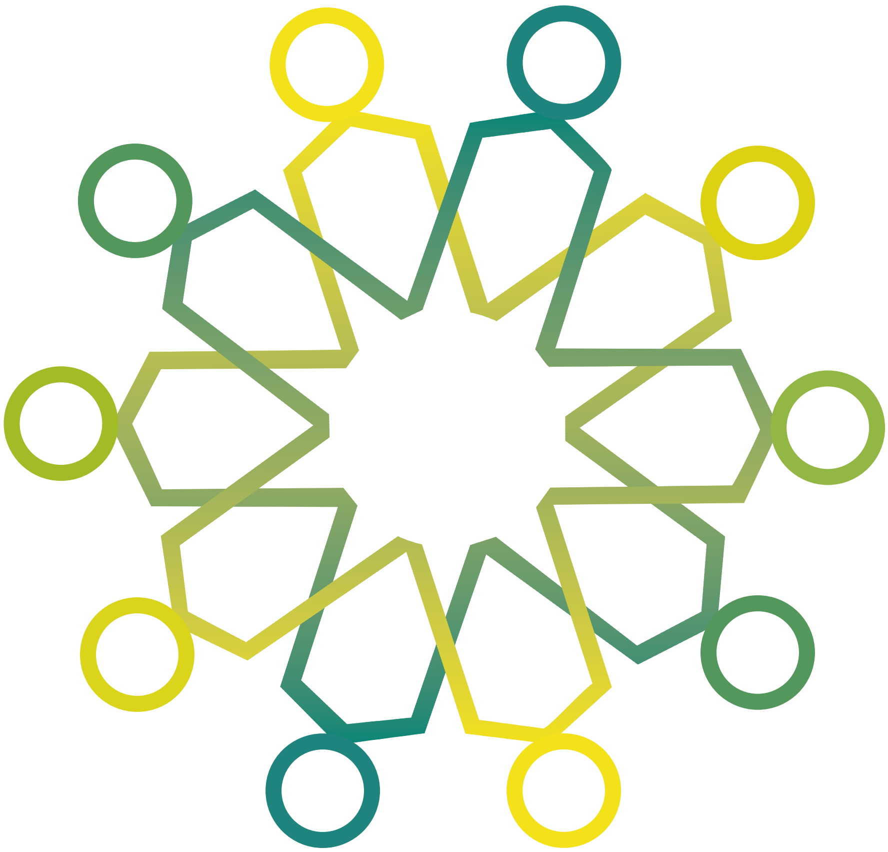


Familial protection for life

AMÃNA TAKAFUL LIFE PLC **ANNUAL REPORT 2016**

The Takaful concept is about purity,
fairness and mutual trust.
It is a commitment, to provide financial
security through solidarity

Familial protection for life

Amãna's positioning within the life insurance sector of Sri Lanka indicates a propensity for substantial growth as we follow the strategic pathway set before us. There is room to grow; there is room to innovate – and the Company has both aspects firmly in sight. Our product portfolio and our service protocols are being geared for a future that Amãna means to play a significant role in.

Amãna will continue to offer its 'familial' touch to life insurance in Sri Lanka.

OUR VISION

"To be a world-class Takaful service provider"

We will benchmark our delivery of value to that of world-class service providers in terms of product and services, whilst upholding the principles of Takaful. Our delivery will reach all our stakeholders including customers, shareholders, suppliers, regulators, our staff and the community at large.

OUR MISSION

"Providing total Takaful solutions within the guidelines of Shari'ah and serving all in an admirable manner"

OUR VALUES

CORD

C – **Customer Centred:** Working always with the customer-first every-time mind-set.

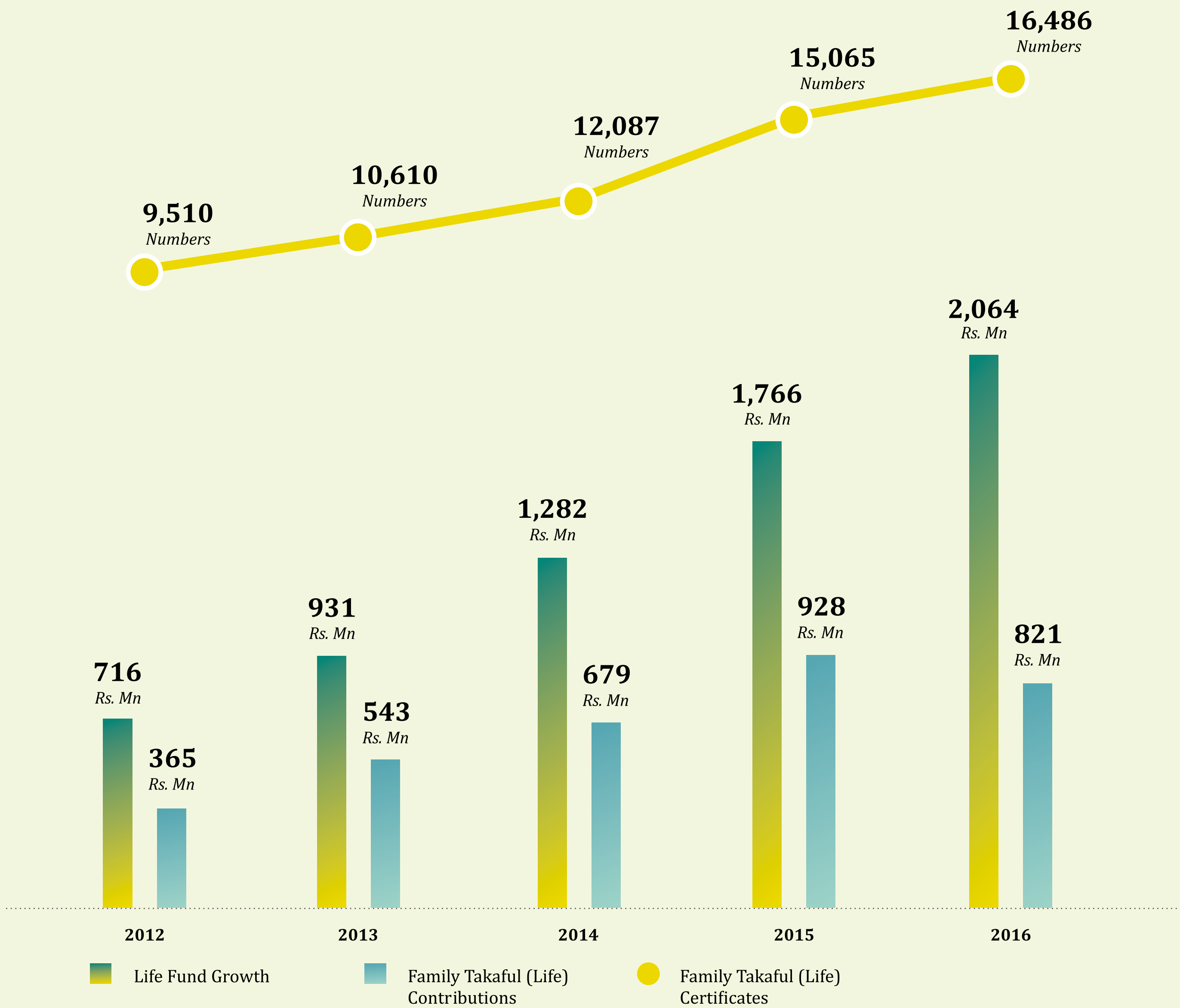
O – **Open Mindedness:** Looking for better solutions Demonstrating positive emotions and behaviours.

R – **Rise for Quality:** Our work is a reflection of who we are. We value ourselves high and therefore our work. Strive to meet and exceed customer expectations.

D – **Diversity:** Diversity in everything we do. Embrace our people's visible and invisible differences, be it age, gender, ethnicity, nationality, religion.

CONTENTS

		2016 Rs. Mn	2015 Rs. Mn	Growth (%)
Total Gross Written Premium		**821**	928	-11.59
Profit/(Loss) after Tax		**36**	18	97.58
Earnings/(Loss) per Share (Rs.)		**0.07**	0.04	86.86
Total Assets		**2,708**	2,404	12.63
Net Assets Value per Share (Rs.)		**1.05**	1.03	1.54
Return on Equity		**0.07**	0.04	
Life (Family Takaful) Fund	– Family Takaful	**560**	575	-2.64
	– Unit Linked	**1,504**	1,192	26.21
Total Life (Family Takaful) Fund		**2,064**	1,767	16.84
No. of Employees		**63**	62	1.61
No. of Branches/Distribution Centres		**26**	26	



LIFE FUND

16.84%

TOTAL ASSETS

12.63%

Dear Shareholder,

It is my pleasure to present the first Annual Report of Amãna Takaful Life PLC, following the segregation of life business from Amãna Takaful PLC.

The insurance industry and the regulator worked assiduously and with great coordination to successfully segregate composite insurance companies into the two classes of insurance business; life and general insurance. We are proud to be one of the first insurance companies to be segregated and go a step further to be listed as well. Today, we are one of the key Takaful life insurance solution providers in Sri Lanka, spread across the island through our 26 customer touchpoints.

We have worked hard to change the perception of the Sri Lankan community to embrace Takaful insurance products, which has opened up a niche market segment for Takaful life insurance. The life insurance penetration rate in Sri Lanka is one of the lowest in the Asian region and together with increasing incomes and changes in lifestyle the opportunities for life insurance has much upside potential in the long run.

We are one of the key Takaful life insurance solution providers in Sri Lanka, spread across the island through our 26 customer touch points.

Amãna Takaful Life PLC is in a transition stage. The new strategic focus of the Company will be anchored on a 'Protection Based' selling platform and hence all the products and sales processes will be aligned accordingly. We will also embark on a focused strategy of expanding the agency force with new recruitments backed up by training and development. Our Balance Sheet is strong and we are committed to maintaining the highest level of governance and ethical business practices and Shari'ah compliance. Accordingly, we will bring you the best-in-class Takaful life insurance solutions designed to meet the aspirations of our valued clients and to deliver stakeholder value.

As I conclude, I wish to thank my colleagues on the Board for their continued support and our talented and dynamic team who continue to challenge themselves in the pursuit of excellence for our customers. My appreciation is extended to the Insurance of Board of Sri Lanka for their continued support and guidance and our customers and shareholders for the trust and confidence placed in us.

The future remains exciting as we continue to create and grasp opportunities to better serve our customers and grow our business.

Tyeab Akbarally
Chairman

12th April 2017

We bring the best-in-class Takaful life insurance solutions designed to meet the aspirations of our valued clients and to deliver stakeholder value.

Dear Shareholder,

2016 has been a year of transformation for Amãna Life, as we build on our expertise of Takaful insurance to achieve our ambition of being the best customer centric Takaful insurance company in Sri Lanka.

Takaful insurance has great potential in Sri Lanka and we are working together to build a bigger and stronger business for the Long-term. We are investing in automation, improving our agency network and developing our service standards because these are the things that really matter to customers.

We continue to push ourselves forward, with our deep insights into the changing needs of our customers, our investments in technology, our strong relationships with our partners and above all our ability to adapt to and embrace change. We have in place the group structure and talented leadership to enable us to make the right decisions and invest for the future, for the benefit of all our stakeholders.

OUR PERFORMANCE

We reported a consolidated Gross Written Premium (GWP) of Rs. 821 Mn for the FY 2016, compared to Rs. 928 Mn in 2015. This was largely attributable to the change in strategy of focusing more on protection based products than investment based products. Profit Before Tax (PBT) increased to Rs. 36 Mn from Rs. 18 Mn in FY 2015. Total assets swelled to Rs. 2.7 Bn in FY 2016, reflecting an increase of 12.6% YoY. As a result, Net Asset Value per Share rose to Rs. 1.05 from Rs. 1.03 the previous year. The Takaful Life Fund grew by 16.8% YoY from Rs. 1,767 Mn in FY 2015 to Rs. 2,064 Mn in FY 2016.

Takaful insurance has great potential in Sri Lanka and we are working together to build a bigger and stronger business for the Long-term.

OUR STRATEGIC DIRECTION

The market potential of the Long-term insurance industry in Sri Lanka remains favourable on account of the low penetration rates and insurance gap in terms of the level of insurance cover that customers have and what they should actually have. Therefore, we aim to grow our business in a manner that will address both the opportunities identified. A comprehensive three-year plan (2014-2017) has been formulated to achieve this growth, building on the prevailing capabilities of the Company as well as introducing new capabilities to the Company. I would like to bring into perspective key strategies that have been put in place to achieve future profitability and growth of our Company.

INCREASING MARKET PENETRATION

Considering the low life insurance penetration level, a larger well-trained agency force becomes key to accessing the untapped segments. Hence, we aim to increase our agency force to 900 by the end of 2020 to serve a wider customer base.

Digitalisation and automation of our processes will be another key area to grow market share. We have already begun digitising most of our sales processes such as equipping our sales personnel with Tabs and Digital devices. We will continue to expand automation of our Company to enhance the effectiveness and efficiency of the sales team to enable them to offer an exceptional customer service.

We envisage to expand our reach to key towns via branches and area development offices. Accordingly, customer touchpoints will be increased

A comprehensive three-year plan (2014-2017) has been formulated to achieve growth, building on prevailing capabilities of the Company as well as introducing new capabilities to the Company.

to 40 by end 2020. We will keenly focus on maximising revenue from our existing branches/development offices as well.

FOCUSING ON INNOVATIVE, PROTECTION-BASED SELLING

We have a track record of introducing innovative Shari'ah compliant products in Sri Lanka. More protection based insurance solutions will be launched as against investment-based products in the upcoming year. Its all about going back to the 'basics' of insurance, which is protection.

SETTING UP BANCASSURANCE

Bancassurance is selling insurance products to already established customers of a commercial bank. We plan to invest in this channel with the increasing number of licensed commercial banks adding life insurance to their product portfolio, as a means of generating significant fee based income. Accordingly, we will partner Amãna Bank PLC to promote our *Deergayu* Retirement plan and maximise our synergies in the Long-term. Our aim is to develop this channel to be on par with agency channel, in terms of new business by 2020.

STEPPING-UP CUSTOMER SERVICE

We continuously strive to deliver an exceptional customer service. We also enjoy comparatively higher average premium value, reflecting customer acquisition with a strong practice of need based selling. Mobile apps for customer information and policy information have been launched, with plans to expand services offered through same.
A business process re-engineering has been launched in our Company to elevate our service and product offer as well.

In all this your Company will at all times uphold the Shari'ah principles upon which the Company was founded and widen the footprint and enhance the solutions offered to our valued customers.

THANK YOU

Today, our Company is on a strong foundation and is poised to achieve a strong growth. As we look forward to a promising future, I wish to extend my appreciation to the Chairman and the Board of Directors for their guidance and support. I thank the management, staff members and the agents for their commitment and untiring efforts.
I am grateful to our shareholders and customers for their continued trust and confidence in us.

Gehan Rajapakse
Chief Executive Officer

12th April 2017

Sharing

In all good families a great sense of sharing prevails.
The Amãna Takaful family includes Company and stakeholders; our remit is to share good times and bad offering timely and relevant products and services to add value to life.

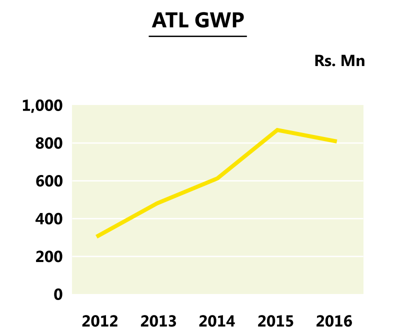
Management Discussion and Analysis

FINANCIAL REVIEW

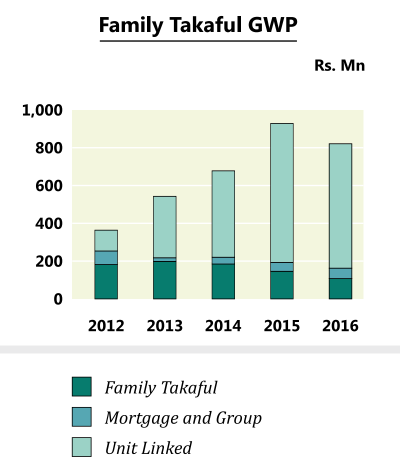
We completed our second year of operations as a separate entity in 2016. Given below is an analysis of the financial performance of our Organisation.

Gross Written Premium (GWP)

GWP dipped by 12% YoY from Rs. 928 Mn in FY 2015 to Rs. 821 Mn in the year under review.



Given below is the breakdown of the GWP over five years. Except for Mortgage and Group, the rest of the components have declined YoY.



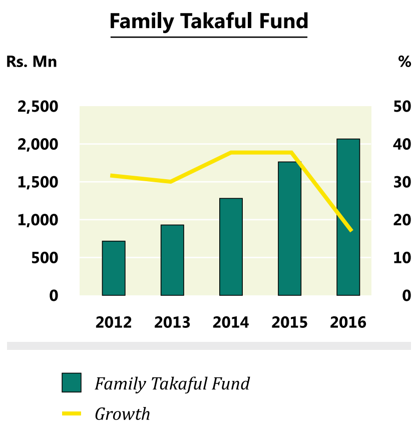
ATL Fund Movement

The Fund grew by Rs. 301 Mn compared to Rs. 483 Mn in FY 2015. The movement of the ATL Fund for five years is given below:

	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn
Gross Written Premium	**821**	928	679	543	365
Net Earned Premium	**806**	908	665	538	357
Income from Investments and Other Income	**174**	121	137	73	51
Claims and Expenses	**679**	537	455	389	241
Fund Growth	**301**	483	347	221	167

Family Takaful Fund

The Takaful Fund expanded to Rs. 2,064 Mn from Rs. 1,766 Mn in FY 2015, reflecting an increase of 17% YoY. The Fund comprises the Family Takaful and Unit Linked Funds. The Unit Linked Fund swelled by 26% YoY to Rs. 1,504 Mn in FY 2016 compared to Rs. 1,192 Mn in FY 2015.



Profitability

Profit after Tax (PAT) for the FY 2016 increased by 98% YoY to Rs. 36 Mn. Accordingly, Earnings per Share (EPS) too grew by 87% YoY to Rs. 0.07 per Share in FY 2016.

Total Assets

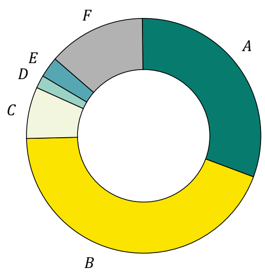
Total assets increased to Rs. 2,708 Mn from Rs. 2,404 Mn in FY 2015, reflecting an YoY increase of 13%. As a result, Net Asset Value per Share increased marginally to Rs. 1.05 from Rs. 1.03 in FY 2015. There was an improvement in Return on Equity as well from 0.04 to 0.07 in FY 2016.

Expenses

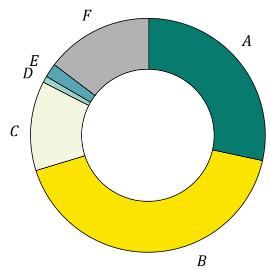
Expenses swelled by 13% YoY in FY 2016 largely on account of the increase in administration and establishment expenses and staff expenses. There was a decline in the sales and marketing expenses during the financial year in review.

Expenses	2016 Rs. Mn	2015 Rs. Mn	Change %
Staff Expenses	**80**	66	22.0
Administration and Establishment Expenses	**114**	96	18.5
Sales and Marketing	**19**	29	(34.5)
Depreciation	**5**	2	135.7
Consultancy Fees	**8**	4	96.0
Travel Expenses	**35**	34	3.8
Total	**261**	231	13.1

EXPENSES



2016



2015

	2016 %	2015 %
A – Staff Expenses	31	28
B – Administration and Establishment Expenses	44	42
C – Sales and Marketing	7	12
D – Depreciation	2	1
E – Consultancy Fees	3	2
F – Travel Expenses	13	15

OPERATIONS REVIEW

POSITIONED FOR GROWTH

We are pleased with the progress made across our business over the past 12 months as we continued to improve profitability of the Company.

The discussion that follows entails information about our Company and the Group, our financial performance, operational aspects and an overview of the environment in which we carried on our business. It also provides details about our stakeholders and the manner in which we delivered value during the year.

A LEADING TAKAFUL INSURANCE PROVIDER

Amãna Takaful Life PLC is a fully-fledged Takaful company offering life insurance solutions, in accordance with established Shari'ah practices. Derived from the Arabic root-word 'kafala,' Takaful means Mutual Protection and Joint Guarantee. Adopting a risk sharing model, we are the only life insurance company in Sri Lanka, solely promoting Takaful products.

Our comprehensive portfolio of products consists Savings and Protection, Investment Linked, Group Life and Retirement (Pension) with an array of add-ons, including comprehensive medical/health plans and critical illness covers. Our products are distributed through an island-wide network of 26 branches.

A major regulatory change was introduced to the insurance industry in 2011. 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 two business lines into two separate legal entities as life insurance and general insurance.

In conformance to this regulation, Amãna Takaful Life PLC was incorporated in 2014 and the life insurance business was segregated from Amãna Takaful PLC on 1st January 2015. From 1999 upto the segregation, life business was a part of the composite Amãna Takaful PLC. Shared services such as Human Resources, Finance, Marketing, IT, Legal and Compliance are provided by the parent company, Amãna Takaful PLC as permitted by the Insurance Board of Sri Lanka.

OUR GROUP STRUCTURE

Amãna Takaful Life PLC is a subsidiary of Amãna Takaful PLC. Amãna Takaful PLC is principally held by Amãna Holdings Ltd., which has a 61.13% stake.

ANALYSIS OF THE OPERATING ENVIRONMENT

Recognising the importance of understanding the industry conditions we continuously evaluate the competition and attractiveness of the insurance industry using Michael Porter's Five Forces Model.

Porter's 5 Force Analysis

Force	Details of the Force	Strength of the Force
Threat of Potential Entrants	Different forms of legislative requirements and regulatory requirements such as minimum capital requirements form barriers for new entrants.	There is an entry barrier of a minimum capital requirement of Rs. 500 Mn for registration of a life insurance company. With the increase in disposable income levels and ageing population there is an increased focus on life insurance products. Many commercial banks are also entering the life insurance market.
Threat of Substitute Products	There are alternative products in the market for life insurance, such as pension schemes and savings schemes.	The increase in general interest rates increases competition due to attractive alternative life insurance products.
Bargaining Power of Suppliers	Service providers, Reinsurers and Actuaries are the key suppliers who influence the life insurance industry.	Life insurer can easily shift from one supplier to another. Hence, service providers have lower bargaining power. Also Reinsurers and Actuaries have higher bargaining power as they have a high international standing and the volume of business they have with Sri Lankan life insurers is insignificant.
Bargaining Power of Competitors	There is an oversupply in the local insurance market with the number of players increasing to 28.	There is a product differentiation among the products offered by different life insurance companies. The exit costs are high and the products generates high margins as well.

Emerging Markets Drive the Global Life Insurance Industry

Global life insurance premiums grew by 5.4% in 2016 compared to a 5% growth in 2015, largely due to the strong performance in emerging markets. The main driver of the global life sector in 2016 was Emerging Asia, with a projected 20.1% increase in premium income in 2016. Premium growth in advanced economies has slowed down from 3.4% in 2015 to 2.0% in 2016.

Risk-based prudential regulations such as the Solvency II regulations for European insurers were introduced by regulators across the globe. The purpose of this regulation was to move towards an economic valuation of insurers' assets and liabilities to recognise the full cost of producing life insurance.

Life insurers' have been adjusting their product portfolios and reconfiguring their Balance Sheets to boost profitability. This was on the wake of the industry's declining return on equity on account of weakened investment returns and increased pricing pressure. The focus has also been shifted to life protection business from traditional savings. In advance markets, the sale of biometric products such as term life or disability insurance has increased as well. Insurers have also increases investments in non-traditional assets such as private equity, real estate equity and infrastructure debt.

Outlook in 2017 and 2018

Globally, the growth in real primary life insurance premiums is expected to be significantly higher than non-life premium growth. Emerging markets are expected drive the global life insurance industry with the expected robust growth of savings products. Economic growth, rising populations, urbanisation and rising middle class is expected to drive insurance penetration. Accordingly, global life real premium income is forecast to rise by 4.8% and 4.2% in 2017 and 2018 respectively. Emerging markets are forecasted to grow at a faster pace of 14.9% in 2017 and by 10.9% in 2018 whilst premiums in advanced markets are expected to grow at a slower pace of 2.1% in both years.

Commendable Performance of Sri Lanka's Insurance Industry

The Central Bank of Sri Lanka has cited the growth in total assets of the insurance industry has driven the premium income of insurance companies in the first half of 2016. Accordingly, gross written premium (GWP) of the insurance sector increased by 21.5% in the first half of 2016 compared to 11.8% increase in the previous comparable period. Total assets grew by 9.9% year on year (YoY) by end June 2016 compared to the 11.4% growth in end June 2015. The profitability of the insurance sector improved, as evidenced by the 33.3% increase in profit after tax for the first half of 2016 compared to the decrease of 33.9% in the corresponding period of 2015.

Given below are selected indicators of the insurance sector:

Year ended 31st December	2015	2014	2013	2012	2011
Long-term insurance (Rs. Mn)	53,575	44,596	41,676	37,477	35,162
Growth rate in total premium (%)	16.12	5.44	10.22	10.48	17.62
Gross domestic product (Rs. Bn*)	11,183	10,448	9,592	8,732	7,129
GDP growth rate (%)*	4.8	4.9	3.4	9.1	8.4
Penetration (%) (Total industry premium as a percentage of GDP)	1.09	1.01	1.04	1.04	1.14
Penetration (%) (Premium of long-term insurance business as a percentage of GDP)	0.48	0.43	0.43	0.43	0.49
Insurance density (Total premium income/population) (Rs.)	5,838	5,074	4,857	4,440	3,934
Population '000 (Mid year)*	20,996	20,771	20,579	20,424	20,869

Source: Central Bank of Sri Lanka and Department of Census and Statistics.

