

Get real close  
to AIA Sri Lanka





# Get real close to AIA Sri Lanka

At AIA Insurance we understand that more often than not, there is a gap between what you will have and what you will actually need to make sure your family is protected, to enjoy retirement to the fullest or to ensure you have access to the best of healthcare and other facilities. We are here to help you close that gap.

We believe in empowering lives, enabling thousands of customers to realise their greatest hopes, dreams and aspirations. We are here to help them face real challenges and make the most of real life, so they can live life to the fullest and get closer to the people they love. And in doing so, we take every step to understand their needs and be there for them when they need us most while maintaining the highest levels of mutual trust and respect - and in turn, we help them get closer to us.

**AIA Insurance Lanka PLC**

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## Our Purpose

To play a leadership role in driving economic and social development in Sri Lanka.

## Our Vision

To become the pre-eminent Life insurance provider in Sri Lanka.

## Our History

In December 2012, AIA Company Limited, Hong Kong acquired the entirety of the shareholding in AIA Holdings Lanka (Private) Limited, the majority shareholder of AIA Insurance Lanka PLC. AIA also acquired a direct 5% of the shareholding and through a voluntary offer, acquired a further 4.88% direct holding in May 2013.

AIA now owns an effective shareholding of 97.16% in AIA Insurance Lanka PLC.

# MILESTONES 2015

Our milestones for the year reflect our commitment to being the pre-eminent life insurance provider in Sri Lanka

## January

### Top Life Saver Award

AIA Sri Lanka's Nilantha Senarathna Bandara, Wealth Planner attached to the Kegalle Main Branch Office became AIA's World Champion in the "Make a Difference - Save a Life" competition held across the Asia Pacific region. Nilantha, achieved the coveted Diamond Medal for 'saving' over a thousand lives through his tireless efforts and attended the Gala Dinner at the Top Life Savers Awards Presentation in Hong Kong.



## March

### Creates history as the first Official Insurance Partner of Sri Lanka Cricket

AIA Sri Lanka became the first Official Insurance Partner of Sri Lanka Cricket in a historic partnership, to protect and safeguard our national asset. AIA will be the title sponsor for the Premier Limited Overs, Premier League and the Premier T20 tournaments for the next three years.



## April

### AIA Sales Conference 2015

Top-rung sales performers at AIA Sri Lanka were singled out for honour and recognition at a gala awards night that packed the grand auditorium at the BMICH with over 1000 Wealth Planners and Wealth Planners' Managers. At the annually held ceremony, Premier, Privileged and Senior titles were bestowed on the star performers for their accomplishments during the year.

## May

### Top 10 Wealth Planners at President Club Convention

AIA Sri Lanka's top ten Wealth Planners attended AIA Group's President Club convention which took place in England. The AIA President Club is the most respected annual AIA agency event, acknowledging the Group's top performing agents from across Asia. The event was attended by 200 Premier Agency Leaders and Premier Agents.

## June

### 24 lives saved this Poson... highest ever for 2 decades!

AIA Poson Safety Programme in 2015 deployed more than 700 lifesavers, who worked together with the Sri Lanka Police, Lifesaving Association of Sri Lanka, Sri Lanka Navy and the Civil Security Department in an effort to protect the lives of the pilgrims visiting the sacred city of Anuradhapura. 24 lives were saved this year, the highest number ever in the history of the Company's corporate social responsibility endeavour, and there were zero deaths from drowning.







## October

### Presents Higher Education Scholarships for the 14th consecutive year

AIA Sri Lanka presented Higher Education Scholarships to the 25 highfliers who came first in each district at the Year 5 scholarship examination in 2008 and entered Advanced Level class in 2015. Since 1994, the Company has been providing a monthly bursary from Advanced Level class up to the completion of their University Degree to the country's Year 5 district toppers. This year's Chief Guest, was Dr. Jayalath Manorathna, the renowned dramatist.

### Wins 5 awards at Great Place to Work®

AIA Sri Lanka collected 5 accolades at the Great Place to Work® Awards in 2015. Among them was the Asia Award for Best Practices in People Development. AIA's other accolades from this respected global study includes listing in the 'Best 20 Companies to work for in Sri Lanka', the 'Best in Engaging People in CSR' and Silver awards for the 'Best Multinational Corporations to Work for' and 'Best in large sized enterprise category'.

### Bill Lisle returns as Chairman of AIA Sri Lanka

AIA Insurance Lanka PLC announced the appointment of William ('Bill') Lisle as the Company's new Chairman from 22 June 2015. Bill is AIA Group's Regional Chief Executive with responsibility for Sri Lanka, Malaysia, Korea, India and Cambodia. He has had a close association with Sri Lanka previously, during his career at Aviva and also after he joined the AIA Group.

## August

### Donates classrooms to school in Batticaloa

AIA Sri Lanka donated a new building to Kokkadicholai Ramakrishnam Maha Vidyalayam in Batticaloa as a Corporate Social Responsibility (CSR) endeavour to inspire academic excellence among the children in the North and East where for decades the students had to go to school amidst the conflict. The Company handed over a newly built building of 5 classrooms and also donated 5 computers for the school's computer lab. Also presented were AIA branded school bags for all students attending the school.



### Rolls out Pensions Month

AIA Sri Lanka's Pensions Month was rolled out in October, highlighting that a significant gap exists between the level of retirement income an individual is estimated to receive after retirement and the level of income the individual will actually need. A unique Retirement Calculator was also launched on the Company's corporate website.

### Sale of General Insurance business

AIA Sri Lanka completed the sale of its General insurance subsidiary. This came about give the Company's decision to focus purely on Life business as AIA Group is a Life focussed insurer.

### Ajith Fernando creates MDRT history in Sri Lanka

AIA Sri Lanka's most awarded Wealth Planner, Ajith Fernando netted the Honour Roll at Million Dollar Round Table (MDRT). He is the first Sri Lankan to receive this pinnacle of prestigious international recognition. It adds to his long list of global and local achievements that has made him a shining star among professional insurance advisors at AIA.



### Brings ambition to life for 25 undergraduates

It was a life-changing experience for 25 undergraduates from four universities in the country when they attended a workshop on the theme 'Bring your Ambition to Life' conducted by AIA Sri Lanka. The two-day residential workshop focused on empowering these selected undergraduates.

## November

### AIA Premier Limited Overs kicks off

AIA Premier Limited Overs tournament kicked off on 27 November 2015. The series brought together 14 cricket clubs. The sponsorship was a reiteration of AIA's commitment to uplifting cricket in the country.

## December

### Launch of book on Diabetes

Prof. Daya Rohana Athukorala's book on Diabetes was sponsored by AIA Sri Lanka. The author ceremonially presented the inaugural volume to the Deputy CEO, Upul Wijesinghe.

# Get Real Close

The launch of the 'Real Life Company' was a milestone in AIA's brand history spanning over 90 years. This new brand position resonated with all markets across Asia because it established the company's role in both understanding real life challenges that our customers face and providing that much needed support along the way. With the promise of the 'Real Life Company' well rooted, AIA Sri Lanka has taken our brand proposition to the next step.

The message is simple, yet profound. Get Real Close. Get closer to your ideal future and get closer to the people you love and cherish. How? By closing the gaps that invariably exist between reality and expectations; what you have and what you will need.

There is a gap between how much you will have and how much you will need to live the retirement you desire. There is a gap between the protection your family has and the protection they will need, if you are no longer around. There is a gap between being prepared or caught off-guard when unexpected medical emergencies strike. Close these gaps. And in doing so get closer to peace of mind, so you can hold your loved ones closer, knowing you have done what's best by them. Therefore, AIA's role in educating and motivating current and potential customers to evaluate their needs and goals seriously and realistically has become our brand priority.

This is reflected in everything we do, be it the products and services we offer, our sales processes or investments in technology - we are committed to delivering on this promise of helping you close the gaps and in turn get closer to those that matter the most. This is no ordinary brand campaign, but rather an effort at creating a shift in mind set and inculcating a way of life, to ensure all Sri Lankans are equipped to face the challenges of real life while protecting themselves and their families.



# FINANCIAL HIGHLIGHTS

## Financial Highlights - Group

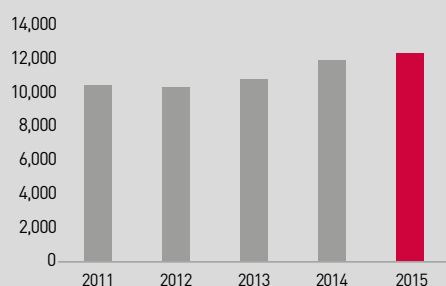
		2015	2014*	%
Total Revenue	(LKR Mn)	12,218	11,803	4
Profit before Tax	(LKR Mn)	519	473	10
Gross Written Premium	(LKR Mn)	8,433	7,267	16
Net Assets	(LKR Mn)	6,367	4,887	30
Total Asstes	(LKR Mn)	45,963	47,701	(4)
Life Fund	(LKR Mn)	37,028	36,238	2
Basic Earnings Per Share	(LKR)	9.86	8.55	15
Dividend Per Share	(LKR)	7.07	2.00	254
Market Capitalisation	(LKR Mn)	8,979	9,060	(1)

\* Pertaining to continuing operations

### Our 2015 performance

#### Total Revenue

2015  
(LKR) **12,218m**



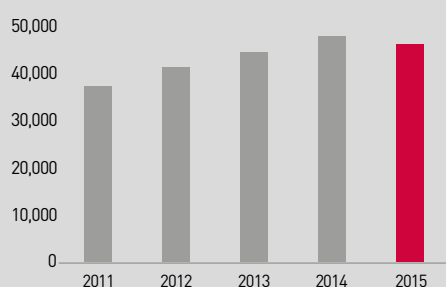
#### Net Assets

2015  
(LKR) **6,367m**



#### Total Assets

2015  
(LKR) **45,963m**



#### Life Fund

2015  
(LKR) **37,028m**



# CHAIRMAN'S MESSAGE

## AIA Sri Lanka reports an excellent performance in 2015 for its continuing operations

Like other markets in Asia, the demographics and economic growth momentum of Sri Lanka augur well for sustainable growth opportunity for the insurance industry.

### Summary of the year

- During 2015, a number of industry shaping regulatory developments took place in Sri Lanka
- AIA Sri Lanka reported an excellent performance in 2015 for its continuing operations
- The Company continued to focus on enhancing customer propositions and business quality, professional development of Agency distribution, and transformation of the operating model in Bancassurance

It is my great pleasure to once again be part of AIA Sri Lanka as the Chairman of the Board of Directors, and report that the Company has delivered excellent results in 2015.

Despite the headwinds experienced across the globe since the latter half of 2015, the Asian region remains the undisputed engine of economic growth. Like other markets in Asia, the demographics and economic growth momentum of Sri Lanka augur well for sustainable growth opportunity for the insurance industry.

A number of industry shaping regulatory developments took place in Sri Lanka during 2015, one of which was mandatory segregation of composite insurance business. AIA Sri Lanka completed the segregation of its composite business by transferring the General Insurance business to a wholly owned subsidiary of the Company set-up for this specific purpose.



Subsequent to this, the Company made a strategic decision to fully focus on realising the exciting growth opportunities in the Life Insurance market and divested the General Insurance subsidiary in October 2015 for a total consideration of LKR 3.2 billion.

AIA Sri Lanka reports an excellent performance in 2015 for its continuing operations, with Gross Written Premium increased by 16.1 per cent to LKR 8,433 million and profits after tax increased by 22.3 per cent to LKR 321 million. This excellent performance was driven by strong growth in regular premium new business, which was the direct result of our continued focus on enhancing customer propositions and business quality, professional development of Agency distribution, and transformation of the operating model in Bancassurance. Consolidated profits after tax, including operating results and realised gain from divestment of the General Insurance operations, was LKR 1.5 billion in 2015.

I am delighted to see the growth and progress made by AIA Sri Lanka since its integration with AIA in 2012. I would like to thank Gordon Watson, who preceded me as Chairman of the Board, for his leadership of the Company over the past two years. And, on behalf of the entire Board, I thank all the employees of AIA Sri Lanka for their dedication, commitment and untiring efforts to deliver our success in 2015.

I look forward with optimism and great expectations to continuing the journey of AIA becoming the pre-eminent Life insurer in Sri Lanka in the years to come.

A handwritten signature in black ink, appearing to read 'William Lisle'.

**William Lisle**  
Chairman

# CEO'S REVIEW

It's a year that very much reflects AIA's Operating Philosophy in action - 'Doing the Right Thing, in the Right Way, with the Right People and be confident the Right Results will come'

The Sri Lankan economy is estimated to have expanded by circa 5% during 2015, perhaps indicating a more resilient domestic economy.

It gives me great satisfaction to review the performance of our Company over the course of 2015. It's a year that very much reflects AIA's Operating Philosophy in action - 'Doing the Right Thing, in the Right Way, with the Right People and be confident the Right Results will come'.

The start of 2015 was welcomed with cautious optimism arising from changes in the political climate and landscape in Sri Lanka. The Presidential Election concluded in January 2015 with a smooth transition of power evidencing the political maturity and vibrant democracy in the country. The Parliamentary Elections of August 2015 and the formation of a government of

national unity provides the foundation for the continuation of the economic and development policy agenda.

In many ways 2015 was a milestone year for the Sri Lankan insurance industry due to the significant regulatory changes that came into effect during it. Key amongst these were the segregation of composite insurers and the increase in stated capital to LKR 500 million per line of business that were required to be satisfied by 11 February 2015. These changes have already paved the way for consolidation within the industry and our Company too was active in this aspect. These regulatory changes and the impending adoption of the risk based capital regime will lead

to a stronger and more robust insurance industry.

The economic challenges during the latter part of the year, triggered by the hike in US interest rates, was evident in the rise in local rates and the depreciation of the LKR. External reserves were placed under pressure with foreign investors divesting holdings in Treasury instruments, prompting a successful ninth issue of sovereign bonds to raise USD 1.5 billion in international markets and shore up reserves. Inflation too experienced an increase after many months of moderate movement, despite the temperate global commodity prices and especially weak global oil prices.



Notwithstanding these challenges the Sri Lankan economy is estimated to have expanded by circa 5 per cent during 2015, perhaps indicating a more resilient domestic economy.

Against this backdrop the success of AIA Sri Lanka's business performance stands out. The effective execution of our Pioneer 2 strategic priorities (focused on the quality of business, professional development of Agency distribution, enhancing customer propositions and a re-design of the operating model in Bancassurance) have all contributed to the success of 2015 and augurs well for the future performance of the Company.

The updating of our product portfolio to cater to ever-changing market needs was a primary focus for AIA Sri Lanka. AIA SmartBuilder was launched to fill the gap for a shorter premium paying term product. PensionsPremierGold was introduced to the market with an offer of enhanced benefits to customers. These products were well received

by customers and made a notable contribution to sales volumes reported for the year.

In 2015 AIA Sri Lanka continued to invest in improving the quality of our Agency training syllabus and content, designed to further uplift core advisor competencies to better serve customers. In December 2015, AIA Sri Lanka launched Premier Agency 2.0 based on Group wide international best practices, and the Company is well poised to benefit from the improved sales quality and superior customer engagement this will bring.

Our Bancassurance channel continues to lead the market and deliver a steady impressive performance with a realigned Target Operating Model rolled out during 2015. This new Target Operating Model is embedded with all partner banks.

The year 2015 also marked an important event with AIA Sri Lanka assuming the mantle of the official insurance partner of Sri Lanka Cricket, to support the game and protect its players. It complements the very high profile AIA Group sponsorship of Tottenham Hotspur FC in the English Premier League, which AIA Sri Lanka is also leveraging.

#### Summary of the year

- Complied with segregation of composite insurers and the increase in stated capital to LKR 500 million per line of business.
- Executed the strategic decision to divest the General insurance subsidiary.
- Effective execution of Pioneer 2 strategic priorities have contributed to the success of 2015.

The 2015 financial performance is very much about the right results and reflects consistent strong performance

Looking ahead to the future we are confident of the prospects for growth and have set ourselves ambitious and challenging plans...



[Creates history as the first Official Insurance Partner of Sri Lanka Cricket]

The Company's ethos on people centres on the principle of meritocracy and in creating a conducive environment to attract and nurture the right talent. Endorsing this, the Company was adjudged as one of the best 15 companies to work for in Sri Lanka in 2015 for the third consecutive time, by the globally renowned Great Place to Work. AIA's other accolades from this respected global study includes listing in the 'best 20 companies to work for in

Sri Lanka', the 'best in engaging people in CSR' and silver awards for the 'best multinational corporations to work for' and 'best in large sized enterprise category'. These are accolades that we take great pride in.

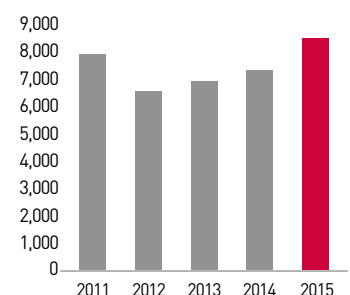
The 2015 financial performance is very much about the right results and reflects consistent strong performance. The Company reports 32.0 per cent growth in Regular Premium New

Business, 16.1 per cent growth in Gross Written Premium to LKR 8.4 billion and 22.3 per cent growth in profit after tax from continuing operations to LKR 321 million. During 2015 the Company made the strategic decision to divest the wholly owned General Insurance subsidiary. The gain of LKR 1.2 billion realised on this divestment is not included in the profit after tax

**Our 2015 performance**

**Life GWP**

2015 (LKR) **8,433m**





from continuing operations cited above. Investment income reported 4.8 per cent growth during the year and stands at LKR 3.9 billion, a reflection of the timely execution of investment strategy and the prudent approach to investment management adopted by the Company.

Total assets of the Group reflects a decrease by LKR 1.7 billion as a consequence of the divestment of the General Insurance subsidiary, and this needs to be viewed together with the increase in shareholders' equity of LKR 1.5 billion, with the realised gains on the divestment being transferred to shareholders' equity.

The Life business performance creates value to policyholders and shareholders with LKR 2.1 billion being added to the Life Policyholders' fund during the year and LKR 100 million being declared as the surplus from Life business transferred to shareholders.

The Company reports a solvency margin ratio of 5.7 times, indicative of the strong financial position of the Company now and going forward. So, looking ahead to the future we are confident of the prospects for growth and have set ourselves ambitious and challenging plans within the Pioneer 2 strategy framework. We believe that the strategic initiatives of Pioneer 2 paves the way and sets the Company on course to achieving the stated ambition of market leadership in Life business and fulfilling our ambition to become the pre-eminent Life insurer in Sri Lanka.

The approved plans we are executing with diligence primarily centre around a superior customer experience and improving the overall distribution model. We recognise that our customers have inevitable gaps in

providing protection for their loved ones and meeting their long term financial needs. During the forthcoming period we will deploy to raise awareness and provide solutions to help close these gaps. Consistent with this and our Real Life Company brand, I am proud to share with you our 2016 customer message and campaign to "Get Real Close" – us to our customers and them to their desire to live longer, healthier and better lives.

I extend my sincere appreciation and gratitude to the Board of Directors and all my AIA Sri Lanka colleagues for their untiring efforts, commitment and dedication during another challenging and hugely rewarding year. I extend my best wishes to our ex-colleagues in the recently divested General Insurance business as they embark on a similar journey seeking market leadership in General Insurance with their new shareholders.

I acknowledge and congratulate our Wealth Planners and Bancassurance Executives for their contribution to grow the Life business and for our success in market leadership in Life new business. A special thank you also to all our business partners for their support and commitment. Most importantly, my utmost gratitude to our customers for the trust and confidence that they continue to place in us. I believe for us and for our shareholders, the best is yet to come.

Continued success,



**Shah Rouf**  
Chief Executive Officer

Get real close





...to your hopes, dreams and aspirations.



# MANAGEMENT DISCUSSION & ANALYSIS

AIA Sri Lanka once again reported a strong set of financial results as elaborated in this report

In 2015, Sri Lanka turned a chapter with a new government, new leadership, renewed ties with the global community and optimism for the domestic economy. AIA Sri Lanka too started the year embracing change with the segregation of its composite business into its Life and General Insurance parts (to comply with regulatory requirements) and renewed optimism anticipating a growth conducive external environment.

2015 was a year where the global economy however continued to show signs of weakness leading to a decline in commodity prices and volatile capital markets, exacerbated by the hike in US interest rates towards the latter part of the year. The effects of the US interest rate hike reverberated across the globe impacting every sphere of normal life, and it was encouraging to note that notwithstanding these headwinds Asia continues to be the engine of

growth and Sri Lanka demonstrated its trademark resilience.

AIA Sri Lanka once again reported a strong set of financial results as elaborated in this report. During the year the Company made the strategic decision to align the business to benefit from the exciting opportunities for Life insurance in the Sri Lankan market and divested the General insurance business. The Company also deployed

the next phase of the strategic priorities in line with AIA Group, and Pioneer 2 strategies were written into the Company's latest business plan. We believe AIA Sri Lanka is well on its way to reach its stated ambition of market leadership in the local Life insurance industry and be the pre-eminent Life insurer in Sri Lanka.

## Environment

### Economic update

The economic variables discussed below directly impact AIA Sri Lanka's business operations and financial performance. Sales is impacted by economic growth, operating and capital expenses are impacted by inflation, and investment income is impacted by interest rates and equity market performance.

### Economic growth

Sri Lanka's Gross Domestic Product (GDP) is estimated to be lower in 2015 vis-à-vis 7.4 per cent recorded during 2014, as reflected by the annual GDP growth rates presented in figure 1. The global slowdown has impacted the local economy with the mainstay of Sri Lanka's economy, the services sector reporting lower performances in import and export trade. The industry and agriculture sectors too report lower growth with the former being impacted by lower manufacturing and construction activity and the latter bearing the brunt of unfavourable weather conditions that prevailed for most of the year.

Economic growth coupled with lower inflation leads to higher disposable income and higher GDP per capita, which is conducive environment for growth in Life insurance.

### Gross Domestic Product Growth

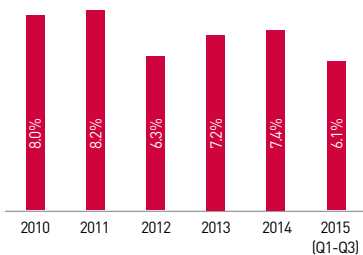


Figure 1

### Inflation

Over the last few years policy decisions have created an enabling environment

for a decrease in inflation especially the downward revisions in administered prices of electricity and water tariffs, LP Gas and fuel and these benefits continued into 2015. Low inflation was also supported by the moderation of commodity prices in the global market. Inflation witnessed a pick up towards the latter part of the year possibly the result of the growth in private sector credit and growth in broad money, as reflected in figures 2 to 4. The newly introduced National Consumer Pricing Index too showed an increase towards the end of 2015 indicating possible inflationary pressures in the economy.

The rise in inflation to levels near or above double digits will decrease disposable income and reduce the individual's capacity to save for the future, even though the need to save is made more relevant by rising price levels in order for individuals to be able to maintain their living standards in future years.

### Inflation Rate Trend

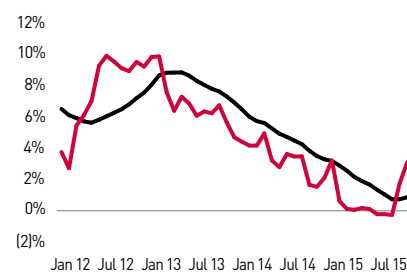


Figure 2

### Net credit growth to the Private Sector



Figure 3

### Broad Money Growth



Figure 4

### Interest rates

The benchmark 364-day T-bill rate increased to 7.11 per cent at December 2015, an increase of 111 bps, as shown in figure 5. The five year bond has increased by 227 bps over 2015. The increase in interest rates was a result of the increased demand for credit by both government and private sectors and as a reaction to the expected hike in US federal rates. The general rise in interest rates increases the cost of capital to businesses and tends to dampen economic activity whilst increasing the returns to investors investing in these instruments.

The increase in interest rates enables the Company to lock new monies and maturing investments at these higher rates, and causes unrealised losses to be reported on the current locked-in government security portfolio.

### Benchmark Interest Rate Trend

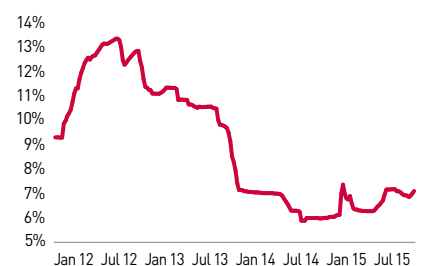


Figure 5

# MANAGEMENT DISCUSSION & ANALYSIS

## External reserves and exchange rates

Sri Lanka's gross official reserves were US\$ 7.3 billion in November 2015 and includes the receipt of the proceeds of the international sovereign bond issuances in 2015 totalling US\$ 2.1 billion and other currency inflows. Increased earnings from tourism has supported the foreign reserves, with turmoil in the middle-east possibly the reason behind the marginal increase in worker remittances.

There has been an outflow from foreign investments in treasury bills and bonds due to the generally expected hike in US interest rates prompting some withdrawal of funds from Asian markets. The equity markets too were affected with a reduction in foreign inflows over the year. These factors contributed to increase the balance of payments deficit.

The decision of the Central Bank in September 2015 to permit greater flexibility in the determination of the exchange rate, led to a depreciation of 9.0 per cent for 2015 with the price of the US dollar increasing in LKR terms as shown in figure 6. The strain on foreign reserves has limited the ability of the government to defend the rupee. This together with the foreign debt repayments scheduled for 2016 and project a balance of payments deficit may see a further weakening of the rupee.

## USD Exchange Rate

LKR



Figure 6

The weakening of external reserves and its impact on the currency impacts both

inflation due to the increase in prices of imported items and interest rates due to the policy action to encourage Sri Lankans to convert their foreign currency into LKR and help boost foreign currency reserves.

## Fiscal outturn

The fiscal position declined in 2015 with the overall fiscal deficit estimated to be 7.2 per cent of GDP, higher than budget and revised estimates.

Increased borrowing by the Government in the future may lead to pressure for domestic interest rates to rise in the event external sources for borrowing are not favoured or do not materialise with a reasonable cost of borrowing.

## Equity market performance

The equity market was volatile in 2015 and may continue to be so in the short term due to both domestic and international environmental conditions.

The downturn in equity markets can lead to losses being reflected on the Company's equity investment portfolios maintained for the unit-linked business.

## CSE ASPI Trend



Figure 7

## Regulatory

2015 was a compelling year for the industry players as all composite insurers were required to segregate by February 2015 their Life and General insurance businesses to separate legal entities in compliance with regulatory requirements as regards segregation of the composite insurance businesses.

The Insurance Regulator also required every insurer to maintain a minimum share capital of LKR 500 million for each class of insurance business by February 2015.

During the year the industry made further strides in preparing for the regulation relating to the risk based capital regime which is expected to be in full implementation during 2016. The risk based capital regime requires that each insurer measures and maintains the appropriate level of capital that is commensurate with the risk profile of that insurer. This augurs well for the long term financial stability of the insurance industry in Sri Lanka.

During 2015 the hitherto voluntary adoption of the Colombo Stock Exchange (CSE) circular on related party transactions reached the phase of mandatory application by all companies listed on the CSE. Compliance with the related party transaction rules was voluntary for a period of two years from 1 January 2014 and hence was made mandatory from 1 January 2016. The objective of these rules pertaining to related party transactions is to ensure that the interests of all shareholders are considered and protected by a listed company when entering into related party transactions.

On a directive of the Securities and Exchange Commission of Sri Lanka (SEC), the CSE Listing Rules requires listed companies on the Main Board to maintain a minimum public float of 20 per cent of its total ordinary voting shares in the hands of a minimum of 750 public shareholders, or a market capitalisation of LKR 5 billion of public holding in the hands of a minimum of 500 public shareholders while maintaining a minimum public holding of 10 per cent. This rule was effective from 1 January 2014 and full compliance is required by 31 December 2016. The Company is meeting these regulatory changes in terms of the regulatory framework and permission provided by the relevant regulators.



## Industry

### Industry performance

There were 29 insurance companies that were operating in the industry by the time of this report, the increase in number of insurance companies is due to the mandatory segregation of composite insurers as required by the regulator.

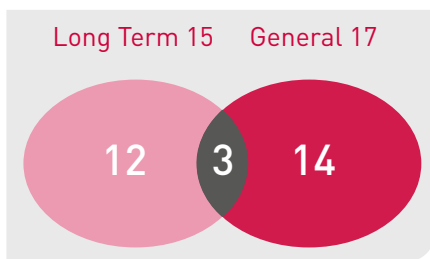


Figure 8

The industry review is based on 2014 official figures published by the local insurance regulator; The Insurance Board of Sri Lanka (IBSL). The industry reported a growth of 5.1 per cent for 2014 with a combined GWP of LKR 99.9 billion, lower than the GDP growth rate recorded for that year.

During 2014, the total industry operated via 1,462 branches across the country employing 16,134 staff with 42,958 insurance agents. AIA Sri Lanka accounted for 7.7 per cent of the branches, 6.8 per cent of staff and 13.5 per cent of insurance agents of the total industry.

### Long term insurance

Long term insurance grew by 7.0 per cent during 2014, a slow-down in growth compared 11.2 per cent recorded in 2013. Market share of top five insurance companies reduced marginally during 2014 from 82.6 per cent in 2013 to 81.6 per cent in 2014, and the industry remains concentrated amongst these key players.

Industry growth	2010	2011	2012	2013(a)	2014 (b)
Long Term Insurance GWP - Industry (LKR Mn)	31,152	35,162	37,477	41,676	44,610
Growth Rate of Long Term Insurance GWP - Industry (%)	29.8	12.9	6.6	11.2	7.0
Long Term Insurance GWP - AIA Sri Lanka (LKR Mn)	7,784	7,846	6,496	6,863	7,267
Growth Rate of Long Term Insurance GWP - AIA Sri Lanka (%)	68.0	0.8	-17.2	5.6	5.9
AIA's market share [GWP] %	25.0	22.3	17.3	16.5	16.3

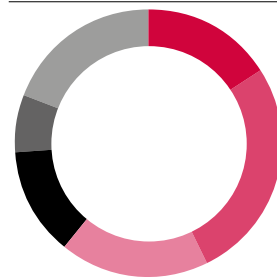
Source: IBSL Annual Report 2014

(a) Restated audited figures

(b) Provisional figures

Figure 9

### Industry GWP - by company



AIA	16%	UAL	13%
Ceylinco	27%	Asian Alliance	7%
SLIC	18%	Others	19%

Source: IBSL Annual Report 2014

Figure 10

Insurance penetration remained low during 2014, a key challenge to the industry mainly driven by the possible lack of awareness of the protection

need amongst the populace and by low disposable income.

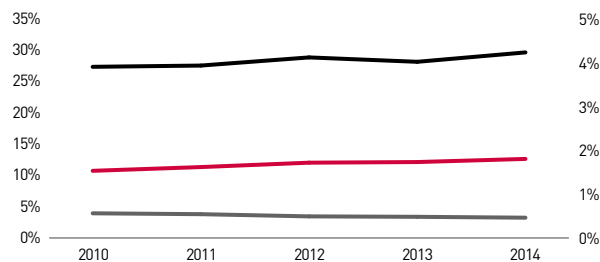
Insurance penetration based on population and labour force increased during the year while insurance penetration on GDP marginally declined. The low insurance penetration indicates the potential for growth in the Life insurance industry in this country.

Conventional Life insurance dominates the industry representing 95.4 per cent of the insurance liabilities for 2014, increasing further from 94.4 per cent for 2013.

Agency remained the key distribution channel for Life business accounting for 91.8 per cent of Life industry GWP followed by Bancassurance with a contribution of 3.0 per cent.

### Insurance Penetration :

#### Long term



	2010	2011	2012	2013	2014
No. of Life policies in force as a % of the total population	10.7	11.3	12.0	12.1	12.6
No. of Life policies in force as a % of the labour force	27.3	27.5	28.8	28.1	29.6
Life GWP / GDP (%)	0.6	0.5	0.5	0.5	0.5

Source: IBSL Annual Report 2014

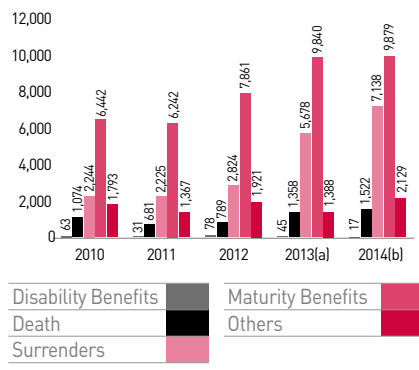
Figure 11

# MANAGEMENT DISCUSSION & ANALYSIS

## Claims

Total claims incurred by the industry for 2014 amounted to LKR 20,685 million. Surrender growth rate reduced to 25.7 per cent in 2014 from growth rate of 101 per cent of 2013, however surrenders still account for 34.5 per cent of total claims incurred by Long term insurance business of the industry. This evidences that containing surrenders remain a key challenge for the insurance industry in order to ensure policyholders make the best use of long term insurance policies.

