000)
Other Related Companies	380	43.II.C	(677,458,763)	(42,464,924)
Key Management Personnel	380	43.II.d	(396,995,476)	(361,648,335)
			(1,580,145,754)	(670,513,805)
Transactions with Related Parties				
Amount Received From Related Parties				
<b>43. I. a. Subsidiaries</b>				
Ceylinco Health Care Services Ltd	381	43.IV.a	6,921,242	7,059,420
Serene Resorts Ltd	381	43.IV.a	2,992,347	-
Ceylinco Seraka Ltd	382	43.IV.a	47,341,000	-
			9,913,589	7,059,420
<b>43. I. b. Equity Accounted Investees</b>				
Citizens Development Business Finance PLC	382	43.IV.b	234,998,601	102,231,816
			234,998,601	102,231,816
<b>43. I. c. Other Related Companies</b>				
Ceylinco General Insurance Ltd.	382	43.IV.c	48,458,301	41,550,186
			48,458,301	41,550,186

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December	Page No.	Note	Company	
			2018	2017
			Rs.	Rs.
<b>43. I. d. Key Management Personnel</b>				
Premium Received	382	43.IV.d	2,912,268	656,745
			2,912,268	656,745
Amounts Paid to Related Parties				
<b>43. II. a. Subsidiaries</b>				
Ceylinco Health Care Services Ltd	381	43.IV.a	(3,691,515)	(16,400,546)
			(3,691,515)	(16,400,546)
<b>43. II. b. Equity Accounted Investees</b>				
Citizens Development Business Finance PLC	382	43.IV.b	(502,000,000)	(250,000,000)
			(502,000,000)	(250,000,000)
<b>43. II. c. Other Related Companies</b>				
Ceylinco General Insurance Ltd.	382	43.IV.c	(64,458,150)	(42,464,924)
Ceylinco Insurance PLC	382	43.IV.c	(613,000,613)	
			(677,458,763)	(42,464,924)
<b>43. II. d. Key Management Personnel</b>				
Short-term employee benefits	382	43.IV.d	(325,626,168)	(292,741,313)
Post employment benefits	382	43.IV.d	(69,746,799)	(68,152,521)
Legal Fees paid	381	43.III.d	(1,622,509)	(754,501)
			(396,995,476)	(361,648,335)
<b>43. III. Transactions With Related Parties</b>				
<b>43. III. a. Subsidiaries</b>	381	43.IV.a		
Premium Received/(Paid)			55,721	91,492
Claim (Received)/Paid			-	(600,000)
Dividend Received/ (Paid)			-	6,939,000
Rent Received/ (paid)			1,920,000	2,112,245
Medical Fees for staff & Customers			(3,691,515)	(16,400,546)
Reimbursement of Expenses			4,945,521	4,855,683
			3,229,727	(3,002,126)

For the year ended 31 December	Page No.	Note	Company	
			2018	2017
			Rs.	Rs.
<b>43. III. b. Equity Accounted Investees</b>	382	43.IV.b		
Insurance Premium Received/(Paid)			8,479,852	6,875,742
Investment in Fixed Deposit			(500,000,000)	(250,000,000)
Maturity of Fixed Deposit			-	250,000,000
Claim Received/ (Paid)			(2,000,000)	-
Dividend Received/ (Paid)			74,461,693	51,751,715
Rent Received/ (paid)			2,336,400	2,230,200
Interest Received/ (Paid)			149,720,656	41,374,159
			(267,001,399)	102,231,816
<b>43. III. c. Other Related Companies</b>	382	43.IV.c		
Premium Paid			(57,705,221)	(42,464,924)
Premium Received			28,303,411	21,395,296
Dividend Received/ (Paid)			(6,752,929)	(5,325,020)
Rent Received/ (paid)			20,154,890	20,154,890
			(15,999,849)	(6,239,758)
<b>43. III. d. Key Management Personnel</b>				
Premium Received			2,912,268	656,745
Claim (Received)/Paid			(6,627,416)	
Legal Fees paid (Mr. S. B. Caldera,)			(1,622,509)	(754,501)
			(5,337,657)	(97,756)
<b>43. IV. Transactions with Related Parties - Subsidiaries</b>				
<b>43. IV. a. Ceylinco Health Care Services Ltd</b>				
Premium Received/ (Paid)			55,721	91,492
Claim (Received)/ Paid			-	(600,000)
Dividend Received/ (Paid)			-	6,939,000
Rent Received/ (paid)			1,920,000	2,112,245
Medical Fees for staff & Customers			(3,691,515)	(16,400,546)
Reimbursement of Expenses			4,945,521	4,855,683
			3,229,727	(3,002,126)
<b>Serene Resorts Ltd</b>				
Rent Received/ (paid)			2,992,347	600,000
			2,992,347	600,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December	Company	
	2018	2017
	Rs.	Rs
<b>Ceylinco Seraka Ltd</b>		
Cash Consideration Received on Disposal of investment in Ceylinco Seraka Ltd	47,341,000	-
	47,341,000	-
<b>43. IV. b. Transactions with Related Parties - Associates</b>		
Citizens Development Business Finance PLC		
Insurance Premium Received	8,479,852	6,875,742
Investment in Fixed Deposit	(500,000,000)	(250,000,000)
Maturity of Fixed Deposit	-	250,000,000
Claim Paid	(2,000,000)	-
Dividend Received/ (Paid)	74,461,693	51,751,715
Rent Received/ (paid)	2,336,400	2,230,200
Interest Received/ (Paid)	149,720,656	41,374,159
Total	(267,001,399)	102,231,816
<b>43. IV. c. Transactions with Related Parties - Other Related Companies</b>		
<b>Ceylinco General Insurance Ltd.</b>		
Premium Paid	(57,705,221)	(42,464,924)
Premium Received	28,303,411	21,395,296
Claim Paid	(6,752,929)	(5,325,020)
Rent Received/	20,154,890	20,154,890
	(15,999,849)	(6,239,758)
<b>Ceylinco Insurance PLC</b>		
Dividend Paid	(613,000,613)	(535,875,535)
	(613,000,613)	(535,875,535)
<b>43. IV. d Compensation of Key Management Personnel</b>		
The summary of compensation of key management personnel for the year is, as follows:		
Short-term employee benefits	(325,626,168)	(292,741,313)
Post employment benefits	(69,746,799)	(68,152,521)
Total	(395,372,967)	(360,893,834)