* Reinsurance premium income represents the compulsory cession of reinsurance premium of General Insurance Business ceded to NITF.
(a) Reinstated Audited figures
(b) Reinstated Audited figures (Except NITF)
(c) Provisional figure

As Sri Lanka moves forward to be a middle income country, the national vision is to establish Sri Lanka's insurance industry to be a pillar of the financial sector.

Long-Term Insurance Industry of Sri Lanka

Sri Lanka's Long-term insurance industry has recorded a notable performance in 2015 recording a GWP income of Rs. 54 Bn the highest growth ever in the last five years. This growth is largely attributable to the effective marketing efforts and the successful 'Life Insurance Awareness Month' held during September 2015.

The total assets of the Long-term insurance industry increased to Rs. 306 Bn as at 31st December 2015 reflecting an increase of 23.8% YoY. The number of policies in force in 2015 was the highest in the last five years. The 2.8 million policies in force were significantly higher than the 2.6 million policies in force in 2014. As a result, the percentage of Long-term insurance policies in force as a percentage of the labour force increased by 3.1% to 29.6% in 2015.

The capital adequacy ratio for Long-term insurance sector was 296 % at end June 2016 and the investments in Government Securities by the Long-term insurance sector increased by 31.3%.

Sri Lanka's life insurance penetration in terms of GDP is the lowest in the region. Sri Lanka is expected to concentrate on the more profitable life segment in the future. In the medium and long term, many insurers are expected to consolidate by way of mergers and acquisitions due to Sri Lanka's overcrowded insurance sector whilst many would take their companies public in 2017.

The Penetration of Long-Term Insurance

Insurance penetration; the insurance premium as a percentage of GDP, increased by 8% YoY to 1.09% of GDP in 2015. This is comparatively low to other economies in the Asian region. Sri Lankan's annual real GDP growth of 4.8% in 2015 was marginally lower than the 4.9% growth recorded in 2014. This slowdown is attributed to a slowing export sector and capital outflows prompted by a strengthening US economy. All three sectors of the economy contributed towards economic growth.

Insurance Density

Insurance density is the premium income per person of the population. Due to the higher increase in premium income compared to population growth, Sri Lanka's insurance density increased by 15.1% to Rs. 5,838/- in 2015.

CREATING SHARED STAKEHOLDER BENEFITS

OUR CUSTOMERS

The total policies in force amounts to 16,486 by the end of 2016. Our innovative and tailor-made life insurance solutions and our island-wide network of branches coupled with the excellent customer service enabled us to increase our customer base.

Increasing Our Customer Touch Points

Our customers can access our products and services through our island-wide branch network, our sales force and through the online channel such as our corporate website; *www.takaful.lk*

Our Branch Network

We are spread across the island through our network of 26 branches.

Our Online Channel

In order to increase customer convenience, we have facilitated online payments through our corporate website and also through the Mobile App. In additions, customers can obtain quotations of our policies online as well.

Our Sales Team

Our sales agency exceeding 400, continued to be the dominant channel offering our products to the customers. Our sales team comprise individual sales personnel, agents and agency supervisors. We continued to develop our sales channel through training, better benefits, increased field support and monitoring. Also they were empowered through business intelligence tools to provide a speedy and efficient service to our customers.

Our Product Portfolio

Our product portfolio is segregated into three main categories; Protection and Savings, Wealth Management and Corporate and Micro.

Protection and Savings Products

- ***Adyapana***
  A long-term protection and savings plan that helps plan and provide for children's higher education. The plan also includes a comprehensive health insurance cover for the parent and child as well.
- ***Surakshitha***
  An affordably-packaged, tailor-made life cover to help families reap the benefits of insurance. With a host of add-ons that include hospitalisation and critical illness coverage, enabling everyone to face life's contingencies with confidence.
- ***Platinum***
  Designed to provide the best protection and benefits that money can buy. Apart from a coverage for natural/accidental death, and critical illness coverage, it also includes a comprehensive hospitalisation cover for the policyholder and his/her family with an overseas treatment option. This is another first in the life insurance policies in Sri Lanka.

Wealth Management Products

- ***Prosper***
  Sri Lanka's first Shari'ah compliant unit linked life insurance plan; Amãna Takaful Prosper enables investment for the future and at the same time provide protection to the family if the unthinkable happens. The solution is based on investments in secure deposits and equity with the choice of four different funds. With a variable Takaful cover, Prosper can be tailor-made to maximise investments or provide high value protection. There are plans to select from – peaceful retirement, children's education, weddings and obtaining the dream home.
- ***Deergayou***
  This is the first ever Shari'ah compliant retirement plan catering to the ever growing demand for a pension plan providing financial security in the golden years of the customers. A retirement fund is built over a period of time, to facilitate an enjoyable retirement. The ensuing pension can be taken at the age of 55 as a lump sum or regular monthly pension.

Corporate and Micro Products

- ***Navodaya***
  The Micro Takaful offering, takes the benefits of insurance to deserving markets promoting inclusiveness and mutual assistance. Covers include natural and accidental death, critical illness, loss of income, funeral and medical expenses. The covers are uniquely priced and marketed through the Company's strategic partners.

- ***Group Life***
  A solution offered to corporate and SMEs to secure the health and well-being of employees enabling them to work with peace of mind with assurance of being taken care of in the event of a calamity. With 24/7 coverage, it provides protection and safety beyond the mandatory insurance of the employer.
- ***Safeguard***
  Protects loved ones from the burden of debt, in the event of an unexpected loss of the breadwinner. This offering can be tailor-made to safeguard higher education payments, in the event of the death of a parent as well.

Rewarding Our Policyholders

We reward our policyholders in the following ways:

Surplus Refunds – Once the certificate matures, the participant receives the total Participants Fund value and the surplus in the Tabarru Fund (Risk Fund).

PIF with Profit – Upon surrender, a participant receives a refund of all amounts credited to the Participant Investment Fund and the profit generated each year is credited to the participant's account.

Scholarships – Under the *Adhyapana* children's plan we extend scholarships to policyholders' children who successfully complete the following examinations:

- Grade Five Scholarship Examination – Rs. 15,000/-
- G.C.E. Ordinary Level Examination – Rs. 50,000/- (for students who receive 9 'A' passes)
- Entry to a University – Rs. 100,000/-

OUR BUSINESS PARTNERS

Our Reinsurers

Our reinsurers are Hannover Re Takaful B.S.C.(c) (HRT), Kingdom of Bahrain since 2012 and SCOR Re of Singapore, since 2014. Both companies are multinational reinsurers with global market leadership positions in life reinsurance with investment grade financial ratings.

Our Actuaries

We have been obtaining actuarial services from Actuarial Partners Consulting Sdn Bhd, Malaysia since our founding years. They provide a range of services, including pension scheme valuation and design, pricing of insurance and Takaful products and many more to clients across the globe. In Malaysia they are widely accepted as the industry expert on pensions and the actuarial aspects of Takaful.

OUR SOCIETY AND ENVIRONMENT

Caring for our community is a key priority of Amãna Takaful. We actively engage in the Corporate Social Responsibility (CSR) activities of our Parent Company, Amãna Takaful, under the banner, 'Amãna Takaful Cares'. Accordingly, we continued to focus on improving education, healthcare and extending economic assistance to rural communities.

AWARDS

Two Wins at The Inaugural Sri Lanka Insurance Industry Awards 2016

Endorsing our presence and commitment to quality in all areas of operations, Amãna Takaful (ATL) PLC won two awards in multiple subject areas, at the inaugural Insurance Industry Awards of Sri Lanka 2016.

One was the Marketing Initiative/ Campaign Award for our 'Open to All' campaign geared to change the public perception that Takaful products are designed to cater to every corporate and individual who had an insurance need.

The second award received for Product Innovation was clinched for our life insurance product *Deergayou* – An Insurance Plan That Never Retires.

These accolades which are evaluated by industry experts recognises ATL's creative and innovative spirit in many key areas of marketing and operations at a national level. Hence it is a strong endorsement of our strategy and mission and reflects our commitment and passion to perform at the highest level.

PEOPLE'S REVIEW

Amãna Takaful Life PLC: As per the Regulation of Insurance Industry Amendment Act of 2011, all composite insurance companies were required to segregate the general and life insurance business with effect from January 2015. As a result, the Life Business Unit was spun off as an independent entity (*Amãna Takaful Life PLC – ATLPLC)* being a fully-owned subsidiary of Amãna Takaful PLC. Subsequently ATLPLC was listed on the Colombo Stock Exchange in 2016.

Being a responsible employer, committed to the well-being and welfare of our people, we made it our utmost priority, to ensure that staff dedicated to the Life Operation were seamlessly transferred to the new Life Company as directed by the Regulators. Staff who had been transitioned to the new life Company have had all of their services continued without any break, inconvenience or hiccup.

Serving the nation's insurance needs through its 26 branches island-wide, ATLPLC's loyal and dedicated *people* have undoubtedly played a pivotal role in the value creation process and customer delight. ATLPLC recognises the criticality of its Human Capital development in the delivery of quality and timely service. It is for this reason that there is continuous emphasis in ensuring our *people* possess and acquire the requisite skills and competence through tailor-made Learning and Development initiatives, enabling them to grow and deliver their best whilst achieving Company objectives.

At ATLPLC we advocate an environment that embraces diversity, fresh thinking and experiences. A mutually inclusive culture, one of tolerance – be it age, gender, ethnicity, nationality, religion and or working/thinking styles, capabilities and needs, is what we strive to promote and nurture. We value the richness and variety of ideas from these differences.

Today, the Company has 63 full-time employees based in eight (8) provinces around the country. Our openness to gender and ethnic diversity, unleashing creative talents and fostering a workplace in which employees strive to delight our stakeholders, has resulted in ATLPLC being a much sought after employer.

HR Strategy

The three (3)-year Strategic Plan (2015-2017), comprises five (5) broad initiatives; Market Penetration, Balanced Portfolio, **Enabling Winning Culture,** Cost Containment and Customer Service Excellence. In order to deliver on the Battle Order and Rules of the Game, the need for nurturing an *Enabling Winning Culture* within the Organisation was identified as one of paramount importance; as a result, a clear line of sight was established by ensuring that ATLPLC's HR Strategy is fully-aligned with the Organisation's corporate strategy.

Work-Life Integration

In today's fast paced competitive world, the boundaries between an individual's professional and personal life has become blurry. We endeavour to promote a culture that fosters work-life integration, focusing on incorporating the different areas of one's life to create a whole picture. In doing that we believe we can truly create a Results Oriented Workplace (ROW).

Kidz Colour Splash 2016

For the first time a kiddies' art competition – *Colour Splash* was organised for the employees' children. This brought about a sense of belonging and strengthened the binding with the Organisation. The competition was conducted under three groups covering all branches and HO staff. Competitions were held at Excel World, Colombo, Castle Park, Ambatanna and Batticaloa. Winners at the Art Competition were feted at our Annual Awards Day.

ATLPLC Achievers

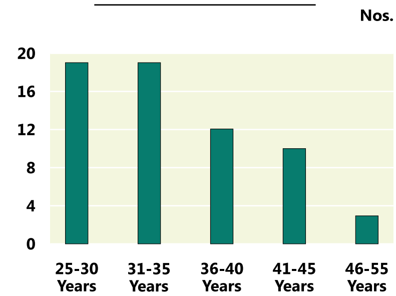
Achievers essentially recognises the special accomplishments of staff and their children in spheres of academia, sports and other outstanding activities. Staff are encouraged to pursue professional and academic qualifications and actively participate in other sporting and extracurricular activities. This programme serves as a platform in recognising our talent and further encouraging them to reach greater heights.

Takaful Masterminds (TMM)

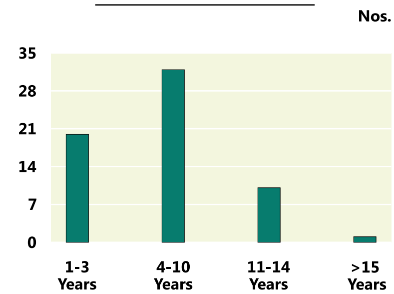
The first of its kind launched in October 2016, TMM attempts to promote a Culture of Learning within the Organisation. TMM will continue to be a General Knowledge and IQ-based Quiz Competition organised annually. Branches and Head Office staff participated at the TMM, with the Kandy branch emerging champions.

Employee Analysis

AGE ANALYSIS OF STAFF FOR FY – 2016



SERVICE ANALYSIS OF STAFF FOR FY – 2016



Gender	No. of Staff
Male	57
Female	6
Total	63

Annual Awards Day – 2015

The Annual Awards Day is a much-awaited company-wide event to celebrate the achievements and teamwork of our talented employees.

Some key Awards:

(i) **CEO's Award** – Essentially recognises and appreciates the contribution of operations staff who go beyond the call of duty.

(ii) **Ten Years' Service Award** – Staff completing 10 years of service in the Company are recognised for their dedicated service to Takaful.

(iii) **Champion of Champions** – Recognises the overall Best Performing Sales Person.

Women's Day

ATLPLC celebrated *International Women's Day (IWD)* on the 8th of March under the theme 'Pledge for Parity'. Mrs. Rizani Aziz graced the occasion as guest speaker. IWD is viewed as a time for reflecting on the past struggles, accomplishments and more importantly the untapped potential and opportunities in Diversity – a key value in the Company.

Professional Development Forum – (PDF)

The PDF is a 2½ hour, power packed session on latest Management Perspectives, trends and developments with a global flavour conducted quarterly for Management. It is facilitated by external resource professionals, academics and eminent industry personalities. In 2016, Mr. Dirk Perera (CEO – Union Assurance), Mr. Samantha Rathnayaka (Snr. Lecturer PIM) and Mr. Mohan Morais (CEO – 3rd Wave Consultancy) shared their views and experiences on chosen management topics that espouse value creation.

The Rationale for the PDF is coined using the acronym – '**IDEA**'

I – Inculcate a LEARNING CULTURE within the Organisation
D – Develop Self-Esteem
E – Enhance productivity and performance
A – Applying what is learnt, in context at the workplace

Learning and Development

The Learning and Development wing of the Human Resources Department worked with a vision of enhancing the capability and capacity of employees in 2016. A challenge posed to L&D was the formulation of two (2) separate Training Needs Analysis (TNA), for two types of employee categories. The Sales Category comprises both salaried and non-salaried cadres in both the Life and General insurance entities, whist the back-office employees, whose TNA is done through the annual appraisal process, is another significant category of focus.

Twenty-One (21) special programmes were conducted, outsourcing resources for both sales and back office staff under the permanent cadre. Programmes comprised of Technical, Leadership, Financial, Sales, Marketing and Administrative Skills.

No.	Programme
1	Product Development and Risk Management
2	Insurance Leadership Summit
3	Interest Rate and Exchange Rate Dynamics
5	Become A Star Presenter with Dr. Donbavand
6	Blue Ocean Master Class
8	Customer Care
9	EFC Seminars
10	Effective Presentation Skills
11	How to Create a Digital Marketing Plan
12	Motivation Skills
13	Course on Management of Tax Compliance
14	Project Management Professional – Workshop
15	Relationship Selling
16	Workshop on Business Continuity Management
17	Workshop on Fund Management
18	Writing Effective Emails
19	Leadership Skills
20	Leadership Strategy Summit
21	LIMRA Summit

A total of 212 training hours was achieved, based on the duration of programs expected to inculcate new learnings in the minds of the participants. These primarily focused on productive *behaviour*.

Cumulative Total Learning Hours amounted to 1,772.

ATLPLC pays due attention in ensuring the quality of its recruits, which is a key determinant for the success of training exercises in the organisation thus making it more effective and meaningful.

In 2016, self-learning complemented with self-paced courses were propagated among employees. Some of the reputed online learning solutions delivered significant results in terms of self-learning behaviour and ownership of personal development.

Internal Solutions for the development of the Life sales force was another significant focus during the year. Performing sales personnel (commission-based) had been absorbed to this developmental exercise.

All classical programs were redesigned based on potential market needs and the unconventional dimension of insurance. Leadership Development is inculcated in every module that was designed to enhance career development for new joinees.

No.	Programme
1	Agency Management – Training
2	Conflict Management Skills
3	Diploma in Sales Management
4	Emotional Intelligence
5	FAB Challenge – Workshop
6	IBSL Train the Trainer
7	Induction
8	LEP – Presentation
9	Low Producer Coaching
10	Negotiation Skills
11	OBT – Winning Team
12	Personal Financial Planning
13	PFP Certification Ceremony
14	Product Competency
15	Professional Selling Skills – 1
16	Recruitment and Selection
17	Sales Excellence
18	Secret to Success – 2016
19	Shari'a Programme for Scholars and Customers

Twenty-One internally designed programmes were delivered across the Board. This included Technical, Sales, Soft and Leadership Skills that were imparted in order to enhance the competency levels of staff.

Internally designed out-bound adventure program were one of the significant addition to the lengthy list.

External experts were sourced for certain key programmes to ensure vibrant delivery, due to their expertise and enriching experience they possess in their respective fields of training.

ATLPLC was on a mission to spread the Shari'ah Concept of insurance among the scholars and Customers who nurtured us over the years in the island.

ATLPLC truly believes in promoting a culture of learning and knowledge within the Organisation. Emphasis had been given to L&D exercises primarily focusing on capacity building of the sales force.

PER CAPITA LEARNING HOURS

	BM's/RM's	EX/AG	Permanent Cadre
Life	38	47	18

Amãna Takaful Life PLC (ATLPLC) invested 38 hours of per capita learning for the Sales Management team, whilst the sales force received 47 hours. Back-Office Staff secured 18 hours of per capita learning.

Every rupee spent on staff by way of L&D is seen as an investment towards the destination of greatness.

Stewardship

01. Tyeab Akbarally

Chairman – Non-Executive
(ATLPLC and ATPLC)

Tyeab Akbarally is the Chairman of the Company. He has been on the Board since its inception. He is also a Director of Akbar Brothers (Pvt) Ltd., the largest tea exporter in the country. Tyeab's business interests extend to many sectors of the economy, including Tea Trade, Pharmaceutical Trade, Hydropower and Commodity Trading. He is also on the Boards of Amāna Bank PLC and several companies in the Akbar Brothers Group.

02. Mohamed Haniffa Mohamed Rafiq

Independent Non-Executive Director
(ATLPLC and ATPLC)

M.H.M. Rafiq has been on the Board since its inception. He has been involved in the insurance industry for over four decades. His interests are extremely diverse and include Education, Healthcare and Real Estate. Rafiq, with his wealth of experience in the sphere of insurance, plays an active role in the Company.

03. Dato' Mohd Fadzli Yusof

Independent Non-Executive Director
(ATLPLC and ATPLC)

Dato' Mohd Fadzli Yusof was appointed to the Board since its inception. He was the founder Chief Executive Officer of Syarikat Takaful Malaysia Berhad, the first Takaful Operator in Malaysia as well as in Asia, since its incorporation in 1984 until his retirement in 2005. He obtained the professional Diploma in Communication, Advertising and Marketing (CAM) from the CAM Foundation in the United Kingdom in 1976. He started his career in broadcasting, including six years with the BBC External Service in London. Currently he is an independent member of the Board of Sri Lanka and Hei Tech Padu Berhad, Malaysia. He is also a member of the Board of Motor Research Consortium Data Sdn Bhd, a subsidiary of Hei Tech Padu Berhad.

He has also been appointed as a member of the Board of State Economic Development Corporation of Kelantan, Malaysia. On the academic front he serves as the Fellow, University Islam Malaysia. He is also a member of the Board of Trustees Sultan Mizan Royal Foundation an NGO institution.

04. Dr. Ifthikarudeen Ahamed Ismail

Independent Non-Executive Director (ATLPLC and ATPLC)

Dr. Ifthikarudeen Ahamed Ismail on the Board since its inception. He also serves as Chairman of AMÃNA Holdings (Pvt) Ltd. and as a Director of Asia Siyaka Commodities PLC.

He holds a BSc (Hons) Degree from the University of Ceylon and a PhD from the University of St. Andrews UK. He has attended the Advanced Management Programme at the Harvard Business School and has participated in a variety of senior functional and general management training courses, mainly in Europe. He is a Fellow of the Institute of Management of Sri Lanka.

Whilst he was Vice-Chairman of Unilever, he served in various capacities in state institutions; among them as a Director of the National Apprentice Board, a member of the Advisory Committee of the Ministry of Foreign Affairs, the Research Planning Council of the CISIR, the Tertiary Vocational Education Commission and the Council of the Open University.

He has served as Principal of Zahira College, Colombo, CEO and Director of APIIT Lanka and as Chairman of the Board of the Sri Lanka Business Development Centre, Council Member of the Employers' Federation, Chairman of the Board of Governors of the Symphony Orchestra, Chairman of the Colombo District Scouts Association and Patron of the Photographic Society of Sri Lanka.

05. Radhakrishnan Gopinath

Independent Non-Executive Director (ATLPLC and ATPLC)

Radhakrishnan Gopinath on the Board since its inception. He was formerly the Chief Executive Officer and the Managing Director of Life Insurance Corporation Lanka (LIC Lanka), having previously held several top positions at LIC India. Gopinath was also a Director at Al Nabooda Insurance Brokers LLC Dubai. He has also served as a Vice-President of the Insurance Association of Sri Lanka and was an Executive Committee member of the Ceylon Chamber of Commerce in the Insurance Sub-Committee.

Gopinath is a member of Chartered Insurance Institute (CII), UK and also a member of The Personal Finance Society and Society of Mortgage Professionals (PFS) London UK. He is also a member of Indian Management Association and also is the Alumnus of Madras Christian College, India. He holds a Bachelor of Science (Mathematics) and a Postgraduate Diploma in Business Management.

His passion in training, coaching and mentoring along with his extensive experience in insurance led him to establish GOPAST Centre for Learning (Pvt) Ltd., a company dedicated towards building human potential, where he holds the position of Chief Executive Officer/ Managing Director.

06. Mohamed Fazal Ghaffoor

Non-Executive Director (ATLPLC)

Ghaffoor has been on the Board since its inception. He is the CEO of Amãna Takaful PLC. During his career, he had various roles in marketing, financial services and logistics covering a span of 35 years. He was Director – Marketing of Ceylon Tobacco Company and having progressed through a number of roles within the organisation he later joined British American Tobacco's Horn & East African Cluster and thereafter a Board member at British American Tobacco's operations in Pakistan and Iran. Mr. Ghaffoor was also the General Manager of DHL and Whittals Insurance, Sri Lanka and also served as Head of Marketing at Bank of Ceylon from 2010 to 2011.

07. Ammar Shafik Kassim

Non-Executive Director (ATLPLC)

Ammar was appointed to the Board on 7th March 2016. He heads Business Development at FITS Aviation, Sri Lanka's largest private airline. He has managed a programme of aircraft acquisition fleet standardisation across three global hubs for the airline. He holds a BSc in Economics and an MSc in Management Information Systems from New York University.

N. Shahnaz Deen
Specified Officer

Shaul Hameed Asif
Assistant General Manager – Sales & Distribution

Nimalika Sooriyaarachchi
Assistant General Manager – Family Underwriting

M.K. Mohamed Althaf
Manager – Business Development (Prosper)

M.R. Shakir Mohamed
Senior Regional Manager – Western

M. Sathik Niyas
Senior Regional Manager – East & North

M. Hazari Farouk
Regional Manager – Central

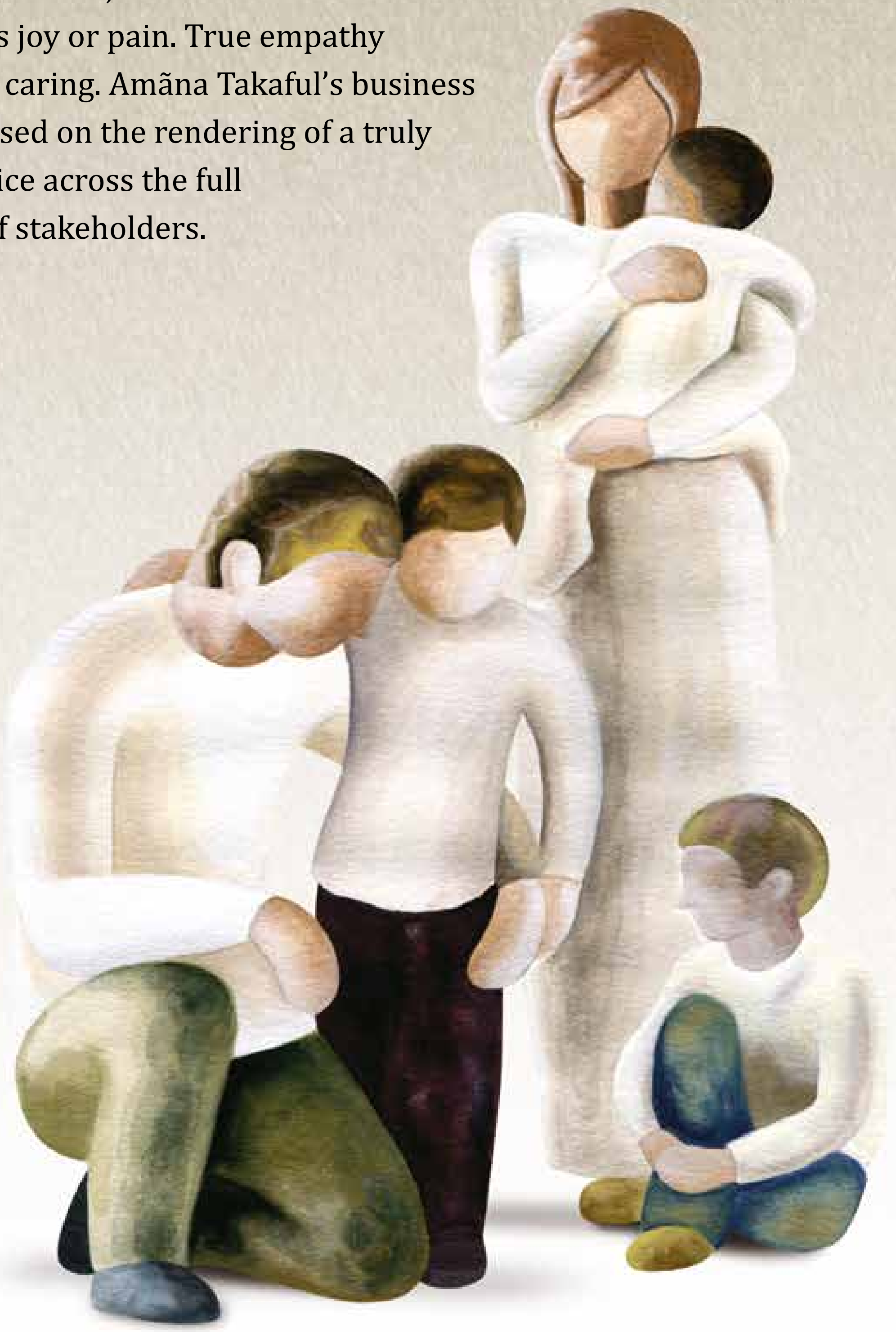
W. Sawan Rodrigo
Manager – Agency Development/ Sales Administration

R. Priyanthi Newmen
Manager – Group Life

Sabeeh Feisal
Manager – Family underwriting

Empathy

In all good families, members can feel each other's joy or pain. True empathy begets true caring. Amãna Takaful's business model is based on the rendering of a truly caring service across the full spectrum of stakeholders.