### Claims incurred by Insurance companies (LKR Mn)



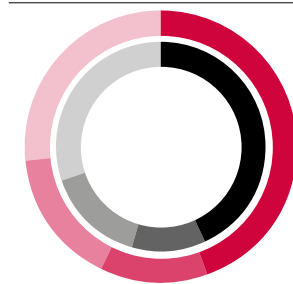
Source: IBSL Annual Report 2014  
 (a) Restated audited figures  
 (b) Provisional figure

Figure 12

## Investment assets

Investment in corporate debt increased during 2014, and this is mainly attributed to the attractiveness of the corporate debt investment in the context of the income tax benefit and supported by increased activity in the corporate debt market during the year.

### Average investments - long term insurance (LKR Mn)



	2013	2014
Government Debt		
Securities	93,539	111,600
Equities	24,606	31,729
Corporate Debt	32,944	40,478
Others	65,186	66,042

Source: IBSL Annual Report 2014  
 (a) Restated audited figures  
 (b) Provisional figures

Figure 13

## Solvency

Regulatory solvency margin for long term industry improved to 9.7 times from 8.4 times in 2013 indicating healthy capitalisation of the industry.

# Agency and Bancassurance remained the mainstay distribution channels for AIA Sri Lanka

## Business Review

### Distribution

Agency and Bancassurance remained the mainstay distribution channels for AIA Sri Lanka, with Agency accounting for circa 90 per cent of the GWP reported by the Company in 2015 and Bancassurance reflected a noteworthy growth over 2014.

During 2015 the Company continued to focus on the professional development of the Agency force by targeted efforts to improve the content and delivery of the Agency training syllabus, designed to enhance Wealth Planner

competencies in acquiring new business and in delivering a consistent customer experience to both potential and existing customers.

Structural changes and improved tools for performance discussions were rolled out during the year with a view to providing better oversight and focus across the channel and to identify the training needs of individual Wealth Planners.

Premier training was identified as a key enabler and AIA Premier Academy undertook the rollout of a new

curriculum to Wealth Planners. Diploma in Personal Financial Management was launched during 2015 with the intent of providing advanced knowledge in insurance and overall personal finance to provide a better service to customers. AIA Master Wealth Planner faculty is another key initiative with the intent to gather practical sales insights for training solutions. During 2015, 74 part time trainers were selected from the Agency force and trained and certified by the AIA Premier Academy with the view of transferring practical sales insights from experts to those with lesser experience.



[AIA Master Wealth Planner Faculty members who participated at Annual gathering & Talent show]

# MANAGEMENT DISCUSSION & ANALYSIS



[At the Sales builder national congress with the presence of ODI Best Bowling figures holder, former Sri Lankan cricketer Chaminda Vaas]

Further Sales Builder and Business Builder programmes were launched during 2015 targeting to further improve sales activities and recruitment strategies. The Company launched the internet based learning platform for Wealth Planners with the intention of improving the quality, delivery and effectiveness of training.

AIA Sri Lanka is delighted to be one of the top five in “AIA Real Life Hero”, the competition across all 17 AIA markets to identify and recognise ‘exceptional real life service provided by an agent to a customer’ going beyond the standard professional conduct. The Company is proud of this achievement as we have Wealth Planners who go beyond their professional responsibility to ensure that our customers’ needs are fulfilled and that they are confident of the future of their loved ones, which is the behavior that we strive to drive to be in line with our brand promise of being “The Real Life Company”.

As regards Bancassurance, the channel continued to lead the market in Bancassurance space and deliver a steady impressive performance with the realigned Target Operating Model rolled out during 2015. The Company has built a strong foundation by embedding this new Target Operating Model with all partner banks. Bancassurance

Executives stationed in all these bank branches ensured business generation and business conversion was at acceptable levels with appropriate solutions being designed to suit the specific customer need. A new sales management system was rolled out during the year across all banks for KPI monitoring at different levels in the sales hierarchy with the intention of deepening the customer penetration.

The focus on the above-mentioned facets in distribution have helped AIA Sri Lanka to scale up business with a goal of better serving the customers. The Company recorded a noteworthy result in top line with a year on year increase by 16.1 per cent and the Company was able to produce 63 MDRT (Million Dollar Round Table) qualifiers during 2015. It is noteworthy to mention all these qualitative aspects supported both Agency and Bancassurance channels to double their MDRT qualifiers from 2014.

## Operations

AIA Sri Lanka believes in the AIA Group’s Operating Philosophy that Doing the Right Thing, in the Right Way with the Right People and be confident that the Right Results will come. A number of initiatives were taken during 2015 to strengthen the operations of the Company in doing the Right Thing in the Right Way.

The year under review focused on reviewing and revisiting the operations of the Company with a view to enhancing efficiency and effectiveness. The Company started digitising and simplifying operations to better cater for customer needs. ‘Ease of Doing Business’ (EODB) emerged as a Group initiative to enhance customer service. ‘Simple language’, ‘Customer Journey mapping’, ‘Customer Complaint Management Systems’ were some of the key initiatives executed locally, providing a new experience in customer service.

The call centre operation was upgraded considerably to serve customers better. ‘Welcome Call 100 per cent’ was launched with the help of business unit heads to update the customer contact database to ensure contactability. ‘Condolence call’, ‘Claim rejection call’ and call for pending proposals were introduced to strengthen the customer interactions. The proactive communication with customers encouraged customers to adopt standing orders as opposed to continuing with traditional premium payment methods.

Life operations revamped the operational processes to assure a quality service to the customers. Premium reminder and lapse communication process were re-engineered as quality improvements and ‘Tele Revival’ and ‘Tele Servicing’ introduced as initiatives new to the Sri Lankan market. A separate quality assurance team was set up to monitor the service levels and the quality of the processes.

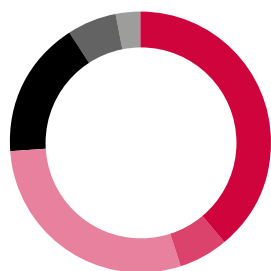
The IT processes of the Company were revitalised with the initiatives carried out throughout the year. Moving into cloud based Office365 platform was concluded in 2015 enabling the users to access information using different instruments. iPoS (Interactive Point of Sale) embedded in the Life administration system along with the SAMS (Sales Activity Management System) enabled the

Company to analyse the sales data and identify the sales patterns in improving the efficiency and effectiveness of the Wealth Planners and Bancassurance Executives. STP (Straight Through Processing) in policy issuing, evolved throughout the period supporting the underwriting process.

### Investment strategy

The Company continued to maintain a prudent investment strategy for its investment portfolios in line with its investment philosophy and investment policy. The Company employs a long term investment strategy to provide long term growth and ensure that funds are available when needed. The fixed income investment strategy focused on duration strategy coupling with investments made into high grade financial instruments. Equity investments were made for the unit-linked insurance business only and the equity investment strategy focused on liquid blue chip stocks with sound fundamentals.

### Investment Portfolio - 2015 Asset Allocation



Government Securities	39
Reverse Repurchase Agreements	6
Corporate Debt	29
Fixed Deposits	17
Equity	6
Policyholder Loans	3

Figure 14

The Company did not maintain exposure to quoted equity in its conventional Life Policyholders' Fund, in line with the portfolio's risk appetite, except for a strategic holding. Exposure into quoted equity was maintained in two unit-linked funds that were required

to maintain exposure to equity in line with their policyholder expectations and requirements. The asset allocations of the Company's investments as at 31 December 2015 are given in figure 14.

### Customers

Everyone at AIA Sri Lanka worked as a united team to provide a unique and consistent customer experience. A well-established five-pronged framework is in place involving all key stakeholders to deliver customer satisfaction every time a customer comes into contact with the Company.

#### Engaging customers

Our customer engagement activities were not limited to our customers but extend to include their loved ones. These activities are designed to add value to their lives and inculcate a sense of genuine appreciation and reward. Among them, 'Real Rewards', our newest customer engagement initiative concluded in 2015 offers exciting prizes every month. 10 winners get a 3-day holiday for 2 at a choice of 3 holiday destinations – Thailand, Malaysia or Singapore.

#### Bringing convenience to customers

We continued to review and expand our premium payment network bringing greater convenience to customers. The avenues open to customers vary from banks, supermarket chains, electrical and home appliance stores, mobile banking networks to a SmartPay machine at our Life-Link office to allow customers to pay their premiums at any time. Our customers now have over 2,000 premium payment points for their convenience.

#### Listening to customers

Our centralised complaints management system empowers all employees to act on behalf of customers in resolving their complaints. Customer Feedback Review Forum comprising all key customer unit heads and complaints resolving champions met regularly to take corrective measures and implement initiatives to keep our

customers satisfied. Our streamlined process of resolving customer complaints helps the Company to identify and prioritise emerging issues, finding timely, lasting solutions.

#### Making it easy for customers

Ease of Doing Business (EODB) is at the core of making the Company customer-centric. All processes are being reviewed and revisited to make them simple, clear, easy, effective and efficient. This includes our customer communications ranging from the corporate website to product brochures. Our language style will be more user-friendly. We will use the digital platform extensively for the benefit of customers. We launched a 'mystery customer' survey to gain valuable insights from our sales process to make EODB truly effective.

#### Gathering insights of customers

Invaluable insights through research plays an important role in identifying process improvements, developing need-based products and deploying customer engagement platforms. Research studies were conducted to identify emerging customer needs and changing dynamics. Research was conducted in wide ranging areas of customer need identification, market understanding, brand strength & equity, concept testing and campaign testing whenever a need arose. We constantly monitor the perceptions of our current and potential customers via research.

### Our new products

In 2015 we launched two new products and further strengthened our protection benefits in existing products to keep our promise of offering the best solutions to meet emerging needs of customers. SmartBuilder is for individuals who seek life protection and savings with the convenience of short premium paying term options. Pensions Premier Gold expanded our flagship product by offering an affordable comprehensive solution for a secure comfortable retirement.



Our people constitute a primary source of capital, we continually invest in developing our people

## Our People

Our people constitute a primary source of capital, we continually invest in developing our people, recognise and reward merit through transparent and equitable processes and above all foster a climate of self-confidence and empowerment where we aspire to epitomise our Employer branding initiative of 'Real Ambition brought to Life.'

### A Great Place to Work

Our culture focuses on creating conditions to attract and retain the best talent who can adapt and thrive within a culture of high performance. At AIA our people can optimise on individual and team growth opportunities, while at the same time, contribute towards being actively engaged in delivering customer and shareholder expectations. They are indeed AIA's brand ambassadors in living our operating Philosophy of 'Doing the Right Thing, in the Right Way, with the Right People' and be confident that the right results will come.

Endorsing this measure, the Company was adjudged as one of the best 15 Companies to work for in Sri Lanka in 2015, by the globally renowned Great Place to Work study. AIA's other accolades from this respected global study include listing in the 'Best 20



(Our people cheering the Lions at the T20 between Sri Lanka and Pakistan)

companies to work for in Sri Lanka', the 'Best in Engaging People in CSR' and Silver awards for the 'Best Multinational Corporations to Work for' and 'Best in large sized enterprise category'.

### Employee engagement survey

With a response rate of 100 per cent, an Employee Engagement Survey was completed in the last quarter of 2015. This Annual Survey is conducted across

all entities within AIA Group by Gallup, a world renowned research agency. Collecting feedback from our colleagues enables us to understand what factors drive engagement, and helps shape our future people strategy.

The survey results revealed that engagement levels at AIA Sri Lanka were strong, despite the challenges posed by the re-alignment of our Life



business and the divestiture of the General insurance Business. The level of engagement places AIA Sri Lanka at the 87th percentile on the Finance and Insurance Industry database. The score is encouraging against the backdrop of the business context and challenges of 2015, especially given the divestiture of our General insurance business.

The survey also revealed that two of AIA Sri Lanka's key strengths and differentiators are the standing of the leadership and its commitment to the development of our people. Our staff have described their leaders as accessible, friendly and approachable, and that they appreciate the development opportunities they receive from AIA that aren't available in other organisations. The Gen Y tribe of AIA Sri Lanka particularly were found to appreciate the development opportunities that are made available and were the most likely populace, to recommend AIA as a great place to work.

### Staff strength

During the year 2015 the Company had a total strength of 807 employees in the permanent cadre. The significant descending variation when compared to 1032 employees in 2014 is, since the number of employees in 2015 mentioned here includes only those exclusive to life insurance and shared services.

### Total Employee Category Breakdown

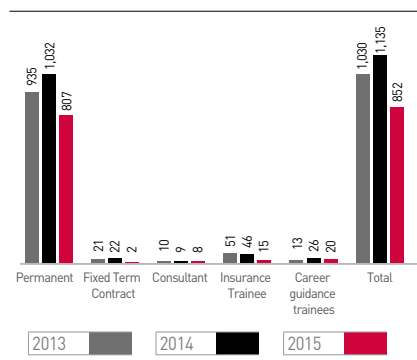


Figure 15

### Gender Breakdown 2015

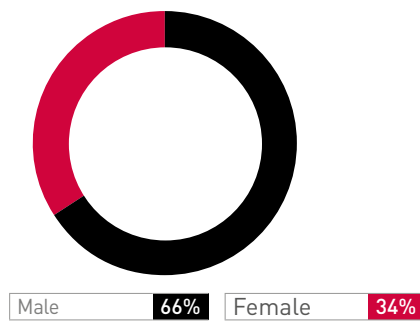


Figure 16

### Real Ambition - talent attraction and retention

We believe in maintaining a healthy mix of internal and external talent and we focus on scouting for the right talent to join the Company through the use of various employment models.

### Age Analysis

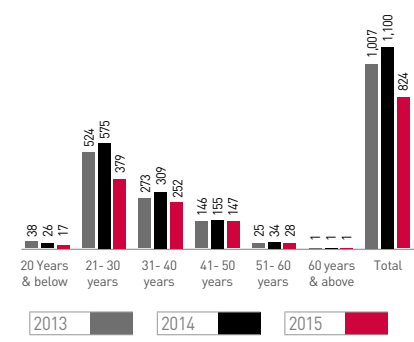


Figure 17

### Service Period Analysis

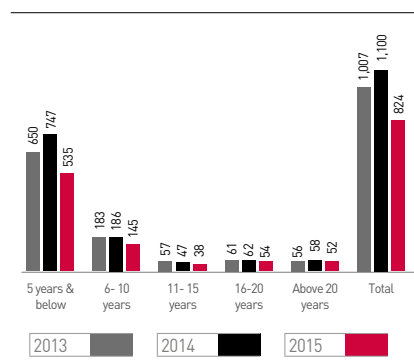


Figure 18

We have a diverse workforce based on age demographics. Over 75 per cent of our people are aged below 40 years while 17 per cent have been with the Company for over 10 years.

This not only helps us create a work environment that is rich with experience and maturity as well as youthful exuberance but also allows us to bring different skills and talents to the workplace and provides an opportunity to teach, share and learn from one another.

### Measuring performance and managing talent

The Performance Management process uniquely known as Performance Development Dialogue (PDD) shifts the focus from assessment to development and emphasises that performance and development go hand-in-hand. In our quest to become the pre-eminent Life Insurance provider in Sri Lanka, the PDD process is one tool that aligns our contributions – both what we do and how we do it – with our Strategic Framework. During the year under review, 671 employees from our Life business underwent the PDD process through the automated Performance Management System.

We continue to build a pipeline of next-generation leaders through the Organisation and People Review process. This is an annual process which encourages a proactive approach to resourcing, development and succession planning. During the year we identified 'Ready Now' and 'Ready Later' successors who will be groomed within 1-3 years to be able to take over senior level positions if required.

### Recognising and rewarding performance

AIA Group's total rewards philosophy is built upon the principles of providing an equitable, motivating and market-competitive remuneration package to foster a strong performance-oriented culture. Our total rewards comprise of

# MANAGEMENT DISCUSSION & ANALYSIS

both financial and non-financial rewards and recognitions, in order to attract and retain the best of talent. In addition, various 'function specific' employee recognition schemes which are aligned to the Strategic priorities of the Company were carried out on a quarterly basis.

## Developing our People

The true value of our business lies in our people. We continuously strive to attract the best people and invest in their development. A series of workshops are available to develop individual capabilities.

We conducted a total of 159 trainings (including foreign trainings) in 2015, investing over LKR 49 million. Our trainings vary from programmes for individual contributors, which include sessions such as 'The Best of Me', to programmes such as 'Manager as Coach' and 'Crucial Conversations' which are for people managers and senior leaders. All our programmes are designed to equip and empower our people to be the best they can be and grow personally and professionally during their time at AIA.

## Period of change

Year 2015 has been an era of refocus for AIA and its people. A key milestone of 2015 was the divestment of the Company's subsidiary AIA General, consequent to the restructure considered necessary post the mandatory regulatory segregation of insurance companies. Change can be daunting in various ways. The Company understands this and continues to stay committed to support our ex - General insurance colleagues and their new employer through this transition as they pursue their ambitions for market leadership in general insurance. It is AIA's wish that the solid professional and value foundation gained at AIA by the ex-general insurance colleagues will be their compass in pursuing continued professional growth.

## Focusing ahead

2016 will continue to be a period of realignment and consolidation for AIA, as the Company forges ahead towards pre-eminence in life insurance. Clarity of our ambitions and people's role in it, continuous capability development of international standards, and a working environment where AIA's leaders empower their people to excel, coupled with recognition of achievements, will be the core of the Company's people support structure for 2016. It is a renewed beginning at AIA which will lead our people at AIA to greater achievements.

## Our Contribution to Society

**Our nationally relevant Corporate Responsibility activities are linked to our business purpose of safeguarding and protecting individuals and contributing to the well-being of the community.**

### Highest ever number of Poson pilgrims saved in over two decades!

This year, our Poson Safety Programme deployed more lifesavers, numbering 720, working together with the Sri Lanka Police, Lifesaving Association of Sri Lanka, Sri Lanka Navy and Civil Security Department to face the threat posed to pilgrims from inclement weather in Anuradhapura as reservoirs overflowed.

24 lives, the highest number ever in the history of the Company's Poson safety programme spanning 22 years, were saved during 2015 and there were zero deaths from drowning.

### Inspiring academic excellence

Renowned dramatist, Dr. Jayalath Manorathna was the Chief Guest at the presentation of the 15th AIA Higher Education Scholarship Awards presentation held in 2015.

The students who topped the batch in each district in the Year 5 examination of 2008 and entered Advanced Level class commenced receiving a monthly bursary from AIA and will do so right up to the completion of their university degree.

### AIA staff takes a health ride across Colombo city!

Over 100 AIA employees, both male and female, cycled across Colombo to mark the Healthy Living Month of November, and raise awareness on the need for each individual to adopt a life style of 'healthy living'.

Yasas Hewage, the well-known cycling enthusiast joined in the ride and spoke to staff members about the benefits of cycling.

### 5 classrooms for school in Batticaloa

AIA Sri Lanka donated a building to Kokkadicholai Ramakrishnam Maha Vidyalayam in Batticaloa to inspire academic excellence among the children in the North and East.

The Company handed over a newly built building of 5 classrooms to the school and also donated 5 computers for the school's computer lab.

### Scholarship for outstanding insurance student at Wayamba University

AIA Sri Lanka partnered with Wayamba University of Sri Lanka to offer a scholarship for Excellence in Insurance Studies to the most outstanding final year student in the Insurance & Valuation Department of the University.

The scholarship was awarded to Waruni Nilwala who received a 6-month internship programme at the Company together with a monthly allowance.

### Brings ambition to life for 25 undergraduates

25 undergraduates from four universities attended a workshop on the theme 'Bring your Ambition to Life' conducted by AIA Sri Lanka.

The two-day residential workshop focused on empowering the undergraduates. The objective of the workshop was to help open up the minds of participants to look at life options after their university career.

# The Company reported a strong performance in both top line and bottom line for 2015

## Financial Review

The financial review reflects the outcome of the business performance during 2015, and the analysis focuses on the Life insurance business in the context of the divestment during the year of the Company's wholly owned General insurance subsidiary.

The Company reported a strong performance in both top line and bottom line for 2015.

### Company results

#### Gross written premium

Total Gross Written Premium (GWP) of Life business increased to LKR 8.4 billion in 2015 recording a growth rate of 16.1 per cent over LKR 7.3 billion in 2014 driven by growth in conventional insurance business which recorded 25.3 per cent growth offsetting the negative growth of 22.6 per cent reported by the

#### Life GWP (LKR Mn)

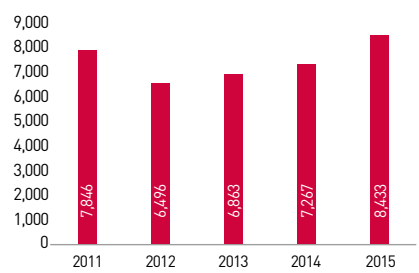


Figure 19

unit-linked business. The low volumes of unit-linked business is attributed to the volatile and weak equity market performance as most unit-linked policyholders are observed to opt for equity exposures in their unit-linked policy fund choice.

#### GWP Product Mix 2015

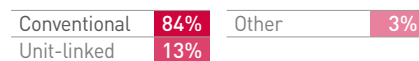
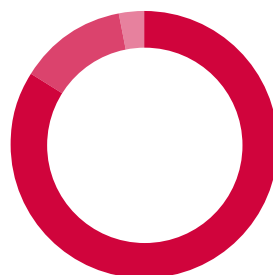


Figure 20

#### GWP Product Mix 2014

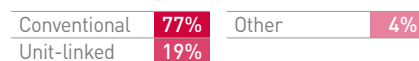
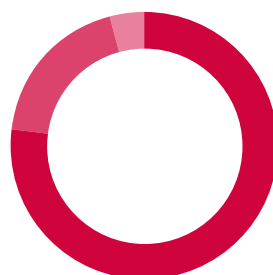


Figure 21

#### GWP - Channel mix

Agency channel continues to dominate channel mix of the business and this trend continued in 2015 with the channel reporting 90 per cent GWP mix, 2 percentage points lower vs the proportion accounted for in 2014.

#### GWP Channel Mix 2015

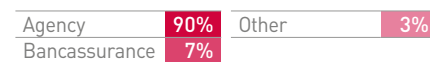
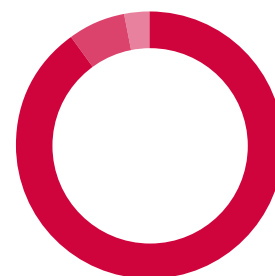


Figure 22

#### GWP Channel Mix 2014

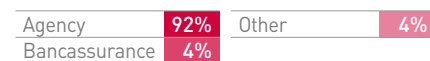
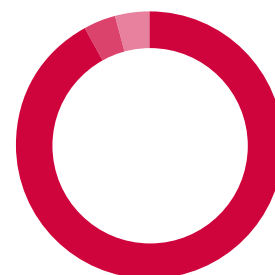


Figure 23

# MANAGEMENT DISCUSSION & ANALYSIS

Bancassurance channel accounted for 7 per cent of the total GWP of 2015, significantly higher than the 4 per cent reported in 2014. The success of the newly deployed Target Operating Model in Bancassurance is credited with improving the channel mix.

## Investment income

Investment income in 2015 increased by LKR 179 million compared to prior year recording a growth of 4.8 per cent.

The investment performance is a result of the timely execution of investment strategy. Investments made prior to 2015 provides the Life Policyholders' fund with a sound locked-in yield base whilst the sharp movements in interest rates during early 2015 accorded the opportunity to further strengthen this position by locking in fresh investments. The Company also continued to deploy funds into selected listed corporate debt instruments.

A combination of the lock-in of attractive interest rates together with the increase in the portfolio size resulted in the growth in investment income. The Company was able to thereby declare attractive dividends to Life policyholders for 2015.

## Net claims and benefits

Life insurance net claims and benefits of the Company reported a significant decrease of 27.8 per cent to LKR 4.9 billion in 2015 compared to LKR 6.7 billion in 2014, when one excludes the change in contractual liability. A lower experience of surrender claims is the primary reason for the significant decline in net claims and benefits compared to the prior year.

During the current year, the Company transferred LKR 2.1 billion (2014 - LKR 483 million) to the Long term Insurance Fund which belongs to the Life policyholders, with the increase in the transfer to the Long-term Insurance Fund being supported by both the increase in net earned premium and decrease in net claims and benefits.

## Operating expenses

The Company's operating and administrative expenses grew by 10.5 per cent during the year under review due to increase in both administrative and establishment expenses and selling expenses. Administrative expenses increased primarily due to Life policy administration system related expenses, with the increase in selling expense being primarily driven by new business acquisition cost linked to the increase in top line volumes.

## Profit after Tax

The Company reported a profit after tax of LKR 321 million for year 2015 from continuing operations, recording 22.3 per cent growth compared to 2014. The profit after tax from discontinued operations was LKR 1,225 million and this comprised the gain on divestment of the General insurance subsidiary.

Life insurance business transferred a surplus to shareholders of LKR 100 million for 2015 which is in line with the surplus transfer of 2014.

The Group including the wholly owned subsidiary reported a profit after tax for the current year from continuing operations of LKR 303 million recording 15.3 per cent growth compared to last year. The profit after tax from discontinued operations was LKR 1,187 million for the Group and this primarily comprised the gain on the divestment of the General insurance subsidiary. Note 40.1 of the financial statements in this report provides further details in relation to the profit after tax from discontinued operations.

## Analysis of Statement of Financial Position

### Company results

The review of the financial position of the Company for 2015 needs to be read in the context of the divestment of the General insurance subsidiary.

The total asset base of Life insurance business reported a figure of LKR 46.0 billion in 2015 whereas the composite

business operation comprising both Life insurance and General insurance businesses reported a total asset base of LKR 47.6 billion in 2014. The decline in total assets needs to be interpreted together with the increase in total equity which stood at LKR 6.4 billion in 2015 from LKR 4.8 billion in 2014, and this is primarily due to the gain on divestment of the General insurance subsidiary.

## Intangible assets

Net book value of intangible assets as at 31 December 2015 was LKR 478 million compared to the LKR 576 million reported in the previous year, reduced by the amortisation charge of LKR 102 million incurred during the year.

## Financial assets

Financial assets accounted for 87.3 per cent of the total asset base of the Life business as of 31 December 2015. In 2014, financial assets accounted for 81.9 per cent of the total asset base for both Life and General business. The details of the investments including the movement during the year is presented in note 11 to the financial statements.

## Property, Plant & Equipment (PPE)

Net book value of property, plant and equipment as at 31 December 2015 was LKR 300 million compared with the LKR 359 million in the previous year. The details of property, plant and equipment are presented in note 8 to the financial statements. LKR 23 million was transferred to General insurance business from the opening PPE balance, and during the year there were additions and depreciation charges amounting to LKR 85 million and LKR 120 million respectively.

## Reinsurance receivable

No significant movement in reinsurance receivables of Life business was reported in 2015 when compared to the previous year as LKR 94 million was reported in 2015 vis-à-vis LKR 108 million of Life business reported in 2014.

## Life Insurance Fund

The life insurance fund includes the

reserves created to satisfy future claim obligations and maturity value payables to life insurance policyholders. Gross life insurance fund as at 31 December 2015 was LKR 37.0 billion in comparison with LKR 36.2 billion the previous year.

The Company's appointed actuary Frank Munro's report is provided on page 76 of this report. Adequate provisions, including those for bonuses and dividends to life policyholders, solvency margins and other required reserves have been made from the life fund as recommended by the appointed actuary.

#### **Shareholders' equity**

Shareholders' equity of the Company has increased from LKR 4.8 billion in 2014 to LKR 6.4 billion in 2015 recording a growth of 31.6 per cent. The stated capital of the company increased by LKR 211.9 million with the issue of the scrip dividend on 6 February 2015 in order to increase the stated capital of the Company and satisfy the regulatory requirement for same. The retained earnings of the company increased by LKR 1.3 billion which is mainly due to the disposal gain of the General insurance subsidiary.

#### **Solvency margins**

As a regulatory requirement of the Insurance Board of Sri Lanka (IBSL) all insurance companies are required to maintain the stipulated solvency margin. AIA maintained the required solvency margin throughout the year for Life business and for the General insurance business up to the time of divestment. A healthy solvency margin is an indicator of the financial stability of the Company.

#### **Life Insurance Solvency Margin**

AIA recorded a solvency margin ratio of 5.70 times in Life insurance (2014- 4.32 Times) as at 31 December 2015, by having an available solvency margin of LKR 8 billion compared to the required solvency margin of LKR 1.4 billion. The total admissible assets of Life insurance business were LKR 38.2 billion (2014- LKR 33.0 billion) and the total liabilities amounted to LKR 2.4 billion (2014- LKR

2.5 billion). Life solvency was boosted by the divestment proceeds of LKR 3,200 million realised from the divestment of the General insurance subsidiary, and the Life solvency remains strong at 3.40 times when the divestment proceeds are excluded from the solvency computation.

#### **Dividends to shareholders**

The dividends paid in 2015 and 2014 were LKR 212.1 million (LKR 7.07 per share) and LKR 60 million (LKR 2.00 per share) respectively. The Board of Directors of the Company has recommended a declaration of a final dividend of LKR 49.50 per share for the financial year ended 31 December 2015, subject to approval by shareholders.

#### **Outlook**

2016 will be a challenging yet exciting year for the insurance industry in Sri Lanka and it will be no different for AIA Sri Lanka. AIA Sri Lanka looks to the future with optimism founded on continuing the Pioneer 2 strategy and progressing towards its vision of being the pre-eminent life insurer in Sri Lanka.

The operating environment for the insurance industry as well as AIA Sri Lanka will no doubt be dynamic in 2016. Many commentators predict tough economic conditions. The industry is expected to witness more mergers and acquisitions leading on from the segregation of composite insurers. Insurance companies are expected to be more efficient in the allocation of capital with the adoption of Risk Based Capital regime. Regulation requiring all insurance companies to be listed will be effective from 2016, and this is expected to move the industry towards better governance and transparency.

2016 will be witness to AIA Sri Lanka launching the brand message to "Get Real Close"- an extension of the Company's brand promise of being "The Real Life Company", by 'closing' gaps between the current and the desired. For customers it is to reach their desired level of protection for themselves and their loved ones, for employees it is to reach

their desired career aspirations and for Wealth Planners it is for them to achieve their desired level of income security. As such our activities encompassing distribution, customer and staff are designed around the above theme and every effort will be taken to ensure that we live our brand promise.

During 2016 the Company will progress with embedding its Premier Agency 2.0 framework across Agency distribution with the key objective of further enhancing the quality of the Agency force, the sales process and the customer experience. For Bancassurance, the focus of 2016 will be to broaden and deepen customer penetration and complement the Agency channel.

The year 2016 is also about further improving our processes and deploying technology in order to provide our customers and distribution force with more efficient service. The year 2016 will see increased adoption of digital solutions across the Company in sales, sales monitoring and customer service with the launch of various components of its digitisation project. AIA Sri Lanka will progress with the Ease of Doing Business initiative, which includes a critical examination and re-think of the entire customer journey with the Company, in order to make it a better and consistent experience for our customers.

The Company acknowledges and appreciates that employees are a key driving force behind its success. To this end in 2016 AIA Sri Lanka will undertake a review to optimise on working models and structures while placing importance on enhancing capability and accelerating development. This will help ensure that the Company is equipped with the right set of skills as AIA Sri Lanka undertakes a fresh set of ambitious targets to be delivered over 2016.

We remain assured that 'Doing the Right Thing, in the Right Way, with the Right People' and be confident that the right results will come.



# BOARD OF DIRECTORS



**William Lisle**  
Chairman – Non-executive Director



**Mitchell David New**  
Non-executive Director



**Robert Alexander Hartnett**  
Non-executive Director



**Manoj Ramachandran**  
Non-executive Director



**Deepal Sooriyaarachchi**  
Independent Non-executive Director



**Russell DeMel**  
Independent Non-executive Director

# BOARD OF DIRECTORS

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## **William Lisle**

Chairman - Non-executive Director

Appointed to the Board of Directors of the Company on 22 June 2015.

Mr. William Lisle is the Regional Chief Executive responsible for AIA Group's businesses operating in Malaysia, Korea, Sri Lanka, India and Cambodia. Mr. Lisle was the Chief Executive Officer of AIA's operation in Malaysia from December 2012 to May 2015 including leading the large-scale and successful integration of AIA Bhd post the acquisition of ING.