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to key management personnel.

There are no outstanding balances at the end of reporting period with the reported related parties.

#### **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.

### **44. EVENTS AFTER THE REPORTING DATE**

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

All material post Reporting Date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

### **45. EMPLOYEE AND INDUSTRIAL RELATIONS**

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

### **46. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

#### **SLFRS 16 – Leases**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SLFRS 9 Financial Instruments

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

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2022.

### 47. DISCLOSURE ABOUT THE TEMPORARY EXEMPTION FROM SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 Insurance Contracts (amended) provides a temporary exemption from SLFRS 9, if and only if (a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs as required in SLFRS 9 and (b) its activities are predominantly connected with insurance, as described in paragraph 20D of SLFRS 4 Insurance Contracts (amended), at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in paragraph 206 of SLFRS 4 Insurance Contracts (amended).

Considering the above requirement, Ceylinco Life's activities are predominately connected with Insurance and therefore its permitted by SLFRS 9 temporary exemption to defer SLFRS 9 until adoption of IFRS 17 which is expected to be adopted in 2022.

As at balance sheet date % of insurance related liabilities = 97.89 %

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

Ceylinco Life Insurance Limited  
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# STATEMENT OF FINANCIAL POSITION - POLICYHOLDERS

As at 31 December	2018	2017
	Rs.'000	Rs.'000
<b>Assets</b>		
Intangible Assets	-	9,556
Property, Plant and Equipment	5,732,022	5,658,507
Investment Properties	360,000	454,000
Investment in Subsidiaries	15,000	15,000
Investment in Associates	42,990	42,990
<b>Financial Instruments</b>		
Held to Maturity Financial Assets	54,266,418	58,828,413
Loans and Receivables	27,139,945	11,501,115
Available-For-Sale Financial Assets	1,305,437	3,639,668
Financial Assets at Fair Value Through Profit or Loss	570,171	2,349,607
Reinsurance Receivables	269,175	115,010
Income Tax Receivables	360	26,681
Loans to Life policyholders	1,190,274	1,630,346
Premium Receivables	268,334	247,393
Other Assets	302,735	177,795
Cash and Cash Equivalents	169,390	672,905
<b>Total Assets</b>	<b>91,632,252</b>	<b>85,368,986</b>
<b>Equity and Liabilities</b>		
<b>Liabilities</b>		
Insurance Contract Liabilities - Life	88,049,202	81,723,759
Insurance Contract Liabilities - Unit Linked	335,691	315,943
Insurance Contract Liabilities-Family Takaful	19,548	16,970
Individual Investment Fund - ISF	164,456	94,233
Reinsurance Payables	470,889	165,715
Trade and Other Payables	2,480,822	2,702,626
Bank Overdraft	111,644	349,745
<b>Total Liabilities</b>	<b>91,632,252</b>	<b>85,368,990</b>
<b>Total Equity and Liabilities</b>	<b>91,632,252</b>	<b>85,368,986</b>

# INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,	Glossary item	2018	2017	%
		Rs. '000	Rs. '000	Change
Gross Written Premium	22	17,812,774	15,765,484	12.99
Net Written Premium (Net of Premiums ceded to reinsurers )	38	17,355,265	15,343,267	13.11
Investment and Other Income Attributable to Policyholders		10,102,085	9,459,168	6.80
Net Benefits Paid	39	(9,803,550)	(6,686,980)	46.61
Increase in Long Term Insurance Fund		(6,457,292)	(7,258,502)	(11.04)
Acquisition Cost	1	(1,926,454)	(1,782,479)	8.08
Operating and Administrative Expenses Attributable to Policyholders		(4,228,218)	(4,194,810)	0.80
Interest Expense		(17,268)	(10,531)	63.97
Tax expenses		(149,568)	(369,131)	(59.48)
<b>Surplus from Life Insurance Business</b>	33	4,875,000	4,500,000	8.33
Change in Contract Liabilities Due to Transfer of One-Off Surplus		-	3,456,184	-
Investment & Other Income not Attributable to Policyholders		1,292,149	821,379	57.31
Operating and Administrative Expenses not Attributable to Policyholders		843,732	662,315	27.39
Interest Expense not Attributable to Policyholders		(3,060)	(1,474)	107.57
Tax expenses not Attributable to Policyholders		(1,213,532)	29,022	(4,281.42)
<b>Profits From Operations After Interest Expense</b>		5,794,289	9,467,426	(38.80)

## QUARTERLY ANALYSIS

	2018				
Company Statement of Comprehensive Income (values are to the nearest rupees thousand)	1st quarter Jan- Mar.18	2nd quarter Apr- Jun.18	3 rd quarter Jul- Sep.18	4th quarter Oct- Dec.18	Total Jan- Dec.18
Gross written premiums	3,560,155	3,858,389	4,068,339	6,325,891	17,812,774
Premiums ceded to reinsurers	(103,590)	(110,142)	(107,798)	(135,979)	(457,509)
<b>Net written premiums</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>6,189,912</b>	<b>17,355,265</b>
<b>Net change in Reserve for unearned premium</b>				-	
<b>Net Earned premium</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>6,189,912</b>	<b>17,355,265</b>
					-
Investment and Other Income	2,306,201	2,438,343	2,826,170	3,823,520	11,394,234
<b>Net Income</b>	<b>5,762,766</b>	<b>6,186,590</b>	<b>6,786,711</b>	<b>10,013,432</b>	<b>28,749,499</b>
Net benefits and claims	(1,602,999)	(1,659,623)	(1,841,626)	(4,699,302)	(9,803,550)
Gross Change in Contract Liabilities	(2,052,947)	(2,428,845)	(2,838,937)	863,437	(6,457,292)
Acquisition cost	(452,941)	(398,812)	(415,798)	(658,903)	(1,926,454)
					-
Other operating and administrative expenses	(829,368)	(888,785)	(792,334)	(874,000)	(3,384,487)
Finance cost	(1,773)	(4,620)	(2,685)	(11,250)	(20,328)
<b>Total benefits, claims and other expenses</b>	<b>(4,940,029)</b>	<b>(5,380,684)</b>	<b>(5,891,380)</b>	<b>(5,380,017)</b>	<b>(21,592,110)</b>
<b>Profit before tax</b>	<b>822,738</b>	<b>805,905</b>	<b>895,331</b>	<b>4,633,415</b>	<b>7,157,389</b>
Income tax expense	(149,390)	(122,157)	(223,069)	(868,484)	(1,363,100)
<b>Profit for the year</b>	<b>673,347</b>	<b>683,749</b>	<b>672,262</b>	<b>3,764,931</b>	<b>5,794,289</b>

	2017				
Company Statement of Comprehensive Income (values are to the nearest rupees thousand)	1st quarter Jan- Mar.17	2nd quarter Apr- Jun.17	3rd quarter Jul- Sep.17	4th quarter Oct- Dec.17	Total Jan- Dec.17
Gross written premiums	3,560,155	3,858,389	4,068,339	4,278,601	15,765,484
Premiums ceded to reinsurers	(103,590)	(110,142)	(107,798)	(100,687)	(422,217)
<b>Net written premiums</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>4,177,914</b>	<b>15,343,267</b>
<b>Net change in Reserve for unearned premium</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Earned premium</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>4,177,914</b>	<b>15,343,267</b>
Investment and Other Income	2,306,201	2,438,343	2,826,170	2,709,833	10,280,547
<b>Net Income</b>	<b>5,762,766</b>	<b>6,186,590</b>	<b>6,786,711</b>	<b>6,887,747</b>	<b>25,623,814</b>
Net benefits and claims	(1,602,999)	(1,659,623)	(1,841,626)	(1,582,732)	(6,686,980)
Gross Change in Contract Liabilities	(2,052,947)	(2,428,845)	(2,838,937)	62,227	(7,258,502)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	-	-	3,456,184	3,456,184
Acquisition cost	(452,941)	(398,812)	(415,798)	(514,928)	(1,782,479)
Other operating and administrative expenses	(829,368)	(888,785)	(792,334)	(1,022,009)	(3,532,496)
Finance cost	(1,773)	(4,620)	(2,685)	(2,927)	(12,005)
<b>Total benefits, claims and other expenses</b>	<b>(4,940,028)</b>	<b>(5,380,685)</b>	<b>(5,891,380)</b>	<b>395,814</b>	<b>(15,816,279)</b>
<b>Profit before tax</b>	<b>822,738</b>	<b>805,905</b>	<b>895,331</b>	<b>7,283,561</b>	<b>9,807,535</b>
Income tax expense	(149,390)	(122,157)	(223,069)	154,507	(340,109)
<b>Profit for the year</b>	<b>673,348</b>	<b>683,748</b>	<b>672,262</b>	<b>7,438,068</b>	<b>9,467,426</b>