Corporate governance that nurtures a culture of transparency, accountability and integrity plays an integral part in ensuring our growth and stability. It is through the adoption of the highest of such standards that we continue to enjoy the trust and confidence of all our stakeholders.

The present business environment has become more challenging. Therefore, Amãna Takaful Life PLC strongly believes that it is vital for the Company to adopt the highest standards of corporate governance. This would nurture a culture of transparency, accountability and integrity which are essential prerequisites in ensuring the Company's survival and growth in a competitive market.

Corporate governance is described as a management process in which a corporate, business entity or Company is directed, managed and controlled. It is a concept which is now increasingly gaining prominence in the business world. In any company where the shareholders have placed the reigns of power in the hands of the Directors, it naturally follows that the Directors are accountable to the shareholders. To ensure that the trust placed in the Directors is secure, a company must adhere to the best corporate governance practices which embody integrity, accountability and transparency. Nevertheless, the success of any good governance practice initiative depends on how the people are led and the policies as well as the processes are implemented.

In order to create shareholders' wealth and gain market confidence, Amãna Takaful Life PLC is committed to adopting best practices. It is also committed to maintain the smooth functioning of the Company's operations.

CAPITAL STRUCTURE AND SHAREHOLDING

Amãna Takaful Life PLC has at its foundation a capital structure consisting an issued share capital of Rs. 500,000,000/-.

The Company has 772 shareholders, while the majority shares are held by institutions. Details of the main shareholders are given on page 110.

BOARD OF DIRECTORS AND BOARD COMMITTEES

There are seven Directors on the Board of Amãna Takaful Life PLC, whom hold office in non-executive capacities. The Board of Directors has been drawn from a cross-section of industries. Their expertise and experience in various fields as well as insights have contributed immensely to making effective and informed Board decisions. The selection of the appropriate and suitable candidates with the right skills and attributes is crucial in order to ensure its efficiency and effectiveness. For it is believed that a healthy Board culture will help to encourage and safeguard good governance practices which in turn will ensure shareholders' interests are always protected. The names of the Board of Directors are given on page 45.

Corporate Governance Framework

Amãna Takaful Life PLC operates within a clear governance framework, which is outlined in the diagram below and set out in this Report:

Amãna Takaful Life PLC

Chairman:
Tyeab Akbarally

Principal objective:
Leading the Board to ensure effectiveness in all aspects of its role.

Board of Amãna Takaful Life PLC

Seven Directors: a Non-Executive Chairman and six Non-Executive Directors.

Principal objective:
Collectively to ensure the long-term success of the Company.

AUDIT AND COMPLIANCE COMMITTEE

Principal objective:
To ensure that the interests of shareholders are properly protected in relation to financial reporting and internal controls.

The Board Audit and Compliance Committee report pages 47 and 48

RISK MANAGEMENT COMMITTEE

Principal objective:
Review and realign the risk appetite of the Company at strategic and various functional levels.

Enterprise Risk Management report pages 36 to 42

INVESTMENT COMMITTEE

Principal objective:
To ensure that a healthy investment portfolio is maintained within the investment guidelines of the IBSL and Shari'ah.

REMUNERATION COMMITTEE

Principal objective:
To develop policy on executive remuneration. It also recommends packages for the Executive Director and senior managers immediately below Board level.

Remuneration Committee report page 50

EXECUTIVE COMMITTEE

Principal objective:
To monitor the implementation to the business strategies of the Company and the Group.

Board Size and Composition

The Board currently comprises seven Directors. The size and composition of the Board and its Committees are regularly reviewed by the Board and in particular, by the Nominations Committee to ensure that there is an appropriate balance and diverse mix of skills, experience, independence and knowledge of the Group. More details of our Board members can be found on pages 24 and 26.

The Board is collectively responsible for the long-term success of the Group. Executive Committee is responsible for running the business operations and ensuring that the necessary financial and human resources are in place in order to achieve the Company's strategic aims.

The Non-Executive Directors are responsible for constructively challenging and helping develop proposals on strategy; scrutinising the performance of management; satisfying themselves that financial controls and systems of risk management are robust; determining levels of remuneration; satisfying themselves on the integrity of financial information and succession planning for the Executive Directors.

The Board reviews strategic issues on a regular basis and exercises control over the performance of the Company by agreeing budgetary targets and monitoring performance against those targets. Certain matters are reserved for approval by the Board and the Board has overall responsibility for the Group's system of internal controls and risk management, as described on pages 36 and 42. Following presentation by Executive Management and a disciplined process of review and challenge by the Board, clear decisions on policy and strategy are adopted and the Executive Management is empowered to implement those decisions.

A formal schedule of matters reserved for Board approval is maintained which covers items that are significant to the Group as a whole due to their strategic, financial or reputational implications. A summary of these matters includes:

BOARD DECISIONS

STRATEGIC

- Approval and monitoring strategic and annual business plans
- Review of business performance
- Approvling significant acquisitions, mergers or disposals

SUCCESSION PLANNING AND REWARD

- Ensure adequate succession plans are in place
- Board and Board Committee appointments and removals
- Appointment or removal of the Company Secretary
- Appointment or removal of the Auditors and determination of the audit fee
- Major changes in the employee share or pension schemes

REPORTING

- Approval of the Annual Reports and Accounts to be put before the Company
- Approval of Financial Statements
- Matters for business reviews

FINANCE, GOVERNANCE AND CONTROLS

- Internal controls and risk management systems
- Approval of policies, major projects and contracts
- Oversight of Directors' conflicts of interest
- Rules and procedures for dealing in the Company's shares
- Corporate governance and compliance with the SEC's Code of Conduct

REGULATORY

- Approval of the Group's interim dividend and recommendation of final dividend
- Compliance with the SEC Listing Rules, Disclosure and Transparency Rules and the Company's Law on Takeovers and Mergers

The main functions of the Board of Directors are as follows:

- Formulate, review and monitor implementation of competitive business strategies including Long-term business plans.
- Ensure the appointment of a competent Chief Executive Officer, and an effective Management Team including an evaluation of their performance, as well as review the Company's and the Group's succession plans.
- Secure a sound and an adequate risk management system.
- Review the integrity and effective information, control and audit systems.
- Adopt business practices that conform to "Shari'ah" Principles.
- Approve policies of corporate conduct that continue to promote, maintain and sustain the integrity of the Company and the Group.
- Ensure compliance with legal/ ethical standards.

Board Roles and Responsibilities

Chairman

The role of the Chairman (or Chair) is to:

- Lead the Board to ensure effectiveness in all aspects of its role;
- Plan agenda items and timings for Board meetings;
- Ensure the membership of the Board is appropriate to meet the needs of the business;
- Oversee that the Board Committees carry out their duties including reporting to the Board;
- Establish appropriate personal objectives for the Chief Executive;
- Ensure Directors are up-to-date with training and development;
- Provide the information necessary for Directors to take a full and constructive part in Board discussions;
- Promote an open culture of debate; and
- Develop and maintain effective communication with shareholders.

Chief Executive

The role of the Chief Executive Officer (or Chief Executive or CEO) is to:

- Run the day-to-day business and operations of the Company;
- Lead the development and delivery of strategy to enable the Group to meet the requirements of its shareholders;
- Lead and oversee the Executive Management of the Company;
- Meet the Group's budget and strategic plans; and
- Provide the appropriate environment to recruit, engage, retain and develop the personnel needed to deliver the strategy.

Board Secretary

Under the direction of the Chairman, the role of the Board Secretary and his team is to:

- Ensure good information flows within the Board and its Committees and between Senior Management and Non-Executive Directors;
- Facilitate Director inductions and professional development;
- As requested, arrange independent professional advice for Directors at the Company's expense; and
- Advise the Board through the Chairman on governance matters.

The responsibilities of the Chief Executive Officer and the Chairman have been clearly established, adhering to best corporate governance practices. The responsibility and task of the Chairman and the Chief Executive Officer are separated in order to facilitate better workings of the Company and the Group.

New Directors are nominated to bridge identified knowledge gaps. Such Directors are elected to the Board by shareholders at the Annual General Meeting. In accordance with the Articles of Association, three Directors retire annually and being eligible offer themselves for re-election. The Board meets quarterly and the agenda is circulated to the Board members well ahead of the scheduled date. The Chairman of the Board as well as members chairing the various Committees of the Board will outline the agendas for the Board and Committee meetings respectively. Each Director or member is free to suggest items for the agenda or raise issues and concerns at these meetings.

Amãna Takaful Life PLC has outsourced its secretarial functions to a qualified company of secretaries.

The following committees of the Board have been formed with the objective of improving governance: viz–

i. Audit and Compliance Committee
ii. Risk Management Committee
iii. Investment Committee
iv. Remuneration Committee
v. Related Party Transactions Review Committee
vi. Executive Committee

Each Committee has a defined terms of reference approved by the Board, outlining the respective Committees' authorities and responsibilities. The Board may, from time to time, establish and maintain additional committees. All members of these Committees are expected to attend all meetings.

The Audit and Compliance Committee, Risk Management Committee, Investment Committee, Remuneration Committee and Related Party Transactions Review Committee of the Parent, Amãna Takaful PLC, function as the Committees of the Company respectively.

i. The Audit and Compliance Committee

The Audit and Compliance Committee comprises three Independent Non-Executive Directors of the Board. This Committee is chaired by Dato' Mohd Fadzli Yusof who is an Independent Non-Executive Director of the Company. The Chief Executive Officer, General Managers, relevant Senior Managers and Internal Auditors are invited to be present at the meetings. Exit meetings are held after each internal audit assignment with all concerned where rectification actions taken of any weakness described in the audit findings. The details of the Audit and Compliance Committee are provided in the Report of the Board Audit and Compliance Committee on pages 47 and 48.

ii. The Risk Management Committee

The Risk Management Committee of the Board comprises four Non-Executive Directors of which three are Independent Directors. This Committee is chaired by Dato' Mohd Fadzli Yusof who is an Independent Non-Executive Director of the Company. The main function of this Committee is to review and re-align the risk appetite of the Company at strategic and various functional levels. Further, the Committee also reviews the different risks that the Company is exposed to and recommends mitigation strategies for such risks.

A detailed report on the Risk Management Committee functions and its activities during the year 2016 is provided on pages 36 to 42.

iii. The Investment Committee

The Investment Committee comprises Osman Kassim, M.H.M. Rafiq, Dr. Haroon and Ehsan Zaheed. The Committee ensures that a healthy investment portfolio is maintained within the Investment Guidelines of the IBSL and Shari'ah Advisory Council whilst optimising yield to meet investment income targets of the Company. The Committee convenes its meeting on a monthly basis.

iv. The Remuneration Committee

The Remuneration Committee is composed of Four Non-Executive Directors of the Board of which three are Independent Directors. Details of remuneration paid to Directors are set out in Note 26 to the Financial Statements on page 92.

The report of the Remuneration Committee is provided on page 50.

V. Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Board comprises three Non-Executive Directors of which two are Independent Directors. This Committee is chaired by Dr. Ifthikarudeen A. Ismail who is an Independent Non-Executive Director of the Company. The Chief Executive Officer and relevant Senior Managers are invited to be present at the meetings. The details of the Related Party Transactions Review Committee are provided in the Report of the Related Party Transactions Review Committee on page 49.

vi. Executive Committee

The Executive Committee or EXCOM is composed of four members of the Board and is chaired by the Chairman of the Company. Meetings are held once a month and the Committee is entrusted with the responsibility of monitoring the implementation of the business strategies of the Company and the Group. The members of the Committee are as follows:

i. Tyeab Akbarally – Chairman
ii. M.H.M. Rafiq
iii. Dr. Ifthikarudeen A. Ismail
iv. Mohamed Fazal Ghaffoor

Ethical Standards

Amãna Takaful Life PLC aspires to adopt the highest ethical standards and adheres to the Code of Ethics for Insurance Companies in Sri Lanka which contain the following elements:

- Honesty and fairness;
- Compliance with regulatory requirements;
- Accountability – provision of accuracy, timely and essential information to stakeholders;
- Avoiding conflict of interest;
- Professional judgment;
- Maintaining privacy and confidentiality of customer-related information;
- Corporate and Social Responsibility; and
- Maintaining best practices in marketing and advertising.

The management encourages employees to adopt ethical practices during the weekly mission meetings.

Executive Management

The Chief Executive Officer deliberates strategic issues with the General Management Committee (GMC) which includes Heads of Departments. Each of them, who head Strategic Business Units drive their business functions aligned to the strategic plan, building capacity and capability. Corporate Governance and Compliance is a key function of the GMC. The Company's performance dashboard is a key evaluation and measurement tool in this process.

Internal Controls

The Board of Directors acknowledges the imperative of a sound and strong internal control environment for the purpose of attaining good governance. The internal control system, among others, covers risk management and organisational, operational, financial, compliance and business development controls. Towards this end, the Board has entrusted the responsibility of establishing an effective internal control system to the Audit and Compliance Committee, which is also responsible for the regular monitoring of such controls. In addition, an in-house audit team conducts internal audit on the systems and various aspects of the operations in accordance with the risk-based principle. The findings are conveyed to the Audit and Compliance Committee, which, in turn, briefs the Board on areas of concern.

Compliance with "Shari'ah" Requirements

Amãna Takaful Life PLC takes the utmost care in adhering to "Shari'ah" principles. A Shari'ah Unit has been set up internally to carry out quarterly reviews on the policies and operations of the Company. The Unit also conducts regular training programmes to members of staff in order to disseminate the knowledge of Shari'ah, in particular that relates with the operation of Takaful and Islamic finance in general. The Statement of Compliance is a part of the Annual Report and is provided on page 51.

Regulatory Compliance

The Audit and Compliance Committee is responsible for regulatory compliance. In addition, a Compliance Unit has been set up to monitor and investigate into all compliance-related matters across the Organisation. It keeps a close track of all new legislations, regulations etc., and notify and guide the respective departments accordingly.

Relationship with Stakeholders

The Board of Directors discloses policy decisions and operations affecting shareholders through its quarterly and Annual Reports.

The Board entertains questions from shareholders at the Annual General Meetings ensuring shareholder participation and interaction.

The management holds weekly mission meetings at which employees are briefed of the policies, goals and values of Amãna Takaful Group and their views and suggestions are sought and evaluated.

Amãna Takaful Life PLC believes in serving its customers beyond their expectations. An interactive website provides access to the general public on the Company's activities.

Solvency Requirements

The Solvency Margin (Risk-Based Capital) pertaining to Long-term Insurance (Family Takaful) Business has been maintained as per the Solvency Margin (Risk-Based Capital) Rules 2015.

Corporate Governance Disclosures Under CSE Rules in Relation to Directors of the Company

Areas of Compliance	Current Status	Remarks
Board of Directors	**Non-Executive Directors** 1. Tyeab Akbarally – *Chairman* 2. M.H.M. Rafiq 3. Dato' Mohd Fadzli Yusof 4. R. Gopinath 5. Dr. Ifthikarudeen Ahamed Ismail 6. Mohamed Fazal Ghaffoor 7. Ammar Shafik Kassim	All members of the Board serve in the capacity of Non-Executive Directors. The Company has complied with the CSE Listing Rules 7.10.1. All the Non-Executive Directors have submitted the annual declaration of their independence or non-independence to the Board of Directors.
	Independent Directors 1. M.H.M. Rafiq 2. Dato' Mohd Fadzli Yusof 3. R. Gopinath 4. Dr. Ifthikarudeen Ahamed Ismail	The Company has complied with the CSE Listing Rules 7.10.2.
Remuneration Committee	1. Dato' Mohd Fadzli Yusof – *Chairman* 2. M.H.M. Rafiq 3. Dr. A.A.M. Haroon 4. A.S.M. Muzzammil	Remuneration Committee of the Parent Company, Amãna Takaful PLC, functions as the Remuneration Committee of the Company in terms of CSE Listing Rules 7.10.5.
Audit and Compliance Committee	1. Dato' Mohd Fadzli Yusof – *Chairman* 2. M.H.M. Rafiq 3. A.S.M. Muzzammil	Audit and Compliance Committee of the Parent Company, Amãna Takaful PLC, functions as the Audit and Compliance Committee of the Company in terms of CSE Listing Rules 7.10.6.
Related Party Transactions Review Committee	1. Dr. Ifthikarudeen Ahamed Ismail – *Chairman* 2. M.H.M. Rafiq 3. M. Ehsan Zaheed	Related Party Transactions Review Committee of the Parent Company, Amãna Takaful PLC, functions as the Related Party Transactions Review Committee of the Company in terms of CSE Listing Rules 9.2.3.

Directors' Attendance at the Meetings

Name of the Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Related Party Transactions Review Committee	
	Held/ Applicable	Attended	Held	Attended	Held/ Applicable	Attended	Held/ Applicable	Attended
1. Tyeab Akbarally – Chairman	4	3						
2. M.H.M. Rafiq	4	3	4	3	2	2	4	4
3. Dato' Mohd Fadzli Yusof	4	4	4	4	2	2		
4. Radhakrishnan Gopinath	4	3						
5. Dr. Ifthikarudeen Ahamed Ismail	4	4					4	4
6. Mohamed Fazal Ghaffoor	4	4						
7. Ammar Shafik Kassim	3	3						
8. M. Ehsan Zaheed							4	2
9. A.S.M. Muzzammil					1	1		
10. Dr. A.A.M. Haroon					2	1		

As the pioneer Takaful company, risk management is at the heart of what we do and is the source of value creation as well as a vital form of control. It is an integral part of maintaining financial stability for our customers, shareholders and other stakeholders. Our sustainability and financial strength are underpinned by effective risk management, which allows us to prepare for future challenges, move speedily and facilitate better decisions for our customers, giving them peace of mind.

The Company's Risk Management Strategy is to operate within the risk appetite guidelines set by the Board Risk Committee and approved by the Board of Directors, which are then reviewed on a quarterly basis, with an eye on the changing corporate risk environment. Given the increased level of assertiveness required in the Risk-Based Capital regime and the connected risk involvements, the Company revisited the current Risk Management Model and widened its scope to an Enterprise Risk Management (ERM) Framework. The Risk Management Unit carries out series of campaigns to enhance the awareness among the managers and executives on the ERM Framework.

Though the risk elements are managed on a daily basis at operational levels, the Risk Management Committee (RISCO) formally monitors the Key Risk Indicators through Enterprise Risk Registers for both Life and General segments separately since 2014. This section elaborates the Company's Enterprise Risk Management Framework and the Key Risk Management activities carried out during 2016.

WHAT IS ENTERPRISE RISK MANAGEMENT?

ERM is yet an emerging topic in this part of the world thus needs repeated explanations and elaborations for our society both internally and externally. ERM has formally been defined as 'the identification and assessment of the collective risks that affect firm value, and the implementation of a firm-wide strategy to manage those risks' (Meulbroek 2002). Collective risks refer to risk categories such as the one profiled in Committee of Sponsoring Organisations of the Treadway Commission (COSO) ERM cube, as well as the interaction of risks over time.

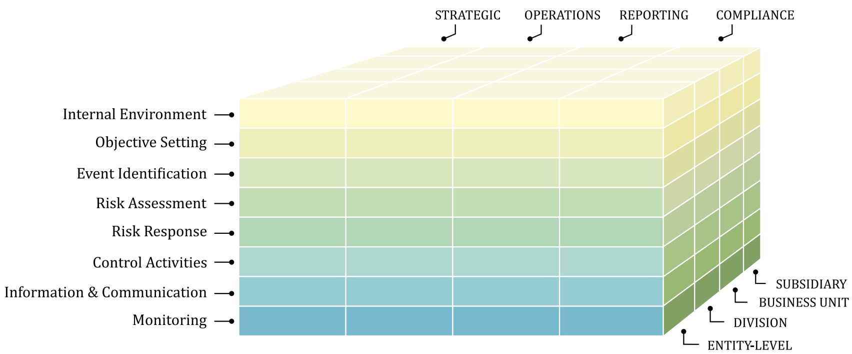
COSO and framework which was published in 2004 in US defines ERM:

"...a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

The underlying premise of Enterprise Risk Management is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise Risk Management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

Value is maximised when management sets strategy and objectives to strike an optimal balance between growth return goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives. Enterprise Risk Management Encompasses –

- Aligning risk appetite and strategy – Management considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.



- Enhancing risk response decisions – Enterprise Risk Management provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance.
- Reducing operational surprises and losses – Entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses.
- Identifying and managing multiple and cross-enterprise risks – Every enterprise faces a myriad of risks affecting different parts of the Organisation, and Enterprise Risk Management facilitates effective response to the interrelated impacts, and integrated responses to multiple risks.
- Seizing opportunities – By considering a full range of potential events, management is positioned to identify and proactively realise opportunities.
- Improving deployment of capital – Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

These capabilities inherent in Enterprise Risk Management help management achieve the entity's performance and profitability targets and prevent loss of resources.

Enterprise Risk Management helps ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences. In summary, Enterprise Risk Management helps an entity get to where it wants to go and avoid pitfalls and surprises along the way.

DEFINITIONS OF RISK AND RISK MANAGEMENT

Risk in general could be defined as 'The combination of the probability of an event and its negative consequences', in other words, the barriers in meeting the corporate objectives.

Risk Management can be defined as 'An efficient and effective process of minimising risks in meeting stakeholder requirements'. However, Enterprise Risk Management is not strictly a serial process, where one component affects only the next. It is a multidirectional, iterative process in which almost any component can and does influence another.

RISKS FACED BY INSURANCE COMPANIES

It appears that many organisations are experiencing pressure and recognising that change in the organisation's overall approach to risk oversight is warranted, with the *status quo* no longer acceptable. Insurance companies whose business model is based on Risk Management require special attention with regard to its Management. As an insurance company, we identified the following risk categories as illustrated in the diagram below. The Risk Management professionals refer to this as the 'Risk Wheel'. The different colours and shapes illustrate the magnitude and angles of risks that each of the risk types carries with it.

1. Insurance Risk

Being an insurance company, risks related to the insurance business i.e., Insurance Risk, becomes primary in the list. Insurance is all about managing risks on behalf of the customers. In that context, we have identified the following three major risk areas under this category:

Risks	Control
Product Design and Pricing – Designing the product offers and benefits with the right pricing is very critical to the Insurance Business.	The Company has appointed a Product Development Team with a set of hand-picked members from Sales, Underwriting, actuarial, Marketing and further, actuarial support is obtained from the appointed Actuary.

a. Retakaful Risk

Risk	Control
Credit risk can also be a factor with respect to Retakaful. Should a reinsurance company be either slow to pay its claims/contributions or unable to make such payments, the effects on insurance company performance (and hence value) could be significant.	Retakaful placements are done with reinsurers having credit ratings as required by Insurance Board of Sri Lanka (IBSL). The services of professional Retakaful brokers are also obtained in reinsurance placements.

2. Market Risks

Market risks are wider risks that any company is exposed to in terms of Demand and Supply for any types of goods and services, and cost. The increased competition from the industry players in terms of rates, products, marketing etc., are continuous risks while the entry of new players to the industry is a further risk.

Furthermore, for insurance companies which are heavily dependent on investment income, healthy market conditions underpinned by solid economic conditions are vital. Therefore, in addition to the overall economic growth conditions, key economic variables such as interest rates, inflation, stock market performance, exchange rates, and commodity market conditions especially Gold etc., expose enormous speculative risks to the Company.

3. Strategic and Reputational Risk

Achievement of overall Business Goals is the top most priority for any Company and justifies the purpose and existence of organisations in the long run. However, companies need to achieve their corporate goals consistently in the short run in order to achieve long-term success. Thus, achieving annual targets in terms of revenue and profitability along with other operational targets become critical to the Organisation. Even though the overall Enterprise Risk Management Framework embraces this objective, specific strategies and action plans to support and ensure achievements of annual targets are vital.

Due to internal and external reasons the company could be exposed to serious risks to the reputation of the Company and its Brand Image, which could in turn affect the performance and achievement of corporate goals.

4. Operational Risks

Operational risks result from inadequate or failed internal processes, people and systems which cover a wider area of operational aspects:

Risks	Controls
Sudden Disasters/Calamities	A Detail DRP is in force to recover within 12 hours.
BCP/DRP Failures	Tested every six months.
Not having the Right People at the Right Place	A Semi-Annual Performance Appraisal system is in place to scrutinise the performance of key staff members including the Top Management Personnel.
Process Failures – SOP's do not capture important controls	The Risk Committee reviews the SOP's periodically along with internal audit and makes modifications when required.
Potential Fraud and Errors	Strict implementation of the SOP's will minimise the risks involved in this area in addition to the supervisory controls.
Liquidity Crunch	The Treasury team prepares a cash forecast on a weekly basis prior to making investment decisions.
Technology Failure	The Disaster Recovery Plan covers such risks.
Non-Implementation of Key Projects	The General Management Committee (GMC) meet monthly and review projects under implementation.
Utilities	Electricity – A back-up Generator is fully active.