Mr. Lisle joined the Group in January 2011 as Group Chief Distribution Officer. Prior to joining AIA, Mr. Lisle was the Managing Director, South Asia for Aviva from May 2009 until 2010.

Before joining Aviva, Mr. Lisle held a number of senior positions at Prudential Corporation Asia, including as their Chief Executive Officer in Malaysia from 2008 to 2009 and their Chief Executive Officer in Korea from 2005 to 2008; as Chief Agency Officer for ICICI Prudential from 2002 to 2004 and as Director of Agency Development, South Asia in 2001.

He holds an Executive Masters degree in Business Management specialising in insurance management from National Institute of Management, Mumbai and is a member of the Life Assurance Association.

## **Mitchell David New**

Non-executive Director

Appointed to the Board of Directors of the Company on 28 June 2013.

Mr. Mitchell David New is the Group General Counsel for AIA Group. He has held various senior management positions in the operations of leading multinational life insurers in Asia and North America over 20 years in the insurance business.

Prior to joining the insurance industry, Mr. New practiced law at the Canadian law firm Fasken Martineau where his clients included a number of domestic and international banks, trust and insurance companies.

He is a graduate of the Faculty of Law at the University of Western Ontario and holds a Masters degree in Business Administration and a Bachelor of Commerce degree from McMaster University.

He is a qualified Barrister and Solicitor and a member of the Law Society of Upper Canada.

## **Robert Alexander Hartnett**

Non-executive Director

Appointed to the Board of Directors of the Company on 29 September 2015.

Mr. Robert Alexander Hartnett is currently Regional Business Development Director and works with the AIA Group's businesses in Korea, Malaysia, India, Sri Lanka and Cambodia. Prior to this, Mr. Hartnett has also held leadership positions in AIA's New Zealand business where he was the Chief Financial Officer and Appointed Actuary and has also worked in AIA's Group Chief Actuary Office supporting AIA's Group Chief Actuary.

Before joining AIA in 2009, he was a Consulting Actuary working in the insurance and banking industries in Australia with PricewaterhouseCoopers performing both advisory and audit roles. He also worked with AXA for 9 years in both Australia and the Philippines in actuarial and related finance functions.

Mr. Hartnett holds a Bachelor of Commerce from the University of Melbourne and is a Fellow of the Institute of Actuaries of Australia.

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**Manoj Ramachandran**

Non-executive Director

Appointed to the Board of Directors of the Company on 4 December 2012. Mr. Manoj Ramachandran serves as the Group Senior Regional Counsel of AIA Group where he has responsibility for legal matters related to a number of the markets of operation of the AIA Group along with merger and acquisitions, joint ventures and other strategic initiatives.

Prior to joining the AIA Group Mr. Ramachandran served as the Head of Legal, Asia, for Fidelity International, a global investment management company. Mr. Ramachandran has over 18 years experience in the financial services industry, principally in the Asia - Pacific region.

He graduated summa cum laude from the University of California and also holds a Juris Doctor degree. He is admitted as an Attorney-at-Law in the State of California, USA and as a Solicitor in Hong Kong.

**Deepal Sooriyaarachchi**

Independent Non-executive Director

Appointed to the Board of Directors of the Company on 17 May 2005. Mr. Deepal Sooriyaarachchi functioned as the Managing Director until end February 2010 and continues as a Director from March 2010 onwards. He is a Director of Sampath Bank PLC, Panasian Power PLC, Hemas Manufacturing (Pvt) Ltd, Richard Pieris Distributors Ltd and Singer Sri Lanka PLC. Presently he works as a Management Consultant.

He is a Fellow of the Chartered Institute of Marketing, UK, Chartered Marketer and has a Masters in Business Administration from the University of Sri Jayawardenepura.

**Russell DeMel**

Independent Non-executive Director

Appointed to the Board of Directors of the Company on 25 January 2016. Mr. Russell DeMel, having been with NDB Group for over 30 years, retired as its Director/ Group Chief Executive Officer in August 2013. Prior to this appointment, he served as Vice President – Head of the Corporate Banking Group and as Vice President – Head of Group Risk Management. During his long career at NDB he has held many key positions and also played a leading role in the privatisation of the plantation sector.

At present he is a member of the Board of Directors of Housing Development Finance Corporation, Maldives Islands and TAL Hotels Lanka PLC (Taj Samudra), EAP Holdings Pvt Ltd and Singer Finance (Lanka) PLC. He is also a Consultant to International Finance Corporation (IFC), a member of the World Bank Group.

Mr. DeMel is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), a Chartered Global Management Accountant (CGMA) and a Fellow of the Institute of Certified Management Accountants (FCMA), Sri Lanka.



# SENIOR MANAGEMENT



**Amal Perera**  
Director - Partnerships

**Chandana Jayasooriya**  
Director - IT

**Shah Rouf**  
Chief Executive Officer





**Chathuri Munaweera**

Director Human Resources &  
Company Secretary

**Gavin D’Rosairo**

Chief Financial Officer

**Kelum Senanayake**

Director - Operations

**Upul Wijesinghe**

Deputy Chief Executive  
Officer /Chief Agency Director

# SENIOR MANAGEMENT

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**Shah Rouf**

Chief Executive Officer

He has served as Chief Executive Officer of the Company from March 2010 and is also the Company's Principal Officer. He counts 23 years of experience in the industry, having held senior management positions in both Life and Non-life insurance in the UK, Middle East, India and continental Europe. Prior to his appointment to the Board of Directors of the Company, he was the CEO of Aviva Romania and Chief Distribution Officer Central and Eastern Europe for Aviva. He concluded his academic studies at the London School of Economics and has BA (Hons) and M.Sc. degrees in Economics and Economic Development. He is an Associate of the Chartered Insurance Institute, UK.

**Upul Wijesinghe**

Deputy Chief Executive Officer /  
Chief Agency Officer

He heads the Direct Sales Distribution Division of the Company for Life insurance business. He also functions as the Deputy Chief Executive Officer. He holds a Bachelor of Science degree with honours from the University of Colombo and is an Associate of the Chartered Insurance Institute, UK. He also holds a Postgraduate Diploma in Actuarial Science. He is an Alumni of the International Center for Management Development, Switzerland. He was the President, Sri Lanka Insurance Institute in 2002 and 2003. He counts over 26 years of management experience in insurance.

**Chandana Jayasooriya**

Director Information Technology /  
Chief Information Officer

He heads the IT function of the Company. He holds a Masters degree in Information Technology (MSc-IT) from the Keele University - UK and is an Associate of the Bankers Institute of Sri Lanka (AIB). He is a passed finalist of Certified Information Security Manager (CISM) from the Information Systems Audit and Control Association (ISACA) - USA and a Project Management Professional (PMP) from the Project Management Institute (PMI) - USA. He is a member of the Computer Society of Sri Lanka (CSSL) and Professional Member of the British Computer Society (BCS). He counts over 30 years of overall experience in information technology in the banking and insurance sectors.

**Chathuri Munaweera**

Director Human Resources &  
Company Secretary

She heads the Human Resource function, is the Company Secretary. A Chartered Member of Chartered Institute of Personnel Management UK, she also holds a Postgraduate Certificate in Human Resource Management from the University of Sri Jayawardenepura. She has a Bachelor of Laws and a Master of Laws of the University of Colombo and is an Attorney-at-Law. She has successfully completed the International Diploma in Compliance of the International Compliance Association, UK. She was the Chairperson of the HR Sub Committee of the Insurance Association of Sri Lanka for the years 2011 and 2012. She counts over 19 years management experience in the fields of human resources, corporate law, litigation, compliance, company secretarial practice and business operations.

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**Kelum Senanayake**

Director Operations

Kelum is responsible for the overall operations of the Company covering the technical areas of Life business, customer management, branch operations, investigation and complaint management, corporate solutions (operations and distribution) and the logistics management function. He holds a Diploma in Business Management from World View Institute and a Masters degree in Business Administration from the University of Western Sydney. He counts over 33 years of management experience in Life and General insurance business and has exposure in all technical and operational areas.

**Amal Perera**

Director Partnerships

As Director Partnerships, he is responsible for the development and implementation of the Company's bancassurance and partnership distribution function. He holds a Masters in Business Administration from the Postgraduate Institute of Management (PIM) of the University of Sri Jayawardenepura. He is a Chartered Marketer and a member of the Chartered Institute of Marketing, UK. He counts over 19 years of management experience in the Company and has wide exposure in the fields of product, marketing, strategy development, corporate planning and sales.

**Gavin D' Rosairo**

Chief Financial Officer

He leads the Finance function of the Company with oversight responsibility for finance, investments and strategy. He counts over 6 years experience in the insurance industry in the areas of investments, strategy, risk and finance, and over 15 years experience as a fund manager managing both fixed income and equity investment portfolios. His academic and professional exposure encompasses economics, investments, capital markets and finance. He is an Associate member of the Chartered Institute of Management Accountants (UK) and has a Bachelors degree in Commerce from the University of Sri Jayawardenepura with honours, specialising in international trade.

# THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

## The Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors (the Directors / the Board) of AIA INSURANCE LANKA PLC (the Company) has pleasure in presenting their Annual Report on the affairs of the Company during the financial year ended 31 December 2015, together with the audited financial statements for the year ended 31 December 2015 of the Company and of the Group.

The audited financial statements of the Company and of the Group for the said year and the Report of the External Auditors thereon are set out on pages 83 to 137 of the Annual Report.

## Vision

A statement of the Corporate Vision is given on the inner back cover of the Annual Report. The Company's business activities have been and are carried out within the framework of the objectives of the Corporate Vision Statement and in pursuance of the continued nurturing of business and work practices of the highest ethical standards.

## Principal Activities of the Company and of its Subsidiaries

The principal activity of the Company since 1 January 2015 was exclusively life insurance and this remained unchanged during the financial year under review. This was consequent to complying with the insurance regulatory requirement to segregate its general insurance business from the previous composite entity which was completed effective 1 January 2015. Since the said date, the Company's general insurance business was carried out by the then fully owned subsidiary AIA General Insurance Lanka Limited.

Rainbow Trust Management Limited, a fully owned subsidiary of the Company, continued to provide trustee services during the year under review.

The Company divested the total equity holding in its fully owned subsidiary

AIA General Insurance Lanka Limited to Janashakthi Insurance PLC on 23 October 2015 for a total cash consideration of LKR 3.2 billion.

To the best of the knowledge of the Board, neither the Company nor its subsidiaries (while operating as such subsidiaries) were engaged in any activities which contravened relevant local laws and regulations.

## Increase of Paid Up Share Capital of the Company

The Insurance Board of Sri Lanka has by Rule No. 01 of 2013 (published in the Gazette Extraordinary bearing number 1809/7 dated 7 May 2013) required registered insurers to increase their paid up share capital to not less than LKR 500 million for each class of insurance business on or before 11 February 2015.

In pursuance of the above, the Board of Directors of the Company increased the Company's stated capital from LKR 300 million to an amount not less than LKR 500 million by a distribution of new shares as an interim dividend for the year 2014 to the shareholders.

Through the issuance of said new shares, the Company's stated capital was increased to LKR 511,921,836 representing a total number of ordinary (voting) shares of 30,749,370.

## Review of Performance and Future Developments

An overview of the Company's and of the Group's financial and operational performance for the year ended 31 December 2015 and of future developments is contained in the Chairman's Message and the Chief Executive Officer's Review with a detailed review being provided in the Management Discussion and Analysis segment on pages 16 to 29 of the Annual Report. These reports together with the audited financial statements reflect the state of affairs of the

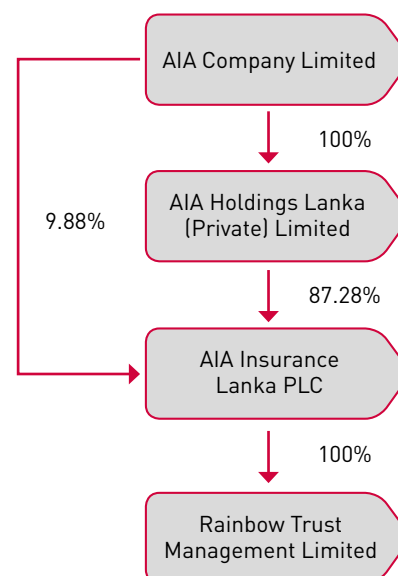
Company and of the Group as at 31 December 2015.

## Shareholding Structure

As at 1 January 2015 AIA Company Limited (AIA) based in Hong Kong, effectively held (directly and indirectly together with AIA Holdings Lanka (Private) Limited) 97.15 per cent of the issued and fully paid up shares of the Company. The said shareholding of AIA in the Company was changed to 97.16 per cent following the increase of paid up share capital of the Company in February 2015. The shareholding remained unchanged as at 31 December 2015.

The public holding of the Company as at 1 January 2015 was 2.85 per cent and it was changed to 2.84 per cent following the change to the capital structure of the Company. This is distributed among the minority shareholders of the Company as at 31 December 2015 and remained unchanged during the year under review.

The Company's shareholding structure as at 31 December 2015 is as follows:





### **Stated Capital & Reserves**

The Company's stated capital as at 31 December 2015, was LKR 511,921,836 (Sri Lankan Rupees five hundred eleven million nine hundred twenty one thousand eight hundred and thirty six only) represented by 30,749,370 (Thirty million seven hundred forty nine thousand three hundred and seventy) Ordinary Shares.

The stated capital of the Company was increased by an amount of LKR 211,921,836 (Sri Lankan Rupees two hundred eleven million nine hundred twenty one thousand eight hundred and thirty six) during the year under review, following the increase of paid up share capital.

The total capital and reserves for the Group was at LKR 6,367 million as at 31 December 2015 (LKR 4,887 million as at 31 December 2014), details of which are provided in Notes 26 to 28 of the financial statements.

### **Shareholding**

The Company had 1,796 registered shareholders, as at 31 December 2015. The distribution of shareholding, the public holding percentage and the details of the 20 largest shareholders, are given on pages 142 to 144 of the Annual Report.

### **Share Information**

Information relating to share valuation and share performance is given on page 142 of the Annual Report.

### **Interim Financial Results**

The interim financial results were prepared in conformity with the Sri Lanka Accounting Standards (SLFRS / LKAS) and submitted to the relevant regulators during the year under review.

### **Financial Statements contained in the Annual Report**

The financial statements of the Company and of the Group, have been prepared in conformity with

the requirements of the Sri Lanka Accounting Standards (SLFRS / LKAS), the Companies Act No. 7 of 2007 and to the extent applicable, by the Regulation of the Insurance Industry Act No. 43 of 2000 (as amended).

The financial statements, duly signed by the Directors are published on pages 84 to 137 and the External Auditors Report thereon is provided on page 83 of the Annual Report.

### **Financial Results**

The results of the Group for the year ended 31 December 2015 and the state of Group's affairs at that date are set out in the financial statements on pages 84 to 137 of the Annual Report.

### **Revenue**

The revenue of LKR 12.2 billion comprises of income generated from life insurance business, and trustee services.

### **Accounting Policies**

The significant accounting policies applied by the Group in preparing its consolidated financial statements are disclosed in pages 91 to 101 of this Annual Report. These policies have been consistently applied.

### **Life Surplus and Policyholders' Dividends**

The Board of Directors received and adopted the Report of the Company's Chief Actuary Frank Munro, for life insurance recommending the dividends that are payable to policyholders and of the transfer of the surplus thereof to the Income Statement. This is set out on page 76 of the Annual Report.

### **Property, Plant and Equipment**

As at the date of Statement of Financial Position, the net book value of property, plant and equipment of the Group amounted to LKR 300 million.

During the financial year the capital expenditure on property, plant and

equipment for the Company and the Group amounted to LKR 85.3 million.

The details of the Company's property, plant and equipment and the movement in their values during the year are given in note 8 of the financial statements on pages 110 and 111 of the Annual Report.

### **Market Value of the Company's Property, Plant and Equipment**

The market values of the Company's property, plant and equipment are not materially different to the book values as given in the notes to the financial statements on page 111 of the Annual Report.

The Company owns 13.40 perches of freehold land at No.76, Kew Road, Colombo 2 and 12.09 perches of freehold land at No. 80, Kew Road, Colombo 2. These properties were subject to a valuation during the year 2007 and the revaluation surplus of LKR 39.9 million has been included in the accounts in that year. The Company's policy is to revalue properties once in every five years. The properties were subject to a revaluation in 2012 in accordance with the Company policy and the revaluation surplus of LKR 32.2 million was included in the financial statements of 2012. As per the Valuer's report for 2015 there is an increase in the market value of the property of LKR 38.2 million. However this increase has not been accounted for, based on prudence as the Company's policy is to revalue properties once in every five years. The purpose of obtaining a letter confirming the value at the end of every financial year is to ensure that there is no decline in value that needs to be accounted for.

The details of the extents, locations, valuations of the Company's land holdings are given in note 8.1 of the financial statements on page 111 of the Annual Report.



# THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

## Investments

A detailed description of the investments held as at the date of Statement of Financial Position is given in note 9 to 11 of the financial statements on pages 111 to 115.

## Donations

The Board of Directors having duly considered the best interests of the Company as a good corporate citizen, resolved to ratify a total sum of LKR 4.2 million which was utilised as charitable donations for the year 2015. This amount is within 1 per cent of the average profits after tax for the preceding three years.

No donations or any other form of payments or facilities have been made to political parties or for politically oriented purposes.

## Provisions

The Board of Directors has taken all reasonable steps to ensure adequate provisioning for unearned premiums, unexpired risks and claims, including for claims incurred but not reported.

The Board of Directors has also arranged for the Chief Actuary to review the life fund valuations. (Please refer pages 99 and 100 for the policies adopted for provisioning and the basis thereof).

As at the date of the Report, the Board of Directors is not aware of any circumstances which would render inadequate amounts provided for in the financial statements.

## Reserves

The total reserves of the Group as at 31 December 2015, amounted to LKR 5,855 million consisting of the Resilience Reserve, Available for Sale Reserve, and Retained Earnings, all being revenue reserves and a Revaluation Reserve being a capital reserve. Movements in these reserves are given in the Group Statement of Changes in Equity set out on pages 87 and 88 of the Annual Report.

## Provision for Taxation

Provisions for Taxation for the Company and its subsidiaries (while operating as such subsidiaries) have been computed at the rates given in notes 24 and 39 of the financial statements and are set out on page 125, 131 and 132 of the Annual Report.

## Outstanding Litigation

In the opinion of the Board of Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

## Employees

The Company secured five (05) accolades at the Great Place to Work® Awards this year which evidences the best in class people practices and culture within the Company. Among the array of recognitions was the Asia Award for Best Practices in People Development.

The details of the unique array of people practices that supported the Company in its business performance is described in the Management Discussion & Analysis in pages 16 to 29 in the Annual Report.

## Events after the Balance Sheet Date

The Board of Directors recommended a first and final dividend of LKR 49.50 per share for 2015 for declaration by the shareholders.

There have been no events subsequent to the Balance Sheet date that would have any material effect on the Company or the Group which would require adjustment or disclosure in the financial statements.

## Corporate Governance and Internal Controls

The Board of Directors of the Company acknowledges the responsibility of conducting the business activities of the Company in conformity with accepted good governance practices. Having reviewed the effectiveness of

the internal control systems, the Board of Directors is of the considered view that the Company has taken necessary precautions to safeguard the interests of its stakeholders.

## Statutory Payments

The Board of Directors confirms that to the best of their knowledge and belief, due payments to all relevant regulatory and statutory authorities, have been paid or provided for by the Company where necessary. A Statement of Compliance by the Board of Directors in relation to statutory payments is included in the Directors' Statement of Responsibilities on Financial Reporting, on page 82 of the Annual Report.

## Interests Register

In compliance with the requirements of the Companies Act No. 07 of 2007, the Company maintains an Interests Register. The particulars of entries made in the Interests Register during the financial year under review, are as stipulated below:

### a) Directors' interests in transactions with the Company

Directors' interests in transactions of the Company, both direct and indirect, during the year under review are included in note 43 in the related party disclosures to the financial statements, set out on pages 135 to 137 of the Annual Report. These interests have been duly disclosed in compliance with the section 192(2) of the Companies Act No 07 of 2007 and further declared at Board meetings and captured herein as appropriate.

### b) Directors' dealings with the shares of the Company

1. Disclosures in respect of shares held during the year ended 31 December 2015:

The Directors have, in pursuance of section 200 of the Companies Act No.7 of 2007, made appropriate disclosures at Board Meetings

regarding their interests if any, in the Company's shares, including of acquisitions or disposals of such shares.

II. Disclosures in respect of shares of the Company which have been acquired during the year:  
None of the Directors who held Directorships of the Company as at 31 December 2015 have acquired shares of the Company during the year under review.

III. Disclosures in respect of shares of the Company which have been disposed during the year:  
None of the Directors who held Directorships of the Company as at 31 December 2015 have disposed their shares in the Company during the year under review.

**c) Use of Company information by the Directors**

This information is recorded in the Interests Register in pursuance of the provisions of section 197 of the Companies Act No.7 of 2007.

Subject matter of information	Date of authorisation by the Board	Authorisation granted at a Board meeting / by circular resolution
None	None	None

**d) Details of remuneration and other benefits paid to the Directors and to the Chief Executive Officer (CEO)**

The remuneration and fees of the Director/s / the CEO are duly determined by the Company's Remuneration Committee and approved by the Board of Directors.

Efforts are made to secure a balance between the suitability of the remuneration so determined and of its fairness in relation to the Company's interests. Directors' fees paid to Non-executive, Independent Directors are made in accordance with the

specified scales of payments as may be determined by the Remuneration Committee and approved by the Board from time to time.

Details of the Directors' and the CEO's fees and emoluments paid during the financial year 2015, which have been duly approved by the Board of Directors, are stated below.

Subject matter of information	Consolidated Fees	
	2015 LKR '000	2014 LKR '000
*Directors' Emoluments	108,913	114,980
Directors' fees	2,350	1,625

\* The term "Director" referred under emoluments includes the Chief Executive Officer as well.

**e) Loans to the Directors**

No loans have been granted to any Director of the Company or of any related entity, during the year under review.

The Company has not provided any guarantee or any other form of security in connection with a loan made by any person to a Director of the Company or of any related entity.

**f) Insurance and Indemnity coverage provided to Directors and/or Officers (D & O Cover) of the Company and of its subsidiaries**

AIA Group wide D & O Cover has been in effect to cover the Directors and Officers of the Company, its holding Company and the subsidiaries respectively. AIA Group Limited maintains a D & O Cover worth of USD 300 million, the coverage of which extends to all Directors and Officers at the Group office as well as its subsidiary companies.

**Disclosure of Interests of the other Key Management Personnel Representing the Senior Management Team of the Company**

The Senior Management Team of the Company includes the Chief Executive

Officer, Deputy Chief Executive Officer / Chief Agency Officer, Director Information Technology / Chief Information Officer, Director Human Resources / Company Secretary, Director Operations, Chief Financial Officer and Director Partnerships.

Disclosures recorded in the Interests Register of the Company of the other key management personnel are those on whom the Board of Directors via the Chief Executive Officer, has entrusted senior managerial responsibilities in the day-to-day business operations of the Company. Such records in the interests register are as following:

**a) Interests in transactions with the Company.**

The other key management personnel have made requisite disclosures in interests in transactions both direct and indirect, to the Board of Directors of the Company and details arising from such disclosures are stated under relevant related party disclosures of the Annual Report.

**b) Dealings with the shares of the Company or interests in shares of the Company.**

There have been no dealings in the shares of the Company by other key management personnel during the period under review.

**c) Details of the Emoluments paid to the other Key Management Personnel**

Details of the emoluments paid to the other key management personnel are as follows:

Subject matter of information	Consolidated Fees	
	2015 LKR '000	2014 LKR '000
Emoluments paid	120,600	133,700

Related party dealings of the other key management personnel are further disclosed in notes to financial statements as set out on pages 135 to 137 of the Annual Report.

# THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

## Directors during the Year/Changes

Name of Director	Date of Appointment	Date of Resignation/ Date of ceasing to be a Director
Deepal Sooriyaarachchi	17-May-2005	-
Manoj Ramachandran	04-Dec-2012	-
Heerak Basu	05-Dec-2012	08-Feb-2016
Sally Yuen Wai Wan	06-Feb-2013	29-Sep-2015
Gordon Timmins Watson	28-Jun-2013	22-Jun-2015
Mitchell David New	28-Jun-2013	-
William Lisle	22-Jun-2015	-
Robert Alexander Hartnett	29-Sep-2015	-
Neilendra Iomal Russell DeMel	25-Jan-2016	-

\* Mr. William Lisle was appointed as the Chairman/ Director of the Company effective 22 June 2015.

In accordance with Article 30 of the Articles of Association of the Company, Messrs. Mitchell David New and Manoj Ramachandran shall retire by rotation at the Annual General Meeting and being eligible, are recommended by the Board for re-election.

## Directors' Meetings

Set out below are the number of Directors' meetings (including meetings of the Sub Committees of the Board), which have been held during the year under review and the number of such meetings that have been attended by each Director of the Company during the period, correlated to the period during which each such Director actually held office within the year under review:

In addition to the attendance at physical meetings recorded herein the Board attended to its duties and took decisions pertaining to matters relating to the Company via duly recorded Circular Resolutions as well during the year.

## Related Party Transactions

There were no related party transactions which exceeded the lower of 10 per cent of equity or 5 per cent of the total assets of the Company as at 31 December 2015 to be disclosed herein. Appropriate disclosures have been made in terms of the Sri Lanka Accounting Standards LKAS 24- Related Party Disclosures, in Note 43 in the financial statements.

## Compliance with the adoption of Code of Best Practices on Related Party Transactions (the Code)

The Company set up a Related Party Transactions Review Committee effective January 2016 which has oversight responsibility on related party transactions of the Company as per the requirements of the Code.

## Certification of Compliance with regard to the Transfer Pricing Regulation and Declaration by the Board of Directors

The Board of Directors hereby certify that the Company has complied with the Transfer Pricing Regulations issued under the section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to this Regulation is given in the certificate produced under section 107 (2) (a) of the said Act. We believe that the record of transactions entered into with related parties during the period from 1 January 2015 to 31 December 2015 are at arm's length and not prejudicial to the interests of the Company. The transactions have been entered into are in line with the transfer pricing policy adopted by the Company.

All transactions have been submitted to the independent auditors for audit and no adverse remarks have been

Director	Directors' Meetings		Audit & Compliance Committee Meetings		Investment Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
Shah Rouf*	5	5	-	-	5	5	-	-
Deepal Sooriyaarachchi	5	5	4	4	-	-	2	2
Manoj Ramachandran	5	5	-	-	-	-	-	-
Heerak Basu	5	5	3	4	-	-	2	2
Sally Yuen Wai Wan	2	3	3	3	-	-	-	-
Gordon Timmins Watson	2	2	-	-	-	-	-	-
Mitchell David New	4	5	-	-	-	-	2	2
William Lisle	3	3	-	-	-	-	-	-
Robert Alexander Hartnett	2	2	1	1	-	-	-	-
Gavin D' Rosairo*	-	-	-	-	5	5	-	-
Benjamin Deng*	-	-	-	-	5	5	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the period

\* not members of the Board.

made in their report on the audit of such transactions by them.

### Compliance with the SEC Directive Issued on the Requirement for the Listed Entities to Maintain a Continuous Minimum Public Float

The Company sought and received an exemption from complying with the SEC Directive on increasing the Continuous Minimum Public Float. The exemption received from the SEC shall be valid till 31 December 2016.

### Risk Based Capital Requirement (RBC)

Having participated in the mandatory test run to review the impact of the applicable insurance guidelines on the Solvency/ Statement of the Financial Position of the Company, necessary information has been submitted to the regulator as a part of the same commencing from January 2014, the Company has complied with the mandatory adoption of same effective 1 January 2016.

The Company has made due disclosures as required on the above for the year under review.

### Going Concern

The Board of Directors has, consequent to due inquiry and having taken into account the financial position and future prospects of the Company, a reasonable expectation that the Company has adequate resources to continue to be in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in the preparation of its financial statements.

### Environmental Protection

The Company has used its best endeavours to comply with the relevant environmental laws and regulations applicable in the country. The Company has not, to the best of the knowledge of the Board of Directors, engaged in any activity which is or which would be harmful or hazardous to the environment.

### Equitable Treatment to Stakeholders

The Board of Directors has constantly endeavoured to ensure that operations are conducted in a manner which will secure equitable treatment to all stakeholders of the Company.

### Re-appointment of External Auditors

The present Auditors Messrs. PricewaterhouseCoopers Chartered Accountants, who was appointed at the last Annual General Meeting to hold office during the year under review, having communicated their willingness to continue in office, will be proposed for re-election and a resolution to this effect will be proposed at the Annual General Meeting to authorise the Directors to fix their remuneration.

### External Auditors' Remuneration

The remuneration paid to Messrs. PricewaterhouseCoopers the present Auditors, for both audit and non-audit services rendered for the year under review are stated below.

Subject matter of information	Group	
	2015 LKR '000	2014 LKR '000
Audit and related services	4,176	5,831
Non-Audit services	2,158	1,055

Messrs PricewaterhouseCoopers does not have any relationship with the Company or with its subsidiaries, other than that of External Auditors of the Company and its subsidiaries.

By order of the Board



**William Lisle**  
Chairman/Director



**Robert Hartnett**  
Director



**Chathuri Munaweera**  
Company Secretary

Colombo  
16 February 2016

### Annual Report

The information provided herein is in pursuance of the requirements of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange. In the preparation of this Report, recourse has also been made to other recommended best practice reporting guidelines.

The Board of Directors has approved the audited financial statements of the Company and the Group together with the Reviews and other Reports which form part of the Annual Report dated 16 February 2016. An appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Insurance Board of Sri Lanka, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

In terms of the applicable provisions of the Listing Rules of Colombo Stock Exchange, the Board of Directors has duly resolved to issue the Annual Report of the Company in CD ROM format to all shareholders.

### Annual General Meeting

The Annual General Meeting will be held on Tuesday, 29 March 2016, at 10.00 a.m. at "Kings Court", Cinnamon Lakeside Hotel, No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat appears on page 154 of the Annual Report.



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# CORPORATE GOVERNANCE

Corporate governance is an essential tool for the proper functioning of a business

...which involves balancing the interests of the many stakeholders in a Company including shareholders, management, employees, customers, regulators and the communities we serve.

In this light, the Company is committed to the highest standard of business integrity, ethical values and professionalism in all its activities. As an essential part of this commitment, the Company supports high standards of corporate governance.

→ This report explains the status of compliance of the Company with the applicable laws and regulations laid down by regulators and the Company's internal governance structure and provides an overview of the functions of the various committees established for the purpose of good governance.

AIA Insurance Lanka PLC (the Company) is an insurance company licensed by the Insurance Board of Sri Lanka listed on the Colombo Stock exchange. A significant change in the structure of the Company was effected during 2015 with the Company transferring the general insurance business operation effective 1 January 2015 to the wholly owned subsidiary AIA General Insurance Lanka Limited in compliance with Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011. As a result the Company had two fully owned subsidiaries, namely, AIA General Insurance Lanka Limited, which engaged in general insurance business and Rainbow Trust Management Limited, which engaged in trust management business. Consequent to the mandatory regulatory requirement of segregation of composite insurance businesses, a strategic decision made by the Company, AIA General Insurance Lanka Limited was divested on 23 October 2015 to Janashakthi Insurance PLC. Rainbow Trust Management Limited remained the sole subsidiary of the Company as at the year ended 31 December 2015.

## Statement of Compliance

AIA Insurance Lanka PLC (the Company) is conscious of its responsibility to the shareholders, government and the society in which it operates and is unequivocally committed to upholding ethical behaviour in conducting its business. The Company believes that the transparency of business operations achieved through application and execution of sound corporate governance principles is a must for all stakeholders to make their respective decisions pertaining to the Company. As such the corporate governance report of the Company provides information above and beyond the minimum requirements as specified by applicable legal and regulatory provisions.

The Company is compliant with the applicable sections of the Listing Rules of the Colombo Stock Exchange. The status of compliance together with relevant commentaries is provided within the report.

Post a rigorous process and protocol founded on international best practices involving the services of an international investment bank as advisors to select the most suitable buyer and optimise value and the engagement of a reputed Actuarial Consultancy to support conduct of the process, the Company divested its wholly owned general insurance subsidiary AIA General Insurance Lanka Limited on 23 October 2015 to Janashakthi Insurance PLC. The Company completed the said divestiture after securing the legal and regulatory approvals as required under the Company Act No. 7 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000. Notwithstanding the fact that the divestiture does not construe as a major transaction as per the Companies Act and does not require the approval of the shareholders to carry out the proposed transfer, the Company sought and secured shareholder approval at the Extraordinary General Meeting held on 23 October 2015 demonstrating good governance and transparency. The Company continues its operations as a life insurance company, on an exclusive basis.