# TEN YEAR SUMMARY

## STATEMENT OF FINANCIAL POSITION

Company	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Assets</b>											
Intangible Assets	37,358	56,950	2,759	645	2,198	4,609	15,105	42,396	82,695	135,077	154,284
Property, Plant and Equipment	7,567,806	7,371,782	7,068,634	5,343,752	4,760,395	4,596,053	3,906,294	3,396,144	3,090,739	2,763,072	2,414,207
Investments	103,744,945	92,264,065	84,220,630	67,199,575	57,209,653	50,751,773	44,198,752	40,410,190	29,836,507	23,361,974	19,421,328
Other Assets	6,709,280	6,402,008	5,166,066	7,751,193	9,096,076	8,593,577	4,771,500	4,845,898	3,991,859	4,383,642	3,041,298
Total Assets	118,059,390	106,094,805	96,458,089	80,235,165	71,068,322	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117
<b>Liabilities</b>											
Insurance Provision - Life	88,049,202	81,723,759	77,925,144	68,011,535	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141	26,449,967	21,300,965
Unit linked Fund and Other Funds	519,695	427,146	333,129	268,062	228,872	190,135	157,657	146,659	115,269	102,671	101,428
Equity and Other Liabilities	29,490,493	23,943,900	18,199,816	11,955,567	10,817,572	10,990,466	7,623,205	10,344,494	5,018,390	4,091,127	3,628,724
Total Liabilities	118,059,390	106,094,805	96,458,089	80,235,164	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800	30,643,765	25,031,117
<b>Investor Information</b>											
Return on Net Assets	(%)	21.93	45.87	25.85	21.81						
Return on Total Assets	(%)	4.91	8.67	3.19	2.57						
Net Assets per Share	Rs.	528.51	412.94	238.24	188.93						
Earnings per Share	Rs.	115.89	199.35	61.58	38.03						
Dividend per Share	Rs.	11.90	9.00	7.50	6.25						
Dividend Cover	(Times)	9.74	21.04	8.21	6.08						
Dividend Payout Ratio	(%)	10.27	4.75	12.18	16.44						

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco Insurance PLC up to year 2015. Further 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.

## STATEMENT OF COMPREHENSIVE INCOME

Company	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Gross Written Premium	17,812,774	15,765,484	15,027,600	13,456,828	12,002,524	11,122,906	10,829,470	9,833,905	8,786,121	7,522,328	8,257,279
Net Written Premium	17,355,265	15,343,267	14,653,771	13,146,773	11,715,219	10,866,904	10,576,066	9,597,478	8,639,853	7,395,301	8,060,219
Investment Income and Other Income	11,394,234	10,280,547	8,780,689	6,740,775	6,825,012	6,706,341	4,825,823	3,889,608	3,454,269	3,352,433	2,639,208
Net Claims and Benefit	(9,803,550)	(6,686,980)	(6,651,682)	(5,956,745)	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)	(2,685,361)	(2,698,277)	(2,113,092)
Acquisition Cost	(1,926,454)	(1,782,479)	(1,693,985)	(1,610,178)	(1,389,842)	(1,353,905)	(1,427,626)	(1,237,818)	(1,171,497)	(1,079,487)	(1,244,224)
Increase in Long Term Insurance Fund	(6,457,292)	(7,258,502)	(8,397,889)	(7,135,304)	(7,256,468)	(7,654,622)	(6,765,658)	(5,335,332)	(5,418,174)	(4,417,313)	(4,374,916)
Change in Contract Liabilities Due to Transfer of											
One-Off Surplus	-	3,456,184	-								
Operating & Administrative Expenses	(3,384,487)	(3,532,496)	(2,937,262)	(2,994,099)	(2,673,594)	(2,517,219)	(2,213,918)	(2,163,561)	(2,217,267)	(2,056,341)	(2,517,582)
Finance Expenses	(20,328)	(12,005)	(9,915)	(10,214)	(29,394)	(9,817)	(7,974)	(7,890)	(10,828)	(13,490)	(30,241)
Profit Before Tax	7,157,389	9,807,535	3,743,727	2,181,009	2,298,086	1,280,361	995,832	796,190	590,995	482,826	419,372
Taxation	(1,363,100)	(340,109)	(667,686)	(120,963)	(935,099)	(39,973)	-	-	-	-	-
Profit After Tax	5,794,289	9,467,426	3,076,041	2,060,046	1,362,987	1,240,388	995,832	796,190	590,995	482,826	419,372
<b>Employee Information</b>											
Revenue per Employee	Rs./Mn	28.79	25.75	21.22							
Net Profit per Employee	Rs.'000	8,294	11,020	4,114	2,328						
Number of Employees	Nos.	863	890	910	937						

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco insurance PLC up to year 2015. Further, Financial information for the years 2010, 2011, 2012, 2013, 2014 & 2015 are based on LKAS/SLFRS and balance years are based on SLAS.