5. Compliance Risk

The key Compliance Risks and the control measures are listed below:

Risk	Controls
Unable to comply with the applicable regulatory requirements	The first item of the agenda for the regular Executive Committee is set on compliance matters to prioritise the discussion on the subject. Any significant issue is escalated to the Audit/Risk Committees and the Board. A Dedicated Compliance Department is functional headed by a Senior Manager who is a member of the General Management Committee. All heads of departments are made aware of the applicable laws and regulations. Further, the regulatory requirements are cascaded down to relevant staff members. A monthly sign-off is obtained on a compliance check list covering applicable laws and regulations. This Checklist is tabled at the Executive Committee meetings. A periodic internal audit exercise is carried out on the compliance function and a report is tabled at the Audit Committee meetings.

ATI – Risk Management Grid

Impact/Consequences and Likelihood of the risks are the two parameters to gauge the criticalness of the risks that are encountered by the Company. The parameter of Likelihood ranges from almost certain to rare on a scale of A to E while the Consequence parameter ranges from Negligible to Severe on I to V scale.

Consequence		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		E	**D**	**C**	**B**	**A**
Severe	**V**	**H**	**H**	**H**	**VH**	**VH**
Major	**IV**	**M**	**M**	**H**	**H**	**VH**
Moderate	**III**	**M**	**M**	**H**	**H**	**H**
Minor	**II**	**L**	**L**	**M**	**M**	**H**
Negligible	**I**	**L**	**L**	**L**	**M**	**M**

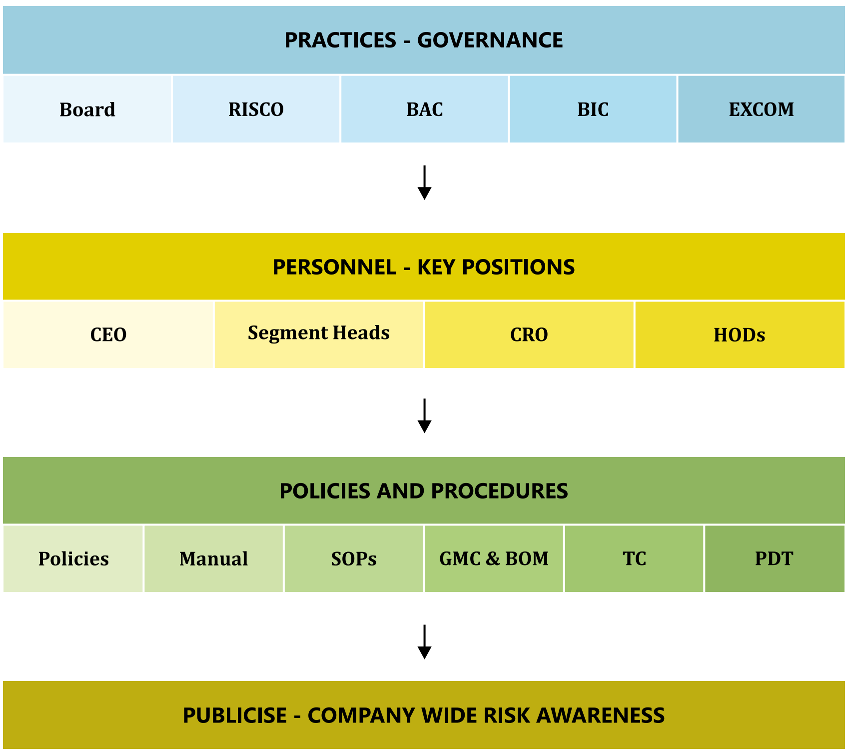
Amãna Takaful maintains a Risk Register which analyses all the potential risks under each of the above Category and these items have been graded based on the above parameters of Likelihood and Consequences.

The Company adopts the following strategies in managing the Risks as per the Likelihood and Impact grading. Please refer the Impact and Likelihood along with the Risk Management Grid:

Impact/Likelihood	Risk	Option	Strategy
(I,E), (I,D), (I,C), (II,E), (II,D).	Low	Accept	Keep Monitoring of the Likelihood.
(I,B), (I,A), (II,C), (II,B), (III,E), (III,D), (IV,E), (IV,D).	Medium	Reduce Likelihood and/or Impact	Have measures to manage Likelihood and/or Impact.
(II,A), (III,C), (III,B), (III,A), (IV,C), (IV,B), (V,E), (V,D), (V,C).	High	Spread and/or Transfer	• Spread the Risk to a Third Party or involve risk owner sharing the risk. • Have contingency arrangements. • Have plans for recovery.
(IV,A), (V,B), (V,A).	Very High	Avoid	Do not participate in the activity.

ATI ENTERPRISE RISK MANAGEMENT FRAMEWORK

In the ERM Framework of the Company has been structured into a 4-stage cascade viz: Practices, Personnel, Procedures and Publicise from a risk management perspective, as illustrated below:



Board – The Board of Directors
RISCO – Board Risk Committee
BAC – Board Audit Committee
BIC – Board Investment Committee
EXCOM – Executive Committee
CEO – Chief Executive Officer
CRO – Chief Risk Officer
HODs – Heads of Departments
SOPs – Standard Operating Procedures
GMC – General Management Committee
BOM – Business Operations Management
TC – Technical Committee
PDT – Product Development Team

The ERM framework operates on a bottom-up approach in terms of its lines of Defence.

1. First Line of Defence

Publicise – Educating the staff at shop floor level with the appropriate level of authority will help them take the right decision at the right time. We recognise that staff in the front line are exposed to the market and most often encounter various challenges. Cognisant of the challenge in communicating the entire ERM framework and strategies to manage risks, the Risk Management Unit has adopted a simplified cascade process to the wider audience to mobilise support and upscale knowledge at all levels in the Company.

2. Second Line of Defence

Policies and Procedures – Policies and Procedures play a vital role through proper internal control mechanisms in mitigating several risk factors. Further, the Company also has re-structured the Management Review Process through the General Management Committee (GMC) and a Business Operations Management Team (BOM), widening the participation of Key Management Personnel with specific roles in each of the groups.

3. Third Line of Defence

Key Personnel being appointed at key positions in any organisation will mitigate a major part of the risk. We believe in our people, especially people who are occupying key positions, that they will take prudent business decisions in pursuit of corporate objectives.

4. Final Line of Defence

Governance Practices are activities that take place at Board level in order to ensure delivery of promises made to the stakeholders. In addition to the scheduled Board meetings and deliberations, there are Sub-Committees at Board level such as the Investment, Board Audit, Risk Management and Executive Committees. These committees independently meet with the Key Management Personnel and review performance, challenges and opportunities under the respective areas and report to the Board periodically. While the Executive and the Investment Committees meet on a monthly basis, the other committees meet on a quarterly basis.

RISK MANAGEMENT PROCESS

In the process of managing the risks of the Organisation the Company has identified the following Key Risk Indicators. Corrective actions will be taken as and when significant deviations are observed in the relevant areas.

Risk Area	Key Risk Indicator
Insurance Risk	• Product Profitability • RI Covers Vs Risk Accumulation
Strategic and Reputational Risk	• Daily Target Achievements • Variance Analysis • Client Satisfaction Index
Market Risk	• Interest Rate Movement • Equity Market Movement • Economic Indicators • Changes in Tax Regulations • Changes in Government Policies
Operational Risk	• Staff Turnover Ratio • Staff Satisfaction Index • Internal/External Audit Findings • Deviations from ISO Standards on Safety Measures • Current and Liquidity Ratios
Compliance Risk	• Queries Raised by Regulator/Ombudsman • Pending Legal Matters • Unresolved Audit Queries • Items in the Management Letter • Investment Portfolio Mix

Key Areas Reviewed by the Board Risk Committee during 2016

- Review of the Risk Registers on a quarterly basis and monitored the Key Risk Indicators covering all aspects of the business.
- Review of the status pertaining to Capital Adequacy Ratio (CAR) and Total Available Capital (TAC) under Solvency Margin (Risk Based Capital) Rules 2015.
- Review of the Family Takaful Fund and available surplus.
- Review of key risks pertaining to Family Takaful Business.

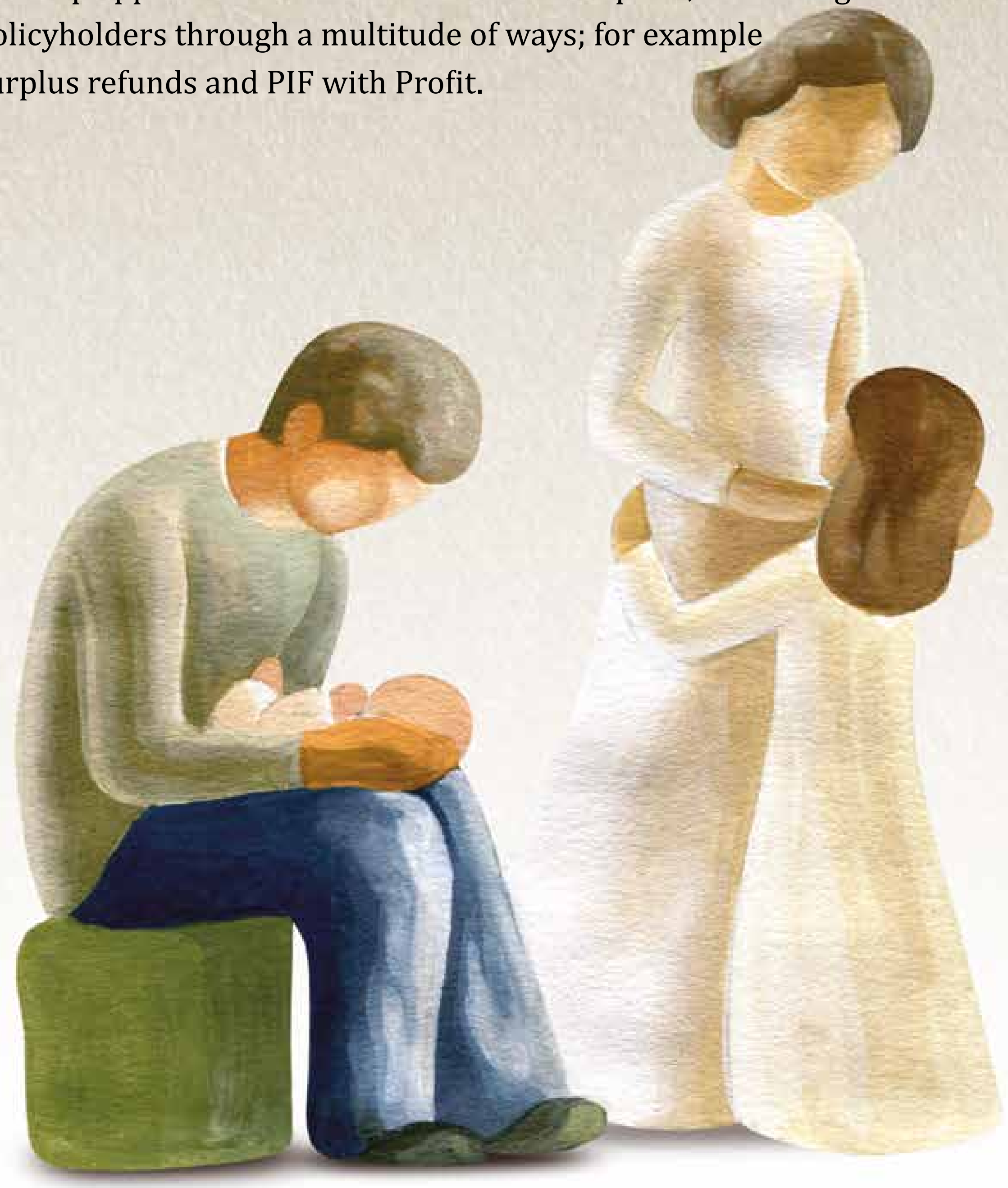
The Board Risk Committee of the Parent, Amãna Takaful PLC functions as the Risk Committee of the Company. The composition of the Committee and details of attendance of each member at meetings of the Committee during the period under review are as follows:

Members	No. of Meetings Attended
1. Dato' Moh'd Fadzli Yusof *Chairman* *Independent Non-Executive Director*	3 out of 3
2. M.H.M Rafiq *Independent Non-Executive Director*	3 out of 3
3. Dr. A.A.M. Haroon *Non-Executive Director*	3 out of 3
4. A.S.M. Muzzammil *Independent Non-Executive Director*	3 out of 3

The Chief Executive Officer of Amãna Takaful PLC , Chief Executive Officer of Amãna Takaful Life PLC, Head of Finance were invited to be present at all meetings of the Committee during the period under review. The Head of Compliance and Corporate Risk also attended all meetings in the capacity of Secretary to the Board Risk Committee. Other members of the Management were also invited to attend the meeting when required.

Appreciation

In all good families there is genuine appreciation of each member and their role and contribution to the family unit as well as for the love and caring they share in abundance. At Amãna Takaful we keep appreciation at the core of our enterprise, rewarding policyholders through a multitude of ways; for example surplus refunds and PIF with Profit.



The Directors are pleased to submit their report together with the audited accounts of the Company, for the year ended 31st December 2016, to be presented at the First Annual General Meeting of the Company.

REVIEW OF THE YEAR

The Chairman's Statement on pages 6 to 7 describes the Company's affairs and mentions important events that occurred during the year, and up to the date of this Report. The Management Discussion and Analysis on pages 12 to 17 elaborates the financial results of the Company. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is Family Takaful (Long-term Insurance) business.

FINANCIAL STATEMENTS

The Financial Statements are prepared in conformity with the Sri Lanka Accounting Standards and comply with the requirements of Section 151 of the Companies Act No. 07 of 2007 and the Rules and Regulations of Insurance Board of Sri Lanka are given on pages 58 to 106 of this Annual Report.

INDEPENDENT AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on page 57 of this Annual Report.

ACCOUNTING POLICIES

The accounting policies adopted in preparation of the Financial Statements are given on pages 65 to 77.

FINANCIAL RESULTS AND APPROPRIATIONS

The Profit After Taxation of the Company for the year was Rs. 35.7 Mn (2015 – Rs. 18 Mn).

The Family Takaful (Life) Fund balance including Unit Linked Fund has increased to Rs. 2,064.1 Mn from Rs. 1,766.5 Mn in 2015.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the capital expenditure on Property, Plant and Equipment for the Company amounted to Rs. 0.7 Mn (2015 – Rs. 8.9 Mn).

Information relating to movement in Property, Plant and Equipment during the year is disclosed under Note 5 to the Financial Statements.

FINANCIAL ASSETS

Details of financial assets held by the Company are given in Note 6 to the Financial Statements.

RESERVES

Accumulated Profit as at 31st December 2016 for the Company amounted to Rs. 26.2 Mn (2015 – Rs. 13.5 Mn). The breakup and the movement are shown in the Statement of Changes in Equity in the Financial Statements.

STATED CAPITAL

The stated capital of the Company as at 31st December 2016 was Rs. 500,000,000/- represented by 500,000,000 ordinary shares. The details of the stated capital are given in Note 18 to the Financial Statements on page 90.

CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31st December 2016 other than those reported in Note 30 to the Financial Statements.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

The Company did not come across any material issues pertaining to employees and industrial relations during the year.

POST-BALANCE SHEET EVENTS

There were no material events occurring after the Reporting date that require adjustments or disclosure in the Financial Statements.

DIRECTORS' RESPONSIBILITIES

The Statement of the Directors' Responsibilities is given on page 55 of this Annual Report.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange. The Report on the Corporate Governance is given on pages 29 to 35 of this Annual Report.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities have been paid within the stipulated period.

INTERESTS REGISTER

The Company has maintained an Interest Register as contemplated by the Companies Act No. 07 of 2007.

a. Directors' interest in contracts of the Company, both direct and indirect during the year under review, are included in Note 29. in the related party disclosures to the Financial Statements.
b. Details of shareholding of Directors are given under particulars of Directors' Shareholding below:

BOARD COMMITTEES

Audit and Compliance Committee

The Audit and Compliance Committee of the Parent Company, Amãna Takaful PLC functions as the Audit and Compliance Committee of the Company. Following are the names of the Directors comprising the Audit and Compliance Committee of the Board:

1. Dato' Mohd Fadzli Yusof – Chairman
2. M.H.M. Rafiq
3. A.S.M. Muzzammil

The Report of the Audit Committee on pages 47 and 48 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Remuneration Committee

The Remuneration Committee of the Parent Company, Amãna Takaful PLC functions as the Remuneration Committee of the Company. Following are the names of the Directors comprising the Remuneration Committee of the Board:

1. Dato' Mohd Fadzli Yusof – Chairman
2. M.H.M. Rafiq
3. Dr. A.H.M. Haroon
4. A.S.M. Muzzammil

The particulars of the Remuneration Committee are mentioned in the Report of the Remuneration Committee on page 50. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 26 to the Financial Statements.

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transactions Review Committee of the Parent Company, Amãna Takaful PLC functions as the Related Party Transactions Review Committee of the Company. Following are the names of the Directors comprising Related Party Transaction Committee of the Board:

1. Dr. Ifthikarudeen A. Ismail – Chairman
2. M.H.M. Rafiq
3. M. Ehsan Zaheed

Share Information and Substantial Shareholdings

The distribution of shareholding, market value of shares and twenty largest shareholders are given on pages 110 and 111.

The earnings per share, dividends per share, net assets per share are given on page 111.

Directors

The Directors of the Company during the year are as follows:

	Date of Appointment	Date of Resignation
Tyeab Akbarally	26.06.2014	–
Dato' Mohd Fadzli Yusof	26.06.2014	–
M.H.M. Rafiq	26.06.2014	–
Dr. I.A. Ismail	26.06.2014	–
R. Gopinath	26.06.2014	–
M. Fazal Ghaffoor	26.06.2014	–
A.S. Kassim	07.03.2016	–

A brief profile of the Directors are given on pages 24 and 26 of this Annual Report.

In terms of Section 211 of the Companies Act No. 07 of 2007, the following Directors who are above 70 years of age retire by rotation and being eligible have offered themselves for re-election and the following resolutions to be passed accordingly, if thought fit;

I. Re-election of Dr. Ifthikarudeen Ahamed Ismail

IT IS HEREBY RESOLVED: To re-elect Dr. Ifthikarudeen Ahamed Ismail who is 79 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Ifthikarudeen Ahamed Ismail.

II. Re-election of Mr. M.H.M Rafiq

IT IS HEREBY RESOLVED: To re-elect Mr. M.H.M Rafiq who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. M.H.M Rafiq.

III. Re-election of Dato' Mohd Fadzli Yusof

IT IS HEREBY RESOLVED: To re-elect Dato' Mohd Fadzli Yusof who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dato' Mohd Fadzli Yusof.

DIRECTORS' SHAREHOLDINGS

The interest of the Directors in the shares of the Company as at 31st December 2016 were as follows:

	No. of Ordinary Shares	
	As at 31.12.2016	As at 31.12.2015
Tyeab Akbarally	–	–
Dato' Mohd Fadzli Yusof	–	–
M.H.M. Rafiq	–	–
Dr. I.A. Ismail	–	–
R. Gopinath	–	–
M. Fazal Ghaffoor	–	–
A.S. Kassim	–	–

INDEPENDENCE OF DIRECTORS

Particulars of Independent Directors are mentioned under Corporate Governance Report on page 35.

RELATED PARTY TRANSACTIONS

There are no related party transactions which exceeds the lower of 10% of equity or 5% of the total assets of the Company. Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures' in Note 29 to the Financial Statements.

GOING CONCERN

The Directors, after making necessary inquiries and review of the financial position and future prospects of the Company, have a reasonable expectation that the Company has adequate resources to continue to be in operational existence for the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statement.

AUDITORS

The resolutions to appoint the present Auditors, Messrs Ernst & Young, Chartered Accountants, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

The audit and non-audit fees paid to the Auditors is disclosed in Note 26 on page 92 of this Annual Report.

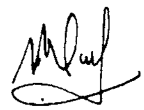
As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company.

The Audit Committee reviews the appointment of the Auditors, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 19th May 2017 at 3.00 p.m. at the Committee Room B, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07. The Notice of the Annual General Meeting appears on page 117 of this Annual Report.

For and on behalf of the Board,



Tyeab Akbarally
Chairman

M. Fazal Ghaffoor
Director

Managers & Secretaries (Pvt) Ltd.
Secretaries
Amãna Takaful Life PLC

12th April 2017
Colombo

COMPOSITION

The Audit Committee, appointed by and answerable to the Board of Directors, comprises (as at the date of this Annual Report) three are Independent Non-Executive Directors. The Committee is made up of members who bring their varied expertise, experience and knowledge to carry out and discharge their duties and responsibilities professionally and effectively. The Committee meets at least four (4) times a year, usually at quarterly intervals, to review and approve both the annual external and the internal audit plans; ensure the independence and objectivity of the External Auditors; review the internal audit process, adequacy of internal controls, and assessment on various transactions of the related party. In addition, the Committee also plays the role of a platform for the Management to raise concerns on possible irregularities for investigation.

The composition of the Committee and details of attendance of each member at meetings of the Committee during the period under review are as follows:

Members	No. of Meetings Attended
1. Dato' Moh'd Fadzli Yusof Chairman *Independent Non-Executive Director*	4 out of 4
2. M.H.M Rafiq *Independent Non-Executive Director*	3 out of 4
3. Aboo Sally Mohamed Muzzammil *Independent Non-Executive Director*	4 out of 4

S.H.M. Giado, the Chief Internal Auditor, Amãna Bank PLC, was nominated to the Committee in view of his contribution in terms of technical expertise.

The Chief Executive Officer, Director/CEO, as well as Head of Sales and Marketing were invited to be present at all meetings of the Committee during the period under review. The Senior Manager, Internal Audit also attended all meetings in the capacity of Secretary to the Audit Committee, so were the respective Heads of Departments Compliance and Corporate Risk, Finance, Underwriting, Claims and, Reinsurance/Retakaful. Other members of the management were also invited to attend the meeting when required.

Agendas and reports to be tabled, presented and deliberated at the meetings were prepared and distributed sufficiently in advance to all members, along with the appropriate and relevant briefing materials.

OBJECTIVES, DUTIES AND RESPONSIBILITIES

The key objectives of the Audit Committee are:

- To satisfy themselves that a good financial reporting system is in place in order to ensure accurate and timely financial information to the Board of Directors, regulators and shareholders and to make sure that these are prepared in accordance with Sri Lanka Accounting Standards and other relevant laws and regulations.
- To satisfy themselves of the effectiveness of the Company's risk management process in order to identify and mitigate risks.
- To review the design and implementation of the internal control system and take steps to strengthen them as necessary.
- To ensure that the contract of the business is in compliance with the applicable laws and regulations of the country and the policies and procedures of the Company.
- To assess the independence of the External Auditors, and monitor the performance of Internal and External Auditors.
- To assess the Company's ability to continue as a going concern in the foreseeable future.

The primary duties and the responsibilities of the Committee are as follows:

1. Review the adequacy of the internal audit programme and plan, internal audit findings and recommend actions to be taken by the management of deficiencies in controls, processes and procedures.
2. Assessment of the independence and performance of the Company's External Auditors.
3. Review the Management Letter of the External Auditors and follow-up on its recommendations.
4. Ensure the preparation and presentation of financial reports in line with the accounting standards and ensuring the adequacy of disclosure in such report.
5. Review the effectiveness of internal controls and risk management processes.
6. Ensure compliance with Regulatory Affairs and Corporate Governance.

INTERNAL AUDIT

The internal audit functions of the Company are undertaken by the Internal Audit Department. The Department presented to the Committee the Comprehensive Audit Plan for the financial year under review, and instructed the Internal Auditors on the approach to be adopted in their auditing processes. Apart from the Audit Plan, the Committee also instructed the Auditors to carry out investigation, inspection and auditing on certain issues deemed necessary to maintain and ensure the adequacy and effectiveness of internal controls and principles of best practice.

The Committee deliberated and reviewed a number of internal audit reports on a multitude of operational areas such as Reinsurance (Retakaful), various types of reserve including technical reserve, claims and underwriting as well as treasury matters. To ensure key decisions and recommendations of the Committee were efficiently implemented a process of follow-up programmes had been put in place. Where necessary, Auditors were directed to conduct follow-up audits and inspections.

EXTERNAL AUDIT

The Committee reviewed the Management Letter and other recommendations submitted by the External Auditors, Messrs Ernst & Young and followed-up the issues raised, during the financial year under review. From time to time during the period under review External Auditors made presentations and briefings to the Committee on issues related to new accounting standards and regulatory requirements.

The Committee further made recommendations in relation to the remuneration, functions and terms of engagement of the External Auditors, particularly in relation to their audit work.

PROVISION OF NON-AUDIT SERVICE

The Committee is also responsible for reviewing the nature of non-audit services that the External Auditors may undertake in order to ensure that the Auditors' independence is not impaired in such circumstances.

CONCLUSION

The Committee is satisfied that effective measures, in respect of internal controls of the Company, are in place. The accounting standards are duly followed. Similarly, all the activities and functions of the Company are in compliance with regulatory and statutory provisions. The Committee is also comfortable that the assets of the Company have been adequately safeguarded, and the requirements of independence of both the Internal and the External Auditors are met. With the transparent and appropriate relationship established with the External Auditors, the latter have an obligation to raise and highlight any significant defects or weaknesses in the Company's system of internal control and compliance to the attention of the Management, the Committee and the Board. On the whole, the Committee firmly believes that the Company is in the right direction in terms of corporate governance and best practices.

Dato Moh'd Fadzli Yusof
Chairman – Board Audit and Compliance Committee

12th April 2017
Colombo

OBJECTIVE OF THE COMMITTEE

The Committee reviews all related party transactions of Amãna Takaful Life PLC to ensure that the Company complies with the Rules set out under Section 09 of the Listing Rules.