The Company has established risk and compliance functions based on group standards that have contributed towards advancement of corporate governance and transparency of the Company's activities. Further information on such functions is provided in page 66 of this report.

The Company is committed to steadfastly ensure that its operations are embedded with sound corporate governance culture which provides substantial assurance to all the stakeholders of ethical and professional corporate performance.

AIA Insurance Lanka PLC

The Company and its subsidiaries (where such subsidiaries remain as subsidiaries of the Company) were subjected to various statutory and regulatory requirements in relation to governance and operations during the period under review. The ensuing segment provides details of the primary statutes applicable for the Company and its subsidiaries, and provides confirmation of the Company's compliance with Section 7 of the Listing Rules of the Colombo Stock Exchange.

### The primary statutes applicable for the Company and its subsidiaries are:

- The Companies Act No. 7 of 2007 (as amended)
- Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- National Insurance Trust Fund Act No. 28 of 2006 (as amended)
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987
- Inland Revenue Act No. 10 of 2006 (as amended)
- Shop and Office Employees Act No. 15 of 1954
- Employees' Provident Fund Act No. 15 of 1958 (as amended)
- Employees' Trust Fund Act No. 46 of 1980 (as amended)
- Payment of Gratuity Act No. 12 of 1980 (as amended)
- Financial Transactions Reporting Act 6 of 2005 (as amended)
- Prevention of Money Laundering Act 5 of 2006
- Exchange Control Act No. 24 of 1953 (as amended)
- Various other laws that govern the tax regime for companies and individuals in Sri Lanka

### It is also required that the Company and its subsidiaries comply with the following rules, regulations and guidelines.

- Circulars issued by the Insurance Board of Sri Lanka (IBSL)
- Directives issued by the IBSL
- Guidelines issued by the IBSL
- Listing Rules of the CSE, Rules, regulations and guidelines issued by the Securities and Exchange Commission of Sri Lanka

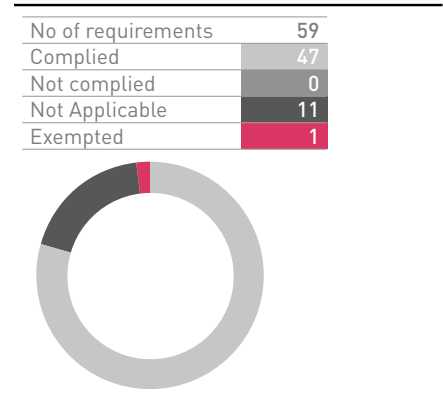
# CORPORATE GOVERNANCE

## Status of Compliance with Section 7 of Listing Rules of the Colombo Stock Exchange

### At a glance

The Company is compliant with the applicable requirements of Section 7 of the Listing Rules (continuing listing requirements) and the status of compliance at a glance is graphically illustrated below.

Complied		Not Applicable		Not Complied		Exempted	
7.1	a b c d E F g						
7.2	7.2						
7.3	7.3						
7.4	a b						
7.5	a b c d						
7.6	i ii iii iv v vi vii viii ix x xi xii xiii xiv xv xvi						
7.7	7.7						
7.8	7.8						
7.9	7.9						
7.10	a b c 1.a 1.b 1.c 2.a 2.b 3.a 3.b 3.c 3.d 4 5.a 5.b 5.c 6.a 6.b 6.c						
7.11	1 2 3						
7.12	a b						
7.13	7.13						



A detailed commentary on the specific requirements required to be complied under Section 7 of the Listing Rules of the Colombo Stock Exchange is given below.

Requirement	Status of Compliance	Comment
<b>7.1 Dividend Payment Announcement to the Exchange</b>		
7.1.a The Entity shall, immediately upon authorising a dividend distribution, make an announcement to the Exchange with specified information.	Complied	The announcement (with required information) was made with respect to the interim dividend for the year ending 31 December 2014, on 6 January 2015.  Details of the scrip dividend announced in January 2015 are provided under disclosures relating to scrip dividends within this report.
7.1.b Unless the Entity's Articles of Association provides otherwise, upon the board of directors' authorising a dividend distribution, the shareholders must approve such distribution by an ordinary resolution.	Complied	Shareholder approval for the interim dividend distribution for the year 2014 was obtained by way of an ordinary resolution at the Extraordinary General Meeting held on 27 January 2015 as required by the Articles of Association of the Company.  Details of the scrip dividend announced in January 2015 are provided under disclosures relating to scrip dividends within this report.
7.1.c <b>Date of dispatch of dividend payment when the approval of the shareholders is required;</b> the date of dispatch of the dividend payment shall be within seven (7) Market Days from and excluding the date on which the related resolution is passed by the shareholders at a meeting. The Entity shall promptly notify the Exchange of the date of dispatch of the dividend payment.	Complied	The interim dividend payment for the year 2014 was made on 9 February 2015 which was within the specified time period and the CSE was notified of the date of dispatch on 9 February 2015.  Details of the scrip dividend announced in January 2015 are provided under disclosures relating to scrip dividends within this report.

Requirement	Status of Compliance	Comment
7.1.d <b>Date of dispatch of dividend payment when the approval of the shareholders is not required;</b> the date of dispatch of the dividend payment shall be within seven (7) Market Days from the 'XD' date.	Not Applicable	This requirement is not applicable to the Company as the shareholder approval is required for dividend distribution as per the Articles of Association of the Company.
7.1.e Once a dividend distribution has been announced an Entity shall not alter the dividend per share without consulting the Exchange.	Not Applicable	This requirement was not applicable to the Company.
7.1.f <b>Solvency Certificate</b> The Entity shall forward to the Exchange a certified copy of the certificate of solvency issued by a firm of auditors as soon as the same is issued and in any event prior to dispatching the dividend payment.	Complied	The Company forwarded to the CSE a certified copy of the Solvency Certificate issued by the External Auditors of the Company on 26 January 2015 with respect to the interim dividend payment for the year 2014.  Details of the scrip dividend announced in January 2015 are provided under disclosures relating to scrip dividends within this report.
7.1.g <b>Dividend distribution by way of a scrip dividend</b>		
i Specified documents to be submitted to the CSE within seven market days from the date of announcement	Complied	Following documents were submitted to the CSE within the specified time period. 1. Listing Application 2. Circular to Shareholders 3. Notice of Extraordinary General Meeting 4. Certified copy of the Board Resolution 5. Certified Extract of the relevant Article 6. Fee payable to CSE
ii The entity shall allot the shares issued on the date on which the relevant resolution was passed. The XD date shall be the market day immediately following the date on which the related resolution is passed by shareholders.	Complied	Share allotment was completed on the day on which the resolution was passed which was 27 January 2015. The XD date was 28 January 2015.
iii Entity shall not alter details of scrip dividend without consulting CSE after the announcement.	Not Applicable	The Company did not alter the details of the scrip dividend after the announcement.
iv Certified copy of the certificate of solvency issued by the auditors to be submitted to CSE	Complied	The Company forwarded to the CSE a certified copy of the Solvency Certificate issued by the External Auditors of the Company on 26 January 2015 with respect to the interim dividend payment for the year 2014.
v Declaration as specified to be submitted to the CSE on the market day immediately following the day on which the direct deposit of shares is completed.	Complied	This declaration was submitted to the CSE on 6 February 2015.



# CORPORATE GOVERNANCE

Requirement	Status of Compliance	Comment
<b>7.2 RESOLUTIONS</b>		
The Exchange must be notified at the same time as shareholders regarding any resolution to be voted on at any members' meeting. The Exchange shall be notified immediately after the meeting whether the resolution was passed or not.	Complied	CSE was notified about the resolutions passed during the year as required. Shareholders approved the divestiture of AIA General Insurance Lanka Limited at the Extra Ordinary General Meeting held on 23 October 2015 and the CSE was notified of same forthwith.
<b>7.3 CIRCULARS TO SHAREHOLDERS</b>		
Fifty (50) copies of circulars to shareholders should be sent to the Exchange at the same time as they are dispatched to the holders of Listed Securities.	Complied	The required number of copies of circulars to shareholders were submitted to the CSE during the year at the same time as they were dispatched to shareholders, as required.
<b>7.4 INTERIM FINANCIAL STATEMENTS</b>		
<b>7.4.a</b> A Listed Entity shall give to the Exchange, an Interim Financial Statement prepared on a quarterly basis, as soon as the figures have been approved by the board of directors of the Entity and in any event not later than forty five (45) days from the end of the first, second and third quarters and two (2) months from the end of the fourth quarter.	Complied	The Company submitted the quarterly Financial Statements to the CSE in line with the requirements specified in terms of the formats, number of copies and within the specified time limits.
<b>7.4.b</b> A Listed Entity shall ensure that the Financial Statements fulfill the specified requirements.	Complied	The Quarterly Financial Statements of the Company complied with the specified requirements including but not limited to statements to the effect that such financial statements are not audited and carried signatures of two Directors.
<b>7.5 CIRCULATION OF ANNUAL REPORT</b>		
<b>7.5.a</b> A Listed Entity shall ensure that the annual report is issued to the Entity's shareholders and given to the Exchange within a period not exceeding five (05) months from the close of the financial year of the Listed Entity. The Audited Financial Statements shall be published in accordance with the Sri Lanka Accounting Standards.	Complied	The financial year of the company closes on 31 December and the Annual Report for the year 2014 was issued to the shareholders within the stipulated time lines and required copies were submitted to the CSE. The Audited Financial Statements published within the Annual Report were prepared in accordance with the Sri Lanka Accounting Standards.

Requirement	Status of Compliance	Comment
7.5.b A Listed Entity may issue its annual report in a CD-ROM to its shareholders provided that the Entity complies with the specified requirements.	Complied	The Annual Report for the year 2014 was issued in a CD-ROM. The Company has complied with the specified requirements applicable for such issuance as follows. 1. Provided printed copies to shareholders upon written requests. 2. A designated person was made available to attend to requests for printed copies of the Annual Report. 3. Printed copies of the Annual Report forwarded to shareholders who have requested for the same within 8 market days from the date of receipt of such request. 4. A note with required statements/information was sent to the shareholders along with the CD-ROM.
7.5.c The Entity shall give to the Exchange thirty five (35) copies of the annual report in printed form and one (1) copy in a CD-ROM.	Complied	The Company submitted the required number of copies of the Annual Report of year 2014 to the Colombo Stock Exchange in the required formats.
7.5.d If an Entity prior to circulating the annual report, files copies of financial statements with the Registrar General of Companies in compliance with Section 170 (1) of the Companies Act, the Entity shall also simultaneously submit such financial statements to the Exchange.	Complied	The Company submitted its financial statements to the Registrar General of Companies and the Colombo Stock Exchange, as required.
<b>7.6 CONTENTS OF ANNUAL REPORT</b>		
A Listed Entity must include in its Annual Report and Accounts, inter alia;		
i Names of persons who during the financial year were directors of the Entity.	Complied	This information is provided on page 42 of this report.
ii Principal activities of the Entity and its subsidiaries during the year and any changes therein.	Complied	The principle activities of the Company during the year have been to engage in Life insurance business as per the license issued by the IBSL while the Company's then wholly owned subsidiary AIA General Insurance Lanka Limited was engaged in general insurance business.  On 1 January 2015 the Company transferred its general insurance business operation to the wholly owned subsidiary AIA General Insurance Lanka Limited set-up for this specific purpose in order to comply with the regulatory requirement to segregate the composite insurance business. Consequent to this mandatory regulatory segregation, on 23 October 2015 the Company executed the strategic decision to divest AIA General Insurance Lanka Limited.  Further details of the activities of the Company are highlighted in the CEO's review and Management Discussion and Analysis on pages 10 and 16 respectively.

# CORPORATE GOVERNANCE

Requirement	Status of Compliance	Comment
iii The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Complied	This information is provided on page 143 of this report.
iv The Public Holding percentage.	Complied	This information is provided on page 38 of this report.
v A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Complied	This information is provided on page 40 of this report.
vi Information pertaining to material foreseeable risk factors of the Entity.	Complied	This information is captured in Management Discussion and Analysis on page 16 of this report.
vii Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	The Company did not have any material issues pertaining to employees and industrial relations during the year under review. Further information on HR practices of the Company is provided on page 24 of this report.
viii Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	This information is provided on page 111 of this report.
ix Number of shares representing the Entity's stated capital.	Complied	This information is provided on page 125 of this report.
x A distribution schedule of the number of holders in each class of equity instruments, and the percentage of their total holdings in specified categories.	Complied	This information is provided on page 125 of this report.
xi Specified ratios and market price information.	Complied	Following information are provided on pages 141 and 144 of this report. <ol style="list-style-type: none"> <li>1. Dividend per share</li> <li>2. Dividend pay out</li> <li>3. Net asset value per share</li> <li>4. Market value per share <ul style="list-style-type: none"> <li>- highest and lowest values recorded during the financial year</li> <li>- value as at the end of financial year</li> </ul> </li> </ol>
xii Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Complied	There were no significant changes in the Company's fixed assets as at 31 December 2015. Further information on this is provided on page 110 of this report.

Requirement	Status of Compliance	Comment
xiii Specified information, In the event during the year the Entity has raised funds either through a public issue, Rights Issue, and private placement.	Not Applicable	This requirement is not applicable as the Company did not raise funds during the year from any of the specified methods.
xiv a. Employee Share Option Schemes.	Not Applicable	The Company did not operate any Employee Share Option Schemes in relation to shares of the Company.
b. Employee Share Purchase Schemes	Not Applicable	The Company did not operate any Employee Share Purchase Schemes in relation to shares of the Company.
xv Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules.	Complied	These disclosures are provided on pages 55 to 58 of this report respectively.
xvi Specified information on Related Party transactions exceeding 10 per cent of the Equity or 5 per cent of the total assets of the Entity as per Audited Financial Statements, whichever is lower.  Specified details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.	Complied	This information is provided on page 135 of this report.
<b>7.7 SECURITIES CERTIFICATES</b>		
Listed Entities shall issue Definitive Certificates in respect of Securities which are listed in the Exchange.	Complied	The Company actively encourages the dematerialisation of shares in line with the guidelines of the Securities & Exchange Commission of Sri Lanka.
<b>7.8 DISCLOSURES OF DEALINGS BY DIRECTORS</b>		
A Listed Entity shall make an immediate announcement to the Exchange of disclosures made by a director in terms of Section 200 of the Companies Act, of any acquisition or disposal of a relevant interest in shares issued by the Entity.	Complied	The Company has procedures in place to make these immediate disclosures. However, no such disclosures were made during the year as none of the Directors disclosed any dealings of shares of the Company.
<b>7.9 LOSS OF CERTIFICATES</b>		
The entities shall inform the CDS as and when a report is lodged with the Entity on any loss of certificates or when the Entity discovers a forgery in a certificate of the Entity.	Complied	The Company has procedures in place to make these notifications as and when required.

# CORPORATE GOVERNANCE

Requirement	Status of Compliance	Comment
<b>7.10 CORPORATE GOVERNANCE</b>		
<b>Compliance</b>		
7.10.a	Complied	The Company is compliant with the Corporate Governance Rules of the Listing Rules. The statement is published on page 46 of this report.
7.10.b	Complied	The Company is in compliance with the Corporate Governance Rules and respective affirmative statements and the statement of compliance is provided on Page 46 of this report.
7.10.c	Not Applicable	The Company sought and received an exemption from the rules pertaining to the maintenance of a minimum public holding of shares and the details of such exemption is provided in page 59 of this report. Except the said exemption the Company has not requested any other exemption nor did the CSE grant any exemptions to the Company with respect to the Corporate Governance Rules in full or in part.  Such Listed Entity shall make disclosures of compliance with Corporate Governance Rules applicable to that sector and the annual report must contain the relevant affirmative statements.
<b>7.10.1 NON – EXECUTIVE DIRECTORS</b>		
7.10.1.a	Complied	There are six members on the Board of Directors all of whom are non-executive directors.
7.10.1.b	Complied	As at the last Annual General Meeting held on 27 March 2015, there were six members on the Board of Directors. Therefore, the requirement under rule 7.10.a is fully complied with.
7.10.1.c	Complied	No change was reported to the ratio during the year under consideration.



Requirement	Status of Compliance	Comment
<b>7.10.2 INDEPENDENT DIRECTORS</b>		
7.10.2.a Two or one third of the Non-executive Directors appointed to the Board of Directors, whichever is higher shall be "independent".	Complied	There are six members on the Board of Directors and two are classified as Independent Non-executive Directors. Details of Independent, Non-executive Directors are given on page 32 of this report.
7.10.2.b The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied	The Board has obtained signed and dated declarations from each Non-executive Director on their independence or non-independence against the said criteria upon their appointment to the Board and also on an annual basis in terms of declaration specified in Appendix 7A of the CSE Listing Rules.
<b>7.10.3 DISCLOSURES RELATING TO DIRECTORS</b>		
7.10.3.a The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'.	Complied	Messrs. Deepal Sooriyaarachchi and Heerak Basu were declared as independent non-executive directors of the Company for the year under review. Mr. Heerak Basu is an employee of a Company within the AIA Group but the Board is of the view that this is not a disqualification to be classified as an independent non-executive director on the Board of the Company within the criteria defined for independence in terms of the listing rules and the written clarifications of the CSE. Mr. Basu resigned from the Board of the Company on 8 February 2016. Mr. Russell DeMel was appointed to the Board of the Company on 25 January 2016 and having satisfied the criteria of independence is declared and independent non-executive director of the Company.  Mr. Deepal Sooriyaarachchi joined the Board as a Director in May 2005. He resigned from the Board in 2006 and was re-appointed to the Board in the same year of 2006 and was declared an independent Non-Executive Director in 2010. Hence in the year under review in terms of Listing Rule 7.10.4.e., Mr. Sooriyaarachchi declared that he has served the Board continuously for a period of 09 years, notwithstanding that his directorship was subject to retirement by rotation and re-appointment thereon by the shareholders of the Company at respective general meetings. The Board taking this disclosure into due consideration and having reviewed its authority permitted under Rule 7.10.3 b. of the CSE Listing Rules, forms its opinion that Mr. Sooriyaarachchi is nevertheless independent. The Board bases this opinion taking into account all the applicable circumstances as specified in disclosures made as per 7.10.4.a. below.

# CORPORATE GOVERNANCE

Requirement	Status of Compliance	Comment
<p>7.10.3.b In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report.</p>	Complied	<p>The Board as per Rule 7.10.3 b. of the CSE Listing Rules takes the considerations herein mentioned, in declaring Mr. Sooriyaarachchi as a non-executive independent Director on the Board of the Company notwithstanding that Mr. Sooriyaarachchi, does not satisfy the "independence" criteria set out in Listing Rule 7.10.4 e. due to his tenure on the Board which now exceeds 9 years. Mr. Sooriyaarachchi has no economic interest in the Company. Neither Mr. Sooriyaarachchi nor his family members have entered into any direct or indirect transaction/s with the Company during the year under review which are of a material or significant business or commercial nature. Mr. Sooriyaarachchi holds no shares in the Company and in all circumstances act and function as an outside director and is remunerated for his function via the payment of Directors fees declared in this Annual Report. Hence it is the considered opinion of the Board that Mr. Sooriyaarachchi is not precluded in any circumstance or manner, in acting in the capacity of an independent director in spite of the disqualification in Listing Rule 7.10.4.e.</p>
<p>7.10.3.c In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.</p>	Complied	<p>A brief resume of each Director is given on page 32 of the Annual Report.</p>
<p>7.10.3.d Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.</p>	Complied	<p>Three new appointments were made to the Board of Directors. Messrs. William Lisle, Robert Hartnett and Russell DeMel were appointed to the board on 22 June 2015, 29 September 2015 and 25 January 2016 respectively, and their brief resume were submitted to the CSE forthwith.</p>
<p>7.10.4 <b>CRITERIA FOR DEFINING 'INDEPENDENCE'</b></p>	Complied	<p>Please refer narrations in 7.10.3.a &amp; b respectively.</p>
<p>7.10.5 <b>REMUNERATION COMMITTEE</b></p>		
<p>7.10.5.a <b>COMPOSITION</b></p> <p>The remuneration committee shall comprise; of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or of non-executive directors a majority of whom shall be independent, whichever shall be higher.</p> <p>One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p>	Complied	<p>The Remuneration Committee consists of three Non-executive Directors two of whom are independent Non-executive Directors.</p> <p>The Company has a separate Remuneration Committee.</p> <p>Mr. Mitch New functions as the Chairman of the Committee from August 2013. Mr. New is a Non-executive Director of the Company.</p>

Requirement	Status of Compliance	Comment
<p>7.10.5.b <b>FUNCTIONS</b></p> <p>The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p>	Complied	<p>The Remuneration Committee recommends to the Board the remuneration payable to the Chief Executive Officer based on the performance ratings obtained at the annual performance appraisal, the market standard applicable to foreign and local Chief Executive Officers and the value of the role to the Company. The Board placing due consideration of such criteria makes the final decision.</p>
<p>7.10.5.c <b>DISCLOSURE IN THE ANNUAL REPORT</b></p> <p>The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.</p>	Complied	<p>Names of the Directors who are members of the Remuneration Committee are given on page 74 of this report. A statement of the remuneration policy is given under the Remuneration Committee Report on page 74 of this report. Disclosure of remuneration paid to Directors is given on page 41 of this report.</p>
<p>7.10.6 <b>AUDIT COMMITTEE</b></p>		
<p>7.10.6.a <b>COMPOSITION</b></p> <p>The audit committee shall comprise;</p> <ul style="list-style-type: none"> <li>of a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board);</li> <li>or</li> <li>of non-executive directors a majority of whom shall be independent, whichever shall be higher.</li> </ul> <p>One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p> <p>The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings.</p> <p>The Chairman or one member of the committee should be a Member of a recognised professional accounting body.</p>	Complied	<p>The Audit Committee of the Company is named as Audit and Compliance Committee and consists of three Non-executive Directors two of whom are Independent Non-executive Directors.</p> <p>The Chief Executive Officer and the Chief Financial Officer are considered as permanent invitees for the meetings of the Committee.</p> <p>Ms. Sally Wan resigned from the Board on 29 September 2015 and Mr. Robert Hartnett was appointed on 29 September 2015, and Mr. Robert Hartnett assumed the Chairmanship of the Board Audit and Compliance Committee effective 29 September 2015.</p> <p>The Committee fulfills the required qualifications and the qualifications of respective members of the Committee are given in page 72 of the report.</p>

# CORPORATE GOVERNANCE

Requirement	Status of Compliance	Comment
<p>7.10.6.b <b>FUNCTIONS</b></p> <ul style="list-style-type: none"> <li>i. Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.</li> <li>ii. Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</li> <li>iii. Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>iv. Assessment of the independence and performance of the Entity's external auditors.</li> <li>v. To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</li> </ul>	Complied	<p>The Terms of Reference of the Committee captures the required functions in addition to many other functions assigned by the Board. Accordingly, the Committee,</p> <ul style="list-style-type: none"> <li>i. Oversees the preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with the Sri Lanka Accounting Standards.</li> <li>ii. Oversees the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</li> <li>iii. Oversees the processes to ensure that the Company's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>iv. Assesses the independence and performance of the Company's external auditors.</li> <li>v. Makes recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the External Auditors.</li> </ul> <p>Further information about the Committee and its functions are given on page 64 of this report.</p>
<p>7.10.6.c <b>DISCLOSURE IN THE ANNUAL REPORT</b></p> <p>The names of the directors comprising the audit committee should be disclosed in the annual report.</p> <p>The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.</p> <p>The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.</p>	Complied	<p>The names of the Directors who are members of the Audit and Compliance Committee are given on page 64 of this report.</p> <p>The Committee determined the independence of the External Auditors and the basis of such determination is referred in the Audit and Compliance Committee Report on page 72 of this report.</p> <p>Audit and Compliance Committee Report is given on page 72 of this report.</p>

Requirement	Status of Compliance	Comment
7.11 7.11.1 7.11.2 7.11.3	Not Applicable	The Company did not take any actions relating to re-purchase of its own shares or redemptions of shares or minority buyouts. Therefore, this requirement was not applicable to the Company during the year under review.
7.12 7.12.a 7.12.b	Not Applicable	The Company does not have any debt securities listed on a Stock Exchange; hence this requirement is not applicable to the Company during the year under review.
7.13	Exempted	<p>The Securities and Exchange Commission of Sri Lanka ('SEC') has issued a directive making it mandatory for all Companies listed on the Main Board to maintain a minimum public float of 20 per cent of its total listed ordinary shares in the hands of a minimum of 750 public shareholders, or a market capitalisation of LKR 5b of its public holding in the hands of a minimum of 500 public shareholders while maintaining a minimum public holding of 10 per cent. This rule is effective from 1 January 2014 and full compliance is required to be achieved by 31 December 2016.</p> <p>A letter of appeal seeking either an exemption or an extension from compliance of the above directive pending the legalising of a proposed insurance regulation was sent by the Company to the SEC, on 29 May 2015.</p> <p>The SEC having considered same, responded to the Company via letter dated 14 July 2015 addressed to the CEO of the Company. In the said letter the SEC informed of its decision to grant the Company an exemption from having to comply with the Listing Rules on maintaining the minimum public float requirement, until 31 December 2016, or until the draft legislation to amend the Insurance Act is passed in Parliament and the Company delists in pursuance of same, whichever occurs earlier. SEC has also reserved the right to re-visit the said exemption if the proposed legislation is not passed by the Parliament by 31 December 2016.</p>

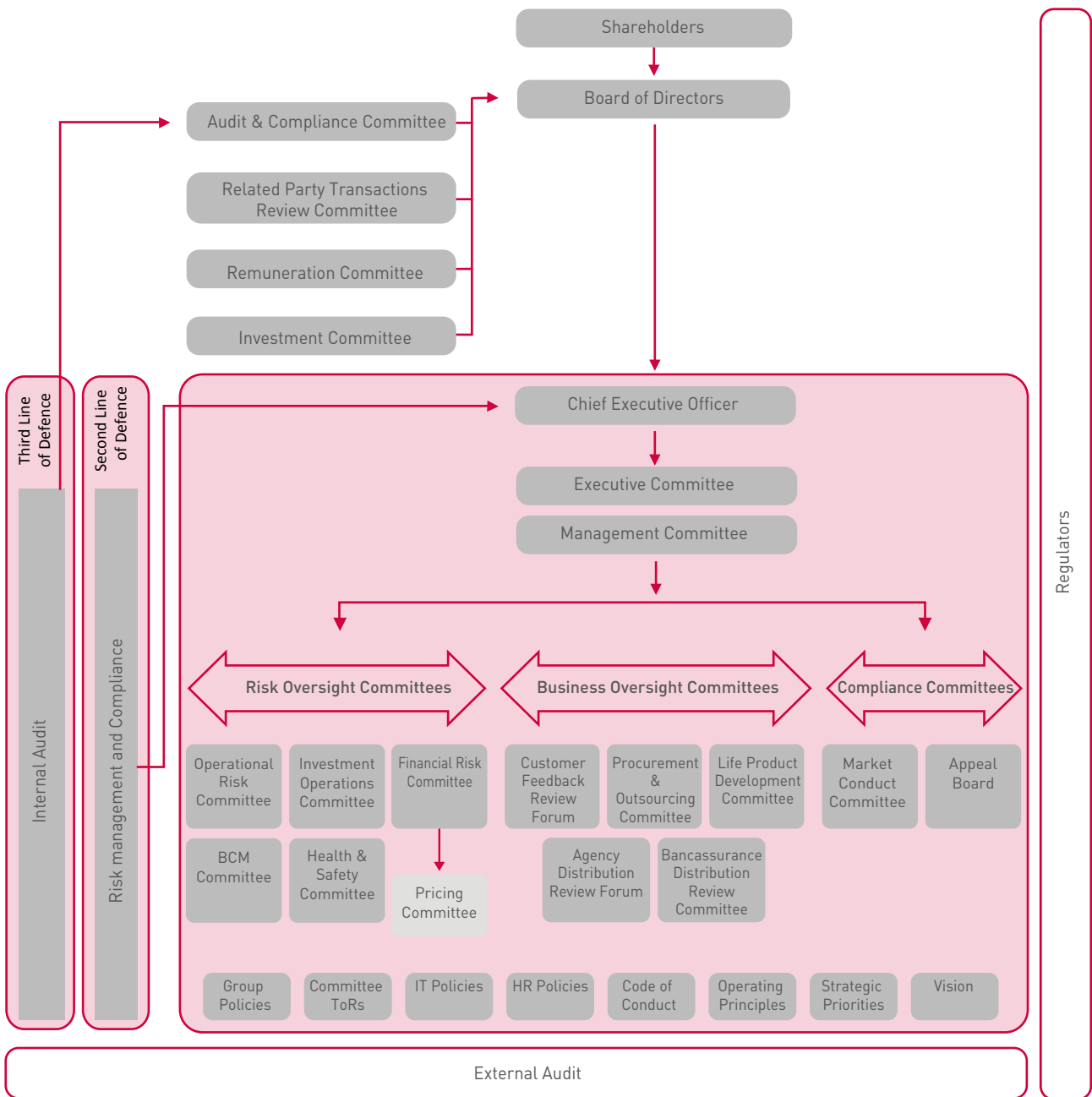


# CORPORATE GOVERNANCE

## Governance Structure

The Company maintains a sound and effective governance structure to oversee the totality of the Company's business operations.

The corporate governance structure of the Company is graphically illustrated below.



### The Board of Directors

The Board of Directors has the overall responsibility to guide the direction of the Company and are accountable to the shareholders. The Board has delegated its authorities to a number of primary and or Sub Board Committees to support the Board in the discharge of its governance and oversight responsibilities. The governance and oversight of audit and compliance and remuneration are thus supported by the function of the Board's Audit and Compliance Committee and Remuneration Committee respectively. Newly formed Related Party Transactions Review Committee is entrusted with the responsibility of ensuring the compliance with the Code of Best Practices on Related Party Transactions. The Investment Committee and the Financial Risk Committee are the other Committees appointed by the Board. The Committees are required to report their activities to the Board on a quarterly basis and communications between the Committees and the Board takes place as appropriate. The reporting by the Board Committees covers the update of activities of regular meetings held on delegated authorities and decisions taken or recommendations made by these committees. The functions of the Board of Directors and Board Committees are regulated primarily by the Articles of Association, Board Terms of Reference, the respective Board Committee Terms of Reference and where applicable, rules, regulations

and legislations in force. Further information about the Board of Directors are given in the pages 32 to 33 of this report.

### The Chief Executive Officer (CEO)

The Articles of Association of the Company and the Board Terms of Reference recognise the role and position of the Chief Executive Officer of the Company and the duties and obligations of the role. They entrust such responsibilities on the CEO as the senior most executive officer of the Company. The CEO reports to the Chairman of the Board of Directors on all matters pertaining to the day-to-day management of the Company's business, its direction and operations in accordance with the policies and objectives set by the Board.

### The Executive Committee

The Executive Committee falls within the purview of the CEO, and discharges the management and governance responsibilities of the Company as delegated by the CEO. The CEO heads the Executive Committee. He leads the collective decision making process of the Executive Committee in relation to the day-to-day management of the Company's business and its operation within the governance framework and objectives defined by the Board.

The Executive Committee functions within its Terms of Reference in collectively and individually supporting the CEO in operational, business and

strategic decisions and the execution of the Company Plan.

### Permanent members of the Executive Committee are;

- Chief Executive Officer
- Deputy Chief Executive Officer / Chief Agency Officer
- Director HR
- Director IT
- Director Operations
- Director Partnerships
- Chief Financial Officer

### The Management Committee

Terms of Reference for the Executive Committee provide for designated invitees to the Committee. Thus when the Executive Committee functions together with the designated invitees, it functions under the reference of Management Committee. The Chief Actuary, Head of Legal, Risk and Governance and Head of Marketing are considered as designated invitees as the expertise of their specialised areas are recognised as important to evaluate day-to-day functions of the Company in the execution of the Company Plan.

The Management Committee meets every fortnight with a structured agenda and reviews the performance of the Company against the detailed Company Plan.

### Governance Committees

Information on other governance committees are provided in the table below.