# GRI CONTEXT INDEX

## GRI Context Index for “In Accordance” – Core

GRI Standard	Disclosure	Page number	Publication Pages
GRI 101: Foundation 2016 (does not include any disclosures)			
<b>General Disclosures</b>			
GRI 102: General Disclosures 2016			
<b>Organisational Profile</b>			
	102-1 Name of Organisation	Inner Back Cover	✓
	102-2 Activities, brands, products and services	218-220 & Inner Back Cover	✓
	102-3 Location of headquarters	Inner Back Cover	✓
	102-4 Location of operations	191	✓
	102-5 Ownership and legal form	8 & Inner Back Cover	✓
	102-6 Markets served	191-194	✓
	102-7 Scale of the Organisation	6	✓
	102-8 Information on employees and other workers	198-202	✓
	102-9 Supply chain	235	✓
	102-10 Significant changes to the Organisation and supply chain	26, 235	✓
	102-11 Precautionary principle	12	✓
	102-12 External initiatives	11	✓
	102-13 Membership of associations	234	✓
<b>Strategy</b>			
	102-14 Statement from senior decision maker	24-32	✓
	102-15 Key impacts, risks and opportunities	164-169	✓
<b>Ethics and Integrity</b>			
	102-16 Values, principles, norms and standards of behavior	4-5 & 186	✓
	102-17 Mechanisms for advice and concerns about ethics	186 & 213	✓
<b>Governance</b>			

GRI Standard	Disclosure	Page number	Publication Pages
	102-18 Governance Structure	68	✓
	102-22 Composition of the highest governance body and its committees	34-39	✓
	102-23 Chair of the highest governance body	74	✓
	102-24 Nominating and selecting the highest governance body	77-78	✓
	102-25 Conflicts of interest	73,88,96-97 & 111	✓
	102 – 30 Effectiveness of risk management processes	52-53	✓
<b>Stakeholder Engagement</b>			
	102-40 List of stakeholder groups	139	✓
	102-41 Collective bargaining agreements	212	✓
	102-42 Identifying and selecting stakeholders	138-140	✓
	102-43 Approach to stakeholder engagement	140-146	✓
	102-44 Key topics and concerns raised	140-146	✓
<b>Reporting practice</b>			
	102-45 Entities included in the consolidated financial statements	7	✓
	102-46 Defining report content and topic boundary	10,147	✓
	102-47 Material topics	148-150	✓
	102-48 Restatement of information		There are no restatements in sustainability reporting criteria
	102-49 Changes in reporting	148	
	102-50 Reporting period	10	✓
	102-51 Date of most recent report	10	✓
	102-52 Reporting cycle	10	✓



## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Publication Pages
	102-53 Contact point for questions regarding Report	12	√
	102-54 Claims of reporting in accordance with GRI Standards	11	√
	102-55 GRI context index	392-398	√
	102-56 External assurance	12	√
<b>Material Topics</b>			
<b>Management Approach</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	148-150	√
	103-2 The Management Approach and its components	148-150	√
	103-3 Evaluation of the Management Approach	148-150	√
<b>Economic Performance</b>			
GRI 201: Economic Performance 2016	201 – 1 Direct economic value generated and distributed	246	
	201-3 Defined benefit plan obligations and other retirement plans	320-326	√
<b>Market Presence</b>			
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	205	All senior managers of the Company are local hires (Sri Lankan).
<b>Indirect Economic Impacts</b>			
GRI 203: Indirect Economic Impacts 2016	203 – 1 Infrastructure investments and services provided	238-243	√
	203-2 Significant indirect economic impacts		
<b>Procurement Practices</b>			
GRI 204: Procurement Practices 2016	204 -1 Proportion of spending on local suppliers	235	√

GRI Standard	Disclosure	Page number	Publication Pages
<b>Anti - Corruption</b>			
GRI 205: Anti - Corruption 2016	205-3 Confirmed incidents of corruption and actions	186	No incidents of corruption were reported in 2018 financial year
<b>Anti – competitive Behavior</b>			
GRI 206: Anti-Competitive Behaviour 2016	206 – 1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices	226	✓
<b>Energy</b>			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	253-254	✓
	302 – 4 Reduction of energy consumption	254	✓
<b>Water</b>			
GRI 303: Water 2016	303-1 Water withdrawal by source	252	✓
	303-3 Water recycled and reused	253	✓
<b>Emissions</b>			
GRI 305: Emissions 2016	305 -1 Direct (Scope 1) GHG emissions	254	✓
	305 – 2 Energy indirect (Scope 2) GHG emissions	254	✓
	305 -3 Other indirect (Scope 3) GHG emissions	254	✓
	305 -5 Reduction of GHG emissions	254	✓
<b>Effluents and waste</b>			
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	252	✓
<b>Environmental Compliance</b>			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	254	✓
<b>Employment</b>			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	205 & 210	✓

## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Publication Pages
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	212	√
	401-3 Parental leave	210	√
<b>Occupational Health and Safety</b>			
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	211	We do not have an occupational health and safety committee, we have set out clear guidelines to ensure the safety of all those within our premises at any given time.
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	211	No reported incidents during the reporting period.
	403-3 Workers with high incidence or high risk of diseases related to their occupation	210-211	No such employee categories observed. No reported incidents during the reporting period.

GRI Standard	Disclosure	Page number	Publication Pages
<b>Training and Education</b>			
GRI 404: Training and Education	404-1 Average hours of training per year per employee	207	√
	404-2 Programmes for upgrading employee skills and transition assistance programmes	207	√
	404-3 Percentage of employees receiving regular performance and career development reviews	206-207	√ (All employees are covered)
<b>Diversity and Equal Opportunity</b>			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	201	√
<b>Non-Discrimination</b>			
GRI 406: Non-Discrimination 2016	406 – 1 Incidents of discrimination and corrective action taken	211-213	√
<b>Freedom of Association and Collective Bargaining</b>			
GRI 407: Freedom of Association and Collective Bargaining	407 - Freedom of association and collective bargaining	212	√
<b>Local Communities</b>			
GRI 413: Local Communities	413 – 1 Operations with local community engagement, impact assessments and development programmes	238-243	√
	413-2 Operations with significant actual and potential negative impacts on local communities	254	√
<b>Marketing and Labeling</b>			
GRI 417: Marketing and labeling	417-1 Requirements for product and service labeling	225	√
	417-2 Incidents of non-compliance concerning product and service information and labeling	226	√
	417-3 Incidents of non-compliance concerning marketing communications	226	√
<b>Customer Privacy</b>			

## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Publication Pages
418-1 Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	225	√
<b>Socio-economic Compliance</b>			
419 1 Socio-economic compliance	419 – 1 Non – compliance with laws and regulations in the social and economic area	254-258	√

# SUSTAINABILITY ASSURANCE STATEMENT



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

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
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## Independent Assurance Report to Ceylinco Life Insurance Limited on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2018

### Introduction and scope of the engagement

The management of Ceylinco Life Insurance Limited ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2018 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 246 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Core guidelines.

### Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with

Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

### Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

### Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 08 January 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

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

A member firm of Ernst & Young Global Limited



### Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2018.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

### Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 246 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2018.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', is written over a horizontal line.

**Ernst & Young**  
*Chartered Accountants*

25 February 2019  
Colombo

# GLOSSARY OF KEY TERMS

## 1. Acquisition cost

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing insurance contracts (e.g. commissions)

## 2. 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 determine if the Company holds adequate assets to fund the Company's liabilities.

## 3. Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

## 4. Admissible Assets

Assets that are included in determining an insurer's statutory solvency, specified under the rules made by the IRCSL under the regulation of Insurance Industry Act No. 43 of 2000.

## 5. Annuity

A series of regular payments. Annuities include annuities certain, 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.

## 6. Beneficiary

The person or financial institution (for e.g. a trust fund) named by the policyholder in the policy as the recipient of the sum assured and other eligible benefits due in the event of the policyholder's death.

## 7. 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.

## 8. Broker

A broker is an intermediary between a prospective policyholder and a life insurance company.

## 9. Claims

The amount payable under a contract of life insurance arising from the occurrence of an insured event such as death, disability, injury, hospital or medical claims etc.

## 10. Claims incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses.

## 11. Claims payable

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date, being the amounts due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

## 12. Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition cost.

## 13. Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## 14. Credit life insurance

Term life insurance issued through a lender or lending agency to cover payment of a loan, instalment purchase or other obligation, in case of death of the policyholder.

## 15. Credit risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

## 16. Dividend per share

Total dividend declared for the financial year, divided by the number of ordinary shares entitled to received that dividend.

## 17. Dividend cover

Profits after tax divided by dividend, which measures the number of times dividends are covered by distributable profits for the period.

## 18. Earnings per share

Net profits of the Company after tax, divided by the number of ordinary shares in issue.



## GLOSSARY OF KEY TERMS

### 19. Endowment

Life insurance payable to the policyholder if he or she is living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

### 20. Ex-gratia payment

A payment made to an insured where there is no liability to pay under the terms of the policy.

### 21. Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

### 22. Gross written premium (GWP)

Premium to which the insurer is contractually entitled and receivable in the accounting period.

### 23. Global Reporting Initiative (GRI)

A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development allied with the UN Global Compact.

### 24. Insurance contract

An insurance contract 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, the insured sum of money or its equivalent in kind, upon the occurrence of a specified event that is contrary to the interest of the insured.