The primary objective of the Committee is to ensure that the interests of the shareholders are taken into consideration when entering into related party transactions and to ensure that these transactions are not more favourable to related parties than those generally available to the general public. The Related Party Transaction Review Committee of Amãna Takaful PLC, the Parent Company of Amãna Takaful Life PLC functions as the Related Party Transaction Review Committee in terms of Section 9.2.3 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF COMMITTEE

The Related Party Transaction Review Committee (the Committee) comprises three Non-Executive Directors, two of whom are independent Directors.

MEETINGS OF THE COMMITTEE

Four (4) meetings of the Committee were held during the period under review and the attendance of the Committee is as follows:

Dr. I.A. Ismail – *Chairman and Independent Non-Executive Director*	*4*
Mr. M.H.M. Rafiq – *Independent Non-Executive Director*	*4*
Mr. M. Ehsan Zaheed – *Non-Executive Director*	*3*

In addition, the Chief Executive of the Company, Chief Executive Officer of Amãna Takaful PLC, Head of Compliance and Head of Finance attended these meetings by invitation. The Board Secretary M.H.M Aslam served as the Secretary to the Committee.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the year 2016 and confirms that all related party transactions entered into during the year were of a recurrent and trading nature, and were within the normal scope of day-to-day operations of the Company. Details of such related party transactions entered in to during the year are given in Note 29 to the Financial Statements on pages 94 to 95 of this Annual Report.

The Chairman of the Committee has on a regular basis, appraised the Board on the matters deliberated at the Related Party Transactions Review Committee meetings.

CONCLUSION

The Committee is satisfied that the interests of the shareholders as a whole are taken into consideration when entering into related party transactions and that the transactions were not more favourable to related parties than those generally available to the general public.

Dr. Ifthikar Ahamed Ismail
Chairman - Related Party Transactions Review Committee

12th April 2017
Colombo

The Remuneration Committee is entrusted by the Board of Directors with the responsibility of overseeing reasonable, attractive and competitive remuneration packages for all level of employees, aligned with the Group's performance and interests of other stakeholders. The Committee also ensured that the remuneration structure is commensurate with each employee's performance, competency, commitment, dedication, responsibility and skill.

The Committee regularly reviewed and compared the overall executive compensation package, benchmarking against the industry, for the consideration and adoption of the Board. It also recommended the packages for, the Chief Executive Officer and other senior members of the management, taking into cognisance the practice of the industry as well as the overall financial strength of the Group. In relation to this, the Remuneration Committee took into consideration Key Result Areas and Performances linked to the achievement, contribution and performance of the individual officer concerned, relative to the targets set.

Independent Directors had not received, directly or indirectly, any consulting, advisory or other compensatory fees from the Group. Papers to be deliberated at the meetings were distributed in advance to all the members.

Other key responsibilities under the mandate of the Committee covered the following:

- Reviewing and ensuring that the Group implemented a sound Performance Appraisal Review System for employees at all levels.
- Making recommendation to the Board on annual increments, key promotions and scale-ups.
- Making recommendation to the Board on bonus and related payment, if any, to employees of all levels.
- Considering and recommending to the Board the remuneration scheme for the Directors.

	Remarks/Comments	Meeting Attendance
Members	Comprised four (4) Non-Executive Directors, of whom three (3) are independent	
Chairman	Dato' Mohd Fadzli Yusof – (*Independent Non-Executive Director*)	2/2
Other Members	Mr. M.H.M. Rafiq – (*Independent Non-Executive Director*)	2/2
	Dr. A.A.M. Haroon – (*Non-Independent Non-Executive Director*)	1/2
	Mr. A.S.M. Muzzammil – (*Independent Non-Executive Director*) – Member from 17th February 2016	1/1
Secretary	Head of Human Resources	2/2

The Committee met twice during the year under review.

Dato' Mohd Fadzli Yusof
Chairman – Remuneration Committee

12th April 2017
Colombo

بسم الله الرحمن الرحيم

هيئة الرقابة الشرعية لشركة أمانة للتكافل
Shari'ah Advisory Council
Amãna Takaful Life PLC (PB5202PQ)

Shari'ah Audit Report to the Shareholders of Amana Takaful Life PLC

السلام عليكم ورحمة الله وبركاته

We have examined the operations of Amãna Takaful Life PLC (the 'Company') for the year ending 31st December 2016. We have also conducted our review to form an opinion as to whether the Company has complied with Shari'ah Rules and Principles and also with the specific Fatwas, Regulations and Guidelines issued by the Shari'ah Advisory Council.

RESPONSIBILITIES

It is our responsibility, as Shari'ah Advisory Council, to ensure that the Takaful Operations, Financing transactions, contracts and investments entered into by the Company with its clients and stakeholders are in compliance with Shari'ah regulations and principles. It is the responsibility of the Company's Management to ensure that the aforesaid are complied with, and that all policies and services being offered are duly approved by the Shari'ah Advisory Council.

Scope of Audit

The scope of our audit primarily involved the review of Company's compliance with the Shari'ah Regulations and Guidelines. Our review also included interviewing staff, examining different activities conducted by the Company based on samples/documents. This included reviewing:

1. Financial Statements
2. Underwriting of different types of policies
3. Claims
4. Review of Supporting Documentation
5. Re-Takaful
6. Investments
7. Placement of funds in Government Securities

RECOMMENDATION

Based on the review of various transactions and operations of the Company, it is recommended that:

- The Company should continue its efforts to spread Islamic Insurance (Takaful) and in this regard the Company focuses on employees' training related to products and services offered by the Company with specific focus on front line staff so as to ensure customer understanding on the Takaful concept.
- The Company should increase the frequency of awareness sessions to general public and customers.
- While being the full-fledged and pioneer Islamic Insurance Company, the Company should focus more on implementation of systems to ensure customer confidence in every aspect of its operations to ensure smooth running of business in a Shari'ah-compliant manner.
- It is recommended that Company should continue efforts with Regulators to widen the scope of Shari'ah compliant investment avenues.

OPINION

In our opinion and to the best of our information and belief and according to the explanations given to us:

i. The Takaful Operations, Financial Transactions and Operations undertaken by the Company during the year under review were generally in accordance with the guidelines prescribed by the Shari'ah Advisory Council.
ii. Muslim Shareholders are advised to disburse Zakaah on their shares as per the Islamic Laws of Zakaah. Management has been asked to calculate, in consultation with the Shari'ah Advisory Council, the Zakaah per share that is due by shareholders.

We seek Allah the Almighty to grant us all success and straight-forwardness.

والسلام عليكم ورحمة الله وبركاته

Mufti M.I.M. Rizwe
Chairman – Shari'ah Advisory Council

Ash-Sheikh Fazil Farook
Member – Shari'ah Advisory Council

Ash-Sheikh Murshid Mulaffar
Secretary – Shari'ah Advisory Council

Financial Reports

This statement sets out the responsibilities of the Directors in relation to Financial Statements of the Company. The Directors confirm that the Financial Statements for the year 2016 prepared and presented in this Annual Report are consistent with the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000.

In preparing the Financial Statements, the Directors have adopted appropriate accounting, principles and policies and where relevant, disclosed and explained material departures, if any. The Directors ensure that applicable accounting standards (SLFRSs/LKASs) have been followed and that the judgments and estimates provided are reasonable and prudent and provide a true and fair view of the state of affairs as well as the profitability of the Company. The Directors also state that the Financial Statements are prepared on a going concern basis and a review of the Company's performance indicates that the Company has adequate resources to continue in operation.

The Directors have taken proper and sufficient care to ensure the maintenance of adequate accounting records in conformity with the applicable provisions of the Regulation of Insurance Act No. 43 of 2000 and any other legislations including the Companies Act No. 07 of 2007 to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Company possesses an effective internal audit system commensurate with the size and nature of its business. Steps have also been taken to ensure that proper records are maintained and the information generated is reliable.

It is the responsibility of the Directors to provide the Auditors every opportunity to carry out necessary audit work to enable them to present their audit report. The Directors, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the reporting date have been paid or where relevant provided for.

The Directors are of the view that they have to the best of their knowledge, discharged their responsibilities as set out in this Statement.

For and on behalf of the Board,

Tyeab Akbarally
Chairman

12th April 2017
Colombo

To the Shareholders of Amãna Takaful Life PLC.

ACTUARIAL VALUATION OF THE LONG-TERM INSURANCE BUSINESS AS AT 31ST DECEMBER 2016

We have carried out an actuarial valuation of the Long-Term Insurance Business as at 31st December 2016. We hereby certify that, in our opinion,

1. Proper records have been kept by the Company, which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long-Term Insurance Fund;
2. Adequate and proper reserves have been provided as at 31st December 2016, for insurance-related risk liabilities in respect of the Long-Term Insurance Fund, taking into account all current and contingent liabilities as at that date.

Zainal Abidin Mohd. Kassim
Fellow of the Institute of Actuaries

Actuarial Partners Consulting Sdn. Bhd.
Suite 17.02, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Tel.: 603 2161 0433
Fax: 603 2161 3595

Kuala Lumpur
6th April 2017

EY
Building a better working world

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TO THE SHAREHOLDERS OF AMÃNA TAKAFUL LIFE PLC

Report on the financial statements

We have audited the accompanying financial statements of Amãna Takaful Life PLC, ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the financial statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

a) The basis of opinion and Scope and Limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act.

As required by 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 Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Ernst & Young

12 April 2017
Colombo

As at 31st December	Notes	2016 Rs.	2015 Rs.
Assets			
Intangible Assets	4	23,548,554	18,408,393
Property, Plant and Equipment	5	17,466,682	14,932,250
Financial Investments	6	1,018,398,153	1,089,312,676
Retakaful (Reinsurance) Receivables	7	2,250,872	1,971,740
Contribution (Premium) Receivables	8	27,199,034	54,301,541
Other Assets	9	38,754,561	33,673,170
Other Assets – Unit Linked	10	32,055,415	37,971,813
Financial Investments – Unit Linked	11	1,441,276,267	1,054,182,514
Cash and Bank Balances	12	34,456,620	52,557,390
Cash and Bank Balances – Unit Linked	12	72,192,842	46,639,393
Total Assets		2,707,599,000	2,403,950,880
Liabilities			
Insurance Contract Liabilities – Family Takaful Fund	13	559,913,844	574,710,988
Insurance Contract Liabilities – Family Takaful Unit Linked	13	1,504,144,873	1,191,795,346
Employee Benefits	14	4,316,884	4,558,055
Finance Lease Liability	17	6,200,918	–
Other Liabilities – Unit Linked	15	50,315,575	39,436,758
Other Liabilities	16	59,189,744	77,856,179
Total Liabilities		2,184,081,838	1,888,357,326
Shareholders' Equity			
Equity Attributable to Equity Holders of the Parent			
Stated Capital	18	500,000,000	500,000,000
Other Reserves	19	(2,668,935)	2,070,608
Accumulated Profit		26,186,097	13,522,946
Total Equity		523,517,162	515,593,554
Total Equity and Liabilities		2,707,599,000	2,403,950,880

I certify that Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

M. Rinaz Niyas
Head of Finance

Gehan Rajapakse
Chief Executive Officer

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

M.H.M. Rafiq
Director

M. Fazal Ghaffoor
Director

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

12th April 2017
Colombo

Year ended 31st December	Notes	2016 Rs.	2015 Rs.
Gross Written Contribution (Premium)	20	**820,726,086**	928,293,779
Less: Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)		**(18,204,267)**	(18,481,675)
Net Written Contribution (Premium)		**802,521,819**	909,812,104
Net Change in Reserve for Unearned Contribution (Premium)		**3,534,978**	(1,747,735)
Net Earned Contribution (Premium)		**806,056,797**	908,064,369
Other Revenue			
Income from Investments	21	**204,424,159**	123,066,109
Other Income	22	**18,364,941**	7,137,381
Total Revenue		**1,028,845,897**	1,038,267,859
Expenses			
Takaful (Insurance) Claims and Benefits (Net)	23	**(320,181,336)**	(207,571,761)
Acquisition Cost (Net of Reinsurance Commission)		**(108,237,418)**	(97,321,850)
Change in Family Takaful Contract Liability		**(301,048,132)**	(482,826,577)
Other Operating and Administration Expenses	24	**(261,367,540)**	(231,178,341)
Amortisations		**(1,138,797)**	(875,467)
Total Expenses		**(991,973,223)**	(1,019,773,996)
Profit from Operations	26	**36,872,674**	18,493,863
Finance Cost	25	**(1,181,605)**	(429,933)
Profit Before Taxation		**35,691,068**	18,063,930
Income Tax	27	**–**	–
Profit for the Year		**35,691,068**	18,063,930
Earnings per Share	28	**0.07**	0.04
Profit for the Year		**35,691,068**	18,063,930
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods			
Net Change in Fair Value of Available-for-Sale Financial Assets		**–**	(1,602,755)
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to the Income Statement		**87,434**	84,697
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred (to)/from Life policy Holders Reserve		**(2,777,644)**	(98,867)
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial Loss on Defined Benefit Plans	14.1	**(1,637,240)**	(3,636,005)
Revaluation of Property, Plant and Equipment		**–**	2,169,475
Other Comprehensive Expense		**(4,327,450)**	(3,083,455)
Total Comprehensive Income for the Year		**31,363,618**	14,980,475

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

Year ended 31st December 2016	Stated Capital	Other Reserves			Accumulated Profit	Total
		Available-for-Sale Reserve	Life Policyholders' Reserve Fund	Revaluation Reserve		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2015	120,000,000	1,518,058	–	–	(904,979)	120,613,079
Profit for the Year	–	–	–	–	18,063,930	18,063,930
Other Comprehensive Income						
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to the Income Statement	–	84,697	–	–	–	84,697
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to Life Policy Holders Reserve Fund	–	–	(98,867)	–	–	(98,867)
Net Change in Fair Value of Available-for-Sale Financial Assets Net of Deferred Tax	–	(1,602,755)	–	–	–	(1,602,755)
Actuarial Loss on Defined Benefit Plans	–	–	–	–	(3,636,005)	(3,636,005)
Revaluation of Property, Plant and Equipment	–	–	–	2,169,475	–	2,169,475
Total Comprehensive Income	–	(1,518,058)	(98,867)	2,169,475	14,427,925	14,980,475
Issue of Ordinary Shares	380,000,000	–	–	–	–	380,000,000
Balance as at 31st December 2015	500,000,000	–	(98,867)	2,169,475	13,522,946	515,593,554
Profit for the Period	–	–	–	–	35,691,068	35,691,068
Other Comprehensive Income						
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to the Income Statement	–	–	87,434	–	–	87,434
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to Life Policy Holders Reserve Fund	–	–	(2,777,644)	–	–	(2,777,644)
Actuarial Loss on Defined Benefit Plans	–	–	–	–	(1,637,240)	(1,637,240)
Total Comprehensive Income	–	–	(2,690,210)	–	34,053,828	31,363,618
Transfer of Revaluation Surplus to Retained Earnings, at the Disposal	–	–	–	(2,049,333)	2,049,333	–
Expenses on Initial Public Offer	–	–	–	–	(13,440,011)	(13,440,011)
Dividend Paid	–	–	–	–	(10,000,000)	(10,000,000)
Balance as at 31st December 2016	**500,000,000**	**–**	**(2,789,077)**	**120,142**	**26,186,097**	**523,517,162**

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

Year ended 31st December	Notes	2016 Rs.	2015 Rs.
Operating Activities			
Contribution (Premium) Received from Customers		843,895,322	917,357,687
Retakaful (Reinsurance) Premium Paid		(17,940,168)	(2,627,364)
Claims, Benefits and Expenses Paid		(318,473,782)	(312,346,176)
Retakaful (Reinsurance) Receipts in Respect of Claims		–	(13,709,872)
Cash Paid to and on Behalf of Employees		(82,134,917)	(65,806,546)
Profits Received from Investments		87,542,592	101,680,807
Finance Cost paid		(1,181,605)	(429,933)
Dividends Received		4,925,312	14,689,382
Other Operating Cash Payments		(160,416,801)	(167,056,450)
Net Flow from Operating Activities (Note A)		356,215,953	471,751,535
Investing Activities			
Net Purchase of Investment Securities		(430,850,916)	(551,350,499)
Purchase of Intangible Assets	4	(6,278,958)	(5,849,671)
Purchase of Property, Plant and Equipment		(3,062,771)	(8,908,111)
Proceeds from Disposal of Property, Plant and Equipment		4,125,000	–
Disposal of Investment Property		–	43,683,332
Purchase of Investment Property		–	(43,683,332)
Net Cash Flow Used in Investing Activities		(436,067,645)	(566,108,282)
Financing Activities			
Dividend Paid		(10,000,000)	–
Expenses on Initial Public Offer		(13,440,011)	–
Proceeds from Rights Issue		–	380,000,000
Repayment of Finance Lease Liability		(1,276,320)	–
Net cash Flows (Used in) from Financing Activities		(24,716,331)	380,000,000
Net Increase/(Decrease) in Cash and Cash Equivalents		(104,568,023)	285,643,254
Cash and Cash Equivalents at the Beginning of the Year		401,665,787	116,022,533
Cash and Cash Equivalents at the end of the Year	12.1	297,097,764	401,665,787

Year ended 31st December	Notes	2016 Rs.	2015 Rs.
Note A			
Reconciliation of Operating Profit with Cash Flows from Operations			
Profit from Operations		36,872,674	18,493,863
Depreciation		4,526,508	1,920,510
Amortisation	4	1,138,797	875,467
Provision for Gratuity	14.1	1,152,682	922,050
Gain on Disposal of Plant and Equipment	22	(645,930)	–
Decrease/(Increase) in Debtors and Other Assets		27,658,384	(43,440,148)
Increase in Family Takaful (Long-Term Insurance) Fund		301,048,132	482,826,577
(Decrease)/Increase in Unearned Contribution (Premium)		(3,534,978)	1,747,735
(Decrease)/Increase in Other Creditors		(7,787,618)	8,835,415
Cash Flow from Operating Activities		360,428,651	472,181,468
Finance Cost Paid		(1,181,605)	(429,933)
Gratuity Paid		(3,031,093)	–
Net Cash Flows from Operating Activities		356,215,953	471,751,535

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

As at 31st December 2016	Family Takaful Fund Rs.	Shareholders' Fund Rs.	Adjustments Rs.	Total Rs.
Assets				
Intangible Assets	–	23,548,554	–	23,548,554
Property, Plant and Equipment	–	17,466,682	–	17,466,682
Financial Investments	579,238,017	439,160,136	–	1,018,398,153
Retakaful (Reinsurance) Receivables	2,250,872	–	–	2,250,872
Contribution (Premium) Receivables	27,199,034	–	–	27,199,034
Other Assets	5,716,680	33,037,881	–	38,754,561
Other Assets – Unit Linked	32,055,415	–		32,055,415
Financial Assets – Unit Linked	1,441,276,267	–	–	1,441,276,267
Inter Fund Receivable	40,602,551	–	(40,602,551)	–
Management Fee Receivable	–	70,255,412	(70,255,412)	–
Cash and Bank Balances	19,923,347	14,533,273	–	34,456,620
Cash and Bank Balances – Unit Linked	72,192,842	–	–	72,192,842
Total Assets	2,220,455,024	598,001,939	(110,857,965)	2,707,599,000
Liabilities				
Insurance Contract Liabilities – Family Takaful Fund	559,913,844	–	–	559,913,844
Insurance Contract Liabilities – Family Takaful Unit Linked	1,504,144,873	–	–	1,504,144,873
Employee Benefits	–	4,316,884	–	4,316,884
Other Liabilities – Unit Linked	50,315,575	–	–	50,315,575
Finance Lease Liability	–	6,200,918	–	6,200,918
Other Liabilities	38,614,398	20,575,347	–	59,189,744
Inter Fund Payable	–	40,602,552	(40,602,551)	–
Management Fee Payable	70,255,410	–	(70,255,412)	–
Total Liabilities	2,223,244,100	71,695,700	(110,857,965)	2,184,081,838
Shareholders' Equity				
Equity Attributable to Equity Holders of the Parent				
Stated Capital	–	500,000,000	–	500,000,000
Other Reserves	(2,789,077)	120,142	–	(2,668,935)
Accumulated Profit	–	26,186,097	–	26,186,097
Total Equity	(2,789,077)	526,306,239	–	523,517,162
Total Equity and Liabilities	2,220,455,024	598,001,939	(110,857,965)	2,707,599,000

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

Year ended 31st December 2016	Family Takaful Rs.	Shareholders' Fund Rs.	Adjustments Rs.	Total Rs.
Gross Written Contribution (Premium)	820,726,086	–	–	820,726,086
Less: Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)	(18,204,267)	–	–	(18,204,267)
Net Written Contribution (Premium)	802,521,819	–	–	802,521,819
Add: Unearned Takaful Contribution (Premium) at the Beginning of the Year	8,346,453	–	–	8,346,453
Less: Unearned Takaful Contribution (Premium) at the end of the Year	(4,811,475)	–	–	(4,811,475)
Net Earned Contribution (Premium)	806,056,797	–	–	806,056,797
Other Income				
Management Fee from Contribution (Premium) – Others	–	255,832,430	(255,832,430)	–
Management Fee from Investment Income	–	23,302,583	(23,302,583)	–
Income from Investments	167,507,609	36,916,550	–	204,424,159
Other Operating Income	6,974,318	22,652,279	(11,261,656)	18,364,941
Total Revenue	980,538,725	338,703,841	(290,396,669)	1,028,845,897
Benefits, Losses and Expenses				
Takaful (Insurance) Claims and Benefits – Net	(320,181,336)	–	–	(320,181,336)
Acquisition Cost (Net of Reinsurance Commission)	(4,296,834)	(103,940,584)	–	(108,237,418)
Increase in Family Takaful (Long-term Insurance) Fund	(301,048,132)	–	–	(301,048,132)
Management Fee from Contribution (Premium) – Comprising Acquisition Cost	(279,135,013)	–	279,135,013	–
Profit Before Indirect Expenses	75,877,410	234,763,257	(11,261,656)	299,379,011
Less: Indirect Expenses				
Other Operating and Administration Expenses	(75,877,410)	(192,225,279)	11,261,656	(256,841,033)
Amortisations	–	(1,138,797)	–	(1,138,797)
Depreciation	–	(4,526,507)	–	(4,526,507)
Finance Cost	–	(1,181,605)	–	(1,181,605)
Profit Before Taxation	–	35,691,068	–	35,691,068
Income Tax	–	–	–	–
Profit for the Period	–	35,691,068	–	35,691,068

The Accounting Policies and Notes on pages 65 through 106 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Amãna Takaful Life PLC ('the Company') is a public listed company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 660-1/1, Galle Road, Colombo 03.

1.2 Principal Activities and Nature of Operation

Company

The principal activities of the Company are underwriting of Family (Life) Takaful Insurance businesses in both Unitised and Non-Unitised contracts. Unit Linked contracts are which, contract benefits are determined by reference to the unit prices of respective investment Fund.

However, in line with the guidelines issued by Insurance Board of Sri Lanka (IBSL) for segregation of composite insurance companies, the commercial operations of the Company commenced with effect from 1st January 2015 as follows:

Amãna Takaful Life PLC was incorporated on 10th July 2014 in order to transfer the Family Takaful business of Amãna Takaful PLC, with effect from 1st January 2015 in line with the requirement to segregate Life and General Insurance business as required by the RII (Amendment) Act No. 03 of 2011.

Amãna Takaful PLC invested Rs. 120 Mn in line with the regulatory requirements in the Company on 6th August 2014.

A further investment of Rs. 380 Mn was made in the Company in January 2015 in order to meet its regulatory minimum capital requirements. Accordingly, the total Stated Capital of the Company is Rs. 500 Mn.

Having increased the capital and obtained all regulatory and other approvals, Amãna Takaful PLC transferred its Family Takaful business to Amãna Takaful Life PLC, with effect from 1st January 2015 in line with the IBSL guidelines for segregation of composite insurance companies.

Amãna Takaful Life Limited listed on *Diri Savi* Board of the Colombo Stock Exchange during the year 2016 by way of offering 50 million ordinary voting shares at 1.50 Rupees per share, which represents a 10% stake in the Company. Company's name was changed during the year from Amãna Takaful Life Limited to Amãna Takaful Life PLC.

1.3 Parent Entity and Ultimate Parent Entity

The Parent Entity of the Company is Amãna Takaful PLC. In the opinion of the Directors, the Ultimate Parent undertaking and controlling party is Aberdeen Holdings (Pvt) Ltd., which is incorporated in Sri Lanka.

1.4 Date of Authorisation for Issue

The Financial Statements of Amãna Takaful Life PLC for the year ended 31st December 2016 was authorised for issue by the Board of Directors on 12th April 2017.

1.5 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements.

2. BASIS OF PREPARATION

The Company's Statement of Financial Position represents the assets, liabilities of Family Takaful Fund (Unitised and Non-Unitised) and equity Shareholders' Fund.

The Company's Statement of Comprehensive Income reflects revenue, investment income, other income and related expenses attributable to Family Takaful Fund (Unitised and Non-Unitised) and equity Shareholders' Fund.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2.1 Statement of Compliance

The Statement of Financial Position, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with accounting policies and Notes ('Financial Statements') as at 31st December 2016, have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Motor vehicles in Property, Plant and Equipment measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Investment properties, which are measured at fair value
- Policyholder's liabilities have been measured at actuarial determined values
- The liability for Defined Benefit Obligations are actuarially valued and recognised at the present value

The Company presents its Statement of Financial Position broadly in the order of liquidity.

2.3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency and all financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.4 Use of Estimates and Judgments

In the process of applying the Company's accounting policies, management is required to make judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Statements. Further, management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The respective carrying amounts of assets and liabilities are given in related Notes to the Financial Statements. Actual results may differ from these estimates.

2.4.1 Assumptions and Estimations

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The key items as such are discussed below:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31st December 2016 is included in the following notes:

Actuarial Valuations of the Insurance Provisions

Note 13 – Long-Term Insurance Provision – (Family Takaful Fund)

The valuation of Long-Term Insurance Provision was carried out by Mr. Zainal Abidin Mohd Kassim (BSC, FIA, ASA) of Actuarial Partners Consulting Sdn Bhd.

Life insurance liabilities are recognised when contracts are entered into and premiums are receivable. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using a liability adequacy test.