	Committee	Responsibility	Membership	TOR/ Charter
1	Operational Risk Committee	Responsible for reviewing, monitoring and providing oversight to the key operational risks of the business.  Key forum for the identification and escalation of current and emerging key operational risks of the business	CEO (Chair)  Members of the Management Committee. The Risk function	✓

# CORPORATE GOVERNANCE

	Committee	Responsibility	Membership	TOR/ Charter
2	Pricing Committee	<p>Responsible for providing oversight to management decisions and activities that may impact the Company's revenue stream, operating expense base or capital base or result in a significant operating expense or capital investment commitment or leading to a potential liability.</p> <p>Responsibilities include reviewing, evaluating, recommending and approving margins, incentive schemes, marketing expenses; evaluating and recommending the pricing policy, underwriting policy and claims policy.</p>	<p>Chief Financial Officer (Chair) CEO</p> <p>Nominated members of management and functional experts representing Actuarial, Risk, Legal functions; the budget owner/ initiator of incentive/ benefit/ expense.</p>	✓
3	Investment Operations Committee	<p>Responsible for reviewing, monitoring and providing oversight to the investment portfolios, especially on investment strategy, investment exposures and investment performance.</p>	<p>Chief Financial Officer (Chair)</p> <p>Nominated members of management and functional experts representing Finance, Actuarial, Risk and Compliance based on scope of the committee</p> <p>Invitees - representatives from NDB Wealth Management Ltd [External AMC]</p>	✓
4	Health & Safety Committee	<p>Responsible for providing oversight to physical safety and security within the scope of the Company's business operations, and carrying out activities to ensure that relevant risks are identified, measured, monitored and managed.</p>	<p>CEO (Chair)</p> <p>Director Human Resources, Director IT, Director Operations and nominated members of management representing different locations.</p>	✓
5	Customer Feedback Review Forum	<p>Responsible for providing oversight to the management of customer interactions and customer feedback.</p> <p>Responsible for reviewing customer feedback, providing solutions for issues, identifying and implementing proactive measures to mitigate customer dissonance and improve satisfaction and identifying actions to improve agreed customer experience measures.</p>	<p>Head of Marketing (Chair)</p> <p>Director - Operations</p> <p>Deputy CEO</p> <p>Nominated members of management and functional experts representing Distribution, Marketing and customer management and Operations.</p>	✓
6	Life Product Development Committee	<p>Responsible for identifying, developing/ modifying, launching and withdrawing Life product propositions.</p> <p>Responsible for reviewing and updating of the product development process, reviewing product propositions, ensuring products are developed within relevant Group, Company and regulatory requirements and processes.</p>	<p>Chief Actuary (Chair)</p> <p>Nominated members of management and functional experts representing Marketing and customer management, Actuarial, Operations, Distribution, Sales training, Risk, Compliance, Legal, IT and Finance.</p>	✓

	Committee	Responsibility	Membership	TOR/ Charter
7	Procurement & Outsourcing Committee	Responsible for providing oversight to the procurement and outsourcing activities of the Company.  Responsibilities include setting out procurement guidelines for the Company, selecting and approving of Company procurements within threshold limits, evaluating contractual terms and conditions vis-à-vis impact on capital resources.	Chief Financial Officer (Chair) CEO  Nominated members of management and functional experts representing Actuarial, Risk, Legal functions; the budget owner, beneficiary department, and technical support divisions.	✓
8	Agency Distribution Review Forum	Responsible for providing oversight to sales and performance of the Agency Direct Sales Force (Agency channel).  Responsibilities include setting of goals of the Agency Direct Sales Force with stipulated key performance indicators and defined performance metrics.	Deputy CEO (Chair)  Senior management of the Agency Direct Sales Force  distribution channel	✓
9	Bancassurance Distribution Review Committee	Responsible for providing oversight to sales and performance of the Bancassurance distribution channel.  Responsibilities include the setting of goals of the Bancassurance distribution with stipulated key performance indicators and defined performance metrics.	Director Partnerships (Chair)  Senior management of Bancassurance channel and selected members of sales team	✓
10	Business Continuity Management Committee	Responsible for ensuring the BCM program of the business is complete and effective. The committee monitors risks pertaining to business continuity and identify/ recommend procedure and controls for mitigating the risks.	CEO (Chair) Director HR Director IT Director Operations Chief Financial Officer AGM Risk Management Head of Marketing	✓
11	Market Conduct Committee	Responsible for implementing the penalty table and actions to be effected in substantiated intermediary misconduct incidents	Voting Members Director IT (Chair) Director Operations General Counsel Non-voting members	✓
12	Appeal Board	Responsible for reviewing the decisions arrived at by the Market Conduct Committee upon the requests made by the aggrieved agents. The Appeal Board is responsible for making the final decision	CEO (Chair) Director Human Resources Chief Financial Officer	✓

# CORPORATE GOVERNANCE

Information on Board Committees and other Committees as appointed by the Board

## Board Sub-Committees

Audit and Compliance Committee	
Chairman	Robert Hartnett (Non-executive Director)
Members	Deepal Sooriyaarachchi (Independent Non-executive Director) Russell DeMel (Independent Non-executive Director)
Secretary	Thusara Ranasinghe (General Counsel / Head of Legal and Governance)
Agenda	Available
Invitees	Chief Executive Officer Chief Financial Officer Chief Actuary Chief Risk Officer Internal Auditor External Auditors
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>To review and make recommendations to the Board with regard to the approval of the annual report and accounts of the Company, including the interim financial statements</li> <li>To review and report to the Board on the effectiveness of the systems of internal controls and risk management</li> <li>To review the quality of internal and external audits and to secure the timely implementation of audit recommendations</li> <li>To ensure that the internal audit function is adequately resourced and has an appropriate standing and to also ensure coordination between the internal and external auditors</li> <li>To determine the fees to be paid to the External Auditors' and to make recommendations to the Board with regard to their appointment and also with regard to their ceasing to hold office.</li> <li>To review reports from the External Auditor on significant issues arising from the audit of the Company's financial statements and on the Company's internal control environment, as well as to review regular updates on related matters</li> <li>To review the effectiveness of the corporate compliance framework with financial services and other relevant legislation.</li> <li>To review the scope of each annual audit and its cost effectiveness with the external auditors and the Management</li> <li>To perform an independent supervisory role in securing corporate compliance with the Regulation of the Insurance Industry Act and related regulations as well as with other applicable statutes and regulations</li> </ul>



<b>Remuneration Committee</b>	
Chairman	Mitchell New (Non-executive Director)
Members	Deepal Sooriyaarachchi (Independent Non-executive Director) Rusell DeMel (Independent Non-executive Director)
Secretary	Thushari Perera (Head of HR)
Agenda	Available
Invitees	Chief Executive Officer Director HR
Frequency of Meetings	As and when required
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>To review and approve the remuneration policy applicable to employees of the Company</li> <li>To recommend to the Board the remuneration to be paid to Directors, the CEO, and, their perquisites and allowances</li> <li>To review and to approve the grant of employees' stock options (if and when applicable) subject to the approval of the Board</li> </ul>

<b>Related Party Transactions Review Committee</b>	
Chairman	Rusell DeMel (Independent Non-executive Director)
Members	Robert Hatnett (Non-executive Director) Deepal Sooriyaarachchi (Independent Non-executive Director)
Secretary	Devika Weerakoon (Manager - Legal and Regulatory)
Agenda	Available
Invitees	Chief Financial Officer Other Officials as required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>To oversee that all related party transactions of the Company are duly reviewed, undertaken and disclosed</li> <li>To ensure compliance with the Code of Best Practices on Related Party transactions</li> </ul>

#### **Board Appointed Management Committee**

<b>Financial Risk Committee (Comprising non-Board members)</b>	
Chairman	Gavin D'Rosairo (CFO)
Members	Shah Rouf (Chief Executive Officer) Frank Munro (Chief Actuary)
Secretary	Tharaka Abeynanda (Senior Manager - Risk Management)
Agenda	Available
Invitees	Investments Manager Chief Risk Officer Other Officials as required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>To oversee the aggregate financial risk exposure of the business</li> <li>To manage the optimisation of capital and the risk and return profile of the business</li> </ul>

# CORPORATE GOVERNANCE

Investment Committee (Comprising non-Board members)	
Chairman	Shah Rouf (Chief Executive Officer)
Members	Benjamin Deng (Head of Group Investment Solutions & Derivatives from AIA Group investment function) Gavin D' Rosairo (CFO)
Secretary	Zarah Juriansz (Investment Manager)
Agenda	Available
Invitees	Chief Actuary Other Officials as required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>To set policy guidelines for the management of investment portfolios</li> <li>To monitor investment performance and recommend appropriate investment strategies</li> <li>To ensure that portfolios are managed to achieve their investment objectives whilst adhering to the regulatory requirements</li> <li>To review the Company's Investment Policy and place the same before the Board for its approval thereof</li> <li>To implement the investment policy as approved by the Board</li> <li>To apprise the Board periodically on the committee's activities</li> <li>To liaise with the Insurance Regulator in connection with regulations pertaining to investments and to provide information to define the framework for the management of insurance portfolios</li> </ul>

## Functional Oversight and Support to Ensure Sound Corporate Governance

The Company has appointed a Chief Risk Officer with functional responsibility for risk and compliance, reporting to the Chief Executive Officer.

By establishing the Risk Function and the rollout of the risk management framework the Company has ensured that prudent approach to understanding and managing the risks is in place, to safeguard the assets and interests. A comprehensive report on risk management of the Company is given on Page 67 of this report.

The Compliance function established by the Company is responsible in promoting and establishing a culture of compliance within the Company. The position of the Chief Compliance Officer (CCO) is identified in the overall

compliance structure, recognising the statutory / regulatory purposes of the role arising from the insurance regulations and Financial Intelligence Unit (FIU) established under the Central Bank of Sri Lanka. The insurance regulations recognises the function of a CCO and the FIU recognises role and the responsibility of the CCO to ensure compliance in terms of the Anti-Money Laundering regulations and Counter Terrorist Financing measures arising out of the Financial Transactions Reporting Act No. 6 of 2006 and Prevention of Money Laundering Act No. 5 of 2006 (as amended). The CCO's function is also responsible for matters arising from the operations of the Company. The Compliance function of the Company maintains the second line oversight responsibility on sales compliance, investment compliance, anti-money laundering and

counter terrorist financing, regulatory compliance, record management, data privacy and anti-fraud, anti-corruption and whistle blowing programme.

The frameworks within the Company lends support to the Board of Directors, Chief Executive Officer and the Executive Committee to ensure that a sound corporate governance framework is in place and is effective in order that the Company complies with applicable statutory and regulatory requirements, rules and guidelines and to manage the business operations in the best interests of all stakeholders.

# RISK MANAGEMENT REVIEW

At AIA Sri Lanka, we recognise that strong corporate governance and sound risk management are at the core of our business proposition and our focus in these areas has been a significant contributor to our performance

AIA Sri Lanka recognises the importance of sound risk management in every aspect of our business and to all our stakeholders. For policyholders it is the assurance that we provide that we will be there for them when they need it most, at the time of the claim or benefits being paid. For regulators sound risk management is vital to the stability of the insurance industry and the financial system. For shareholders and investors it is a means of protecting and enhancing the long-term value of their investment.

At AIA Sri Lanka, we recognise that strong corporate governance and sound risk management are at the core of our business proposition and our focus in these areas has been a significant contributor to our performance. As our business grows in scale and complexity, and given the dynamic nature of the external environment with changes and developments in the political, social and economic spheres, so evolves our approach to risk management to better align and stay relevant.

The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Company. An effective RMF is the key to avoiding the financial and non-financial risk that arises from inadequate or ineffective control of the risks in the business.

AIA Sri Lanka's RMF is founded on the principles of the 'three lines of defence' model and is built to support the business. The "three lines of defence" model is described below, and consistent with that approach Enterprise Risk Management [ERM] function provides support to the business with tools, processes and capabilities for the identification, quantification and management of risk. ERM Function also exercises oversight to provide objective judgement as to the appropriateness, sufficiency and effectiveness of the measures taken to manage risk.

During 2015 AIA Sri Lanka took another step in aligning with the Group risk management framework and the key

accomplishment during the year was adopting the Group's risk management process for financial risk management along with the Capital, Earnings & Liquidity stress testing. Further, the Company aligned the Key Operational Risk [KOR] analysis with Group's methodology.

**AIA Insurance Lanka PLC's risk management objectives can be outlined as:**

- Embed the culture of risk management throughout the business with clear understanding of risk appetites and accountability to operate within these
- Allocate capital where it will make the highest returns on a risk adjusted basis
- Maintain sufficient capital buffer to ensure that AIA Sri Lanka fulfils its obligation to customers, investors and regulators
- Ensure the business has internal readiness in terms of resources and processes to mitigate the negative impacts emanating from inadequate or failed internal processes, people and systems, or from external events

# RISK MANAGEMENT REVIEW

With the view of achieving the above objectives, AIA Sri Lanka has put in place a RMF and a risk management process that runs across different levels of management and functions. RMF outlines the scope, boundaries and limitations that the business unit needs to stay within whilst operating its business. Risk management process is a mechanism which operates in different cycles with different frequencies, and is able to run independently, and to continuously feed information to the decision making process.

**Risk Management Framework**  
AIA Sri Lanka's risk management framework is founded on seven broad themes or core principles i.e.

1. Three lines of defence
2. First Line ownership of risk management
3. Governance committee oversight
4. Risk appetite statements
5. Risk policies and guidelines
6. Delegated limits of authority
7. Risk governance and risk reporting

## 1. Three lines of defence

The three lines of defence model for risk management is a commonly used approach to managing risk in financial institutions globally. The objective of 'Three Lines' is to ensure that an appropriate system of checks and balances are in place to minimise unexpected losses and reputational damage. This is achieved by clearly defining roles and responsibilities for the management of risk between those taking executive decisions (the First Line), the Risk and Compliance Functions (the Second Line) and Internal Audit (the Third Line), with each of these working closely together but ultimately operating independently from each other.



**First Line of defence –** is line management who are directly involved in the day-to-day decision making and running of the business. This will comprise all functions other than Risk, Compliance and Internal Audit. Within the three lines of defence model the First Line is responsible for identifying, measuring, managing, monitoring and reporting risks within the business, and especially for their respective functional units.



**Second Line of defence –** comprises the independent Risk Function and independent Compliance Function. These functions are independent from the First Line but work closely with them to ensure that they are appropriately supported in meeting their obligations in respect of risk management, and to exercise effective oversight of First Line activities. The Risk Function manages the RMF, ensuring that consistent policies and processes are adopted across the Company and that all decisions are made within policies and Risk Appetite following a full assessment of all risks associated with the Company providing review, challenge and support to the First Line.

The Compliance Function's prime responsibility is to ensure compliance with regulatory and with AIA Group standards pertaining to investments, sales compliance, market conduct, ethics, financial crime, anti-money laundering, counter terrorism financing, data privacy and records management.



**Third Line of defence –** is the independent Internal Audit Function that provides independent assurance to the Board of Directors through Audit and Compliance Committee.

## 2. First Line ownership of risk management

The First Line ownership in risk management is arguably the most critical component in a Company's risk management framework as First Line functions are best placed to identify and manage risks.

At AIA Sri Lanka, the responsibility in managing risks pertaining to the business is assumed by line management or the First Line of defence.

Therefore, the First Line is entrusted with ownership of and responsibility to implement risk policies and guidelines, risk appetite statements and running of the governance committee structure in an effective manner.

First Line ownership of risk management is established via First Line's active participation in the risk governance and risk reporting processes such as the quarterly Key Operational Risk assessment, quarterly Operational Risk Committee (ORC), quarterly Financial Risk Committee (FRC) and weekly operational risk event reporting.

## 3. Governance committee oversight

The governance committee oversight is an important part of risk governance within the business as it facilitates management oversight over the various aspects and functioning of the business operations and exposures.

The governance oversight structure is built on defined governance committees and these encompass committees at Board of Directors' level and management level. Approved and effective Terms of Reference that define the scope and functioning of the respective committee are available for all committees of the Company.

The committees meet at regular intervals and the frequency is stipulated in the respective Terms of Reference. Frequency ranges from quarterly to fortnightly depending on the specific oversight requirement, with standard agendas to support its effectiveness.

Details of the Company's governance Committees are described in the Corporate Governance report on page 46 of this report.

#### **4. Risk appetite statements**

The risk appetite statements communicate the parameters and boundaries within which the business unit has opted to operate in relation to the identified risks.

At AIA Sri Lanka, the risk appetite framework has expressed the business unit's appetite in terms of Capital risk, Liquidity risk, Credit risk and Market risk. The exposures and management information pertaining to these four risk aspects are within the scope of identified governance committees based on the required technical expertise to provide oversight and input.

Management information to review and monitor the risks is provided to these governance committees that convene as per their defined frequency of review.

#### **5. Risk policies and guidelines**

Risk policies and guidelines are the foundation for a robust risk management culture within the organisation as these help raise the level of awareness of risk management within the business and helps maintain constant focus on key controls.

#### **6. Delegated limits of authority**

The delegated limits of authority framework communicate the authority, responsibility and accountability for business decisions and resources of the Company. This is a key enabler for a

robust governance and internal control environment within the Company.

AIA Sri Lanka, maintains current and effective delegated limits of authority document that cascades the limits of authority within the Company to an appropriate level of management and functional oversight.

The delegated authority for the Chief Executive Officer flows through the Terms of Reference of the Board of Directors and this in turn is delegated in an appropriate manner to the Executive Committee by the Chief Executive Officer.

#### **7. Risk governance and risk reporting**

The risk governance and risk reporting within the Company is crucial to ensure that the process of risk escalation is both effective and independent.

The primary independent report from the Enterprise Risk Management Function is the comprehensive Chief Risk Officer's (CRO) report that is prepared and submitted every quarter to the Board Audit and Compliance Committee. The CRO Report covers all relevant information and details to provide an independent overview of the key risks of the business and an independent review of the effectiveness of the business unit's risk management and reporting processes and frameworks.

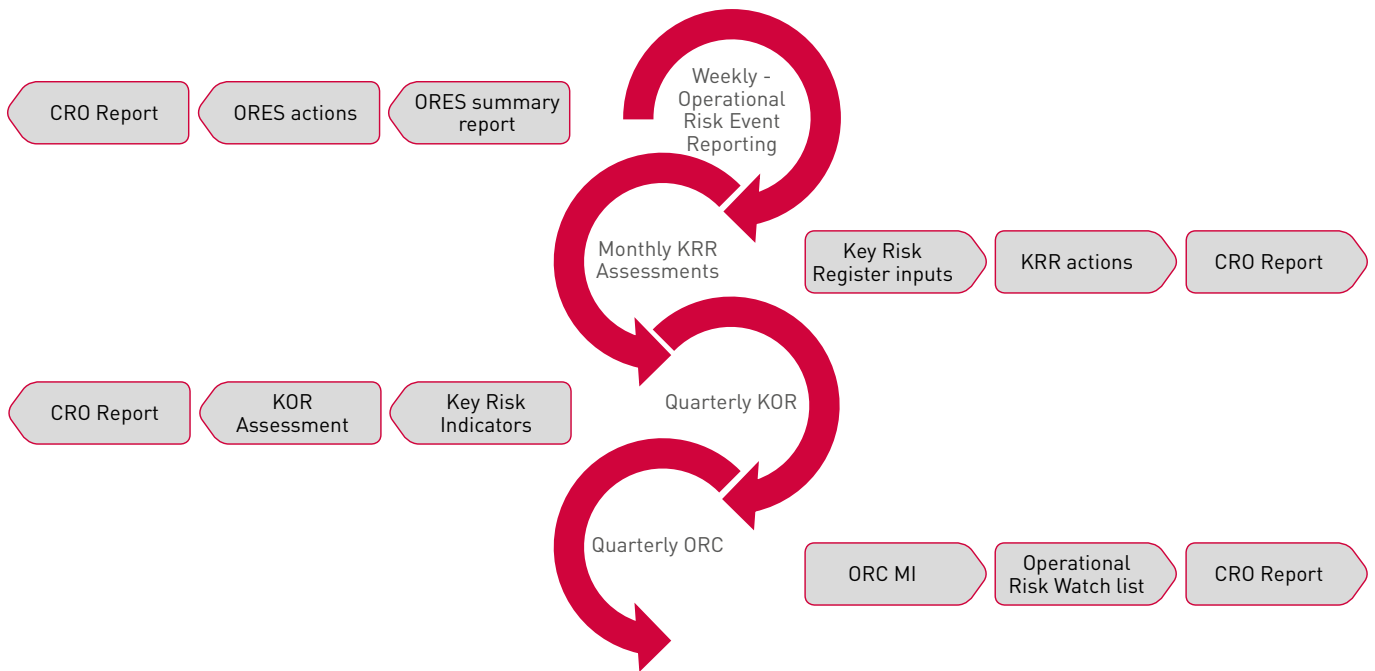


# RISK MANAGEMENT REVIEW

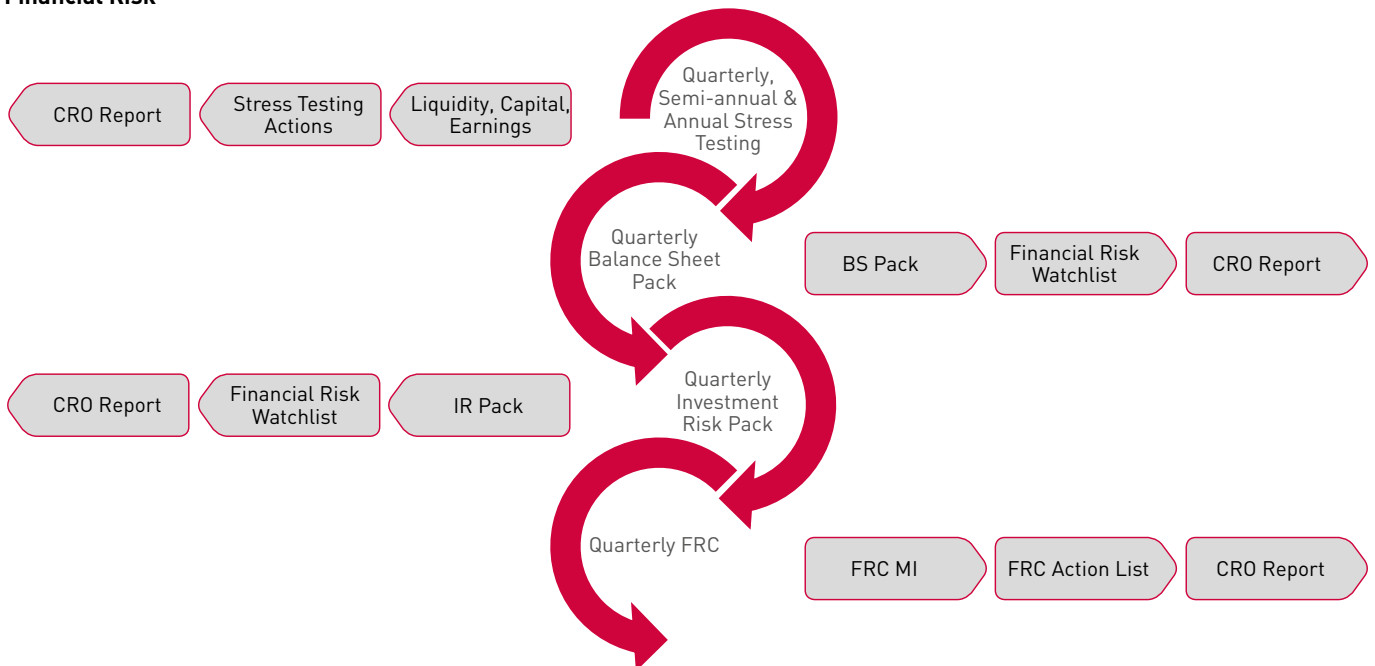
## Risk Management Process

Risk management processes at AIA Sri Lanka are designed to provide insight into risks emanating from the external environment and from within the organisation so that the Company is able to act early and decisively to mitigate or manage these risks. These processes are cascaded across the organisation encompassing all levels of management, and different components of the risk framework.

### Operational Risk



### Financial Risk



### **Operational Risk Event Reporting (ORES)**

Operational risk event reporting process feeds information pertaining to operational risk events into the business unit's decision making process and is the basic foundation for the business to identify the controls that prevent operational risk events and evidences their effectiveness. The robustness of the process lies in the simplicity of reporting which takes place every week, the outcome of which is reviewed and followed up by the Risk Function and reported to the ORC.

### **Monthly Key Risk Register (KRR) Updating**

The Company assesses and updates the key risk register on a monthly basis by reviewing risk incidents and key controls around the processes pertaining to each risk. AIA Sri Lanka's First Line actively engage with the Risk Function in assessing the key risks and this provides an alert to the business and the Risk Function of any emerging risks/ areas that need special attention or management action.

### **Quarterly Key Operational Risk (KOR) Assessment**

During 2015, the Company was fully aligned with Group's 13 predefined KOR assessment process. The Company evaluates the Group defined 13 KORs on a quarterly basis by reviewing risk incidents, key controls around the processes pertaining to each risk and movement in key risk indicators defined for each category of KOR. AIA Sri Lanka's First Line actively engage with the Risk Function in the KOR assessment process. Further, feedback is obtained from Legal, Compliance and Internal Audit functions on each of the 13 KORs, ensuring the KOR assessment captures any open Legal, Regulatory, Compliance and Audit issues.

### **Quarterly Operational Risk Committee Meeting**

Operational Risk Committee is the primary management level forum dedicated for the review and discussion on the operational risks faced by the business unit. The ORC convenes quarterly, is chaired by the Chief Executive Officer and comprises Executive Committee members. From 2015,

Compliance and Internal Audit has been a regular invitee of the ORC.

The Risk Function coordinates and maintains minutes of the Operational Risk Committee, with the Senior Manager – Risk Management functioning as the secretary to the committee.

The Risk Function compiles the Operational Risk Committee Management Information (ORC MI) deck to support an effective review and discussion. The committee allocates adequate time and focus to monitor progress of actions to mitigate and manage the key operational risks of the business unit.

### **Stress Tests**

During the year, AIA Sri Lanka successfully carried out various stress testing on Liquidity, Capital, and Earnings. This is a key achievement for ERM in 2015 where the Company was able to acquire expertise to successfully carryout the stress testing. The active participation of the First Line is commendable and is a critical success factor in the stress testing exercise.

### **Quarterly Balance Sheet (BS) Pack and Investment Risk Pack**

The Company commenced preparing and submitting Investment Risk Pack in the year under review, in addition to the Balance Sheet pack that the Company has been submitting in the past. The Balance Sheet pack provides a comprehensive picture of balance sheet risks of the business covering Capital, Earnings, Liquidity, Interest rate and Foreign exchange risks. The Investment Risk Pack reviews portfolio composition, strategic asset allocation and analyses risks associated with credit, equity, property and other investments.

### **Quarterly Financial Risk Committee Meeting**

The Financial Risk Committee provides oversight of financial and insurance risk activities of the Company. These include market and insurance risks as well as the Company's balance sheet, liquidity and capital position. The FRC convenes quarterly and is chaired by the Chief Financial Officer. AIA Sri Lanka's FRC

has been providing the platform for the Company to review and better align with the local Risk Based Capital regulations introduced by the Insurance Board of Sri Lanka (IBSL).

The Risk Function coordinates and maintains minutes of the Financial Risk Committee, with the Senior Manager – Risk Management functioning as the secretary to the committee.

The Risk Function compiles the FRC management information deck which was considerably upgraded in 2015 to support an effective review and discussion. The committee allocates adequate time and focus to monitor progress of actions to mitigate and manage the financial risks of the business unit.

### **Outlook for 2016**

AIA Sri Lanka is executing transformational strategies in many aspects of its business and operations led by ambition, changes in environment and regulatory requirements.

The implementation of the Risk Based Capital framework will provide a level playing field and introduce greater fairness by reducing the risk capital requirement of the companies that manage their risks better. Thus, increasing the importance of and highlighting the need for a robust Enterprise Risk Management process. AIA Sri Lanka's FRC has been reviewing the Company's RBC implementation and the outlook is positive in terms of BU's readiness for adopting the RBC capital regime.

Key areas of focus would be adopting Group's Risk and Controls Assessment (RCA) process and the launch of BeeHive (Group's web based Risk Management platform for operational risk management), and aligning risk appetites from a financial risk perspective. The business has already embraced 'combined effort' concept, and ERM would make further progress in working in collaboration with Compliance making the business better equipped to face the challenges that it faces in its journey forward.

# AUDIT & COMPLIANCE COMMITTEE REPORT

## Composition

The Audit & Compliance Committee of AIA Insurance Lanka PLC (the Committee) is appointed by the Board of Directors in compliance with the listing rules of the Colombo Stock Exchange. The Committee comprises the following Directors of the Company.

1. Mr. Robert Hartnett – Chairman (Non-executive Director)
2. Mr. Deepal Sooriyaarachchi – Member (Independent Non-executive Director)
3. Mr. Russell DeMel – Member (Independent Non-executive Director)

During the year 2015, Mr. Heerak Basu and Ms. Wan Sally YW also functioned as the Chairman and a Member of the Committee respectively.

Mr. Deepal Sooriyaarachchi and Mr. Russell DeMel are functioning in the Committee in their capacity of Independent Non-Executive Directors. Mr. Robert Harnett is a Fellow of the Institute of Actuaries of Australia and Mr. Russell DeMel is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), a Chartered Global Management Accountant (CGMA) and a Fellow of the Institute of Certified Management Accountants (FCMA), Sri Lanka. The members of the Committee who have been drawn from and out of the Non-executive Directors serving on the Board possess the required knowledge and expertise to perform their duties of the Committee.

## Objective

The objectives and functions of the Committee are set out in the Terms of Reference of the Committee

approved by the Board of Directors and encompass following areas.

### 1. Financial Reporting

The Committee is primarily tasked with assisting the Board in discharging its responsibilities for overseeing the preparation, presentation and the integrity of disclosures of the Company's financial statements as a public listed Company in accordance with the applicable accounting standards. The Committee recommends the quarterly financial statements, annual accounts and connected documents for approval of the Board as and when required. It focuses on a fair presentation and disclosure, reasonability of estimates and judgemental factors and appropriateness of significant accounting policies adopted in preparation of financial statements.

### 2. Internal Audit

The Committee is responsible for review and approve the annual internal audit plan for the year as presented by the Internal Audit function of the Company. The Committee receives constant updates on matters relating to progress of the plan during the year. In addition the Committee reviews the quarterly reports presented by the Internal Audit function regarding audit reports and progress of management actions in closing identified issues. Head of Internal Audit had unfettered access to the Committee and had private meetings with the Committee ensuring independence of the internal audit function. The Committee is satisfied with the independence of Internal Auditor.

### 3. Risk, Governance and Internal Control

The Committee receives quarterly reports from the Chief Risk Officer. During the year, the Committee reviewed the governance framework of the Company through the Chief Risk Officer's Reports. The Committee was updated on the effectiveness of the control framework and the top risks faced by the business together with the management action plans to mitigate the identified risks. During the year the Company changed the structure of its risk function to better align with the business requirements. The Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable.

In addition, other assurance reports pertaining to Control Exceptions, Fraud and Malpractice and Anti-Money Laundering and other significant matters were tabled and reviewed by the Committee. The Committee further appraised the action in place to control any issues identified in these reports.

### 4. External Audit

External Audit is another key area which receives attention of the Committee. The Committee received the External Audit Plan and approved the same after having discussed with the management. The Committee arranged meetings

with External Auditors at different levels including routine quarterly private meetings. The External Auditors were given adequate access by the Committee to ensure independence and objectivity. Messrs. PricewaterhouseCoopers, Chartered Accountants, being the appointed External Auditor of the Company has submitted the Management Letter for the year 2015 with audit findings and the Committee reviewed the comments and undertakings by the management with regards to recommendations made by External Auditors.

#### **5. Regulatory Compliance**

The Committee approved the regulatory monitoring plan for the year 2015 and received quarterly updates of regulatory liaisons. The Committee was updated with the regulatory changes that are being implemented and reviewed the action plans to ensure readiness of the Company in meeting such regulatory requirements. The Committee received reports on the status of regulatory compliance of the Company and the effectiveness of compliance monitoring programs during the year.

#### **6. Any other significant matters**

The Committee constantly reviewed the matters relating to tax assessments received by the Company which are being contested and under consideration and received constant updates on how those matters progressed during the said period.

#### **Meetings**

The Committee held four formal meetings during the year under review and the CEO, the Deputy CEO, the CFO, the Director IT, the Chief Risk Officer, Chief Actuary and the Head of Internal Audit attended these meetings as permanent invitees. The External Auditors attended three of the four scheduled meetings for the year and the Committee had private meetings with internal and external auditors without the presence of any management staff. Other members of the senior management attended as invitees as and when required. Apart from the formal meetings there were numerous communications between the Chairman, Members of the Committee and Members of the Executive Committee of the Company.

The Board receives a copy of the minutes of each meeting of the Committee.

#### **Independence of the External Auditors and their Appointment**

During the year under review Messrs. PricewaterhouseCoopers, Chartered Accountants functioned as the Statutory Auditors of the Company. As aforesaid, the Committee had continuous communications with the Auditors.