### 25. Insurance Provision – Long-term

The fund to be maintained by an insurer in respect of its life insurance business in accordance with the Regulation of the Insurance Industry Act No. 43 of 2000.

### 26. Insurance risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

### 27. Insurance revenue account

A statement which shows a financial summary of the insurance related revenue and expenditure transactions for the accounting period.

### 28. Interim payments

Periodic payments to the policyholders on a specific type of policy

Investment contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

### 29. Lapsed policy

A policy terminated at the end of the grace period because of non-payment of premiums.

### 30. Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

### 31. Life Fund

Fund maintained to meet the obligation towards Life Policyholders.

### 32. Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long-term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

### 33. Life Fund Surplus

The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

### 34. Market risk

The potential for a negative impact on the statement of financial position and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

### 35. Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

### 36. Mortality

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

**37. Net assets per share**

Net assets attributable to shareholders' equity divided by the number of ordinary shares issued.

**38. Net written premium**

Gross written premium less reinsurance payable.

**39. Net claims incurred**

Claims incurred less reinsurance recoveries.

**40. Operational Risk**

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

**41. Participating Business**

Life Insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

**42. Policy**

The printed document issued to the policyholder by a life insurance company stating the terms of the insurance contract.

**43. 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.

**44. Premium**

The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy. Depending on the terms of the policy, the premium may be paid in one payment or a series of regular payments.

**45. Reinsurance commission**

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

**46. Reinsurance premium ceded**

The premium payable to the reinsurer.

**47. Retention**

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

**48. Return on shareholders' equity**

Profits after tax divided by the shareholders' as at the reporting date.

**49. Return on total assets**

Profits after tax divided by total assets attributable to shareholders.

**50. Rider**

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

**51. Risk Based Capital (RBC)**

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

**52. Surrender**

Termination of an insurance policy by the insured before the expiry of its term.

**53. Surrender value**

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

**54. Total Available Capital (TAC)**

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

**55. Underwriter**

Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

**56. Underwriting**

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth (05) Annual General Meeting of the shareholders of Ceylinco Life Insurance Limited will be held at the Board Room of Ceylinco Life Insurance Limited, No. 106, Havelock Town, Colombo 05, on Friday, 29th March 2019 at 9.30 a.m. to conduct the following business:

1. To read the Notice convening the meeting.
2. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2018 together with the Report of the Auditors thereon.
3. 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 76 years in December 2019 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya."
4. To re-elect the following Directors who in terms of the Company's Articles of Association retire by rotation as given below;
  - To re-elect Mr. Sugath Caldera who retires by rotation in terms of Article 18B of the Article of Association
  - To re-elect Ms. A K Seneviratne who retires by rotation in terms of Article 18B of the Article of Association
  - To re-elect Mr. D H J Gunawardena who retires by rotation in terms of Article 18B of the Article of Association
5. To elect as a Director, Mr. J Durairatnam who was appointed as a Independent Non-Executive Director on 14th November 2018, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance and Articles of Association of the Company.
6. To re-appoint Messes. Ernst & Young, Chartered Accountants as recommended by the Board of Directors as the Company's Auditors for the ensuing year and authorize the Directors to determine their remuneration.
7. To consider that the interim dividend of Rs. 11.90 per share constituting a total sum of Rs. 595,000,595/-(Gross) declared and paid by the Company on 27th December 2018 as the first and final dividend for the year 2018.
8. To authorize the Directors to determine contributions to charities and other donations for the year ending 31st December 2019.

By Order of the Board of Ceylinco Life Insurance Limited,



**K. I. Weththasinghe**  
*Company Secretary*

06th March 2019

**Note:**

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote his/ her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A form of proxy accompanies this notice.

# FORM OF PROXY

I/We\*, .....(Please indicate full name) bearing NIC No./Company registration No. .... of ..... being a member/\*members of Ceylinco Life Insurance Limited, do hereby appoint Mr./Ms.....(Please indicate full name) bearing NIC No.....of .....or failing him/her;

Mr. R Renganathan	of Colombo or failing him
Mr. E T L Ranasinghe	of Colombo or failing him
Mr. P D M Cooray	of Colombo or failing him
Mr. Palitha Jayawardena	of Colombo or failing him
Mr. Ranga Abeynayake	of Colombo or failing him
Mr. D H J Gunawardena	of Colombo or failing him
Gen. C S Weerasooriya	of Colombo or failing him
Mr. R S W Senanayake	of Colombo or failing him
Mr. J A Setukavalar	of Colombo or failing him
Prof. Mohan De Silva	of Colombo or failing him
Dr. B G S De Silva	of Colombo or failing him
Mr. J Wickramasinghe	of Colombo or failing him
Mr. Sugath Caldera	of Colombo or failing him
Ms. A K Seneviratne	of Colombo or failing her
Mr. J Durairatnam	of Colombo