Significant estimates and assumptions made in respect of Actuarial Valuations have been disclosed in the Note 13.2 to the Financial Statements.

Note 14 – Employee Benefits

The Defined Benefit Obligation and the related charge for the year are determined using assumptions required under actuarial valuation techniques. The valuation involves making assumptions about discount rates, future salary increases, staff turnover rates etc. Due to the long-term nature of such obligations these estimates are subject to significant uncertainty.

Note 27 – Deferred Tax Asset

Deferred tax assets are recognised for all 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 best estimate of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Note 6 – Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques.

Note 30 – Provisions for Liabilities and Contingencies

The Company receives legal claims against in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claim is uncertain, as in the amount of possible outflow of economic benefits.

Timing and cost ultimately depend on the due process in respective legal jurisdiction.

Note 5 – Property, Plant and Equipment

The Company's entire class of motor vehicles were carried at revalued amounts, assessed by independent professional valuation organisation. Valuation was made on the basis of open market value available.

2.5 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 5 – Property, Plant and Equipment
- Note 6 – Financial Investments

2.6 Segment Reporting

A segment is a distinguishable component of the Company engaged in providing services subject to risks and rewards that are different to those of other segments.

Segmental information is based on industry segments reflecting the Company's management structure.

Segmentation has been determined based on the activities of the Company or sectors into which the product or services are sold. The primary format is based on the core business, Family and Fund management services of Shareholders' Fund.

Inter-segment transactions are based on fair market prices.

Expenses directly identified to a particular segment are charged accordingly. Expenses that cannot be directly identified to a particular segment are allocated on basis decided by the management and applied consistently throughout the period.

The Company's activities are located mainly in Sri Lanka. Consequently, assets and liabilities by geographic region are considered not material to be disclosed.

2.7 Going Concern

These Financial Statements are presented on the assumption that the Company is a going concern. The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend to liquidate.

2.8 Summary of Significant Accounting Policies

2.8.1 Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss); are recognised in Other Comprehensive Income.

2.8.2 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that items recognised directly in equity or in Other Comprehensive Income.

Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

Deferred Taxation

Deferred income tax is assessed, using the asset method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

2.8.3 Intangible Assets

Software

Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses.

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 is 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 is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the nature of the intangible asset. Amortisation commences when the assets were available for use.

The useful lives and the amortisation method of intangible assets with finite lives are as follows:

Class	Useful Life	Amortisation Method
Computer Software	20 years	Straight line method

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

2.8.4 Prepaid Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as prepaid expenditure. Such expenditure is written off over the period to which it relates, on a straight-line basis.

2.8.5 Retakaful (Reinsurance) and Contribution (Premium) Receivable

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. 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 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 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 Company will receive from the reinsurer. The impairment loss is recorded in the Statement of Comprehensive Income.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

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

2.8.6 Other Assets and Receivables

Other assets and receivables are stated at their estimated realisable value.

2.8.7 Property, Plant and Equipment

Cost

The Property, Plant and Equipment are stated at cost (except for motor vehicles) less accumulated depreciation and any accumulated impairment losses.

The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

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.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

The motor vehicles are revalued every three years on a roll-over basis to ensure that the carrying amounts do not differ materially from the fair value at the reporting date.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or losses arising on derecognition of the asset is included in the Statement of Comprehensive Income in the year the asset is derecognised.

Restoration Cost

Expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from originally-assessed standard of performance, is recognised as an expense when incurred.

Depreciation

The Company provides depreciation from the date of assets are available for use up to the date of disposal on a straight-line basis over the period appropriate to the estimated useful lives of the different types of assets. Operating leased assets if any, are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of Property, Plant and Equipment are as follows:

Class	Useful Life (Years)
Motor Vehicles	05
Computer Equipment	05
Other Equipment	05
Furniture and Fittings	10
Leasehold vehicle	05

The Company provides depreciation from the date the assets are available for use up to the date of disposal.

2.8.8 Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.9 Financial Instruments

The Company classifies non-derivative financial assets into the following categories: Financial Assets at Fair Value through Profit or Loss, Loans and Receivables and Available-for-Sale Financial Assets.

The Company classifies non-derivative financial liabilities into the Other Financial Liabilities category.

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

The Company's existing types of financial instruments and their classifications are shown in the table below:

Financial Asset	Category
Equity Shares	Fair Value through Profit or Loss and Available-for-Sale
Unit Trust	Available-for-Sale
Term Deposits/ Mudharaba Deposits	Loans and Receivables
Treasury Bills/ Repurchase Agreements	Loans and Receivables
Commercial Papers	Loans and Receivables
Financial Liability	**Category**
Other Liabilities	Other Financial Liabilities

2.9.1 Recognition of Financial Instruments

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at Fair Value through Profit or Loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.9.2 Measurement

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met.

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or the assets and liabilities are part of a Company of financial instruments, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Directly attributable transaction costs are recognised in Statement of Comprehensive Income as incurred. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the Statement of Comprehensive Income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired, as well as through the amortisation process.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

Investments with short maturities i.e., three months or less from the date of acquisition are also treated as cash equivalents.
The Cash Flow Statement has been prepared using the direct method. Interest and dividend received are classified as operating cash flows.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

These investments are initially recorded at fair value plus any directly attributable transaction costs. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income and accumulated in the available-for-sale reserve until the investment is derecognised or the investment is determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the Statement of Comprehensive Income.

Other financial liabilities are non-derivative financial liabilities which are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

2.9.3 Impairment of Financial Assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

Assets Carried at Amortised Cost

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

The carrying amount of the asset is reduced and the loss is recorded in the Statement of Comprehensive Income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a company of financial assets with similar credit risk characteristics and that company of financial assets is collectively assessed 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. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-Sale Financial Investments

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity to the Statement of Comprehensive Income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the Statement of Comprehensive Income.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the Statement of Comprehensive Income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the Statement of Comprehensive Income.

Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

2.9.4 Derecognition of Financial Instruments

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

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

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. 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 Company could be required to repay.

When continuing involvement takes the form of a written and/ or purchased option (including cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.10 Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Comprehensive Income in the year in which they arise. Valuation of investment property by a professional valuer is carried out every year.

Investment properties are derecognised when either 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 Statement of Comprehensive Income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. 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. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change.

2.11 Liabilities and Provisions (Excluding Insurance Contracts)

Liabilities

All known liabilities have been accounted for in preparing the Financial Statement.

Provisions (Excluding Insurance Contracts)

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.12 Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 – 'Employee Benefits'.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. The Company is liable to pay gratuity in terms of relevant statute. In order to meet this liability, a provision is carried forward in the Statement of Financial Position.

The item is stated under Defined Benefit Liability in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

Actuarial gains or losses are recognised in the Statement of Other Comprehensive Income in the period in which they arise.

Recognition of Past Service Cost

Past Service Costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognised immediately.

Funding Arrangements

The Gratuity liability is not externally funded.

Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Short-Term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.13 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each Reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 Takaful Contribution (Premium)

Contributions (premiums) from Family Takaful (traditional life insurance) contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when payable by the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. Moreover, for single contribution (premium) contracts, contributions (premiums) are recorded as income when received with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Retakaful Contracts (Reinsurance Contracts)

Outward Retakaful contributions (reinsurance premiums) are recognised when payable. Retakaful (Reinsurance) recoveries are credited to match the relevant gross claims.

Claims

Death claims are recorded on the basis of notifications received. Maturities are recorded when due. Claims on participating business include profit. Claims payable include direct costs of settlement.

The interim payments (Part withdrawals) and surrenders are accounted only at the time of settlement.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Technical Provisions – Family Takaful Business Provision and Provision for Unit-Linked Liabilities

The Directors agree to the Family Takaful (long-term insurance) business provisions for the Company on the recommendation of reporting actuary following his annual investigation of the Family Takaful (life insurance) business.

The actuary's valuation takes into account of all liabilities including contingent liabilities and is based on the assumptions recommended by the consultant actuary.

2.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue:

Wakala Fee (Agency/Management Fee)

Wakala Fee (Agency/Management Fee) on Takaful Contribution (Insurance Premium)

The management fee is charged on contribution of Family Takaful certificates at the following rates:

Family Takaful Products	First Year	55%
	Second Year	35%
	Third Year	25%
	Fourth Year	12%
	Fifth and after	02%
Mortgage Family Takaful (Insurance) Policies		20%
Company Family Takaful (Insurance) Policies		30%

Wakala Fee (Agency/Management Fee) on Investment Income

The Shareholders' fund is entitled for agency fee of 50% on net investment income and does not share the losses.

Income from Government Securities

Interest income is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest rate method. 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

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

Realised/Unrealised Gains and (Losses)

Realised gains and losses recorded in the Statement of Comprehensive Income on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Others

Other income is recognised on an accrual basis.

2.16 Expenditure Recognition

Expenses are recognised in the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

Surplus refund is made only when the Fund is in a surplus and to those participants who have not made any claims during the policy period.

For the purpose of presentation of Statement of Comprehensive Income, the Directors are of the opinion that nature of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

2.17 Events After the Reporting Period

All material post-reporting events have been considered and where appropriate adjustments or disclosures have been made in Note 31 to the Financial Statements.

2.18 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Company are disclosed in the Financial Statements.

2.19 Stated Capital

Stated capital in relation to a company means the total of all amounts received by the Company or due and payable to the Company.

2.20 Current and Non-Current Classification

The Company presents assets and liabilities in Statement of Financial Position under liquidity basis. Current non-current analysis of financial assets and liabilities are given under liquidity disclosure Note 33.7.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Impending accounting standards/standards issued not yet effective

Certain new accounting standards and amendments/ improvements to existing standards have been published, that are not mandatory for 31st December 2016 reporting periods. None of those have been early adopted by the Company.

Sri Lanka Accounting Standard (SLFRS) 9 – 'Financial Instrument: Recognition and Measurement' and Amendments to Sri Lanka Accounting Standard (SLFRS) 4 – 'Insurance Contracts'

SLFRS 9 replaces the existing guidance in LKAS 39 – 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted. However, based on the amendments to SLFRS 4 – 'Insurance Contracts', issued by CA Sri Lanka on 24th November 2016, the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 9 until earlier of 2021 due to forthcoming insurance contract standard which is currently expected to commence in 2020.

A preliminary evaluation of SLFRS 9 has been performed. However, the Company is currently in the process of evaluating and quantifying the accounting impact.

SLFRS 15 – 'Revenue from Contracts with Customers'

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

SLFRS 15 is effective for annual Reporting periods beginning on or after 1st January 2018, with early adoption permitted. A preliminary evaluation of the existing contracts has been performed relation to the adoption of SLFRS 15. The Company's current assessment has not revealed a significant change to the revenue recognition pattern. However, the Company is currently in the process of evaluating and quantifying the accounting impact and any impacts on the current systems and processors will be modified where necessary.

SLFRS 16 – 'Leases'

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: 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. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with Customers. SLFRS 16 is effective for annual reporting periods beginning on or after 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

LKAS 7 – 'Disclosure Initiative' – Amendments to LKAS 7

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

4. INTANGIBLE ASSETS

	2016 Rs.	2015 Rs.
Cost		
At beginning of the Year	19,569,694	13,720,023
Additions during the Year	6,278,958	5,849,671
At end of the Year	25,848,652	19,569,694
Amortisation		
At beginning of the Year	1,161,301	285,834
Amortisation charge for the Year	1,138,797	875,467
At end of the Year	2,300,098	1,161,301
Carrying Value	23,548,554	18,408,393

4.1 Acquisition of Intangible Assets during the Year

During the financial year, the Company acquired/capitalised Intangible Assets (Computer Software) to the aggregate value of Rs. 6,278,958/- (2015 – Rs. 5,849,671/-). Cash payments (Including Advances paid on Software) amounting to same were made during the year for purchase of Intangible Assets (Computer Software).

4.2 Fully-Amortised Intangible Assets in Use

There are no intangible assets that is amortised fully as at reporting date.

4.3 Title Restriction on Intangible Assets

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

4.4 Assessment of Impairment of Intangible Assets

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

4.5 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2015 – Nil).

5. PROPERTY, PLANT AND EQUIPMENT

	2016 Rs.	2015 Rs.
Freehold Property, Plant and Equipment (Note 5.1)	8,803,192	14,932,250
Leasehold Property, Plant and Equipment (Note 5.2)	8,663,490	–
	17,466,682	14,932,250

5.1 Freehold Property, Plant and Equipment

	Balance as at 1st January 2016 Rs.	Additions during the Year Rs.	Disposals during the Year Rs.	Balance as at 31st December 2016 Rs.
At Cost				
Motor Vehicles	4,905,001	–	(4,400,000)	505,001
Computer Equipment	4,732,293	209,150	–	4,941,443
Other Equipment	2,082,785	456,350	–	2,539,135
Furniture and Fittings	4,576,210	66,785	–	4,642,995
Total Value of Depreciable Assets	16,296,289	732,285	(4,400,000)	12,628,574

	Balance as at 1st January 2016 Rs.	Charge for the Year Rs.	Disposals during the Year Rs.	Balance as at 31st December 2016 Rs.
Accumulated Depreciation				
Motor Vehicles	–	1,061,860	(920,930)	140,930
Computer Equipment	784,278	952,457	–	1,736,735
Other Equipment	146,638	449,379	–	596,017
Furniture and Fittings	433,123	918,577	–	1,351,700
Total Depreciation	1,364,039	3,382,273	(920,930)	3,825,382
Carrying Amount	14,932,250			8,803,192

	Balance as at 1st January 2015 Rs.	Additions during the Year Rs.	Eliminations Rs.	Revaluation Gain/(Loss) Rs.	Balance as at 31st December 2015 Rs.
Freehold Property, Plant and Equipment					
At Cost					
Motor Vehicles	3,817,011	–	(1,081,486)	2,169,475	4,905,000
Computer Equipment	2,483,178	2,249,115	–	–	4,732,293
Other Equipment	–	2,082,785	–	–	2,082,785
Furniture and Fittings	–	4,576,211	–	–	4,576,211
Total Value of Depreciable Assets	6,300,189	8,908,111	(1,081,486)	2,169,475	16,296,289

	Balance as at 1st January 2015 Rs.	Charge for the Year Rs.	Eliminations Rs.	Disposals during the Year Rs.	Balance as at 31st December 2015 Rs.
Accumulated Depreciation					
Motor Vehicles	318,084	763,402	(1,081,486)	–	–
Computer Equipment	206,931	577,347	–	–	784,278
Other Equipment	–	146,638	–	–	146,638
Furniture and Fittings	–	433,123	–	–	433,123
Total Depreciation	525,015	1,920,510	(1,081,486)	–	1,364,039
Carrying Amount	5,775,174				14,932,250

5.2 Leasehold Property, Plant and Equipment

	Balance as at 1st January 2016 Rs.	Additions during the Year Rs.	Disposals during the Year Rs.	**Balance as at 31st December 2016 Rs.**
Cost/Valuation				
Motor Vehicles	–	9,807,725	–	**9,807,725**
Total Value of Depreciable Assets	–	9,807,725	–	**9,807,725**

	Balance as at 1st January 2016 Rs.	Charge for the Year Rs.	Disposals during the Year Rs.	**Balance as at 31st December 2016 Rs.**
Accumulated Depreciation				
Motor Vehicles	–	1,144,235	–	**1,144,235**
Total Depreciation	–	1,144,235	–	**1,144,235**
Carrying Amount	–			**8,663,490**

5.3 Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 732,285/- for cash consideration.

5.4 Fully-Depreciated Property, Plant and Equipment in Use

There are no fully depreciated items of Property, Plant and Equipment as at 31st December 2016.

5.5 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

5.6 Assessment of Impairment of Property, Plant and Equipment

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

5.7 Capitalisation of Borrowing Costs

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

5.8 Revaluation

In 2015, the Company's entire class of motor vehicles were revalued by De Silva Motor Engineers (Pvt) Ltd., which is a professional valuation organisation. Valuation was made on the basis of open market value which is the Level Two in the fair value hierarchy. In carrying out such valuation market value of similar make, life and condition and year of manufacture of vehicles have been used as main inputs. The revaluation surplus was transferred to the Revaluation Reserve. The carrying amount of revalued motor vehicles that would have been included in the Financial Statements had the assets been carried at cost would have been as follows:

	2016 Rs.	2015 Rs.
Cost	537,011	3,817,011
Accumulated depreciation	(532,888)	(1,081,486)
Carrying Value	4,123	2,735,525

	2016 Rs.	2015 Rs.
6. FINANCIAL INVESTMENTS		
Financial Assets at Fair Value through Profit or Loss (Note 6.3.1)	18,939,154	81,526,995
Available-for-Sale Financial Assets (Note 6.3.2)	24,595,623	67,873,173
Loans and Receivable (Note 6.3.3)	974,863,376	939,912,508
	1,018,398,153	1,089,312,676

6.1 Fair Value through Profit or Loss Investments and Available-for-Sale Investments have been valued at fair value. Loans and Receivable are valued at amortised cost.

	2016 Rs.	2015 Rs.
6.3.1 Financial Investments at Fair Value through Profit or Loss		
Investments in Equity Securities (Note 6.5)	18,939,154	81,526,995
	18,939,154	81,526,995
6.3.2 Financial Investments at Available-for-Sale Financial Assets		
Unit Trust – Candor Balance Fund	12,448,401	30,453,810
Unit Trust – Candor Income Fund	12,147,222	26,310,416
Unit Trust – Crecent I Fund	–	11,108,947
	24,595,623	67,873,173
6.3.3 Loans and Receivable		
Investment in Repurchase Agreements	284,299,622	297,314,106
Mudharaba Investments	457,031,809	642,598,402
Investment in Commercial Papers	233,531,945	–
	974,863,376	939,912,508

6.4 Investments in Government Securities are made for the purpose of meeting the requirements of the Regulation of Insurance Industry Act No. 43 of 2000.

6.5 Investments in Equity Securities

	2016		2015	
	Number of Shares	Market Value Rs.	Number of Shares	Market Value Rs.
At Fair Value through Profit and Loss				
Access Engineering PLC	70,000	1,736,000	252,000	5,821,200
Alumex PLC	95,000	1,919,000	–	–
Chevron Lubricants Lanka PLC	40,100	6,299,710	20,050	6,897,200
Colombo Dockyard PLC	22,341	1,756,002	22,341	3,353,384
Dialog Axiata PLC	–	–	1,254,000	13,417,800
Dipped Products PLC	–	–	28,500	3,135,000
Haycarb PLC	10,000	1,500,000	10,000	1,649,000
Kelani Vally Plantations PLC	11,100	664,890	11,100	777,000
Lanka IOC PLC	–	–	91,700	3,402,070
Piramal Glass PLC	301,209	1,596,408	301,209	1,837,375
Renuka Agri Foods PLC	–	–	842,909	3,455,927
Singer (Sri Lanka) PLC	–	–	32,053	4,420,109
Textured Jersey Lanka PLC	–	–	643,000	22,826,500
Tokyo Cement Company (Lanka) PLC – Non-Voting	50,000	2,575,000	248,000	9,796,000
Tokyo Cement Company (Lanka) PLC – Voting	15,070	892,144	15,070	738,430
	614,820	18,939,154	3,771,932	81,526,995

6.6 Fair Value Hierarchy for Assets Carried at Fair Value

The different levels have been defined as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows the fair value hierarchy of the financial assets carried at fair value:

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
(a) Fair Value through Profit or Loss Financial Assets			
As at 31st December 2016			
Investments in Equity Securities	18,939,154	–	–
Investments in Equity Securities – Unit Linked (Note 11.1)	96,108,685	–	–
	115,047,839	–	–
As at 31st December 2015			
Investments in Equity Securities	81,526,995	–	–
Investments in Equity Securities – Unit Linked (Note 11.1)	104,724,075	–	–
	186,251,070	–	–
(b) Available-for-Sale Financial Assets			
As at 31st December 2016			
Unit Trust	–	24,595,623	–
Unit Trust – Unit Linked (Note 11.2)	–	21,669,060	–
	–	46,264,683	–
As at 31st December 2015			
Unit Trust	–	30,453,810	–
Unit Trust – Unit Linked (Note 11.2)		21,572,040	
	–	52,025,850	–

The fair value of unit trusts directly obtained from the unit trust market and categorised under level two, based on the expanded level of the market. The Company used average unit price of Rs. 10.17 and Rs. 10.31 respectively for Unit Linked investments as at 31st December 2016.

The following financial instruments not measured at fair value are financial instruments for which their carrying amounts are a reasonable approximation of fair value, because for example, they are short-term in nature or repriced to current market rates frequently:

	2016 Rs.	2015 Rs.
Carrying Amount		
Financial Assets		
Loans and Receivables	974,863,376	939,912,508
Loans and Receivables – Unit Linked	1,323,498,522	927,886,399
Retakaful (Reinsurance) Receivables	2,250,872	1,971,740
Contribution (Premium) Receivables	27,199,034	54,301,541
Other Assets	30,790,121	6,554,684
Other Assets – Unit Linked	32,055,415	37,971,813
Cash and Bank Balances	34,456,620	52,557,390
Cash and Bank Balances – Unit Linked	72,192,842	46,639,393
	2,497,306,802	2,067,795,469
Financial Liabilities		
Finance Lease Liability	6,200,918	–
Other Liabilities – Unit Linked	16,054,925	18,162,710
Other Liabilities	29,158,328	39,436,758
	51,414,171	57,599,468

7. RETAKAFUL (REINSURANCE) RECEIVABLES

7.1 Impairment Losses on Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at reporting date in respect of reinsurance receivables.

7.2 The age analysis of the reinsurance receivables is as follows:

As at 31st December	2016 Rs.	2015 Rs.
Up to 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
91 to 180 days	–	464,880
181 to 365 days	2,250,872	1,193,127
Over 365 days	–	313,733
	2,250,872	1,971,740

	2016 Rs.	2015 Rs.
8. CONTRIBUTION (PREMIUMS) RECEIVABLE		
Contribution (Premiums) Receivable from Participants	27,199,034	54,301,541
	27,199,034	54,301,541
9. OTHER ASSETS		
Financial Assets (Note 9.1)	30,790,121	6,554,684
Non-Financial Assets (Note 9.2)	7,964,440	27,118,486
	38,754,561	33,673,170
9.1 Financial Assets		
Amounts Due from Related Parties – Amãna Takaful PLC	5,356,988	–
Other Receivables	25,433,133	6,554,684
	30,790,121	6,554,684
9.2 Non-Financial Assets		
Advances and Prepayments	7,964,440	27,118,486
	7,964,440	27,118,486
10. OTHER ASSETS – UNIT LINKED		
Financial Assets		
Other Receivables	32,055,415	37,971,813
	32,055,415	37,971,813
11. FINANCIAL INVESTMENTS – UNIT LINKED		
Fair Value through Profit or Loss (Note 11.1)	96,108,685	104,724,075
Available-for-Sale (Note 11.2)	21,669,060	21,572,040
Loans and Receivable (Note 11.3)	1,323,498,522	927,886,399
	1,441,276,267	1,054,182,514
11.1 Fair Value through Profit or Loss		
Investment in Equity Securities (Note 11.3.1)	96,108,685	104,724,075
	96,108,685	104,724,075
11.2 Available-for-Sale		
Unit Trust – Condor Income Fund	21,669,060	21,572,040
	21,669,060	21,572,040
11.3 Loans and Receivable		
Investment in Repurchase Agreements	8,068,013	7,601,395
Mudharaba Investments	1,315,430,509	920,285,003
	1,323,498,522	927,886,399

11.3.1 Investment in Equity Securities

	2016		2015	
	Number of Shares	Market Value Rs.	Number of Shares	Market Value Rs.
At Fair Value through Profit or Loss				
Access Engineering PLC	797,148	19,769,270	485,474	11,214,449
Alumex PLC	412,774	8,338,035	–	–
Chevron Lubricants Lanka PLC	61,000	9,486,080	6,500	2,236,000
Colombo Dockyard PLC	22,948	1,900,733	22,948	3,444,495
Dialog Axiata PLC	–	–	1,929,000	20,640,300
Dipped Products PLC	35,626	3,092,337	41,000	4,510,000
Hayleys MGT Knitting Mills PLC	430,000	6,450,000	–	–
Lanka IOC PLC	–	–	183,000	6,789,300
Piramal Glass Ceylon PLC	522,240	2,767,872	522,240	3,185,664
Singer (Sri Lanka) PLC	–	–	80,868	11,151,697
Textured Jersey Lanka PLC	–	–	685,000	24,317,500
Tokyo Cement Company (Lanka) PLC – Non-Voting	297,080	17,587,136	82,080	4,021,920
Tokyo Cement Company (Lanka) PLC – Voting	518,781	26,717,222	334,500	13,212,750
	3,097,597	96,108,685	4,372,610	104,724,075

12. CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS

	2016 Rs.	2015 Rs.
12.1 Components of Cash and Cash Equivalents		
Cash and Bank Balances	34,456,620	52,557,390
Cash and Bank Balances – Unit Linked	72,192,842	46,639,393
Investments in Government Securities	190,448,301	302,469,004
	297,097,763	401,665,787

13. INSURANCE CONTRACT LIABILITIES

	2016 Rs.	2015 Rs.
13.1 Insurance Contract Liabilities – Family Takaful Fund		
Participant Investment Fund – (PIF)	464,512,092	484,166,678
Participant Tabarru Fund – PTF and Group Fund – (GF)	90,590,277	82,197,857
Unearned Premium – Group Family Takaful	4,811,475	8,346,453
	559,913,844	574,710,988
13.2 Insurance Contract Liabilities – Family Takaful Unit Linked		
Unit Fund – Unit Linked	1,457,715,529	1,164,276,281
Participant Tabarru Fund and Group Fund – Unit Linked	46,429,344	27,519,065
	1,504,144,873	1,191,795,346
13.2.1 Insurance Contract Liability	2,018,316,178	1,752,095,837
Surplus of the Fund	45,742,539	14,410,497
Total Insurance Contract Liability (Note 13.1 & Note 13.2)	2,064,058,717	1,766,506,334

	2016 Rs.	2015 Rs.
13.3 The Movement in the Life Insurance Fund is as follows:		
Balance as at 1st January	1,758,120,652	1,275,294,074
Net Change in Contract Liabilities	301,048,132	482,826,577
Balance as at 31st December	2,059,247,242	1,758,120,652

13.4 The Insurance Provision has been Based Upon the Following Assumptions and Other Information:

13.4.1 Actuarial Assumptions

Valuation Interest Rate

For Participant Tabarru Fund (PTF) of Family Takaful and Unit Linked business, the Company has chosen Valuation Interest Rate of 2%. For Mortgage Fund, Valuation Interest Rate of 7.2% is used, which is based on average of the last 5 years yield of the fund whereas for the Takaful Operator's Fund, Valuation Interest Rate of 100% of the risk-free yield is assumed.