The Committee is of the view that Messrs. PricewaterhouseCoopers, Chartered Accountants who are the present external auditors of the Company do not have any other relationship with the Company, its parent Company and its subsidiary other than that of the external auditors of the respective entities, and they have been carrying out their duties independently

with the support and facilitation of the management during the period under consideration.

Having duly noted the willingness of the external auditors to continue in office, the Committee recommended to the Board that Messrs. PricewaterhouseCoopers, Chartered Accountants be re-appointed as Statutory Auditors of the Company for the financial year ending 31 December 2016, subject to approval by the shareholders at the forthcoming Annual General Meeting. The Committee will approve the terms of engagement of the auditors for 2016 subject to the approval of their re-appointment by the Shareholders of the Company, and necessary recommendations be made to the Board as regards for their remuneration for 2016.

The Committee has conducted its affairs in compliance with the applicable requirements specified in the Listing Rules of the Colombo Stock Exchange.



**Robert Hartnett**  
Chairman, Audit and Compliance Committee

16 February 2016

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee of AIA Insurance Lanka PLC is appointed by the Board of Directors from and amongst the Directors of the Company.

## Composition

The Remuneration Committee comprises of three Non-executive Directors, two of whom are classified as independent Directors in terms of the requirements of the Corporate Governance provisions stipulated in the Listing Rules of the Colombo Stock Exchange.

As at 31 December 2015, the Committee comprised of the following Directors.

1. Mitchell David New (Non-executive Director / Chairman of the Committee)
2. Deepal Sooriyaarachchi (Independent Non-executive Director / Committee Member)
3. Heerak Basu (Independent Non-executive Director / Committee Member)

In January 2016 with the resignation of Mr. Heerak Basu from the Board and the Board Committees, Mr. Russell DeMel, Director was appointed to the Remuneration Committee as its Independent Non-Executive Director / Committee Member.

## Scope and Objectives

The overall Objectives and Functions of the Remuneration Committee are:

1. to review and to approve the Remuneration Policy of the Company;
2. to recommend to the Board of Directors, the remuneration to be paid to the Chief Executive Officer and fees payable to the Directors, their perquisites and allowances;
3. to review and to approve the grant of employees' stock options (if and when such schemes are applicable) subject to the necessary approvals including the approval of the Board of Directors.

## Remuneration Policy of the Company

The Remuneration Policy sets out a total reward framework which allows the Company to align itself with the best in class reward practices of AIA Group and recognise superior performance and high potential in a market competitive manner within the Company's capacity to pay. In setting its guidelines, the Policy endeavours to be in line with the local statutory and regulatory obligations.

## Proceedings & Reporting

The Remuneration Committee is empowered to invite the Chief Executive Officer and Director Human Resources to its meetings to offer support in

its discussions and considerations and to seek external independent professional advice on matters within the purview of the Committee. Neither the Chief Executive Officer nor any other Directors are involved in the Committee meetings when determinations are made in relation to own remunerations of the respective Directors or the Chief Executive Officer.

The Remuneration Committee meets not less than two times a year. The Committee reports on its deliberations, activities, matters reviewed, recommendations and decisions reached to the Board of Directors of the Company for advice, approval and or ratification. In 2015, the Committee held two meetings in order to discharge its businesses.

## Disclosures

The Remuneration Committee makes disclosures in the Annual Report as required by the Listing Rules of the Stock Exchange.



**Mitchell David New**  
Chairman, Remuneration Committee

22 February 2016



# INVESTMENT COMMITTEE REPORT

## Investment Committee Report

The Investment Committee of AIA Insurance Lanka PLC is appointed by the Board of Directors of the Company and comprise of 3 members. The functions of the Investment Committee are defined in the Terms of Reference for the Investment Committee.

## Scope and Objectives

The Investment Committee bears oversight responsibility as regards investments and investment management by the Company and designs the Investment Policy and investment governance framework of the Company.

In 2015, the scope of the Committee encompassed AIA Insurance Lanka PLC and its subsidiary AIA General Insurance Lanka Limited. AIA General Insurance Lanka Limited was incorporated in March 2014, in line with the mandatory segregation of the Life and General insurance businesses to be made effective 1 January 2015 and was divested during October 2015.

The objectives of the Investment Committee include:

- Define framework and set policy guidelines for the management of investment portfolios
- Monitor investment performance and recommend appropriate investment strategies
- Ensure that the portfolios are managed to achieve their investment objectives whilst adhering to the regulatory requirements

- Design and review the Company's investment policy and place same before the Board of Directors for approval
- Implement the investment policy as approved by the Board of Directors
- Apprise the Board of Directors periodically on the Committee's activities
- Liaise with the Insurance Regulator in connection with regulations pertaining to investments and provide information to help define the framework of investment management of insurance portfolios

The Committee has the authority to seek external professional advice on matters falling within the purview of the Committee and is also authorised to invite professional advisers or others with relevant experience to assist it in its duties.

## Members

The following members served on the Investment Committee during the year.

Member	Period	
	From	To
Shah Rouf (Chairman from 5 December 2012)	5 December 2012	To date
Gavin D' Rosairo	14 August 2012	To date
Benjamin Deng	5 December 2012	To date
Zarah Juriansz (Secretary from 5 May 2011)	5 May 2011	To date

## Meetings and Attendance

The Investment Committee meets at least 4 times during the year and the Chief Financial Officer, Chief Actuary and the Fund Manager attends the meeting on invitation by the Committee.

The Investment Committee convened on 5 occasions during 2015 and given below is the members' attendance at the meetings.

Member	9 Feb 2015	8 May 2015	7 Aug 2015	26 Aug 2015	2 Nov 2015
Shah Rouf	✓	✓	✓	✓	✓
Gavin D' Rosairo	✓	✓	✓	✓	✓
Benjamin Deng	✓	✓	✓	✓	✓

## Reporting

The Investment Committee reports at every meeting of the Board of Directors of the Company on its deliberations, activities, matters reviewed, recommendations made and decisions reached.



**Shah Rouf**  
Chairman, Investment Committee

22 February 2016

# ACTUARY'S REPORT



**AIA Insurance Lanka PLC** (Co. No. PQ 18)

Head Office  
P O Box 2088  
75, Kumaran Ratnam Road,  
Colombo 2, Sri Lanka  
T : (+94 11) 231 0310  
F : (+94 11) 244 7620  
E : lk.info@aia.com  
AIALIFE.COM.LK

## Actuary's Report

To the shareholder of AIA Insurance Lanka PLC

### **Actuarial valuation and solvency of AIA Insurance Lanka PLC as at 31<sup>st</sup> December 2015**

I have enquired into the affairs of the life long-term insurance business and satisfied myself with the solvency position of the business as required under section 26 of the Regulation of the Insurance Industry Act No. 43 of 2000 read in conjunction with the Solvency Margin Rules (Long Term Insurance Rules 2002, amended in 2011), Guidelines on Linked Long Term Business effective from 1<sup>st</sup> May 2007, and IBSL circular #22 dated 14<sup>th</sup> February 2006.

I have satisfied myself as to the accuracy and completeness of the valuation data furnished to me by implementing a wide range of data validations and results checks, and going through the books of the company.

I have comprehensively reviewed and revised the methodology and assumptions used in determining the life reserves of the company. For areas not covered by IBSL regulations and guidelines, reserves are computed in accordance with generally accepted international actuarial principles.

Adequate and proper reserves have been provided for all current and contingent liabilities in respect of the long term life business as of 31<sup>st</sup> December 2015, taking into account the dividend declared up to and including the date of valuation.

The liability so provided and the surplus of the fund transfer to the shareholders' account are matched by corresponding admissible assets whose values are not less than the total liabilities.

In accordance with the policy conditions of Insurance for Living policies, I have recommended an annual dividend of 11.45%/10.18%/9.55% for policies with dividend rates of 90%/80%/75% respectively for the financial year ending 31<sup>st</sup> December 2015.

Frank Munro  
Fellow, Institute and Faculty of Actuaries UK

29<sup>th</sup> January 2016

# STATEMENT OF SOLVENCY

The statement of solvency for Life insurance has been prepared in accordance with the solvency margin (long term insurance) rules - 2002 as amended from 1 April 2011 and is in line with the formats stipulated by the Insurance Board of Sri Lanka. Accordingly Government securities have been marked to market.

## LIFE INSURANCE

As at 31 December		2015 LKR Mn	2014 LKR Mn
1	Value of admissible assets*	38,184	33,046
2	Value of liabilities		
2.1	Policy liabilities	27,843	25,120
2.2	Other liabilities	2,402	2,499
3	ASM (value of admissible assets minus amount of liabilities)	7,939	5,427
4	Factor	5%	5%
5	RSM (required solvency margin)	1,392	1,256
6	Solvency ratio (ASM / RSM)	5.70	4.32

\* The value of admissible assets includes shareholders' admissible assets as well.

# STATEMENT OF APPROVED ASSETS

Determined as per section 25(1) of Regulation of Insurance Industry Act of No 43 of 2000 and the determination made by the Insurance Board of Sri Lanka in terms of the said Act as amended in March and October 2011, stipulates that Government Securities be marked to market. Accordingly the requirements as per the amendments made to the Act have been complied.

## LIFE INSURANCE\*

As at 31 December		2015 LKR Mn	2014 LKR Mn
1	Approved assets maintained in long term Insurance business	32,426	31,012
2	Long term insurance fund	31,557	29,631
3	Excess in approved assets over long term insurance fund	869	1,381
4	Excess in approved assets as a % of long term insurance fund	102.8%	104.7%
5	Ratio required	100%	100%

\* Includes conventional, non-unit and guaranteed unit fund.

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# FINANCIAL CALENDAR

## Interim Results for 2015

First Quarter	12 May 2015
Second Quarter	11 August 2015
Third Quarter	5 November 2015
Fourth Quarter	11 February 2016

## Audited Financial Statements

2014	10 February 2015
2015	16 February 2016

## Dividends

2014 - Interim Dividend	27 January 2015
2015 - First and Final Dividend	29 March 2016

## Annual General Meetings

2014, 29th AGM	27 March 2015
2015, 30th AGM	29 March 2016



# CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY

The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) and the requirements of the Companies Act No. 7 of 2007 and Regulation of Insurance Industry Act No 43 of 2000 (as amended). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The Accounting Policies used in the preparation of the financial statements are appropriate and have been consistently applied during the year under review.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements to the best of our knowledge.

Material estimates and judgments of complexity have been made on a prudent and reasonable basis and have been discussed with and approved by the Audit and Compliance Committee and discussed with the External Auditors of the Company in preparation and presentation of the financial statements in order to reflect a true and fair view.

The form and substance of transactions, reasonably represent the Company's state of affairs.

To ensure this, the Company has taken proper and sufficient care in maintaining systems and designing and ensuring the effectiveness of key controls as specified in AIA Finance Controls Self Assessment together with all other internal controls and maintenance of accounting records, for safeguarding the assets and for preventing and detecting frauds as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis.

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

The financial statements were audited by M/s PricewaterhouseCoopers Chartered Accountants, the External Auditors of the Company.

The audit opinion issued by the External Auditors is provided on page 83.

The Audit and Compliance Committee of the Company meets periodically with the Internal Auditors and External Auditors to review the manner in which the auditors carry out their responsibilities in performing their duties and to discuss audit findings, and any deficiencies in internal controls

that may impact the accuracy and completeness of the financial reporting process.

The Audit and Compliance Committee has reviewed and recommended the scope and fees of audit and non-audit services, provided by the External Auditors for approval of the Board of Directors to ensure that the provision of such services do not impair the auditor's independence and objectivity.

To ensure independence, the external auditors and the internal auditors have full and free access to the members of the Audit and Compliance Committee to discuss any matter of substance.



**Shah Rouf**  
Chief Executive Officer



**Gavin D'Rosairo**  
Chief Financial Officer

16 February 2016

# DIRECTORS' STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTING

## Directors' Statement of Responsibility on Financial Reporting

The Directors are responsible for the preparation of the consolidated financial statements of the Company and of its subsidiary in accordance with applicable laws and regulations. These responsibilities differ from the responsibilities of the External Auditors, which are set out in their Report on page 83 of this Annual Report.

In preparing these financial statements the Directors are required to:

- select appropriate accounting policies and bases and apply them consistently subject to any material departures being disclosed and explained;
- make judgments and estimates that are reasonable and prudent;
- ensure financial statements have been prepared in accordance with applicable accounting standards; and
- prepare the financial statements on a going concern basis.

The Companies Act No. 07 of 2007 (the Act) requires the Directors to prepare financial statements of the Company and of its subsidiary complying with the requirements of the Act for each financial year comprising of:

- an Income Statement and Statement of Other Comprehensive Income (Statement of Comprehensive Income), which presents a true and fair view of the income and expenditure of the Company and of its subsidiary for the financial year under review;
- a Balance Sheet (Statement of Financial Position), which presents

a true and fair view of the state of affairs of the Company and of its subsidiary as at the end of the financial year under review.

The financial statements of the Group are prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS / LKAS), the Companies Act No.7 of 2007, to the extent applicable, the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and the Listing Rules of the Colombo Stock Exchange.

The Directors, having reviewed the business plan for the period 2016-2018, are of the considered view that the Company and its subsidiary have adequate resources to continue operations.

The Directors note that the actuarial valuation takes into account all liabilities including contingent liabilities and is based on methodology and assumptions recommended by the Chief Actuary.

The Directors have also taken reasonable steps to establish and maintain appropriate systems of internal controls to safeguard the assets of the Group and to prevent and detect frauds and other irregularities. They have also ensured that proper records are maintained and that the information generated is reliable.

The Directors are responsible for providing the External Auditors with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the consolidated financial statements.

The Directors are satisfied that all statutory and regulatory payments in

relation to all relevant statutory and regulatory authorities which were due and payable by the Company and its subsidiary as at the Balance Sheet date, have been paid or where relevant, provided for.

The Directors confirm to the best of their knowledge and belief that:

1. the consolidated financial statements of the Company and its subsidiary which are prepared in accordance with SLFRS / LKAS and other applicable rules and regulations and recommended best practices, give a true and fair view of the state of affairs as at 31 December 2015 and the profits and cash flows for the financial year then ended.
2. all financial and non-financial requirements stipulated under the Companies Act No. 7 of 2007 pertaining to Directors' duties and responsibilities have been complied with wherever applicable; and
3. the segment titled "Management Discussion and Analysis" included in this Annual Report presents a fair review of the progress and performance of the business and the financial standing of the Company and its subsidiary.

By Order of the Board



**Chathuri Munaweera**

Company Secretary

Colombo  
16 February 2016

# INDEPENDENT AUDITOR'S REPORT



## To the shareholders of AIA Insurance Lanka PLC

### Report on the financial statements

We have audited the accompanying financial statements of AIA Insurance Lanka PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2015, and the statements of income, statement of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 84 to 137.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 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 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 management, 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 of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 December 2015, and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

## Report on other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act, No. 7 of 2007.

The accounting records of AIA Insurance Lanka PLC have also been maintained by the management in the manner required by the rules made by the Insurance Board of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000 so as to clearly indicate the true and fair view of the financial position of the insurer.

CHARTERED ACCOUNTANTS  
COLOMBO

16 February 2016

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka  
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, [www.pwc.com/lk](http://www.pwc.com/lk)

Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA,  
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

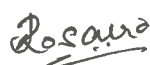
PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

# STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
<b>Assets</b>					
Intangible assets	7	478,497	576,440	478,497	576,440
Property, plant and equipment	8	300,079	358,634	300,079	358,634
Investments in subsidiaries	9	-	-	1,000	101,000
Investment in associate	10	-	64,503	-	19,384
Financial assets	11	40,140,021	39,133,491	40,140,021	39,033,134
Policyholder and other loans	12	1,242,423	1,535,544	1,242,423	1,535,544
Reinsurance receivables	13	94,017	1,236,698	94,017	1,236,698
Trade receivables	14	340,507	916,414	340,160	916,087
Other assets	15	2,535,435	2,489,779	2,535,406	2,489,523
Other fund assets	16	164,488	189,200	164,488	189,200
Deferred expenses	17	144,147	202,026	144,147	202,026
Deferred income tax assets	18	-	9,440	-	9,440
Cash and cash equivalents	19	522,976	988,551	517,687	981,340
<b>Total assets</b>		<b>45,962,590</b>	<b>47,700,720</b>	<b>45,957,925</b>	<b>47,648,450</b>
<b>Liabilities</b>					
Insurance liabilities	20	37,027,602	39,194,133	37,027,602	39,194,133
Retirement benefit obligations	21	193,691	248,986	193,691	248,986
Deferred income tax liabilities	18	325,163	831,665	325,163	831,665
Other fund liabilities	22	164,488	189,200	164,488	189,200
Reinsurance payables		61,640	358,016	61,640	358,016
Accruals and other payables	23	1,803,376	1,863,320	1,802,877	1,862,899
Current income tax liabilities	24	2,976	37,300	2,855	36,862
Deferred revenue	25	16,105	85,534	16,105	85,534
Bank overdraft	19	632	5,897	632	5,897
<b>Total liabilities</b>		<b>39,595,673</b>	<b>42,814,051</b>	<b>39,595,053</b>	<b>42,813,192</b>
<b>Equity</b>					
Stated capital	26	511,922	300,000	511,922	300,000
Capital reserves	27	72,096	72,096	72,096	72,096
Revenue reserves	28	5,782,899	4,514,573	5,778,854	4,463,162
<b>Total equity</b>		<b>6,366,917</b>	<b>4,886,669</b>	<b>6,362,872</b>	<b>4,835,258</b>
<b>Total equity and liabilities</b>		<b>45,962,590</b>	<b>47,700,720</b>	<b>45,957,925</b>	<b>47,648,450</b>

The notes on pages 91 to 137 are an integral part of these financial statements.

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.



Gavin D' Rosairo

Chief Financial Officer

The financial statements on page 84 to 137 were authorised for issue by the Board of Directors on 16 February 2016 and were signed on its behalf.



William Lisle

Chairman/Director



Robert Alexander Hartnett

Director

# INCOME STATEMENT

For the financial year ended 31 December	Note	Group		Company	
		2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
<b>Continuing operations</b>					
Gross written premium	29 (a)	8,433,333	7,266,573	8,433,333	7,266,573
Gross reinsurance premium	29 (b)	(232,041)	(204,627)	(232,041)	(204,627)
Net change in reserves for unearned premium	29 (c)	(393,681)	(287,113)	(393,681)	(287,113)
Net earned premium	29	7,807,611	6,774,833	7,807,611	6,774,833
<b>Other revenue</b>					
Investment income	30	3,880,564	3,701,102	3,880,564	3,701,102
Fee income	31	339,614	280,410	338,238	279,131
Realised gains	32	238,907	205,374	238,905	205,365
Fair value gains and losses	33	(358,112)	477,909	(339,882)	477,909
Other operating revenue	34	309,570	363,634	309,278	363,385
		4,410,543	5,028,429	4,427,103	5,026,892
<b>Total revenue</b>		<b>12,218,154</b>	<b>11,803,262</b>	<b>12,234,714</b>	<b>11,801,725</b>
Net claims and benefits	35	(4,870,695)	(6,747,851)	(4,870,695)	(6,747,851)
Change in contractual liability		(2,092,600)	(483,027)	(2,092,600)	(483,027)
Net acquisition expenses	36	(1,245,925)	(941,563)	(1,245,925)	(941,563)
Operating and administrative expenses	37	(3,490,406)	(3,157,737)	(3,489,805)	(3,157,095)
Profit before tax	38	518,528	473,084	535,689	472,189
Income tax expense	39	(215,365)	(210,218)	(215,156)	(210,056)
Profit for the period from continuing operations		303,163	262,866	320,533	262,133
<b>Discontinued operations</b>					
Profit for the period from discontinued operations (net of tax)	40.1	1,187,450	89,573	1,224,811	85,778
Profit for the period		1,490,613	352,439	1,545,344	347,911
<b>Profit from continuing operations attributable to;</b>					
Owners of the parent		303,163	262,866	320,533	262,133
Non-controlling interest		-	-	-	-
		303,163	262,866	320,533	262,133
<b>Profit from discontinued operations attributable to;</b>					
Owners of the parent		1,187,450	89,573	1,224,811	85,778
Non-controlling interest		-	-	-	-
		1,187,450	89,573	1,224,811	85,778
<b>Basic / diluted earnings per share (in LKR)</b>					
Continuing operations	41	9.86	8.55	10.42	8.52
Discontinued operations	41	38.62	2.91	39.83	2.79
Dividend per share (in LKR)	42	7.07	2.00	7.07	2.00

The notes on pages 91 to 137 are an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Profit for the period	1,490,613	352,439	1,545,344	347,911
<b>Other comprehensive income</b>				
<b>Items that are / may be subsequently reclassified to profit or loss</b>				
Changes in fair value of available for sale financial assets	(1,386,055)	1,841,808	(1,386,055)	1,841,808
Transfer to long term insurance fund	1,379,922	(1,839,692)	1,379,922	(1,839,692)
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of retirement benefit obligations	13,684	5,832	13,684	5,832
<b>Total other comprehensive income for the year</b>	<b>7,551</b>	<b>7,948</b>	<b>7,551</b>	<b>7,948</b>
Other comprehensive income from discontinued operations	(5,052)	949	-	949
<b>Total comprehensive income for the year</b>	<b>1,493,112</b>	<b>361,336</b>	<b>1,552,895</b>	<b>356,808</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	1,493,112	361,336	1,552,895	356,808
Non-controlling interest	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>1,493,112</b>	<b>361,336</b>	<b>1,552,895</b>	<b>356,808</b>

Items disclosed in the statement above are net of tax.

The notes on pages 91 to 137 are an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Capital reserve		Revenue reserves			Total equity LKR'000
		Stated capital LKR'000	Revaluation reserve LKR'000	Resilience reserve LKR'000	Available for sale reserve LKR'000	Retained earnings LKR'000	
Balance as at 1 January 2014		300,000	72,096	289,000	15,502	3,908,735	4,585,333
Profit for the period *		-	-	-	-	352,439	352,439
<b>Other comprehensive income</b>							
Changes in fair value of available for sale financial assets *		-	-	-	1,842,757	-	1,842,757
Changes in fair value of available for sale financial assets transferred to the long term fund		-	-	-	(1,839,692)	-	(1,839,692)
Remeasurement of retirement benefit obligations		-	-	-	-	5,832	5,832
<b>Transactions with owners:</b>							
Final dividend paid for 2013 *	42	-	-	-	-	(60,000)	(60,000)
Balance as at 31 December 2014		300,000	72,096	289,000	18,567	4,207,006	4,886,669
Profit for the period *		-	-	-	-	1,490,613	1,490,613
<b>Other comprehensive income</b>							
Changes in fair value of available for sale financial assets *		-	-	-	(1,391,290)	-	(1,391,290)
Changes in fair value of available for sale financial assets transferred to the long term fund		-	-	-	1,379,922	-	1,379,922
Impact of discontinued operations		-	-	-	(7,182)	7,182	-
Remeasurement of retirement benefit obligations *		-	-	-	-	13,867	13,867
<b>Transactions with owners:</b>							
Final dividend paid for 2014 (scrip component)	42	211,922	-	-	-	(211,922)	-
Final dividend paid for 2014 (cash component)	42	-	-	-	-	(178)	(178)
Withholding tax on scrip dividend for 2014		-	-	-	-	(12,686)	(12,686)
Balance as at 31 December 2015		511,922	72,096	289,000	17	5,493,882	6,366,917

\* The amounts stated above are inclusive of results of discontinued operations.

The Group equity is fully attributable to the owners of the parent and hence non-controlling interest is not applicable in the Consolidated Statement of Changes in Equity.

The notes on pages 91 to 137 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY- COMPANY

	Note	Capital reserve		Revenue reserves			Total equity LKR'000
		Stated capital LKR'000	Revaluation reserve LKR'000	Resilience reserve LKR'000	Available for sale reserve LKR'000	Retained earnings LKR'000	
Balance as at 1 January 2014		300,000	72,096	289,000	15,502	3,861,852	4,538,450
Profit for the period *		-	-	-	-	347,911	347,911
<b>Other comprehensive income</b>							
Changes in fair value of available for sale financial assets *		-	-	-	1,842,757	-	1,842,757
Changes in fair value of available for sale financial assets transferred to the long term fund		-	-	-	(1,839,692)	-	(1,839,692)
Remeasurement of retirement benefit obligations		-	-	-	-	5,832	5,832
<b>Transactions with owners:</b>							
Final dividend paid for 2013 *	42	-	-	-	-	(60,000)	(60,000)
Balance as at 31 December 2014		300,000	72,096	289,000	18,567	4,155,595	4,835,258
Segregation adjustment		-	-	-	(12,417)	-	(12,417)
Profit for the period		-	-	-	-	1,545,344	1,545,344
<b>Other comprehensive income</b>							
Changes in fair value of available for sale financial assets		-	-	-	(1,386,055)	-	(1,386,055)
Changes in fair value of available for sale financial assets transferred to the long term fund		-	-	-	1,379,922	-	1,379,922
Remeasurement of retirement benefit obligations		-	-	-	-	13,684	13,684
<b>Transactions with owners:</b>							
Final dividend paid for 2014 (scrip component)	42	211,922	-	-	-	(211,922)	-
Final dividend paid for 2014 (cash component)	42	-	-	-	-	(178)	(178)
Withholding tax on scrip dividend for 2014		-	-	-	-	(12,686)	(12,686)
Balance as at 31 December 2015		511,922	72,096	289,000	17	5,489,837	6,362,872

\* The amounts stated above are inclusive of results of discontinued operations.

The notes on pages 91 to 137 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the financial year ended 31 December	Note	Group		Company	
		2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
<b>Cash flows from operating activities</b>					
Premiums / fees received from customers		8,554,853	7,135,975	8,553,497	7,134,939
Reinsurance premium (net of commission and claims) paid		(223,221)	(63,871)	(223,221)	(63,871)
Claims and benefits paid		(4,902,395)	(6,755,399)	(4,902,395)	(6,755,399)
Cash paid to and on behalf of employees		(1,139,751)	(1,174,385)	(1,139,751)	(1,174,385)
Interest received		316,746	296,062	316,482	295,810
Payments to agents and intermediaries		(1,167,149)	(981,363)	(1,167,149)	(981,363)
Other operating cash payments		(1,875,799)	(1,587,079)	(1,875,314)	(1,586,600)
<b>Cash flow from operating activities</b>		<b>(436,716)</b>	<b>(3,130,060)</b>	<b>(437,851)</b>	<b>(3,130,869)</b>
Taxes paid	24	(130)	(33)	-	-
Policy loans granted		(496,000)	(591,576)	(496,000)	(591,576)
Policy loan repayments		716,263	730,220	716,263	730,220
<b>Net cash used in operating activities</b>		<b>(216,583)</b>	<b>(2,991,449)</b>	<b>(217,588)</b>	<b>(2,992,225)</b>
<b>Cash flows from investing activities</b>					
Purchase of liquid investments		(750,280)	(2,169,587)	(750,280)	(2,169,587)
Purchase of other investments		(21,240,676)	(9,718,542)	(21,240,676)	(9,718,542)
Proceeds from sale of liquid investments		2,013,177	2,899,604	2,013,177	2,899,604
Proceeds from sale of other investments		13,826,199	9,706,076	13,826,199	9,706,076
Proceeds from disposal of subsidiary		3,200,000	-	3,200,000	-
Investment expenses		(111,612)	(94,835)	(111,612)	(94,835)
Interest received		3,208,446	2,615,610	3,208,446	2,615,610
Dividend received		97,922	109,267	97,922	109,267
Purchase of intangible assets		(11,099)	(93,511)	(11,099)	(93,511)
Purchase of property, plant and equipment		(75,003)	(149,993)	(75,003)	(149,994)
Proceeds from sale of property, plant and equipment		19,353	1,421	19,351	1,412
<b>Net cash flow from investing activities</b>		<b>176,427</b>	<b>3,105,510</b>	<b>176,425</b>	<b>3,105,500</b>
<b>Cash flows from financing activities</b>					
Final dividend paid for the previous year		(12,864)	(40,000)	(12,864)	(40,000)
<b>Net cash used in financing activities</b>		<b>(12,864)</b>	<b>(40,000)</b>	<b>(12,864)</b>	<b>(40,000)</b>
<b>Increase / (decrease) in cash and cash equivalents from continuing operations</b>					
		<b>(53,020)</b>	<b>74,061</b>	<b>(54,027)</b>	<b>73,275</b>
Cash and cash equivalents and bank overdraft at the beginning of the year	19	982,654	741,852	975,443	738,356
Segregation adjustment	40.3	(407,290)	-	(404,361)	-
Discontinued operations	40.3	-	166,741	-	163,812
<b>Cash and cash equivalents and bank overdraft at the end of the year</b>	<b>19</b>	<b>522,344</b>	<b>982,654</b>	<b>517,055</b>	<b>975,443</b>

The notes on pages 91 to 137 are an integral part of these financial statements.

# LONG TERM INSURANCE

## STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL

As at 31 December	2015 LKR '000	2014 LKR '000
<b>Assets</b>		
Investment in associate	-	6,171
Financial assets	34,550,379	33,854,085
Policyholder and other loans	1,089,936	1,320,834
Reinsurance receivables	94,017	107,728
Premium receivables	340,160	331,041
Other assets	2,327,944	2,162,674
Deferred expenses	144,147	79,632
Cash and cash equivalents	495,056	567,187
<b>Total assets</b>	<b>39,041,639</b>	<b>38,429,352</b>
<b>Liabilities</b>		
Insurance liabilities	37,027,602	36,237,959
Deferred income tax liabilities	331,017	840,192
Reinsurance payables	61,640	155,832
Accruals and other payables	1,604,643	1,183,512
Deferred revenue	16,105	10,108
Bank overdraft	632	1,749
<b>Total liabilities</b>	<b>39,041,639</b>	<b>38,429,352</b>

## INSURANCE REVENUE ACCOUNT

For the financial year ended 31 December	2015 LKR '000	2014 LKR '000
Gross written premium	8,433,333	7,266,573
Net earned premium (net of premium ceded to reinsurers)	7,807,611	6,774,833
Investment income and other income	4,166,114	4,837,263
Net claims and benefits	(4,870,695)	(6,747,851)
Change in contractual liability	(2,092,600)	(483,027)
Net acquisition expenses	(1,245,925)	(941,563)
Operating and administrative expenses	(3,461,097)	(3,137,342)
Income tax expense	(203,408)	(202,313)
<b>Surplus transfer to Shareholders' Fund</b>	<b>100,000</b>	<b>100,000</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## AND SIGNIFICANT ACCOUNTING POLICIES

### 1. General information

AIA Insurance Lanka PLC (the Company) was incorporated as a company with limited liability in Sri Lanka on 12 December 1986 under the Companies Act No. 17 of 1982 and re-registered on 24 August 2009 under the Companies Act No. 07 of 2007 which came to effect on 3 May 2007. The address of its registered office is No.75, Kumaran Rathnam Road, Colombo 02, Sri Lanka.

The Company is listed on the Main Board of The Colombo Stock Exchange under the stock code "CTCE N000".

The Company's parent entity is AIA Holdings Lanka (Private) Limited and the ultimate parent entity is AIA Group Limited, incorporated in Hong Kong, pursuant to the acquisition on 5 December 2012.

AIA Insurance Lanka PLC Group ('the Company' and its subsidiaries - together forming 'the Group') underwrite life insurance risks, such as those associated with death and disability. The Group also provides the services in the capacity of a trustee for various funds.

Group consolidated financial statements for the year ending 31 December 2015 have been authorised for issue by the Board of Directors on 16 February 2016.

### 2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) effective after 1 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets, and

financial assets and financial liabilities at fair value through profit or loss.

The consolidated financial statements are presented in Sri Lankan Rupees (LKR) and all values are rounded to the nearest thousand (LKR'000), except when otherwise indicated.

### 3. Summary of significant accounting policies

The significant accounting policies applied by the Group in preparing its consolidated financial statements are depicted in the notes 3.2 to 4.3. These policies have been consistently applied to all periods presented.

#### 3.1 Changes in accounting policies and disclosures

##### a) New and amended standards adopted by the Group

There are no SLFRS / LKAS or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact to the Group.

##### b) New standards and interpretations issued but not yet effective and not early adopted

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity

instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. SLFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess SLFRS 9's full impact.

#### 3.2 Consolidation

##### 3.2.1 Subsidiaries

Subsidiaries are those entities (including structured entities) over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group, and continued to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The Group applies the Acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, unrealised gains and unrealised

losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

### 3.2.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the Equity method of accounting. Under the Equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of

acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit/(loss) of an associate in the Income Statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the event of loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value and it is reported at its fair value on initial recognition as a financial asset in accordance with LKAS 39, 'Financial instruments: Recognition and Measurement'. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of retained investment together with the proceeds from disposal is recognised in profit or loss.