as my/\*our proxy to represent me/us \* and vote as indicated below on my/our\* behalf at the Fifth (05) Annual General Meeting of the Company to be held on 29th March 2019 at 9.30 a. m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2018 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the ordinary resolution as set out in the Notice of the Meeting under item 03 for the re-election of Gen. Chandrika Sirilal Weerasooriya (Retired).	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect the following Directors who in terms of the Company's Articles of Association are retiring by rotation as given below.		
• To re-elect Mr. Sugath Caldera who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
• To re-elect Ms. A K Seneviratne who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
• To re-elect Mr. D H J Gunawardena who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect as a Director, Mr. J Durairatnam who was appointed as an Independent Non-Executive Director on 14th November 2018, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs. Ernst & Young, Chartered Accountant as the Company's Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Board of Directors to determine donations for the year ending 31st December 2019	<input type="checkbox"/>	<input type="checkbox"/>

Executed on this ..... day of ..... 2019

Signature of Shareholder

## Note:

Instructions as to completion are given below.

\*Please delete the inappropriate words and mark 'X' in the appropriate cages to indicate your instructions as to voting.

## FORM OF PROXY

### INSTRUCTIONS TO COMPLETE THE FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 106, Havelock Town, Colombo 05, not less than 24 hours before the time appointed for holding the meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

# STAKEHOLDER FEEDBACK FORM

Your opinion matters, please share your views with us.

Which stakeholder group you belong to?

Employee	<input type="checkbox"/>	Supplier	<input type="checkbox"/>
Shareholder	<input type="checkbox"/>	Community	<input type="checkbox"/>
Investor Customer	<input type="checkbox"/>	NGO	<input type="checkbox"/>
Analyst	<input type="checkbox"/>	Other	<input type="checkbox"/>

Does the report address issues of greatest interest to you?

Comprehensively ☐ Partially ☐ Not at all ☐

Please identify any additional matters that you think should be reported on?

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What was your overall impression of the report in terms of:

	Excellent	Good	Fair	Poor
1. Content and scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Design and Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any additional comment on the report?

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To request information or submit a comment / query to the Company, please provide the following details and return this page to;

The Company Secretary,  
Ceylinco Life Insurance Limited  
No. 106, Havelock Road,  
Colombo 05,  
Sri Lanka.

Name	:	<hr/>
Permanent Mailing Address	:	<hr/>
Contact Numbers	:	<hr/>
- Tel	:	<hr/>
- Fax	:	<hr/>
- E-mail	:	<hr/>
Name of the Company (if applicable)	:	<hr/>
Designation (if applicable)	:	<hr/>
Company address (if applicable)	:	<hr/>



# CORPORATE INFORMATION

## Registered Office

No. 106, Havelock Road, Colombo 05,  
Sri Lanka

## Company Registration Number

PB 5183

## Legal Form

A Public Company with limited liability incorporated on 22nd April 2014, Licensed as a Company authorized by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka) to carry-on long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

## Main Place of Business :

No. 106, Havelock Road, Colombo 05,  
Sri Lanka  
Telephone : +94 11 4261000  
Call Centre : +94 11 2461461 (Hotline)  
Fax : +94 11 2437613, +94 11 2555959  
Email : service@ceylife.lk  
Website : www.ceylincolife.com

## Principal Activities

Underwriting all classes of life insurance

## Subsidiaries

Ceylinco Healthcare Services Limited  
Serene Resorts Limited

## Associate Company

Citizen Development Business Finance  
PLC

## Auditors

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

## Bankers

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Hatton National Bank PLC  
National Savings Bank  
Nations Trust Bank PLC  
National Development Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
Union Bank of Colombo PLC  
Standard Chartered Bank  
(Custodian Bank)  
Cargills Bank Ltd

## Consulting Actuaries

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

## Accounting Year End

31 December

## Board of Directors

R Renganathan  
Executive Chairman

E T L Ranasinghe  
Managing Director/CEO

P D M Cooray  
Head of HR and Training - Executive  
Director

P A Jayawardena  
Chief Financial Officer - Executive  
Director

S R Abeynayake  
Deputy Chief Financial Officer -  
Executive Director

D H J Gunawardena  
Non - Executive Director

Gen. C S Weerasooriya (Retired) -  
Non-Executive Director

R S W Senanayake  
Non-Executive Director

J A Setukavalar  
Independent - Non-Executive Director

Prof. W M M de Silva  
Independent - Non-Executive Director

Dr. B G S de Silva  
Independent - Non-Executive Director

W M P J K Wickramasinghe  
Independent - Non-Executive Director

H S B Caldera  
Independent - Non-Executive Director

Ms. A K Seneviratne  
Independent - Non-Executive Director

J G P Perera  
Non-Executive Director  
(resigned w.e.f.14.11.2018)

J Durairatnam  
Independent - Non-Executive Director  
(appointed w.e.f.14.11.2018)

## Company Secretary

K I Weththasinghe

## Compliance Officer

Ranga Abeynayake

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and produced by  
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