Fund-Based Yield

The Company has used fund yield ranging from 2.5% to 9% for various products. It calculates yield based on the ratio of twice the profits and other investment income received/receivable during the year net of Mudharaba share and sum of fund size at the beginning and end of the year net of profits made during the year.

Mortality and Morbidity Assumption

The Company has used the standard table SLA 07/09 based on the Sri Lanka Assured Lives Mortality Study Report 2013 from Munich Re to calculate the best estimate assumptions for mortality, Due to insufficient in-house mortality and morbidity experience. The Total and Permanent Disability (TPD) rates is assumed to be 10% of mortality rates. The risk margin loading factor assumed for mortality and TPD is +/- 10% in compliance with RBC standards.

Lapse Assumption

Lapse rate assumptions are based on a combination of the Company's experience for early durations as well as industry experience in Sri Lanka. The Company has used different lapse assumption of each product to suit the specific nature of the product and business. A different lapse rate assumption has been used for Unit Linked Prosper as they are likely to exhibit different lapse experience due to single contribution. The risk margin loading factor assumed for lapses is +/- 20% for regular and single contribution plans.

Expense Assumption

The Company performs internal expense study which constitutes approximating renewal or policy servicing expenses against the fixed cost. The fixed expense assumptions are applied to Family Takaful and Unit Linked Policies. For Riders, only the variable expenses are applied in the Gross Premium Valuation (GPV). It is assumed the fixed expenses are met by the basic plans.

Bonus Assumption

No guarantees apply to any of the Takaful funds and all funds except the unit fund and the mortgage fund are subject to sharing of investment income between the certificate holders and the Takaful Operator.

13.4.2 Other Information

The valuation of the Insurance Provisions (Family Takaful Fund), as at 31st December 2016, was made by Mr. Zainal Abidin Mohd. Kassim (FIA) for and on behalf of Actuarial Partners Consulting Sdn. Bhd (formerly known as Mercer Zainal Consulting Sdn. Bhd), Malaysia.

In the opinion of the Consultant Actuary, the provision is adequate to cover the liabilities pertaining to Long-Term Insurance (Family Takaful) Fund. It is not required to perform a valuation on Participating Investment Fund since it represents an accumulation of investments made by the policy holders.

13.5 Liability Adequacy Testing (LAT)

A Liability Adequacy Test ('LAT") for Life Insurance contract liability was carried out by Mr. Zainal Abidin Mohd. Kassim (FIA) for and on behalf of Actuarial Partners Consulting Sdn. Bhd (formerly known as Mercer Zainal Consulting Sdn. Bhd), Malaysia as at December 2016 as required by SLFRS 4 – 'Insurance Contracts'. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's Report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2016.

14. EMPLOYEE BENEFITS

	2016 Rs.	2015 Rs.
Employee Benefits – Gratuity		
At beginning of the Year	4,558,055	–
Net Benefit Expense (Note 14.1)	2,789,922	4,558,055
	7,347,977	4,558,055
Payments during the Year	(3,031,093)	–
At end of the Year	4,316,884	4,558,055
14.1 Net Benefit Expense		
Included in Statement of Comprehensive Income		
Interest Cost	433,015	348,504
Current Service Cost	719,667	573,546
	1,152,682	922,050
Included in Other Comprehensive Income		
Actuarial Loss on Obligations	1,637,240	3,636,005
	1,637,240	3,636,005
Net Benefit Expense	2,789,922	4,558,055

The gratuity liability was actuarially valued under the Projected Unit Credit Cost method by Mr. Piyal S. Goonetilleke (Fellow of the Society of Actuaries – USA) in 2016 as requires by LKAS 19 – 'Employee Benefits'.

Principal actuarial assumptions used:

	Percentage per Annum	
	2016	2015
(a) Discount Rate	11.7	9.5
(b) Salary Increase	10	8.5
(c) Incidence of Withdrawals	4	–
(d) Retirement age	55 Years	55 Years
(e) Expected Average Future Working Life of the Active Participants	4.6 Years	4.7 Years

The liability is not externally funded.

14.2 Sensitivity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31st December 2016		31st December 2015	
	Increase	Decrease	Increase	Decrease
Discount Rate (1% movement)	(210,331)	233,852	(249,601)	277,886
Future Salary Growth (1% movement)	229,184	(209,463)	268,861	(246,114)

Although, the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	2016 Rs.	2015 Rs.
15. OTHER LIABILITIES – UNIT LINKED		
Financial Liabilities (Note 15.1)	16,054,925	18,162,710
Non-Financial Liabilities (Note 15.2)	34,260,650	21,274,049
	50,315,575	39,436,758
15.1 Financial Liabilities		
Retakaful Payable	16,054,925	18,162,710
15.2 Non-Financial Liabilities		
Advances Received	19,945,837	10,236,562
Other Creditors	14,314,813	11,037,487
	34,260,650	21,274,049
16. OTHER LIABILITIES		
Financial Liabilities (Note 16.1)	29,158,328	35,022,452
Non-Financial Liabilities (Note 16.2)	30,031,416	42,833,727
	59,189,744	77,856,179
16.1 Financial Liabilities		
Commission Payable	13,553,000	11,975,963
Retakaful Payable	15,605,328	11,214,459
Amounts Due to Related Party – Amãna Takaful PLC	–	11,832,030
	29,158,328	35,022,452
16.2 Non-Financial Liabilities		
Accrued Liabilities	6,498,527	3,654,267
Other Creditors	23,532,889	39,179,460
	30,031,416	42,833,727
17. FINANCE LEASE LIABILITY		
Opening Balance	–	–
Lease Obtained	9,572,400	–
Repayments	(1,276,320)	–
	8,296,080	–
Unamortised Profit	(2,095,162)	–
Net Liability	6,200,918	–

	1 Year or Less Rs.	2-5 Years Rs.	Total Rs.
Maturity Analysis			
Gross Liability	1,914,480	6,381,600	8,296,080
Unamortised Profits	(848,404)	(1,246,758)	(2,095,162)
Net Liability	1,066,076	5,134,842	6,200,918

	2016	2015
18. STATED CAPITAL		
Fully-Paid Ordinary Shares – Voting (Rs.)	500,000,000	500,000,000
No. of Ordinary Shares – Voting	500,000,000	500,000,000

All issued shares carry equal voting rights. The holders of ordinary shares 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 Company listed on *Diri Savi* Board of the Colombo Stock Exchange by way of offering 50 Million ordinary voting shares at 1.50 Rupees per share, which represents a 10% stake in the Company. The Board of Directors is of the opinion that the Share Offer Price is fair and reasonable to the Company and to all existed shareholders.

Objective of the Offering

Pursuant to Section 52 (1) of the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011, the Company is required to be listed on a licensed stock exchange prior to 7th February 2016 or any given extentions, which in the Company's case is 31st December 2017. As a result, the Company is seeking a listing on the Colombo Stock Exchange. The Company will not receive any proceeds raised via this offer. All proceeds from the sale of existing ordinary voting shares would be for the account of the selling shareholders.

19. OTHER RESERVES

Reserves consists of the following :

19.1 Available-for-Sale Reserve

The available-for-sale Reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

19.2 Life Policyholders' Reserve Fund

The Life Policyholder Reserve Fund includes the fair value changes recorded under Other Comprehensive Income in respect of available-for-sale financial assets related to Family Takaful Fund.

19.3 Revaluation Reserve

The revaluation reserve relates to the revaluation of motor vehicles under Property, Plant and Equipment (Refer Note 5).

	2016 Rs.	2015 Rs.
20. GROSS WRITTEN CONTRIBUTION (PREMIUM)		
Family Takaful	106,314,067	144,657,086
Mortgage and Group Family Takaful	55,040,630	48,581,913
Unit Linked	659,371,389	735,054,780
	820,726,086	928,293,779
21. INCOME FROM INVESTMENTS		
Investment Income (Note 21.1)	190,623,114	114,555,994
Unrealised Capital Gain – Fair Value through Profit or Loss Investments	15,817,648	8,223,183
Net Realised Capital Gain or (Losses) – Fair Value through Profit or Loss Investments	(2,016,603)	286,932
	204,424,159	123,066,109
21.1 Investment Income		
Dividend Income	4,925,312	14,689,382
Income from Mudharaba Investments	161,129,670	84,516,251
Loss from Sale of Investment Properties	–	(1,729,499)
Income from Investment in Government Securities	24,655,567	17,164,556
Net Change in Fair Value of Available-for-Sale Financial Assets Transferred to Profit or Loss	(87,434)	(84,697)
	190,623,114	114,555,994
22. OTHER INCOME		
Fund Management Fee Income	10,744,693	7,095,540
Sundry Income	6,974,318	–
Exchange Gain	–	41,841
Disposal Gain from Property, Plant and Equipment	645,930	–
	18,364,941	7,137,381
23. TAKAFUL (INSURANCE) CLAIMS AND BENEFITS (NET)		
Claims Incurred	56,504,385	49,065,081
Surrenders	221,838,805	129,949,361
Policy Maturities	25,387,133	13,344,182
Interim Payments/Part Withdrawals	16,451,013	15,213,137
Long-term Insurance Claims and Benefits	320,181,336	207,571,761

24. OTHER OPERATING AND ADMINISTRATION EXPENSES

	2016 Rs.	2015 Rs.
Staff Expenses (Note 24.1)	80,256,507	65,806,546
Administration and Establishment Expenses	114,195,656	96,387,796
Selling Expenses	18,891,448	28,828,675
Depreciation (Note 5)	4,526,507	1,920,513
Consultancy Fees	8,103,375	4,135,300
Travel Expenses	35,394,047	34,099,511
	261,367,540	231,178,341

24.1 Staff Expenses

Wages, Salaries and Bonuses	61,402,579	50,247,950
Contribution to Defined Contribution Plans – EPF & ETF	8,912,776	7,148,080
Staff Welfare	3,208,384	1,616,545
Staff Training	4,297,740	4,721,017
Medical Claims	1,282,346	1,150,904
Employee Benefit/Gratuity (Note 14.1)	1,152,682	922,050
	80,256,507	65,806,546

25. FINANCE COST

Profit Mark-up on Lease (Ijara) Facility	1,181,605	429,933
	1,181,605	429,933

26. PROFIT FROM OPERATIONS FOR THE YEAR

Is stated after charging the following:

		2016 Rs.	2015 Rs.
Directors' Emoluments	– Executive	265,000	265,000
	– Non-Executive	1,801,571	1,654,844
Auditors' Remuneration	– Audit	750,000	655,000
	– Audit-Related Other	420,000	–
	– Non-Audit	381,600	353,000
Depreciation		4,526,507	1,920,513
Amortisation of Intangibles		1,138,797	875,467

27. INCOME TAX EXPENSE

Amãna Takaful Life PLC is liable for income tax at 28% on the taxable income for the year of assessment 2016/17 (2015/16 – 28%).

27.1 Tax Reconciliation Statement

	2016 Rs.	2015 Rs.
Accounting Profit before Tax	35,691,068	18,063,930
Aggregate Disallowed Items	12,170,094	9,988,945
Aggregate Allowable Expenses	(124,303,835)	(211,291,092)
Tax Loss	(76,442,673)	(183,238,217)

Unrecognised Deferred Tax Asset

Deferred Tax Asset/(Liability) is attributable to the following:

	2016		2015	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Retirement Benefit Obligations	4,316,884	1,208,728	4,558,055	1,276,255
On Life Policyholders' Reserve Deficit	2,789,077	780,942	98,867	27,683
Accumulated Tax Losses	641,114,691	179,512,113	678,337,421	189,934,478
	648,220,652	181,501,783	682,994,343	191,238,416

Deferred tax asset of Rs. 181,501,783/- (2015 – Rs. 191,238,416/-) as at 31st December 2016 arising out of the above temporary differences has not been recognised since it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

28. EARNINGS PER SHARE

28.1 Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

28.2 The following reflect the income and share data used in the Basic Earnings per Share computations:

	2016	2015
Amount used as the Numerator:		
Profit for the year (Rs.)	35,691,069	18,063,930
Number of Ordinary Shares used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue (Nos.)	500,000,000	472,857,143
Earnings per Share (Rs.)	0.07	0.04

28.3 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.

29. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 – 'Related Party Disclosures'. Transactions with related parties were made on the basis of the price lists in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities. Details of related party transactions are reported below:

(A) Transactions and Outstanding Balances with the Related Companies

Relationship	Nature of Transactions and Outstanding Balances	2016 Rs.	2015 Rs.
Parent	Reimbursement Cost	79,943,674	41,278,828
	Capital Infusion/Disposal of Investment	(50,000,000)	380,000,000
	Takaful Premium Paid	939,846	2,201,430
	Claims Received	1,126,793	576,230
	Takaful Premium Payable	109,280	172,730
	Takaful Premium Received	527,159	621,156
	Claims Paid	565,000	450,000
	Current Account Settlements	128,987,924	146,593,035
	Dividend Paid	10,000,000	–
	Current Account Balance	5,356,988	(11,832,030)
Other Related Companies	Takaful Premium Received	37,067	79,433
	Investment Placed	37,000,000	–
	Investment Income Earned	32,438	–
	Management Fee Paid	4,660,308	4,420,185

(B) Compensation of Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 – 'Related Party Disclosure', Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and its parent have been classified as Key Management Personnel of the Company.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arm's length basis at commercial rates.

The Company has made following payments to key management personnel during the year:

	2016 Rs.	2015 Rs.
Salary and Other Short-Term Benefits	8,338,024	7,648,289
Contributions Made by the Company to EPF and ETF	1,482,006	735,516
Non-Cash Benefits	1,305,000	960,000
Termination Benefits	2,047,500	–
	13,172,530	9,343,805

30. COMMITMENTS AND CONTINGENCIES

30.1 Commitments

The Company does not have significant capital commitments as at the reporting date.

30.2 Contingencies

The Company does not have significant contingencies as at the reporting date.

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no event occurring after the reporting period that require adjustments to or disclosures in these Financial Statements.

32. ASSETS PLEDGED

No assets have been pledged as security for liabilities as at the reporting date other than the assets pledged in Note 5.

33. RISK MANAGEMENT

33.1 Overview

All entities face uncertainty and the challenge for the Company is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Primarily, Risk management framework enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

33.2 Risk Management Framework

Amãna Takaful Life PLC Risk Management Framework forms an integral part of the management and Board processes and decision-making framework across the Company. The Company has a robust Enterprise Risk Management Framework to mitigate the identified risks exposed at multiple levels of the operation. We believe, while having the Governance practices and the Standard Operating Procedures (SOPs), having the right people at the right place will mitigate more than half the risks.

However, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework and thus, their approval is necessary for the Risk Management Strategies. The Company's Risk Management Framework categorised into four lines of defence as follows:

1. Front Line People	–	Risk awareness of the people in the front line is the first line of defence.
2. Policies and Procedures	–	The Standard Operating Procedures will mitigate the risks at operational level.
3. Key Personnel	–	Appointing key personnel at the key positions will assist mitigating through right decision-making and approval controls at senior management level.
4. Governance	–	The governance practices to mitigate the risks at Board level.

The Board has appointed a Sub-Committee (Board Risk Committee) to monitor closely the affairs of Risk Management of the Company.

This section discusses the salient features of the risks exposed by the Company in terms of financial instruments and other areas as an insurance Company. The Financial instruments of the Company are exposed to the following Risks:

1. Financial Risk
2. Market Risk
3. Insurance Risk
4. Liquidity Risk

33.3 Financial Risk

33.3.1 Capital Management

a. Objectives and Policies

The Company has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

- Optimise capital utilisation within the regulatory guidelines.
- To maintain the required level of solvency of the Company, thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meets the requirements of its shareholders, policyholders and other stakeholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business.

The Company currently has stated capital worth Rs. 500 Mn which is the minimum regulatory requirement of the Insurance Board of Sri Lanka (IBSL). Operations of the Company are also subject to statutory requirements of the IBSL (Capital, investments, solvency etc.) of which adaptations are made to internal processes from time to time as and when regulations are amended. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions on events such as capital adequacy and solvency to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities.

b. Approach to Capital Management

Capitals of all investments are maintained strictly within the investment guidelines of the Insurance Board of Sri Lanka (IBSL). This primarily helps the Company to maintain the required levels of solvency at all the times at different funds. In meeting the objectives mentioned above, the Capital management and asset allocation decisions are reviewed and approved by the Executive Committee and the Board Investment Committee which meet regularly on a monthly basis. The Board Investment Committee operates under clear terms of reference to thoroughly analyse the new investment proposals, review the past performance and provide guidance in terms of future investments and movements of assets.

33.4 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.
How credit risk could arise –

1. Premium Receivable
2. Reinsurance Receivable
3. Financial Investments
4. Bank Balances
5. Other Financial Assets

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company has a stringent credit policy and a detailed SOP outlining the authority and approval limits to manage credit granted to customers.
- All Reinsurers are selected based on the ratings as required by IBSL.
- The Investment Committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The Executive Committee regularly reviews the credit position of the Company i.e., outstandings and overdues. In addition, the company also ensures that there are sufficient provisions created in the case of doubtful debts.

33.4.1 Credit Exposure

The Company's maximum exposure to credit risk for the components of the Statement of Financial Position as at 31st December 2016 and 2015 is the carrying amounts of respective financial instruments:

	2016 Rs.	2015 Rs.
Financial Assets		
Fair Value through Profit or Loss		
Investment in Equity Securities	18,939,154	81,526,995
Investment in Equity Securities – Unit Linked	96,108,685	104,724,075
Available-for-Sale Financial Assets		
Unit Trust	24,595,623	67,873,173
Unit Trust-Unit Linked	21,669,060	21,572,040
Loans and Receivables		
Mudhrabha Investments	457,031,809	642,598,402
Repurchase Agreements	284,299,622	297,314,106
Mudhrabha Investments – Unit Linked	1,315,430,509	920,285,003
Repurchase Agreements – Unit Linked	8,068,013	7,601,395
Investment in Commercial Papers	233,531,945	–
Other Financial Assets		
Retakaful (Reinsurance) Receivables	2,250,872	1,971,740
Contribution (Premium) Receivable	27,199,034	54,301,541
Other Assets	30,790,121	6,554,684
Other Assets – Unit Linked	32,055,415	37,971,813
Cash and Cash Equivalents	34,456,620	52,557,390
Cash and Cash Equivalents – Unit Linked	72,192,842	46,639,393
Total Financial Assets	2,658,619,322	2,343,491,750

	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	As at 31st December 2016 Rs.
Financial Assets				
Fair Value through Profit or Loss				
Investment in Equity Securities	18,939,154	–	–	**18,939,154**
Investment in Equity Securities – Unit Linked	96,108,685	–	–	**96,108,685**
Available-for-Sale Financial Investments				
Unit Trust	24,595,623	–	–	**24,595,623**
Unit Trust – Unit Linked	21,669,060	–	–	**21,669,060**
Loans and Receivables				
Mudhrabha Investments	457,031,809	–	–	**457,031,809**
Repurchase Agreements	284,299,622	–	–	**284,299,622**
Mudhrabha Investments – Unit Linked	1,315,430,509	–	–	**1,315,430,509**
Repurchase Agreements – Unit Linked	8,068,013	–	–	**8,068,013**
Investment in Commercial Papers	233,531,945	–	–	**233,531,445**
Other Assets Exposed to Credit Risk				
Retakaful (Reinsurance) Receivables	2,250,872	–	–	**2,250,872**
Contribution (Premium) Receivables	27,199,034	–	–	**27,199,034**
Other Assets	30,790,121	–	–	**30,790,121**
Other Assets – Unit Linked	32,055,415	–	–	**32,055,415**
Cash and Cash Equivalents	34,456,620	–	–	**34,456,620**
Cash and Cash Equivalents – Unit Linked	72,192,842	–	–	**72,192,842**
Total Credit Exposure	2,658,619,322	–	–	**2,658,619,322**

	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	As at 31st December 2015 Rs.
Financial Assets				
Fair Value through Profit or Loss				
Investment in Equity Securities	81,526,995	–	–	81,526,995
Investment in Equity Securities – Unit Linked	104,724,075	–	–	104,724,075
Available-for-Sale Financial Investments				
Unit Trust	67,873,173	–	–	67,873,173
Unit Trust – Unit Linked	21,572,040	–	–	21,572,040
Loans and Receivables				
Mudhrabha Investments	642,598,402	–	–	642,598,402
Repurchase Agreements	297,314,106	–	–	297,314,106
Mudhrabha Investments – Unit Linked	920,285,003	–	–	920,285,003
Repurchase Agreements – Unit Linked	7,601,395	–	–	7,601,395
Other Assets Exposed to Credit Risk				
Cash and Cash Equivalents	52,557,390	–	–	52,557,390
Cash and Cash Equivalents – Unit Linked	46,639,393	–	–	46,639,393
Retakaful (Reinsurance) Receivables	1,971,740	–	–	1,971,740
Contribution (Premium) Receivables	54,301,541	–	–	54,301,541
Other Assets	6,554,684	–	–	6,554,684
Other Assets – Unit Linked	37,971,813	–	–	37,971,813
Total Credit Exposure	2,343,491,750	–	–	2,343,491,750

33.5 Market Risk

Market risk involves all the fluctuations in the demand and supply forces in the capital and insurance markets for the Company. The capital market forces determine interest rates, equity prices, yield on other investment assets, while the market forces in the insurance market determines the net premiums and gross premium values. Further, prices of goods and services in general i.e., inflation, determines the cost of administration.

33.5.1 Equity Risk

Listed equity investments are prone to market risk arising from uncertainties faced in the future values of the securities. In order to diversify its risk the Company has a diversified investment policy based on fundamental analysis which has helped balance the uncertainty faced. It is also notable that the Company invests only in sound fundamental value giving the Company greater security in its invested equity securities.

	Equity Exposure			
	2016		2015	
	Exposure Rs.	Sector Weight %	Exposure Rs.	Sector Weight %
Non-Unitised				
Food and Beverages	–	–	3,455,927	4.24
Chemicals	–	–	1,649,000	2.02
Construction	1,736,000	9	9,174,584	11
Footwear/Textile		0	22,826,500	28
Manufacturing	16,538,264	87	22,404,005	27
Plantation	664,890	4	777,000	1
Power	–	–	3,402,070	4
Telecommunication	–	–	13,417,800	16
Trading	–	–	4,420,109	5
	18,939,154	100	81,526,995	100
Unitised				
Construction	21,670,003	23	14,658,944	14
Manufacturing	74,438,681	77	51,483,834	49.16
Power	–	–	6,789,300	6.48
Telecommunication	–	–	20,640,300	19.71
Trading	–	–	11,151,697	10.65
	96,108,685	100	104,724,075	100

33.5.2 Currency Risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Company's principle operation is based in Sri Lanka; therefore it is not exposed to the financial impact arising from changes in the exchange rates of various currencies.

33.5.3 Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company invests in to Treasury Bills primarily to meet the mandatory requirement of the investment Insurance Board of Sri Lanka and to park the cash inflow within the admissible assets category until a suitable option is identified within the available time space.

33.6 Insurance Risk

Being an insurance Company, risks related to the insurance business i.e., Insurance Risk, becomes primary in the list. Insurance is all about managing risks on behalf of the customers. In that context, we have identified the following three major risk areas under this Category:

- Underwriting Risks
- Claims Risks
- Reinsurance Risk

In addition to the above Life insurance is specifically subject to the following risks:

1. Mortality Risk – Risk of loss arising due to policyholder death experience being different than expected.
2. Morbidity Risk – Risk of loss arising due to policyholder health experience being different than expected.
3. Investment Return Risk – Risk of loss arising from actual returns being different than expected.
4. Expense Risk – Risk of loss arising from expense experience being different than expected.
5. Policyholder Decision Risk – Risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

In order to mitigate such risk the Company has adopted the following strategies. The Company strategy is driven by the comprehensive screening of policyholders in order to ascertain current medical status, family medical history, the key been the comprehensive screening of participants. Further the Company ensures that the overall risk is reduced by diversifying the product portfolio across widespread geographical and industry-wide segments.

The Company also rejects the payment of fraudulent claims once fully exhausting its investigative capacity. The insurance risk described above is also affected by the contract holder’s right to pay reduced premiums or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

33.6.1 Underwriting Risks

In insurance, underwriting risk may either arise from an inaccurate assessment of the risks entailed in writing an insurance policy, or from factors wholly out of the underwriter’s control. As a result, the policy may cost the insurer much more than it has earned in premiums.

Management Strategy

i. **Price** – The Company has strict pricing mechanisms which need to be adhered in respect of various classes of products. Whilst pricing is periodically reviewed in respect of market activity it is notable that discounting is strictly monitored with authority levels only at the highest level whilst also been on a multi-level basis.

ii. **Exposure** – The Company fully ensures that the Company does not underwrite risk which does not suit its risk profile and further ensures all high volume non-motor risks are reinsured.

iii. Personnel – The Company ensures that all underwriting personnel in both General and Life are adequately trained. Further, all staff inclusive of underwriting staff have been given specific Key Performance Indicators (KPIs) with regard to revenue and profitability of product segments. The Life segment has its own in-house actuary who reviews the Life business closely and guides the management when taking crucial product-based decisions.

Further it should be noted that the Company monthly monitors product profitability of all main classes of insurance.

33.6.2 Claims Risk

The key risk facing insurance companies is the claims risk where an extremely high amount of risks i.e., a significantly high claims ratio in comparison to the earned premium could drastically affect Company performance.