### 3.3 Foreign currency translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees (LKR) which is also the Company's functional currency. That is the currency of the primary economic environment in which the Group operates.



Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income Statement.

### **3.4 Financial instruments**

#### **3.4.1 Financial assets**

##### **3.4.1.1 Initial recognition and measurement**

The Group classifies its financial assets into the following categories;

- a) Financial assets at fair value through profit or loss (FVTPL),
- b) Loans and receivables (LR),
- c) Held to maturity (HTM) and
- d) Available for sale (AFS).

The classification is determined by the Management at initial recognition on the trade-date; the date on which the Group commits to purchase or sell the asset, and recognise initially at fair value plus transaction cost except in the case of financial assets at fair value through profit or loss which is recognised at fair value.

##### **3.4.1.2 Subsequent measurement Financial assets at fair value through profit or loss (FVTPL)**

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. When the Group is unable to trade these financial assets due to inactive markets and Management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification

to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

For investments designated as at fair value through profit or loss at the inception, the following criteria must be met:

- a) 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
- b) The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Group classified investments in equity instruments and unit trusts in the Life Shareholders' Fund and unit-linked funds as financial assets at fair value through profit or loss hence those financial assets are managed and performance is evaluated on the fair value basis.

##### **Loans and receivables (LR)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from insurance and reinsurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in investment income in the Income Statement.

##### **Held to maturity investments (HTM)**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the Income Statement. The Group did not have any held to maturity investments during the years ended 31 December 2014 and 2015.

##### **Available for sale financial assets (AFS)**

Available for sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI in the available for sale reserve until the investment is derecognised except in the case of AFS assets of the Life Policyholders' Fund

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

which is transferred to the long term insurance liability through Statement of Other Comprehensive Income.

### 3.4.1.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

### 3.4.1.4 Impairment of financial assets

The Group assesses at each Balance Sheet date whether a financial asset or group of financial assets is impaired.

The Group 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 group of financial assets with similar credit risk characteristics and that group 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 Balance Sheet date.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- a) Significant financial difficulty of the issuer or debtor;
- b) A breach of contract, such as a default or delinquency in payments;
- c) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

- d) The disappearance of an active market for that financial asset because of financial difficulties; or
- e) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

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

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 Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### Available for sale financial assets

The Group assesses at each date of the Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity

investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20 per cent or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available for sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Income Statement.

### 3.4.2 Financial liabilities

#### 3.4.2.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and includes directly attributable transaction costs.

### 3.4.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

### 3.4.2.3 Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

### 3.4.3 Offsetting of financial assets

Financial assets and 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 asset and settle the liability simultaneously.

### 3.5 Property plant and equipment

Property, plant and equipment is stated at cost or revalued amount less accumulated depreciation and any accumulated impairment in value. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenses on repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The Group has adopted a policy of revaluing the assets held at valuation every five years. Revaluation is performed on freehold land by a professionally qualified valuer. Increases in the carrying amount arising on revaluation of land are credited to OCI and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in OCI and debited against revaluation reserves directly in equity. All other decreases are charged to the Income Statement.

Items of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are

determined by comparing the proceeds with the carrying amount. These are included in the Income Statement under realised gains. When revalued assets are derecognised, the amounts included in the revaluation surplus are transferred to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the Straight-Line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

	No of years
Plant and machinery	5
Computer equipment	3-5
Furniture and fittings	5
Motor vehicles	4

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.6 Intangible assets

Intangible assets consist primarily of acquired computer software and contractual relationships, such as access to distribution networks.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with finite lives are amortised over the useful economic life on Straight-Line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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 are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the intangible asset.

Estimated useful lives of the finite intangible assets are as follows:

	No of years
Contractual relationships	5 - 20
Computer software	2 - 5

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the changes in useful life assessment from indefinite to finite is made on a prospective basis.

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

### 3.7 Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid financial instruments and bank overdrafts.

In the Statement of Financial Position, bank overdrafts are shown as a separate liability.

### 3.8 Stated capital

Shares are classified as equity when there is no obligation to transfer cash or

other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### 3.9 Insurance contracts

#### 3.9.1 Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Net Premium method. The liability is determined as the sum of the discounted value of the expected future benefits, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is based on current regulatory assumptions.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related Present Value of In-Force (PVIF) by using an existing liability adequacy test as laid out under a Gross Premium Valuation method. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A discounted cash flow valuation method is applied. The interest rate applied is based on current market interest rates. Any inadequacy is recorded in the Income Statement, initially by impairing PVIF, subsequently, by establishing a technical reserve for the remaining loss. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the

impairment no longer exists, as allowed under Gross Premium Valuation method.

#### 3.9.2 Insurance receivables

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

Insurance receivables are derecognised when the derecognition criteria for financial assets are met.

#### 3.9.3 Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition costs (DAC) are amortised over the period in which the related revenues are earned. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are derecognised.

### 3.10 Reinsurance contracts

The Group 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 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 Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

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 in the financial statements on gross basis for ceded reinsurance contracts.

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

### **3.11 Current and deferred income tax**

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is recognised, using the Liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the

deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of carried forward unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax related to fair value remeasurement of available for sale investments and cash flow hedges, which are charged or credited directly in OCI, is also credited or charged directly to OCI and subsequently recognised in the Income Statement together with respective gains or losses.

### **3.12 Employee benefits**

The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a post employment benefit plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a post employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the financial reporting period, together with adjustments for actuarial gains or losses from experience adjustments and changes in actuarial assumptions and past service costs. The defined benefit obligation is calculated annually by a qualified actuary using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the equity in the Statement of Other Comprehensive Income in the period in which they arise.

Past service costs are recognised immediately in the Income Statement.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The Company and employees contribute to the Employees' Provident Fund (EPF) in terms of the Employees' Provident Fund Act, No. 15 of 1958 as amended. Contributions in respect of permanent and contractual employees are remitted to the Central Bank of Sri Lanka. The Company also contributes to the Employees Trust Fund (ETF) in terms of the Employees Trust Fund Act, No. 46 of 1980 as amended. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

### 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

### 3.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific

asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer all risks and benefits incidental to ownership of the leased item substantially to the Group are capitalised at the commencement of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as interest expenses in the Income Statement. As at the Balance Sheet date, the Group does not have any finance lease contracts.

Operating lease payments are recognised as an operating expense in the Income Statement on a Straight-Line basis over the lease term.

### 3.15 Revenue recognition

#### 3.15.1 Insurance-related revenue

The premium income is recognised on accrual basis and net of reinsurance premium. The gross written premiums are recognised either where the policy is issued or the instalment falls due.

#### 3.15.2 Fee income

Policy administration charges, other contract fees and trust management fees are recognised on an accrual basis. If the fees are for services provided in future periods then they are deferred and recognised over those future periods.

#### 3.15.3 Investment income

##### Interest income

Interest income is recognised on the time proportionate basis using EIR irrespective of the classification under LKAS 39. The amortisation of discount/premium is also treated as an interest income.

### Dividend income

Dividend income is recognised when the right to receive payment is established irrespective of its classification of FVTPL or AFS which is the ex-dividend date for equity instruments.

#### 3.15.4 Fair value gains and losses

Fair value gains and losses on AFS securities are recognised in the Statement of Other Comprehensive Income until such instrument is derecognised or impaired.

Fair value gains and losses on financial assets at FVTPL, are recognised in the Income Statement.

#### 3.15.5 Realised gains and losses

Realised gains and losses recorded in the Income Statement include gains and losses on financial assets, property plant and equipment, divestment of related entities.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original cost, amortised cost or carrying amount, depending on the classification of the assets and are recorded on occurrence of the sale transaction.

### 3.16 Claims, benefits and expenses recognition

#### 3.16.1 Gross claims and benefits

Gross claims and benefits for insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on contracts with Discretionary Participation Features (DPF), as well as changes in the gross valuation of insurance and liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.



### 3.16.2 Reinsurance claims

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

### 3.17 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

### 3.18 Share-based compensation plans

AIA Group Limited (AIAGL) operates a number of share-based compensation plans, under which the Company receives services from the employees, directors and officers as consideration for the shares and/or options of AIAGL. These share-based compensation plans comprise the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP).

The share compensation plans of AIA Group (consisting of AIAGL and its subsidiaries) offered to the Group's employees are equity-settled plans. Under an equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares is recognised as an expense in profit or loss over the vesting

period with a corresponding amount recorded in equity in AIA Group financial statements. Any amounts recharged from AIAGL to the Company related to share-based payment arrangements are recognised as an expense in the Income Statement.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options granted. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be vested. At each period end, the Group revises its estimates of the number of shares that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to related party payables. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan of the AIA Group occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

#### Valuation methodology

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU and ESPP awards, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of the AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The estimate of market condition for

performance based RSUs is based on one-year historical data preceding the grant date.

### 4. Critical accounting estimates and the use of judgment

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4.1 Insurance contracts

##### 4.1.1 Product classification

SLFRS 4, 'Insurance Contracts', requires contracts written by insurers to be classified either as insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk.

Accordingly, the Company performs a product classification exercise covering its portfolio of contracts to determine the classification of contracts to these categories. Product classification requires the exercise of significant judgment to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers. In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgments exercised in determining the level of insurance risk deemed to be significant in product classification affect the amounts recognised in the financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 4.1.2 Life insurance liabilities

SLFRS 4 permits a wide range of accounting treatments to be adopted for the recognition and measurement of insurance contract liabilities, including liabilities in respect of insurance contracts. The Company calculates insurance contract liabilities for traditional life insurance contracts using a Net Level Premium Valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses conservative assumptions for mortality, morbidity and investment yields. Interest rate assumptions can vary by product and are prescribed by regulation. Mortality and morbidity assumptions are based on actual experience, modified to allow for variations in policy form and for mortality, are subject to a regulatory minimum level. Expenses are implicit with this implicit allowance being tested against the best-estimate expense assumptions for prudence. The Company exercises significant judgment in making appropriate assumptions.

For unit-linked contracts, insurance contract liabilities represent the fund value, plus a non-unit reserve to ensure the contracts are self-financing. Significant judgment is exercised in making appropriate estimates of gross profits, which are also regularly reviewed by the Company.

For contracts with an explicit account balance, such as universal life contracts, insurance contract liabilities represent the investment account value, which represents premiums received and dividends credited to the policy less deductions for mortality and morbidity costs, fund management and expense charges, plus the expected claims strain. Significant judgment is exercised in making appropriate estimates of gross profits, which are also regularly reviewed by the Company.

The judgments exercised in the valuation of insurance contract liabilities affect the amounts recognised in the financial statements as insurance contract benefits and insurance contract liabilities.

## 4.1.3 Acquisition expenses

The Company defers its direct acquisition expenses over the period of cover or the period of underlying instalments of the respective policies on a consistent basis in line with the basis used to defer the premium income until the policy is being in force. DAC are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy.

## 4.1.4 Liability adequacy testing

The Group evaluates the adequacy of its insurance contract liabilities at least annually. Liability adequacy is assessed by portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

For traditional life insurance contracts, insurance contract liabilities, reduced by DAC and value of business acquired on acquired insurance contracts, are compared with the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balance of value of business acquired on acquired insurance contracts are written down to the extent of the deficiency. If, after writing down DAC for the specific portfolio of contracts to nil, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. The judgments exercised in liability adequacy testing

affect amounts recognised in the consolidated financial statements as commission and other acquisition expenses, DAC and insurance contract benefits and insurance and investment contract liabilities.

## 4.2 Fair value estimation

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels,

- **Level I**  
Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level II**  
Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level III**  
Inputs for the asset or liability that are not based on observable market data

The information regarding fair value hierarchy is given in the note 11.5 to the financial statements.

### a) Financial instruments in level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the last traded price in an active market. These instruments are included in level I. Instruments included in level I

comprise primarily investments in equity instruments traded in Colombo Stock Exchange.

#### b) Financial instruments in level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level II.

Instruments included in level II comprise primarily investments in treasury bills and treasury bonds issued by the Government of Sri Lanka.

Specific valuation techniques used to value financial instruments include:

- Present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

#### 4.3 Valuation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and staff turnover. Due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in note 21 to the financial statements.

### 5. Risk management

#### 5.1 Financial risk management

The primary source of financial risk to an insurer arises from its investment exposures and investment activities.

Thus, the investment portfolios maintain a prudent approach in its investment strategy and investment exposures to ensure that investment returns are optimised on a risk adjusted basis and to ensure the Company operates within its defined risk appetite.

Risk appetite statements communicate the parameters and boundaries within which the business unit has opted to operate in relation to the identified financial risks. In the Company, the risk appetite framework has expressed the business unit's appetite as regards capital risk, liquidity risk, credit risk and market risk. The exposures and management information pertaining to these four risk aspects are within the scope of identified governance committees of the business based on the required technical expertise to provide effective oversight. Management information is submitted periodically to review and monitor these risks at these

governance committees that convene as per their defined frequency of review.

Management of financial risks falls under the purview of the Financial Risk Committee, which monitors the overall exposure of the Company to financial risks.

Total investments of the Company are managed separately through segregated funds with due consideration to their respective risk profiles, stakeholders and objectives.

The following table contains a high level summary of the investment exposures by the Company's investment portfolios. The Company keeps investment exposures within the pre-determined strategic asset allocation limits, which are defined in order to generate superior investment returns without excessive exposure to high risk assets.

As at 31 December	2015		2014*	
	LKR'000	%	LKR'000	%
Government securities	16,750,259	40.18	15,588,303	41.86
Reverse repurchase agreements	2,728,519	6.55	5,356,338	14.38
Corporate debt	12,327,559	29.57	9,653,563	25.92
Fixed deposits	7,449,902	17.87	3,459,078	9.29
Equity	2,431,871	5.83	3,185,132	8.55
Total	41,688,110	100.00	37,242,414	100.00

\* Continuing operations only.

NB: The amounts stated above are inclusive of accrued interest where applicable.

In the case of unit-linked funds, the policyholder is the decision maker on asset allocation due to the investment choice provided to the policyholder to choose the preferred unit-linked fund/s to direct policy premium according to their risk appetite. As such the unit-linked business' investment portfolios will maintain an exposure to equity investments even during periods of volatile equity markets as long as policyholders opt to remain invested in the unit-linked Growth Fund and unit-linked Balanced Fund. Policyholders opt to invest in these two funds to primarily

benefit from "Rupee Cost Averaging" over the long-term investment horizon.

Equity risk of the unit-linked business is managed by close monitoring of the asset class parameters in each unit-linked fund and by investing in equity in line with the equity investment philosophy of the Company. The Management believes that superior investment returns in equity investments can be secured over the long-term investment horizon by investing in fundamentally sound liquid blue-chip counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 5.1.1 Liquidity risk

Liquidity risk is the uncertainty, emanating from business operations, investments or financing activities, whether a company will have the ability to meet payment obligations in a full and timely manner in current or stressed environments. Liquidity adequacy is a measure or assessment of the ability of a company to meet payment obligations in a full and timely manner within a defined time horizon. It is a function of its sources of liquidity relative to its liquidity needs. Liquidity sources can be internal and external, available immediately or within the defined time horizon, and includes all funds, assets and arrangements that allow an insurer to meet its liquidity needs. Liquidity needs include all current and expected payment obligations within the defined time horizon.

The Company has determined that an appropriate time horizon within which it must be able to meet its liquidity needs is twelve months, twelve months being generally acknowledged as the

critical period for companies to weather a stressed liquidity environment if they are to survive. It is expected that the Company will be able to meet its obligations in both current and stressed environments for at least this time frame.

### Controls in place to mitigate liquidity risk

- Management of liquidity risk is governed by the Liquidity Risk Management Policy which is a component of the Company's risk management framework and are incorporated in the Investment Mandates of the business. The Company defines liquidity risk appetite in terms of Liquidity Coverage Ratio which is defined for each core portfolio of the business.
- The liquidity adequacy is reviewed quarterly by the Financial Risk Committee to ensure that the Company will be able to meet its obligations in both current and stressed environments for the next twelve months.

- The Company maintains a cash flow maturity profile within the investment portfolios of the Company in tandem with the risk appetite of each portfolio and cash flow needs.
- Minimum liquidity levels are defined for each investment portfolio based on past experience with stresses for scenarios and based on business plan projections. The Management performs a bi-annual review of the minimum liquidity levels for each investment portfolio.
- The minimum liquidity levels are incorporated into the Investment Mandate of each portfolio and are monitored on a daily basis.

The following table depicts the maturity profile of the investment portfolio which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

	< 1Yr	1Yr - 5 Yrs	5Yrs - 10 Yrs	> 10Yrs	No stated maturity	Total
As at 31 December 2015	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Debt securities</b>						
<b>Available for sale</b>						
Government securities	601,950	3,065,847	2,061,566	10,557,119	-	16,286,482
Equity instruments	-	-	-	-	54,483	54,483
<b>Loans and receivables</b>						
Reverse repurchase agreements	2,728,519	-	-	-	-	2,728,519
Corporate debt	380,000	5,992,997	4,986,042	-	-	11,359,039
Fixed deposits	7,334,110	-	-	-	-	7,334,110
<b>Equity instruments</b>						
At fair value through profit or loss	-	-	-	-	2,377,388	2,377,388
<b>Other loans and receivables</b>						
Premium receivables	340,160	-	-	-	-	340,160
Reinsurance assets	-	-	-	-	94,017	94,017
Policy loans	-	-	-	-	1,089,936	1,089,936
Other receivables	96,942	49,579	5,966	-	-	152,487
Cash and cash equivalents	517,055	-	-	-	-	517,055
	11,998,736	9,108,423	7,053,574	10,557,119	3,615,824	42,333,676

As at 31 December 2014*	< 1Yr	1Yr - 5 Yrs	5Yrs - 10 Yrs	> 10Yrs	No stated maturity	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Debt securities</b>						
<b>Available for sale</b>						
Government securities	251,565	2,323,706	1,497,349	11,127,417	-	15,200,037
<b>Loans and receivables</b>						
Reverse repurchase agreements	5,356,338	-	-	-	-	5,356,338
Corporate debt	-	3,800,094	3,766,621	1,200,000	-	8,766,715
Fixed deposits	3,348,478	-	-	-	-	3,348,478
<b>Equity instruments</b>						
At fair value through profit or loss	-	-	-	-	3,185,132	3,185,132
<b>Other loans and receivables</b>						
Premium receivables	331,041	-	-	-	-	331,041
Reinsurance assets	-	-	-	-	107,727	107,727
Policy loans	-	-	-	-	1,310,302	1,310,302
Other receivables	109,372	79,871	13,844	-	-	203,087
Cash and cash equivalents	571,082	-	-	-	-	571,082
	9,967,876	6,203,671	5,277,814	12,327,417	4,603,161	38,379,939

\* Continuing operations only.

### 5.1.2 Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. Credit risk categories include default risk, spread risk and rating migration risk, each of which is defined below.

#### • Spread risk

The risk of an adverse financial outcome arising from changes in the level or volatility of third party credit spreads. Credit spread moves can be caused by credit concerns (improving or worsening) on the issuer or from market factors (such as risk appetite and liquidity within the market).

#### • Default risk

The risk of an adverse financial outcome arising from one or more third party default events. A default event includes a delay in repayments or interest payments, restructuring of borrower repayments/interest schedule, bankruptcy and repudiation/moratorium (for example,

for sovereign counterparties).

#### • Rating migration risk

The risk of an adverse financial outcome arising from a change in third party credit standing. As well as having a potential knock-on effect on spreads, rating movements can trigger solvency and accounting impacts (for example, where rules are based on counterparty ratings) and can drive management actions and the realisation of losses (for example, where Investment Mandates set counterparty and portfolio limits based on ratings).

#### Controls in place to mitigate credit risk

- The management of credit risk is governed by the Credit Risk Management Policy which is embedded within the Investment Policy and incorporated in the Investment Mandates of the business.
- Single counterparty exposures are monitored based on the counterparty exposure in comparison to the net assets of the counterparty.

- All investments are denominated in LKR and the Company does not maintain any investment exposures to assets held overseas.
- Minimum investment grade rating criteria been implemented for determining investment decisions.
- The Company maintains a predominant exposure to Government securities and high grade corporate debt thus prudently managing credit default risk from these investments.
- The Company places corporate debt investment exposures with counterparties with "A" (lka) and above as assigned by Fitch Ratings Lanka.
- Rating movements on the Company's corporate debt investments are monitored on a monthly basis by the Investments Operations Committee.
- All Company investments are maintained with the custodian bank; Deutsche Bank.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

- Government securities, including collateral from reverse repurchase agreements are held at Lanka Secure, which is maintained by the Central Bank of Sri Lanka.
- All reverse repurchase agreements maintain its exposure to Government securities.
- The Company has a Collateral Management Policy and maintains a haircut of at least 10 per cent on investments in reverse repurchase agreements. (Refer the table; collateral adequacy on page 105 of the Annual Report).
- The Company carries out investment transactions through/with Investment Committee approved intermediaries.

The following table reflects the credit ratings of the financial assets of the business.

As at 31 December 2015	Risk-free	AAA	AA	A	BBB	BB	Non-rated	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Available for sale</b>								
Government securities	16,286,482	-	-	-	-	-	-	16,286,482
<b>Loans and receivables</b>								
Reverse repurchase agreements	2,728,519	-	-	-	-	-	-	2,728,519
Corporate debt	-	-	2,991,596	8,367,443	-	-	-	11,359,039
Fixed deposits	-	-	6,675,942	658,168	-	-	-	7,334,110
Premium receivables	-	-	-	-	-	-	340,160	340,160
Reinsurance assets	-	-	-	-	-	-	94,017	94,017
Policy loans	-	-	-	-	-	-	1,089,936	1,089,936
Other receivables	-	-	-	-	-	-	152,487	152,487
Cash and cash equivalents	-	80,015	375,794	50,522	971	4,132	5,621	517,055
	19,015,001	80,015	10,043,332	9,076,133	971	4,132	1,682,221	39,901,805

As at 31 December 2014*	Risk-free	AAA	AA	A	BBB	BB	Non-rated	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Available for sale</b>								
Government securities	15,200,037	-	-	-	-	-	-	15,200,037
<b>Loans and receivables</b>								
Reverse repurchase agreements	5,356,338	-	-	-	-	-	-	5,356,338
Corporate debt	-	-	2,061,777	6,704,938	-	-	-	8,766,715
Fixed deposits	-	-	2,988,478	360,000	-	-	-	3,348,478
Premium receivables	-	-	-	-	-	-	331,041	331,041
Reinsurance assets	-	-	-	-	-	-	107,727	107,727
Policy loans	-	-	-	-	-	-	1,310,302	1,310,302
Other receivables	-	-	-	-	-	-	203,087	203,087
Cash and cash equivalents	-	65,028	456,109	39,031	4,389	2,180	4,345	571,082
	20,556,375	65,028	5,506,364	7,103,969	4,389	2,180	1,956,502	35,194,807

\* Continuing operations only.



As at 31 December	2015	2014*
	LKR '000	LKR '000
Carrying value of investments in reverse repurchase agreements	2,728,519	5,356,338
Fair value of collateral**	3,060,546	6,085,803
Excess value of collateral	332,027	729,465
Margin	12%	14%

\* Continuing operations only.

\*\* The amounts stated above are inclusive of accrued interest.

### 5.1.3 Market risk

Market risk is the risk of adverse financial impact resulting from fluctuations in the level or volatility of prices of financial instruments and other market factors including interest rates, inflation and foreign exchange rates. Market risk categories include interest rate risk, equity risk, foreign exchange risk, inflation risk, property risk, commodity risk and other risks arising from alternative investments (for example hedge funds and private equity). The Company's primary source of market risks are interest rate risk and equity risk.

Although credit and liquidity risks are defined and managed as separate risks, the assessment of market risk does

consider the interdependence between market risk and credit and liquidity risks (for example market losses caused by illiquidity issues, sovereign default or a default of a systemically important counterparty) and also the capital risk arising from market risk.

#### 5.1.3.1 Interest rate risk

The risk of an adverse financial impact due to changes in the absolute level of interest rates, in the shape or curvature of the yield curve or in any other interest rate relationship including volatility and spread between different yield curves.

The following table below summarises the nature of the interest rate risk associated with financial assets.

As at 31 December 2015	Fixed interest	Variable interest	Non-interest bearing	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Loans and deposits	80,499	-	1,161,924	1,242,423
Debt securities	37,628,150	80,000	-	37,708,150
Premium receivable	-	-	340,160	340,160
Reinsurance assets	-	-	94,017	94,017
Cash and cash equivalents	323,790	-	193,265	517,055
	38,032,439	80,000	1,789,366	39,901,805

#### 5.1.3.2 Equity risk

Equity risk is the risk of adverse financial impact due to equity market dynamics (for example, individual spot or derivative price moves, index moves, volatility and correlation changes, etc.).

This risk applies to direct equity (the holding of equities, embedded equity options in liabilities) and to indirect equity (management fees on equity funds) positions.

#### 5.1.3.3 Foreign exchange risk

Foreign exchange risk is the potential for the Company to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency.

The Company does not maintain foreign currency denominated assets in its investment portfolios and as such is not exposed to foreign exchange risk related to investments.

The foreign currency exposures arising from operations are managed through a natural hedging mechanism by maintaining a dollar denominated bank account which is used to fund foreign currency payments.

#### 5.1.3.4 Risk oversight

Evaluating the impact of market risk, credit risk and liquidity risk are inbuilt into the investment decision making process. The market risk, credit risk and liquidity risk of the investment portfolios are monitored every month by the Investment Operations Committee, a management level governance oversight committee responsible to oversee investments. The Board of Directors level governance oversight committee responsible to oversee investments is the Investment Committee which is a sub-committee of the Board of Directors. The Investment Committee monitors the market risk, credit risk and liquidity risk of the investment portfolios every quarter.

The capital risk of the Company is monitored by the Financial Risk Committee that convenes on a quarterly basis. The Financial Risk Committee also reviews the liquidity risk, credit risk and market risk of the investment portfolios.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 5.1.3.5 Sensitivity analysis on market, equity and interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument at the reporting date will fluctuate in response to assumed movements in market interest rates. The Management monitors the sensitivity of reported fair value of financial instruments on a regular basis by assessing the projected changes in the fair value of financial instruments held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points.

The sensitivity analysis for equity risk illustrates how changes in the

fair value of equity instruments at the reporting date will fluctuate in response to assumed changes in equity market prices. The Management monitors movements in the fair value of equity instruments on a regular basis by assessing the projected changes in the fair value of equity instruments held by the portfolios in response to assumed equity price movements of +/- 10 per cent.

The sensitivity analysis given in the following tables reflect the impact on the Company's profit before tax and hence the net asset value, arising from 100 basis points parallel shift in the interest rates.

- All investments are denominated in LKR and the Company does not maintain any investment exposure to assets held overseas.

Fixed income investments are maintained mainly in Government securities which eliminate the credit risk premium volatility from the asset price and in high grade securities with relatively high credit ratings by Fitch Ratings Lanka.

The exposure to asset classes with high risk such as equity is maintained at minimum level in portfolios with management discretion. There were no exposures to equity in Life Policyholders' Fund investment portfolio. However there is an equity holding in Serendib Land which is held outside the investment portfolio being a strategic investment as at the Balance Sheet date.

The Company does not maintain any investments in commodities and any investments in derivative instruments, structured investment instruments or alternative investments.

As at 31 December	2015		2014*	
	Net asset value	Profit before tax	Net asset value	Profit before tax
Impact to;	LKR '000	LKR '000	LKR '000	LKR '000
<b>Interest rate risk</b>				
+ 100 basis points - Government securities	(33,443)	-	(2,518)	-
- 100 basis points - Government securities	34,316	-	2,558	-

\* Continuing operations only.

Only Life Shareholders' Fund assets are considered in line with the accounting treatment as movement in asset values of Life Policyholders' Fund and unit-linked funds are charged to their respective policy liability and does not impact the profit before tax and net asset value of the Company.

### Controls in place to mitigate market risk

- The management of market risk is governed by the Market Risk Management Policy which is embedded within the Investment Policy and incorporated in the Investment Mandates of the business.
- The Company has defined the appetite for interest rate risk in terms of its impact on the Risk Based Capital

solvency which is reviewed on a monthly basis and is rebased and approved by the Financial Risk Committee every quarter.

- Also the Company sets itself a target asset duration based on the liability profile of the Company, in order to minimise the adverse impact from varying interest rates.
- Monitoring of the equity exposures against the risk limits and benchmarks that are defined and refreshed on a periodic basis, depending on the risk appetite and the market conditions. Review of interest rate risk exposure against the risk appetites is included in the investment approval process of the Company.

## 5.2 Insurance risk

### 5.2.1 Life insurance

#### Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics such as AIDS, SARS and a human form of avian flu or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration of

amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Company has a retention limit of LKR 1,000,000 on any single life insured. The Company reinsures the excess of the insured benefit over LKR 1,000,000 for standard risks (from a medical point of view). Medically impaired lives are charged higher insurance premiums.

#### **Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Company over the last five years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be credible, the statistics generated by the data are used without reference to a regulatory

table. Where this is not the case, the best estimate of future mortality is based on standard regulatory tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the continuous mortality investigations performed by international actuarial bodies. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

#### **Process used to decide on assumptions**

##### **a) Mortality / morbidity**

Internal investigations covering a five year period are conducted by claim type, subdivided by age. From these investigations crude incidence rates are derived. Next, actual over expectation ratios are calculated and accordingly graded percentages of the standard mortality table are used for the final assumptions.

##### **b) Persistency**

An internal investigation is conducted by entry year and product type, subdivided by premium mode. From this investigation, crude persistency rates are derived, allowing for all of paid-up, lapse, surrender and revivals. Next, the weighted rates are assessed and smooth assumptions are set taking into account past trends and the future outlook.

##### **c) Investment returns**

Investment returns are set based on a long-term basis by considering the future outlook of Government securities and other asset classes in the local market.

##### **d) Renewal expense level and inflation**

Renewal expense levels are set by way of an expense investigation into the expenses of the Company over the last calendar year, with each expense being classified as acquisition/maintenance and then being assigned a driver based on how it may develop into the future. The expense assumptions are verified for reasonableness against the latest three year business plan.

Inflation margins are set based on international economic projections for Sri Lanka.

#### **Change in assumptions and sensitivity analysis**

The main insurance risks to the life business are claims and expense levels. A sensitivity analysis was conducted in 2015 with 2 stresses, 110 per cent claims experience and 110 per cent expense levels. In both cases the impact to the policyholder liabilities of assuming such a change was reflective of future conditions was considered.

Increasing claim rates by 10 per cent would lead to an increase in policy liabilities of LKR 173,880,331; 0.577 per cent of the policy liability. Increasing expense rates by 10 per cent would lead to an increase in policy liabilities of LKR 433,610; 0.0014 per cent of the policy liability. The increase due to expenses is lower because the net premium policyholder liability already allows for very prudent expense levels.

#### **5.3 Capital management**

The focus of capital management is to maintain a strong capital base to support the business and business growth, and to satisfy regulatory capital requirements at all times. In view of this the Company has established the following objectives, policies and approach.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

- a) To maintain the required solvency level and provide security to policyholders.
- b) To allocate capital efficiently and support the growth of the business by ensuring that returns on capital employed meets the requirements of shareholders and policyholders.
- c) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- d) To maintain healthy capital ratios in order to support business objectives and optimise shareholder value.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach in managing capital includes managing assets, liabilities and risks in a coordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to strengthen the capital position of the Company in view of changes in economic conditions and risk characteristics.

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

routinely forecasted on a periodic basis by the Management and the Board. The solvency margins are calculated on a monthly basis and shared with the Board on a quarterly basis. The Company maintains its capital base well above the minimum regulatory requirements of IBSL (Company has a stated capital of LKR 511,921,836 whereas the current minimum capital requirement is only LKR 500,000,000).

The responsibility for capital management is entrusted to Chief Financial Officer (CFO) and as such the CFO is a key participant in discussions and decisions that impact asset-liability management, strategic asset allocation and solvency management.

## 6. Segment information

As per SLFRS 8 'Operating Segments', operating segments are required to be reported in a manner consistent with the internal reports provided to the chief operating decision maker. The Executive Committee is entrusted with the strategic decisions of the Company and is the chief operating decision maker and is responsible for the allocation of resources and assessing performance of the operating segments, and hence the operating segments are required to be consistent with the perspective of the Executive Committee.

The presentation of operating segments has been discontinued in these financial statements to be consistent with the

Life exclusive internal reports provided to the Executive Committee at present, post divestment of the Company's wholly owned general insurance subsidiary AIA General Insurance Lanka Limited on 23 October 2015. Therefore, the Group has only one reportable segment as the trust management segment has less than ten percent of gross revenue of the Group revenue and less than ten percent of consolidated profit.