Management Strategy

Countenance of adverse risk of the same is in effect with strict claims management with proper policy documentation at underwriting level and thorough inspection at claims level been fully-emphasised in Key Performance indicators of all staff levels.

33.6.3 Reinsurance Risk

Insurance companies in events where sum insured is extremely high in comparison to premium earned decide on reinsuring the policy with another insurer in order to mitigate/share its loss in the case of disaster. The risk borne would add up to the premium foregone in the event that disaster does not occur to the said policy.

Management Strategy

The Board Risk Committee annually reviews the list of reinsurers to ensure that the Company's exposure is hedged to maximum effect whilst periodically monitoring the financial status and condition of the same. The Company employs pre-agreed treaty insurance agreements to hedge against day-to-day insurance exposure whilst engages in facultative insurance to hedge against extraordinary insurance risks in the line of day-to-day business.

					Rating			
Class of Business	Name of the Reinsurer	Reinsurers Country of Origin	Name of the Regulatory Authority which Approval Obtained to Transact Reinsurance Business	License Validity Period of the Reinsurer	Financial Strength	Credit	Rating Agency	Date of Rating
Life								
1. Long-term Takaful Plans (Endowments)	Score Global Life SE	Malaysia	Labuan FSA	Yearly Renewal Unlimited	AA-	AA-	S&P	12.09.2016
	Hanover Re	Bahrain	Central Bank of Bahrain	Yearly Renewal Unlimited	A+	A+	S&P	23.05.2016
Other								
1. All family Takaful Policies (CAT Cover)	Hanover Re	Bahrain	Central Bank of Bahrain	Yearly Renewal Unlimited	A+	A+	S&P	23.05.2016
2. Unit Link Takaful	Score Global Life SE	Malaysia	Labuan FSA	Yearly Renewal Unlimited	AA-	AA-	S&P	12.09.2016
3. Group Family	Hanover Re	Bahrain	Central Bank of Bahrain	Yearly Renewal Unlimited	A+	A+	S&P	23.05.2016
4. Credit & Mortgage Takaful	Score Global Life SE	Malaysia	Labuan FSA	Yearly Renewal Unlimited	AA-	AA-	S&P	12.09.2016

33.7 Liquidity Risk

Liquidity risk is when a possibility arises that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Company has a standard set of guidelines set up by an Investment Policy under the purview of the Investment Committee which is followed in accordance with the IBSL guidelines.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- The Company maintains a diverse maturity profile in its assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- The Investment Committee regularly reviews the liquidity levels and takes appropriate action to improve the liquidity whilst ensuring maximum possible yield and efficiency in investments.
- Efficient forecasting of future commitments and making investments to meet the payouts to mitigate any possible liquidity concerns.

Maturity profile of Company investments based on remaining maturity is given below:

Maturity Analysis 2016	Less than One Year Rs.	1-3 Years Rs.	3-5 Years Rs.	More than 5 Years Rs.	No Stated Maturity Rs.	Total Rs.
Financial Assets						
Investments in Equity Securities	115,047,838	–	–	–	–	115,047,838
Repurchase Agreements	292,367,635	–	–	–	–	292,367,635
Unit Trust	46,264,683	–	–	–	–	46,264,683
Mudharaba Investments	1,427,668,770	43,013,699	301,779,849	–	–	1,772,462,318
Investment in Commercial Papers	233,531,945					233,531,945
Retakaful (Reinsurance) Receivables	2,250,872	–	–	–	–	2,250,872
Contribution (Premium) Receivable	27,199,034	–	–	–	–	27,199,034
Other Assets	30,790,121	–	–	–	–	30,790,121
Other Assets – Unit Linked	32,055,415	–	–	–	–	32,055,415
Cash and Bank Balances	34,456,620	–	–	–	–	34,456,620
Cash and Bank Balances – Unit Linked	72,192,842	–	–	–	–	72,192,842
	2,313,825,775	43,013,699	301,779,849	–	–	2,658,619,322
Financial Liabilities						
Finance Lease Liability	1,066,076	4,511,886	622,956	–	–	6,200,918
Other Liabilities	29,158,328	–	–	–	–	29,158,328
Other Liabilities – Unit Linked	16,054,925	–	–	–	–	16,054,925
	46,279,329	4,511,886	622,956	–	–	51,414,171

Maturity Analysis 2015	Less than One Year Rs.	1-3 Years Rs.	3-5 Years Rs.	More than 5 Years Rs.	No Stated Maturity Rs.	Total Rs.
Financial Assets						
Investments in Equity Securities	186,251,070	–	–	–	–	186,251,070
Repurchase Agreements	304,915,501	–	–	–	–	304,915,501
Unit Trust	89,445,213	–	–	–	–	89,445,213
Mudharaba Investments	1,551,880,665	47,002,740	–	–	–	1,562,883,405
Retakaful (Reinsurance) Receivables	1,971,740	–	–	–	–	1,971,740
Contribution (Premium) Receivable	54,301,541	–	–	–	–	54,301,541
Other Receivables	6,554,684	–	–	–	–	6,554,684
Other Assets – Unit Linked	37,971,813					37,971,813
Cash and Bank Balances	52,557,390					52,557,390
Cash and Bank Balances – Unit Linked	46,639,393					46,639,393
	2,296,489,010	47,002,740	–	–	–	2,343,491,750
Financial Liabilities						
Retakaful Payable	18,162,710	–	–	–	–	18,162,710
Other Liabilities – Unit Linked	39,436,758	–	–	–	–	39,436,758
	57,599,468		–	–	–	57,599,468

31st December 2016	Financial Services Rs.	Asset Management Rs.	Government Rs.	Food and Beverages Rs.	Telecommunication Rs.	Construction, Manufacturing, Power & Chemicals Rs.	Others Rs.	Total Rs.
Industry Analysis								
Assets								
Fair Value through Profit or Loss								
Investments in Equity Securities	–	–	–	–	–	18,274,264	664,890	18,939,154
Investments in Equity Securities (Unit Linked)	–	–	–	–	–	96,108,685	–	96,108,685
Available-for-Sale Financial Investments								
Unit Trust	–	46,264,683	–	–	–	–	–	46,264,683
Lone and Receivables								
Repurchase Agreements	–	–	284,299,622	–	–	–	–	284,299,622
Repurchase Agreements – Unit Linked	–	–	8,068,013	–	–	–	–	8,068,013
Mudharaba Investments	457,031,809	–	–	–	–	–	–	457,031,809
Mudharaba Investments – Unit Linked	1,315,430,509	–	–	–	–	–	–	1,315,430,509
Investment in Commercial Papers	–	–	–	–	–	26,113,014	207,418,932	233,531,945
	1,772,462,318	46,264,683	292,367,635	–	–	140,495,962	208,083,822	2,459,674,420

31st December 2015	Financial Services Rs.	Asset Management Rs.	Government Rs.	Food and Beverages Rs.	Telecommunication Rs.	Construction, Manufacturing, Power & Chemicals Rs.	Others Rs.	Total Rs.
Industry Analysis								
Assets								
Fair Value through Profit or Loss								
Investments in Equity Securities	–	–	–	3,455,927	13,417,800	36,629,659	28,023,609	81,526,995
Investments in Equity Securities (Unit Linked)	–	–	–	–	20,640,300	72,932,078	11,151,697	104,724,075
Available-for-Sale Financial Investments								
Unit Trust	–	89,445,213	–	–	–	–	–	89,445,213
Loans and Receivables								
Repurchase Agreements	–	–	297,314,106	–	–	–	–	297,314,106
Repurchase Agreements – Unit Linked	–	–	7,601,395	–	–	–	–	7,601,395
Mudharaba Investments	642,598,402	–	–	–	–	–	–	642,598,402
Mudharaba Investments – Unit Link	920,285,003	–	–	–	–	–	–	920,285,003
Total Credit Exposure	1,562,883,405	89,445,213	304,915,501	3,455,927	34,058,100	109,561,737	39,175,306	2,143,495,189

Annexes

This is our first Annual Report to our stakeholders, following the segregation of the life insurance business from Amãna Takaful PLC with effect from 1st January 2015.

REPORTING PERIOD

The Annual Report 2016/17 covers the 12-month period from January to December and is consistent with our usual annual reporting cycle. The performance of the life insurance business in the annual Reporting period (FY 2015), is included in the Annual Report 2015 of Amãna Takaful PLC.

REPORT BOUNDARY

Amãna Takaful Life PLC is a public limited company engaged in the business of long-term life insurance and is referred to as the 'Company.' The financial and non-financial aspects are discussed in the context of the Company.

COMPLIANCE

This Report reflects the Company's compliance with the laws and regulations of the Companies Act No. 07 of 2007, the regulations of the Industry Act No. 43 of 2000 and rules and regulations issued by the Insurance Board of Sri Lanka (IBSL).

Financial information reported are in compliance with the Sri Lanka Accounting Standards (SLRSs/LKASs) issued by The Institute of Chartered Institute of Sri Lanka (CA Sri Lanka). The accounting policies are detailed in the Financial Statements.

In preparing this Report we have drawn on the concepts, principles and guidance of the International Integrated Reporting Framework and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

QUERIES

We welcome your comments or queries on this Report.
You may contact –

Finance Department
Tel: 011 27501000

	2016 Rs. Mn	2015 Rs. Mn
Net Earned Contribution (Premium)	2,549	2,511
Investment & Other Income	373	241
	2,922	2,752
Net Claims and Benefits	(1,438)	(1,337)
Cost of external services	(884)	(807)
Total Value added	600	608
To employees as Salaries and other benefits	407	365
To the Government as taxes	6	9
Increase in Family Takaful (Long-Term Insurance) Fund	301	483
Retained with the business	-	-
- depreciation	32	31
- in reserves	(146)	(281)
Total Value added	600	608

1. ANALYSIS OF THE DISTRIBUTION OF SHAREHOLDERS AS AT 31ST DECEMBER 2016

Shareholding	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	241	167,514	0.01	2	1,275	0.00	243	168,789	0.03
1,001 – 10,000	340	1,841,740	0.10	–	–	–	340	1,841,740	0.37
10,001 – 100,000	160	6,538,051	0.36	–	–	–	160	6,538,051	1.31
100,001 – 1,000,000	26	7,142,947	0.40	–	–	–	26	7,142,947	1.43
Over 1,000,000	3	484,308,473	26.91	–	–	–	3	484,308,473	96.86
	770	499,998,725	27.78	2	1,275	0.00	772	500,000,000	100.00

The percentage of shares held by the public as at 31st December 2016 was 9.9% (31st December 2015 – None), where the number of shareholders was 770 (31st December 2015 – None).

2. TOP 20 SHAREHOLDERS AS AT 31ST DECEMBER 2016

	2016	
	No. of Shares	%
Amãna Takaful PLC	450,000,000	90.00
Dr. Thirugnanasambandar Senthilverl	32,346,473	6.47
Mr. Behman Pestonjee	1,962,000	0.39
Amãna Candor Shari'ah Balanced Fund	1,000,000	0.20
Miss. Malaviyage Nisansala Lakmali Silva	501,000	0.10
Mr. Abdul Azees Mohamed Anas	491,000	0.10
Amãna Holdings Ltd.	489,000	0.10
Mr. Ahamad Mohamed Subair	344,000	0.07
Mr. Mohamed Sahabdeen Mohamed Ikram	319,000	0.06
Mr. Muhammadu Muyees Mohammadu Abdul Cader	246,000	0.05
Mr. Mohamed Luthufur Rahman	246,000	0.05
Miss Manchanayaka Appuhamilage Yasassri Rangana Manchanayaka	246,000	0.05
Miss Manchanayake Appuhamilage Buddima Chathuri Manchanayake	246,000	0.05
Mr. Manchanayaka Appuhamilage Tharindu Ganganath Manchanayaka	246,000	0.05
Mr. Mohamed Nizamdeen Mohamed Nazir	246,000	0.05
Mrs. Epa Ranasinghe Imiya Appuhamilage Anoja Ranasinghe	246,000	0.05
Miss Lakshi Sandamali Jayawila	197,000	0.04
Mrs. Waniganetti Vidanaralalage Dona Somawathi	197,000	0.04
Mr. Hetti Arachchige Shanaka Samewa Rodrigo	197,000	0.04
Mr. Mohamed Ismail Mohamed Rizam	197,000	0.04
	489,962,473	97.99
	10,037,527	2.01
	500,000,000	100.00

3. INVESTOR RATIOS

	Company	
	2016 Rs.	2015 Rs.
Earnings/(Loss) per Share	0.07	0.04
Dividend per Share	0.02	–
Net Assets per Share	1.05	1.03

4. MARKET VALUE OF SHARES

Highest Value	1.90	–
Lowest Value	1.20	–
Year end Value	1.30	–

AMÃNA TAKAFUL LIFE PLC/LONG-TERM (FAMILY TAKAFUL) INSURANCE BUSINESS

Statement of Income for the Year ended	31.12.2016 Rs. '000	31.12.2015 Rs. '000	31.12.2014 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2011 Rs. '000	31.12.2010 Rs. '000	31.12.2009 Rs. '000	31.12.2008 Rs. '000	31.12.2007 Rs. '000
Gross Written Contribution (Premium)	820,726	928,294	679,029	542,986	364,759	317,897	240,156	207,097	188,676	130,986
Net Earned Contribution (Premium)	806,057	908,064	665,250	537,963	356,951	310,854	232,115	203,077	187,005	117,926
Income from Investments and Other Income	222,789	130,203	136,988	65,566	33,975	9,251	23,286	16,049	12,934	15,643
Net Claims Incurred	(320,181)	(207,572)	(161,238)	(179,545)	(80,345)	(83,361)	(70,583)	(69,630)	(51,374)	(34,237)
Net Commission Incurred	(108,237)	(97,322)	(73,711)	(47,741)	(16,452)	(19,643)	(20,054)	(18,074)	(22,089)	(10,636)
Expenses	(263,688)	(232,484)	(220,458)	(162,046)	(127,081)	(85,888)	(89,481)	(70,603)	(65,658)	(27,816)
Increase in Family Takaful (Long-Term Insurance) Fund	(301,048)	(482,827)	(346,831)	(221,141)	(167,048)	(131,213)	(75,283)	(60,820)	(60,818)	(60,881)
Profit/(Loss) Before Taxation	35,691	18,064	–	(6,945)	–	–	–	–	–	–
Income Tax Expenses	–	–	–	–	–	–	–	–	–	–
Net Profit/(Loss) for the Year	35,691	18,064	–	(6,945)	–	–	–	–	–	–
Basic Earnings/(Loss) per Share (Rs.)	0.07	0.04	–	–	–	–	–	–	–	–

AMÃNA TAKAFUL LIFE PLC/LONG-TERM (FAMILY TAKAFUL) INSURANCE BUSINESS

Statement of Financial Position as at	31.12.2016 Rs. '000	31.12.2015 Rs. '000	31.12.2014 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2011 Rs. '000	31.12.2010 Rs. '000	31.12.2009 Rs. '000	31.12.2008 Rs. '000	31.12.2007 Rs. '000
Assets										
Financial Assets	1,018,398	,089,313	590,099	506,956	539,756	328,486	424,414	–	–	–
Investments	–	–	43,683	71,908	73,463	161,666	50,750	327,066	273,439	182,860
Financial Assets – Unit Linked	1,441,276	1,054,183	603,171	351,189	124,446	90,697	–	–	–	–
Intangible Assets	23,549	18,408	–	–	–	–	–	21,977	23,744	8,490
Property, Plant & Equipment	17,467	14,932	–	–	–	–	–	1,744	4,734	7,723
Other Assets	102,661	84,611	64,612	37,992	43,936	27,420	10,913	18,400	11,951	40,180
Other Assets – Unit Linked	104,248	142,504	130,239	38,810	17,401	7,372	–	–	–	–
Total Assets	2,707,599	2,403,951	1,431,804	1,006,855	799,002	615,641	486,077	369,187	313,868	239,253
Liabilities										
Family Takaful Fund Balance (Insurance Provision – Long-Term)	559,914	574,711	551,211	550,220	577,899	494,321	413,141	335,186	274,364	213,225
Family Takaful Fund (Insurance Provision – Long-Term) – Unit Linked	1,504,145	1,191,795	730,799	380,958	138,447	50,364	–	–	–	–
Other Liabilities	69,708	82,414	129,678	66,636	79,171	23,251	72,936	34,001	39,504	26,028
Other Liabilities – Unit Linked	50,316	39,437	20,116	9,042	3,485	47,705	–	–	–	–
Total Liabilities	2,184,082	1,888,357	1,431,804	1,006,855	799,002	615,641	486,077	369,187	313,868	239,253
Shareholders' Equity										
Equity Attributable to Equity Holders of the Parent										
Stated Capital	500,000	500,000	–	–	–	–	–	–	–	–
Other Reserves	(2,669)	2,169	–	–	–	–	–	–	–	–
Revenue Reserves	26,186	13,424	–	–	–	–	–	–	–	–
Total Equity	523,517	515,594	–	–	–	–	–	–	–	–
Total Equity and Liabilities	2,707,599	2,403,951	1,431,804	1,006,855	799,002	615,641	486,077	369,187	313,868	239,253

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Ratnapura
No. 310/1, Main street,
Kudugalwatta, Ratnapura.
(T) - +94 45 750 1100

Vavuniya
No. 6/80, 1st Cross Street,
Vavuniya.
(T) - +94 24 750 1100

ACQUISITION EXPENSES – FAMILY TAKAFUL (LIFE)

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

ACTUARY

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

CLAIMS

The amount payable under a contract of insurance arising from the occurrence of an insured event, such as, the destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured, the maturity of an endowment policy and the amount payable on the surrender of a policy.

CLAIMS INCURRED

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the claims outstanding provisions at the beginning and the end of the accounting period.

COMMISSIONS

A payment made to intermediaries in return for selling and servicing an insurer's products.

EARNED PREMIUM

Written premium adjusted by the unearned premium provisions at the beginning and the end of the accounting period.

IJARA – (LEASING)

A contract under which, the Bank buys and leases out equipment required by its client for a rental fee. The duration of the lease and rental fees are agreed in advance. Ownership of the equipment remains with the Bank and only the usufruct is transferred to the client. The client is gifted the item at the end of the lease period based on a separate understanding taken by the Bank to gift the asset subject to certain conditions.

INSURANCE PROVISION – FAMILY TAKAFUL (LONG-TERM)

The fund or funds to be maintained by an insurer in respect of its Long-term Insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

LIFE INSURANCE BUSINESS (FAMILY TAKAFUL)

Insurance business falling within the classes of insurance specified as long-term Insurance, under the Regulation of Insurance Act No 43, 2000.

MUDHARABA

This is an agreement made between two parties. The Investor, who provides 100% of the capital for the project and the Mudharib manages the entire project using his entrepreneurial skills. The Investor has no control over the management of the project. Profits arising from the project are distributed according to a predetermined ratio. Losses are borne by the provider of the capital.

NET EARNED PREMIUM

Gross written premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

PREMIUM (CONTRIBUTION)

The consideration payable by the insured for an insurance contract.

RE-TAKAFUL (REINSURANCE)

Transfer of all or part of the risk assumed by an insurer under one or more insurance to another insurer, called the re-insurer.

RISK-BASED CAPITAL

A 'Risk-Based' approach to assess the Capital Adequacy, determined as per Solvency Margin (Risked-Based Capital) Rules 2015.

SHARI'AH

Is the code of law for the Islamic way of life which has been derived from the Quran and the Sunnah (The Practice of the Holy Prophet Muhammad – Peace be upon him).

SHARI'AH ADVISORY COUNCIL (SAC)

This comprising Shari'ah Scholars or/ and well-versed personnel in Shari'ah, which ensures Shari'ah compliance in the operations of the Company. The SAC advises the Company on all Shari'ah matters in its business activities and involves in endorsing and validating relevant documentation, such as products manuals, policy terms and conditions, marketing materials, sales illustrations, etc.

SOLVENCY MARGIN – FAMILY TAKAFUL (LIFE)

The difference between the value of assets and the value of liabilities, required to be maintained by the insurer who carries on long-term insurance business, determined as per Solvency Margin (Long-term Insurance) Rules, 2002.

SURRENDER

The act of cancelling of an insurance contract before it reaches its date of maturity.

TAKAFUL

Is an Arabic word, which means 'guaranteeing each other'. It is a system of risk management based on the principle of mutual assistance (TA – AWUN) and contributions (Tabarru) where the risk is shared collectively by the group voluntarily.

UNDERWRITING

The process of selecting which risks an insurance company can cover, and deciding the premium and terms of acceptance.

UNEARNED PREMIUM/ UNEARNED PREMIUM RESERVE

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

WRITTEN PREMIUM

Total premium received or due from all insurance contracts during a period.

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting of Amãna Takaful Life PLC will be held on 19th May 2017 at 3.00 p.m. at the Committee Room B, Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company for the year ended 31st December 2016 and the Report of the Auditors thereon.
2. Appointment of Directors in terms of Article 24 (2) of the Articles of Association of the Company.
    a. Appointment of Mr. Tyeab Akbarally as a Director of the Company being eligible, offers himself for re-election.
    b. Appointment of Mr. R. Gopinath as a Director of the Company being eligible, offers himself for re-election
    c. Appointment of Mr. M.F. Ghaffoor as a Director of the Company being eligible, offers himself for re-election
    d. Appointment of Mr. A.S. Kassim as a Director of the Company being eligible, offers himself for re-election
3. Appointment of Directors in terms of Section 211 of the Companies Act No. 07 of 2007

- Appointment of Dr. Ifthikarudeen Ahamed Ismail as a Director, and the following resolution to be passed for this purpose, if thought fit:

  IT IS HEREBY RESOLVED: To appoint Dr. Ifthikarudeen Ahamed Ismail who is 79 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Ifthikarudeen Ahamed Ismail.
- Appointment of Mr. M.H.M. Rafiq as a Director, and the following resolution to be passed for this purpose, if thought fit:

  IT IS HEREBY RESOLVED: To appoint Mr. M.H.M. Rafiq who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. M.H.M. Rafiq.
- Appointment of Mr. Dato' Mohd. Fadzli Yusof as a Director, and the following resolution to be passed for this purpose, if thought fit:

  IT IS HEREBY RESOLVED: To appoint Dato' Mohd. Fadzli Yusof who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to, in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dato' Mohd. Fadzli Yusof.

4. Appointment of Auditors: M/s. Ernst & Young, Chartered Accountants for the ensuing year and to authorise the Directors to determine their remuneration.

By Order of the Board,
AMÃNA TAKAFUL LIFE PLC

MANAGERS & SECRETARIES (PRIVATE) LTD.
Secretaries

12th April 2017

Notes:
1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her behalf. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed for this purpose.
3. The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company, No. 660, 1/1, Galle Road, Colombo 03, not less than forty-eight hours prior to the time appointed for holding the meeting.

I/We the undersigned ....

bearing NIC No. ...., of ....

....

being a member/members of Amãna Takaful Life PLC, hereby appoint ....

.... of ....

Bearing NIC No. .... or failing him,

Tyeab Akbarally	of Colombo or failing him
Dato' Mohd. Fadzli Yusof	of Malaysia or failing him
M.H.M. Rafiq	of Colombo or failing him
Dr. I. A. Ismail	of Colombo or failing him
R. Gopinath	of India or failing him
M.F. Ghaffoor	of Colombo or failing him
A.S. Kassim	of Colombo

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting to be held on 19th May 2017 at 3.00 p.m and at any adjournment thereof and at every poll which may be taken in consequence thereof.

As witness my/our hands this .... day of 2017

…………………………………
Signature

INSTRUCTIONS AS TO COMPLETION

1. In order to appoint a proxy, this form shall in the case of an individual be signed by the shareholder or by his/her Attorney and in the case of a company/Corporation, the Form of Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
2. The full name and address of the Proxy holder and of the shareholder appointing the proxy holder should be entered legibly in the Form of Proxy.
3. The duly completed Form of Proxy must be deposited at the Registered Office of the Company at No. 660, 1/1, Galle Road, Colombo 03, not later than 48 hours prior to the time appointed for the holding of the meeting.
4. In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed Form of Proxy and must be deposited at the Registered Office of the Company.

NAME OF THE COMPANY
Amãna Takaful Life PLC

LEGAL STATUS
Public Quoted Company with Limited Liability incorporated in Sri Lanka on 10th July 2014.

COMPANY REGISTRATION NUMBER
PB 5202 PQ

TAX PAYER IDENTIFICATION NUMBER (TIN)
139052021

STOCK EXCHANGE LISTING
The shares of the Company are listed in the Second Board of the Colombo Stock Exchange, Sri Lanka on 18th August 2016. Stock Exchange Code for Amãna Takaful Life PLC shares is 'ATLPLC'.

DIRECTORS
Mr. Tyeab Akbarally – Chairman
Mr. M.H.M. Rafiq
Dato' Mohd Fadzli Yusof
Dr. I.A. Ismail
Mr. R. Gopinath
Mr. M. Fazal Ghaffoor
Mr. Ammar Shafik Kassim

REGISTERED OFFICE
No. 660 – 1/1, Galle Road, Colombo 03, Sri Lanka

AUDITORS
Ernst & Young Chartered Accountants

SECRETARIES
Managers & Secretaries (Pvt) Ltd.

REINSURANCE PANEL
Score Re
Hannover Re

CONSULTANT ACTUARIES – LONG-TERM INSURANCE
Actuarial Partners Consulting Sdn Bhd
Suite 17.02 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

SHARI'AH ADVISORY COUNCIL
Mufti M.I.M. Rizwe – Chairman
Ash-Sheikh Fazil Farook
Ash-Sheikh Murshid Mulaffar – Secretary

CHIEF EXECUTIVE OFFICER
Mr. Gehan Shivantha Rajapakse

PRINCIPAL BANKERS
Amãna Bank PLC/Pan Asia Bank/NDB Bank/Bank of Ceylon/Commercial Bank/Sampath Bank/HNB/Nations Trust Bank/Deutsche Bank

This Annual Report is Carbon Neutral

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