Prior to October 2015 the Company adopted the operating segment presentation segregating between the two main operating lines of business of life insurance and general insurance, consistent with the Executive Committee's management focus at the time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 Intangible assets

	Contractual relationships LKR'000	Group / Company Computer software LKR'000	Total LKR'000
Cost	307,866	778,509	1,086,375
(Less) Accumulated amortisation	(35,325)	(474,610)	(509,935)
Net book value as at 1 January 2015	272,541	303,899	576,440
Discontinued operations / segregation adjustment - cost	-	(123,041)	(123,041)
Discontinued operations / segregation adjustment - accumulated amortisation	-	115,370	115,370
Additions	-	12,156	12,156
Amortisation charge	(22,201)	(80,227)	(102,428)
Net book value as at 31 December 2015	250,340	228,157	478,497
Cost	307,866	667,624	975,490
(Less) Accumulated amortisation	(57,526)	(439,467)	(496,993)
Net book value as at 31 December 2015	250,340	228,157	478,497

The useful life of assets relating to contractual relationships are determined by contract type and lie within individual contract terms.

Intangible assets include fully amortised assets still in use, the gross carrying value of which amounted to LKR 268,333,812 (2014 LKR 350,952,536) as at the date of Statement of Financial Position.

### 7.1 Disclosure on reporting of amortisation of intangible assets

The amortisation charge of the intangible items is shown under operating and administrative expenses in the Income Statement.

### 7.2 Capital commitments - intangible assets

Capital expenditure on intangible assets approved by the Board of Directors is as follows:

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Approved and contracted for intangible assets	35,253	19,186

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Property, plant and equipment

	Freehold land LKR'000	Plant and machinery LKR'000	Group Computer equipment LKR'000	Furniture and fittings LKR'000	Motor vehicles LKR'000	Total LKR'000
Cost / revaluation	89,180	28,685	548,072	328,934	129,100	1,123,971
(Less) Accumulated depreciation	-	(28,346)	(389,357)	(219,306)	(128,328)	(765,337)
Net book value as at 1 January 2015	89,180	339	158,715	109,628	772	358,634
Discontinued operations - cost	-	(1,937)	(73,786)	(45,829)	(39,694)	(161,246)
Discontinued operations - accumulated depreciation	-	1,937	58,562	38,493	39,099	138,091
Additions	-	-	29,948	43,682	11,700	85,330
Depreciation charge	-	(123)	(83,204)	(35,415)	(1,152)	(119,894)
Disposals	-	-	(5,516)	(14,603)	(24,627)	(44,746)
Accumulated depreciation on disposals	-	-	4,702	14,581	24,627	43,910
Net book value as at 31 December 2015	89,180	216	89,421	110,537	10,725	300,079
Cost / revaluation	89,180	26,748	498,718	312,184	76,479	1,003,309
(Less) Accumulated depreciation	-	(26,532)	(409,297)	(201,647)	(65,754)	(703,230)
Net book value as at 31 December 2015	89,180	216	89,421	110,537	10,725	300,079

	Freehold land LKR'000	Plant and machinery LKR'000	Company Computer equipment LKR'000	Furniture and fittings LKR'000	Motor vehicles LKR'000	Total LKR'000
Cost / revaluation	89,180	28,685	547,889	328,862	129,100	1,123,716
(Less) Accumulated depreciation	-	(28,346)	(389,174)	(219,234)	(128,328)	(765,082)
Net book value as at 1 January 2015	89,180	339	158,715	109,628	772	358,634
Segregation adjustment - cost	-	(1,937)	(73,786)	(45,829)	(39,694)	(161,246)
Segregation adjustment - accumulated depreciation	-	1,937	58,562	38,493	39,099	138,091
Additions	-	-	29,948	43,682	11,700	85,330
Depreciation charge	-	(123)	(83,204)	(35,415)	(1,152)	(119,894)
Disposals	-	-	(5,440)	(14,603)	(24,627)	(44,670)
Accumulated depreciation on disposals	-	-	4,626	14,581	24,627	43,834
Net book value as at 31 December 2015	89,180	216	89,421	110,537	10,725	300,079
Cost / revaluation	89,180	26,748	498,611	312,112	76,479	1,003,130
(Less) Accumulated depreciation	-	(26,532)	(409,190)	(201,575)	(65,754)	(703,051)
Net book value as at 31 December 2015	89,180	216	89,421	110,537	10,725	300,079

Property, plant and equipment includes fully depreciated assets still in use, the gross carrying value of which amounted to LKR 470,442,978 ( 2014 - LKR 566,029,374 ) as at the date of Statement of Financial Position.



### 8.1 Fair value of land

An independent valuation of the Group's land was performed by valuers to determine the fair value of the land. The revaluation surplus net of applicable deferred income taxes was not credited to other comprehensive income as the Group policy is to recognise revaluation gain in every 5 years (note 3.5). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Recurring fair value measurements

Freehold land at No.76 and 80, Kew Road, Colombo 2

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Fair value (Level II - significant other observable inputs)	127,400	102,000

Valuation techniques used to derive level II fair values

Fair value of land has been derived using the sales comparison approach. Sales prices of comparable lands in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Valuation processes of the Group

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land. As at 31 December 2015, the fair values of the land and buildings have been determined by independent valuer, Mr. B. L. Ariyatillake - Chartered Valuer approved by IBSL. Valuation was made on the basis of open market value.

If stated on historical cost basis, the value of the land would be LKR 17,084,105 (2014 - LKR 17,084,105)

### 8.2 Capital commitments - Property, plant and equipment

Capital expenditure on property, plant and equipment approved by the Board of Directors is as follows:

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Approved and contracted for property, plant and equipment	1,784	25,756

### 9 Investments in subsidiaries

As at 31 December	Country of incorporation and place of business	Nature of business	Number of Shares	% holding	Company	
					2015 LKR'000	2014 LKR'000
Rainbow Trust Management Limited	Sri Lanka	Provision of trust and ancillary services	100,000	100	1,000	1,000
AIA General Insurance Lanka Limited	Sri Lanka	General insurance	-	-	-	100,000
			100,000		1,000	101,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 Investment in associate

The Group had 22.43 per cent interest in Serendib Land PLC, a company incorporated in Sri Lanka, which is involved in renting of office premises for commercial purposes. Serendib Land PLC is a public quoted company whose shares are traded on the Main Board of the Colombo Stock Exchange. It provides office premises to the Group on operating leasing arrangements on an arm's length basis.

### 10.1 Reconciliation of carrying value of the investment in associate

	Group LKR'000	Company LKR'000
Opening carrying value as at 1 January 2015	64,503	19,384
Share of profit for the year	14,470	-
Share of income taxes	(310)	-
Dividends received during the year (gross of withholding taxes)	(2,019)	-
Discontinued operations / segregation adjustment	(52,243)	(13,213)
Derecognition of investment in associate	(24,401)	(6,171)
Carrying value as at 31 December 2015	-	-

The investment was made jointly by AIA Insurance Lanka PLC and AIA General Insurance Lanka Limited, 7.14 per cent and 15.29 per cent each respectively. With the divestment of AIA General Insurance Lanka Limited, 15.29 per cent of the total investment in associate by the Group moved out and the retained investment reduced to 7.14 per cent. Accordingly the Group ceased to have the significant influence over the investment and thereby the investment is measured at fair value and classified as available for sale equity instrument in the Statement of Financial Position as at 31 December 2015.

## 11 Financial assets

Financial assets are summarised by measurement category along with the fair values in the table below.

As at 31 December	Note	Group				Company			
		2015		2014		2015		2014	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
		LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Loans and receivables	11.1	21,421,668	22,671,694	20,192,565	21,765,115	21,421,668	22,671,694	20,092,208	21,664,559
Available for sale financial assets	11.2	16,340,965	16,340,965	15,755,794	15,755,794	16,340,965	16,340,965	15,755,794	15,755,794
Financial assets at fair value through profit or loss	11.3	2,377,388	2,377,388	3,185,132	3,185,132	2,377,388	2,377,388	3,185,132	3,185,132
<b>Total financial assets</b>		<b>40,140,021</b>	<b>41,390,047</b>	<b>39,133,491</b>	<b>40,706,041</b>	<b>40,140,021</b>	<b>41,390,047</b>	<b>39,033,134</b>	<b>40,605,485</b>

11 Financial assets (contd.)  
11.1 Loans and receivables

As at 31 December	Group				Company			
	2015		2014		2015		2014	
	Amortised cost LKR'000	Fair value LKR'000	Amortised cost LKR'000	Fair value LKR'000	Amortised cost LKR'000	Fair value LKR'000	Amortised cost LKR'000	Fair value LKR'000
Corporate debt - listed	11,279,038	12,530,050	8,981,306	10,547,605	11,279,038	12,530,050	8,981,306	10,547,605
Corporate debt - unlisted	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Reverse repurchase agreements	2,728,520	2,729,475	6,526,294	6,528,960	2,728,520	2,729,475	6,425,937	6,428,404
Bank deposits	7,334,110	7,332,169	4,604,965	4,608,550	7,334,110	7,332,169	4,604,965	4,608,550
	21,421,668	22,671,694	20,192,565	21,765,115	21,421,668	22,671,694	20,092,208	21,664,559

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Loans and receivables at amortised cost				
Current	10,442,630	11,131,259	10,442,630	11,030,902
Non-current	10,979,038	9,061,306	10,979,038	9,061,306
	21,421,668	20,192,565	21,421,668	20,092,208

The fair values of the loans and receivables have been estimated by comparing current market interest rates for similar instruments with the rates offered when the loans were first recognised, together with appropriate market credit adjustments except for the loans and receivables considered to be current of which fair value approximates the carrying value.

The Group holds collateral for the reverse repurchase agreements. Generally the collateral are pledged with an excess of 10 per cent or more of the amortised value of the reverse repurchase agreement in terms of face value of the security pledged.

The fair value of those collateral held are as follows:

As at 31 December	Financial asset	Nature of the collateral	Group		Company	
			2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
	Reverse repurchase agreements	- Government treasury bills	390,687	5,100,288	390,687	4,982,023
		- Government treasury bonds	2,669,859	2,309,199	2,669,859	2,309,199
			3,060,546	7,409,487	3,060,546	7,291,222

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 Financial assets (contd.)

### 11.2 Available for sale financial assets

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Government securities	16,286,482	15,755,794
Equity instruments - listed	54,483	-
	16,340,965	15,755,794
Available for sale financial assets		
Current	656,432	655,799
Non-current	15,684,533	15,099,995
	16,340,965	15,755,794

The Group transferred gains of LKR 83,804,351 (2014 - LKR 93,307,185) from Statement of Other Comprehensive Income to the Income Statement.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale. As at the date of the Statement of Financial Position, none of these financial assets are either past due or impaired.

### 11.3 Financial assets at fair value through profit or loss

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Equity instruments - listed	2,377,388	3,185,132
	2,377,388	3,185,132
Financial assets at fair value through profit or loss		
Current	2,377,388	3,185,132
Non-current	-	-
	2,377,388	3,185,132

Equity instruments classified at fair value through profit or loss are designated in this category upon initial recognition. There are no non-derivative financial assets held for trading.

The fair value of equity instruments is based on their last traded prices at the Colombo Stock Exchange as at the date of Financial Position. Changes in fair values of financial assets at fair value through profit or loss are recorded in "fair value gains and losses" in the Income Statement.

## 11 Financial assets (contd.)

11.4 Movement in the Group's financial instruments are summarised in the table below by measurement category

	Group				Company			
	Loans and receivables	Available for sale	Fair value through profit or loss	Total	Loans and receivables	Available for sale	Fair value through profit or loss	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Balance as at 1 January 2015	20,192,565	15,755,794	3,185,132	39,133,491	20,092,208	15,755,794	3,185,132	39,033,134
Discontinued operations / segregation adjustment	(2,721,033)	(555,757)	-	(3,276,790)	(2,620,676)	(555,757)	-	(3,176,433)
Purchases	14,579,952	6,685,125	750,280	22,015,357	14,579,952	6,666,895	750,280	21,997,127
(Sales) / (maturities)	(10,635,314)	(3,899,096)	(1,313,205)	(15,847,615)	(10,635,314)	(3,899,096)	(1,313,205)	(15,847,615)
Realised gains / (losses)	-	83,804	135,177	218,981	-	83,804	135,177	218,981
Amortisation of discount / (premiums)	5,498	146,824	-	152,322	5,498	146,824	-	152,322
Fair value gains / (losses) recorded in Income Statement	-	21,884	(379,996)	(358,112)	-	40,114	(379,996)	(339,882)
Fair value gains / (losses) recorded in the Statement of Other Comprehensive Income	-	(1,897,613)	-	(1,897,613)	-	(1,897,613)	-	(1,897,613)
Balance as at 31 December 2015	21,421,668	16,340,965	2,377,388	40,140,021	21,421,668	16,340,965	2,377,388	40,140,021

## 11.5 Determination of fair value and fair value hierarchy

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Level I Financial assets at fair value through profit or loss Equity instruments - quoted	2,377,388	3,185,132
Available for sale financial assets Equity instruments - quoted	54,483	-
Level II Available for sale financial assets Government securities	16,286,482	15,755,794
	18,718,353	18,940,926

There were no transfers between levels I and II during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 Policyholder and other loans

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Policy loans	1,089,936	1,310,302
Agent loans	120,792	167,041
Staff loans	42,162	68,873
	1,252,890	1,546,216
(Less) Provision for impairment		
Agent loans	(10,467)	(10,672)
	1,242,423	1,535,544
Policyholder and other loans		
Current	96,942	117,502
Non-current	1,145,481	1,418,042
	1,242,423	1,535,544

### 12.1 Movement in policyholder and other loans

	Group / Company LKR'000
Balance as at 1 January 2015	1,546,216
Discontinued operations / segregation adjustment	(23,701)
Loans granted during the period	661,704
Loan repayments during the period	(936,596)
Amortisation of discount	5,267
Balance as at 31 December 2015	1,252,890

### 12.2 The reconciliation of the provision for impairment losses on assets classified as policyholder loans and other loans

	Group / Company LKR'000
Balance as at 1 January 2015	10,672
Discontinued operations / segregation adjustment	(1,545)
Additional provision for impairment during the period	1,340
Balance as at 31 December 2015	10,467

A specific impairment provision has been made against each of the individually impaired financial assets for the full amount of impairment.



### 13 Reinsurance receivables

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Reinsurers' share of outstanding claims and expenses	94,017	835,386
Reinsurers' share of policy liabilities	-	347,570
Amounts due from reinsurers in respect of claims already paid	-	53,742
<b>Total assets arising from reinsurance contracts</b>	<b>94,017</b>	<b>1,236,698</b>
Reinsurance assets		
Current	94,017	1,236,698
Non-current	-	-
	<b>94,017</b>	<b>1,236,698</b>

As per the contractual arrangements, the reinsurer is committed to reimburse the losses only upon payment of the claims to the clients and hence not hold any collateral as security against potential default by reinsurance counterparties.

The fair value of the reinsurance receivables approximate to its carrying value largely due to the short-term maturities of these instruments.

### 14 Trade receivables

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Trade receivables	340,507	920,431	340,160	920,104
(Less) Provision for impairment	-	(4,017)	-	(4,017)
	<b>340,507</b>	<b>916,414</b>	<b>340,160</b>	<b>916,087</b>
Trade receivables				
Current	340,507	916,414	340,160	916,087
Non-current	-	-	-	-
	<b>340,507</b>	<b>916,414</b>	<b>340,160</b>	<b>916,087</b>

The fair value of the trade receivables approximate to its carrying value largely due to the short-term maturities of these instruments.

#### 14.1 Movement in trade receivables

	Group LKR'000	Company LKR'000
Balance as at 1 January 2015	920,431	920,104
Discontinued operations / segregation adjustment	(589,063)	(589,063)
Revenue receivable from customers	1,033,880	1,033,860
Collection of cash from customers	(1,024,741)	(1,024,741)
<b>Balance as at 31 December 2015</b>	<b>340,507</b>	<b>340,160</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 Trade receivables (contd.)

### 14.2 The reconciliation of the provision for impairment losses on assets classified as trade receivables

	Group / Company LKR'000
Balance as at 1 January 2015	4,017
Discontinued operations / segregation adjustment	(4,017)
Balance as at 31 December 2015	-

A specific impairment provision has been made against each of the individually impaired financial assets for the full amount of instrument.

## 15 Other assets

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Inventory	14,811	9,907	14,811	9,907
Interest and dividend receivable	1,968,533	1,910,968	1,968,533	1,910,968
Advance company tax recoverable	66,397	66,397	66,397	66,397
Withholding tax recoverable	311,052	301,058	311,023	301,002
Deposits	19,117	17,906	19,117	17,706
Prepayments and advances	135,509	176,925	135,509	176,925
Capital work in progress	20,016	6,618	20,016	6,618
	2,535,435	2,489,779	2,535,406	2,489,523

## 16 Other fund assets

As at 31 December	Group / Company			
	2015		2014	
	Carrying value LKR'000	Cost LKR'000	Carrying value LKR'000	Cost LKR'000
Government securities	71,158	70,233	169,363	166,080
Fixed deposits	93,218	90,500	19,304	18,500
Other assets	-	-	103	103
Cash at bank	112	112	430	430
	164,488	160,845	189,200	185,113

## 17 Deferred expenses

	Group / Company LKR'000
As at 1 January 2015	202,026
Discontinued operations / segregation adjustment	(122,393)
Acquisition cost for the period	1,251,652
(Less) Amortisation charge	(1,187,138)
As at 31 December 2015	144,147

Deferred acquisition costs are amortised on the same basis of amortising the unearned premiums.

## 18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

	Group / Company 2015 LKR'000	2014 LKR'000
<b>Deferred income tax assets</b>		
On temporary difference from retirement benefit obligation	58,107	69,716
Deferred tax asset offset against deferred tax liabilities	(58,107)	(60,276)
	-	9,440
<b>Deferred income tax liabilities</b>		
On temporary difference from property, plant and equipment and intangible assets	52,245	44,531
On temporary difference from fair value differences	331,025	847,410
Deferred tax liabilities offset against deferred tax assets	(58,107)	(60,276)
	325,163	831,665
<b>Net deferred income tax liabilities</b>	325,163	822,225

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of LKR 829,588,602 (2014 - LKR 275,009,868 ) in respect of tax losses amounting to LKR 2,765,295,343 (2014 - LKR 982,178,101 ) that can be carried forward against future taxable income.

Deferred income tax liabilities of LKR 404,535 (2014 - LKR 6,292,019) have not been recognised for the withholding taxes and other taxes that would be payable on the unremitted earnings of the subsidiary as the Group intends to reinvest such earnings for the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 Deferred income tax (contd.)

### 18.1 The movement in net deferred income tax liabilities

	Group / Company LKR'000
Balance as at 1 January 2015	822,225
Discontinued operations / segregation adjustment	9,440
Deferred tax charge / (income) recognised in Income Statement	
On retirement benefit obligations	(10,255)
On property, plant & equipment and intangible assets	9,446
	(809)
Deferred tax charge / (income) recognised in the Statement of Other Comprehensive Income	
On retirement benefit obligations	5,865
On temporary difference from fair value differences	(511,558)
	(505,693)
	325,163
Balance as at 31 December 2015	325,163

## 19 Cash and cash equivalents

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Short term investments	326,518	589,490	323,790	589,490
Cash at bank and in hand	196,458	399,061	193,897	391,850
Cash and cash equivalents (excluding bank overdraft)	522,976	988,551	517,687	981,340

Cash and cash equivalents include the following for the purpose of the Statement of Cash Flows.

	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Cash and cash equivalents	522,976	988,551	517,687	981,340
Bank overdraft	(632)	(5,897)	(632)	(5,897)
	522,344	982,654	517,055	975,443

## 20 Insurance liabilities and related reinsurance assets

As at 31 December		Group / Company					
		Gross LKR'000	2015 Reinsurance LKR'000	Net LKR'000	Gross LKR'000	2014 Reinsurance LKR'000	Net LKR'000
Long term policy liability	20.1	36,749,652	-	36,749,652	35,981,529	-	35,981,529
Life claims provision	20.2	277,950	94,017	183,933	256,430	107,728	148,702
<b>Total life insurance contracts</b>		<b>37,027,602</b>	<b>94,017</b>	<b>36,933,585</b>	<b>36,237,959</b>	<b>107,728</b>	<b>36,130,231</b>
Unearned premium reserve		-	-	-	1,592,838	347,571	1,245,267
Claims reported and loss adjustment expenses		-	-	-	920,770	461,445	459,325
Claims incurred but not reported		-	-	-	442,566	266,206	176,360
<b>Total general insurance contracts</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,956,174</b>	<b>1,075,222</b>	<b>1,880,952</b>
<b>Total insurance contract liabilities</b>		<b>37,027,602</b>	<b>94,017</b>	<b>36,933,585</b>	<b>39,194,133</b>	<b>1,182,950</b>	<b>38,011,183</b>

### 20.1 Long term policy liability

	Group / Company		
	Gross LKR'000	Reinsurance LKR'000	Net LKR'000
Balance as at 1 January 2015	35,981,529	-	35,981,529
Expected increase in the policy liability during the year	1,006,572	-	1,006,572
Actual experience variance	837,567	-	837,567
Movement in inadmissible assets	1,225,409	-	1,225,409
Solvency margin and surplus with the market movements	(1,028,799)	-	(1,028,799)
Movement in AFS reserve transferred to long term insurance fund	(878,945)	-	(878,945)
Movement in unearned premium reserve	(393,681)	-	(393,681)
<b>Balance as at 31 December 2015</b>	<b>36,749,652</b>	<b>-</b>	<b>36,749,652</b>

### 20.2 Life claims provision

	Gross LKR'000	Reinsurance LKR'000	Net LKR'000
Balance as at 1 January 2015	256,430	107,728	148,702
Provisions for claims registered during the period	324,188	73,621	250,567
Provisions released for claims paid to clients	(302,668)	(87,332)	(215,336)
<b>Balance as at 31 December 2015</b>	<b>277,950</b>	<b>94,017</b>	<b>183,933</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 Retirement benefit obligations

The Group has a retirement benefit scheme for the gratuity liability of its employees which is wholly unfunded. There is no change in the scheme for the retirement gratuity obligations during the financial year.

The retiring gratuity is a statutory requirement in Sri Lanka under the Payment of Gratuity Act No 12 of 1983.

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Amount of liability recognised in the Statement of Financial Position	193,691	248,986
Amounts recognised in the Income Statement	35,452	45,064
Amounts recognised in the Statement of Other Comprehensive Income	(19,549)	(8,100)

The movement in the defined benefit obligation is as follows:

	Group / Company LKR'000
Balance as at 1 January 2015	248,986
Discontinued operations / segregation adjustment	(65,239)
Current service cost	21,697
Interest cost	13,755
	35,452
Remeasurements:	
Gains from changes in financial assumptions	(21,097)
Experience losses	1,548
	(19,549)
Benefits paid	(5,959)
Balance as at 31 December 2015	193,691

The principal actuarial assumptions used in determining the retirement benefit obligation are as follows:

	2015 % per annum	2014 % per annum
Future salary increase	11.00	11.00
Discount rate	9.80	7.17
Member withdrawal rate	8.00	10.00



## 21 Retirement benefit obligations (contd.)

Sensitivity analysis of key actuarial assumptions used

	Future salary increases		Group / Company Discount rate		Member withdrawal rate	
	1% increase LKR'000	1% decrease LKR'000	1% increase LKR'000	1% decrease LKR'000	1% increase LKR'000	1% decrease LKR'000
The effect on;						
- The current service cost	1,672	(1,486)	(1,549)	1,778	(171)	195
- Interest cost	-	-	-	-	-	-

Amounts for the current and previous five periods are as follows:

	2015	2014	2013	2012	2011	2010
Defined benefit obligation (LKR'000)	193,691	248,986	214,627	249,732	152,358	144,561

The below table provides the expected maturity analysis of defined benefit obligations.

As at 31 December 2015	Less than 1 year	1-5 years	Above 5 years	Total
Defined benefit obligation (LKR'000)	4,503	58,075	131,113	193,691

## 22 Other fund liabilities

A brief description and the movement of each fund is given below.

### 22.1 Claims Fund - General insurance

This fund consisted of amounts received by AIA Insurance Lanka PLC from Zurich Group Reinsurance on portfolio transfer (on a clean-cut basis). These funds are invested in Government securities to be utilised upon settlement of claims.

	Group / Company LKR'000
Balance as at 1 January 2015	21,055
Discontinued operations / segregation adjustment	(21,055)
Balance as at 31 December 2015	-

### 22.2 Agents Superannuation Fund

This fund is created for the benefit of the agency force. The fund accumulates contributions from both the Company and agents, based on a qualifying performance criteria which is a fixed percentage linked to their commissions. The fund invests in Government securities and fixed deposits in licensed commercial banks.

	Group / Company LKR'000
Balance as at 1 January 2015	168,145
Discontinued operations / segregation adjustment	(21,171)
Capital deposits	12,887
Capital withdrawals	(6,433)
Income / gains and losses	11,060
Balance as at 31 December 2015	164,488
Total other fund liabilities	
As at 31 December 2015	164,488
As at 1 January 2015	189,200

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 Accruals and other payables

As at 31 December	Note	Group		Company	
		2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Policyholder advance payments		233,493	108,484	233,493	108,484
Agency commission payable		304,722	292,615	304,722	292,615
Franchise fee payable		72,153	79,722	72,153	79,722
Government taxes and levies		21,295	47,549	21,295	47,549
Accrued expenses	23.1	1,037,857	1,209,764	1,037,358	1,209,343
Other creditors		133,856	125,186	133,856	125,186
		<b>1,803,376</b>	<b>1,863,320</b>	<b>1,802,877</b>	<b>1,862,899</b>
Accruals and other payables					
Current		1,727,996	1,788,717	1,727,497	1,788,296
Non-current		75,380	74,603	75,380	74,603
		<b>1,803,376</b>	<b>1,863,320</b>	<b>1,802,877</b>	<b>1,862,899</b>

### 23.1 Accrued expenses

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Provisions for accrued expenses	1,035,656	1,183,883	1,035,157	1,183,462
Operating lease payable	2,201	25,881	2,201	25,881
	<b>1,037,857</b>	<b>1,209,764</b>	<b>1,037,358</b>	<b>1,209,343</b>
Accrued expenses				
Current	984,542	1,153,929	984,043	1,153,508
Non-current	53,315	55,835	53,315	55,835
	<b>1,037,857</b>	<b>1,209,764</b>	<b>1,037,358</b>	<b>1,209,343</b>

### 23.2 Movement in accrued expenses

	Group LKR'000	Company LKR'000
Balance as at 1 January 2015	1,209,764	1,209,343
Discontinued operations / segregation adjustment	(393,641)	(393,604)
Provisions during the year	994,376	993,877
Payments and reversals during the year	(772,642)	(772,258)
Balance as at 31 December 2015	<b>1,037,857</b>	<b>1,037,358</b>

## 24 Current income tax liabilities

	Group LKR'000	Company LKR'000
Balance as at 1 January 2015	37,300	36,862
Discontinued operations	(371)	-
Provision	3,050	2,855
Payments	(130)	-
Income tax payable set off against tax credits	(36,727)	(36,702)
Adjustments of prior periods recognised in the period	(146)	(160)
Balance as at 31 December 2015	2,976	2,855

## 25 Deferred revenue

The Group defers the commission income from reinsurance and coinsurance arrangements.

As at 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Deferred reinsurance commission	-	75,426
Reinsurance recovered in advance on waiver of premium (WOP) claims	16,105	10,108
	16,105	85,534

### 25.1 Movement in deferred revenue

	Group / Company LKR'000
Balance as at 1 January 2015	85,534
Discontinued operations / segregation adjustment	(75,426)
Reinsurance recovered in advance in WOP claims	5,997
Balance as at 31 December 2015	16,105
The expected realisation of the deferred revenue is as follows;	
Current	16,105
Non-current	-
	16,105

## 26 Stated capital

As at 31 December	2015		2014	
	No. of shares	LKR'000	No. of shares	LKR'000
Fully paid ordinary shares	30,749,370	511,922	30,000,000	300,000

The Company declared an interim dividend to its shareholders for 2014 of LKR 7.07 per share on 27 January 2015, resulting in issuing of new ordinary [voting] shares credited as fully paid up based on a ratio of one new ordinary [voting] share being issued for every forty existing issued and fully paid ordinary [voting] shares [i.e. a ratio of 1:40] to shareholders registered in the Company's Share Register and also to those shareholders whose names appear on the Central Depository System (Private) Ltd (CDS) as at the end of trading on 27 January 2015 subject to making a cash dividend as appropriate for those residual fractions held. Accordingly, the Company issued 749,370 voting shares as fully paid ordinary shares on 6 February 2015.

The new share issue resulted in an increase in stated capital to LKR 511,921,836 enabling the Company to satisfy the minimum regulatory capital requirement of LKR 500,000,000 for life insurance business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27 Capital reserves

### Revaluation reserve

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

	Group / Company	
	2015 LKR'000	2014 LKR'000
Balance as at 1 January	72,096	72,096
Revaluation surplus arising during the year	-	-
Balance as at 31 December	72,096	72,096

## 28 Revenue reserves

### 28.1 Resilience reserve

A resilience reserve of LKR 65,000,000 was established in 2004 with funds appropriated from profits in order to strengthen the capability of the Company to meet temporary variations in asset values of the business. This reserve has been further strengthened by appropriation from profits.

	Group / Company	
	2015 LKR'000	2014 LKR'000
Balance as at 1 January	289,000	289,000
Appropriation from profits	-	-
Balance as at 31 December	289,000	289,000

### 28.2 Available for sale reserve

	Group / Company	
	2015 LKR'000	2014 LKR'000
Balance as at 1 January	18,567	15,502
Discontinued operations / segregation adjustment	(12,417)	-
Movement during the year	(6,133)	3,065
Balance as at 31 December	17	18,567

### 28.3 Retained earnings

As at 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
AIA Insurance Lanka PLC	5,489,837	4,155,595	5,489,837	4,155,595
Rainbow Trust Management Limited	4,045	3,184	-	-
AIA General Insurance Lanka Limited	-	3,108	-	-
Serendib Land PLC	-	45,119	-	-
Balance as at 31 December	5,493,882	4,207,006	5,489,837	4,155,595
Total revenue reserves	5,782,899	4,514,573	5,778,854	4,463,162

## 29 Net earned premium

### (a) Gross written premium

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Conventional	7,345,373	5,861,467
Unit-linked	1,087,960	1,405,106
<b>Total gross written premium</b>	<b>8,433,333</b>	<b>7,266,573</b>

### (b) Gross reinsurance premium

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Conventional	(212,836)	(187,369)
Unit-linked	(19,205)	(17,258)
<b>Total gross reinsurance premium</b>	<b>(232,041)</b>	<b>(204,627)</b>

### (c) Net change in reserve for unearned premium

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Change in reserve for unearned premium	(394,200)	(283,019)
Change in reserve for unearned reinsurance premium	519	(4,094)
<b>Net change in reserve for unearned premium</b>	<b>(393,681)</b>	<b>(287,113)</b>
<b>Net earned premium</b>	<b>7,807,611</b>	<b>6,774,833</b>

## 30 Investment income

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
<b>Dividend income</b>		
Financial assets at fair value through profit or loss	98,761	106,259
<b>Interest income</b>		
Available for sale financial assets	2,159,650	2,112,875
Loans and receivables	1,622,153	1,481,968
	3,781,803	3,594,843
<b>Total investment income</b>	<b>3,880,564</b>	<b>3,701,102</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 Fee income

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Policy administration charges	73,542	55,649	73,542	55,649
Other contract fees	264,695	223,482	264,696	223,482
Trust management fees	1,377	1,279	-	-
<b>Total fee income</b>	<b>339,614</b>	<b>280,410</b>	<b>338,238</b>	<b>279,131</b>

## 32 Realised gains

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Property, plant and equipment				
Realised gains	19,926	993	19,924	984
Financial assets				
Available for sale financial assets				
Debt securities	83,804	93,307	83,804	93,307
Fair value through profit or loss				
Equity instruments	135,177	111,074	135,177	111,074
<b>Total realised gains from financial assets</b>	<b>218,981</b>	<b>204,381</b>	<b>218,981</b>	<b>204,381</b>
<b>Total realised gains</b>	<b>238,907</b>	<b>205,374</b>	<b>238,905</b>	<b>205,365</b>

## 33 Fair value gains and losses

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Fair value gains / (losses) on financial assets at fair value through profit or loss	(379,996)	477,909	(379,996)	477,909
Reclassification of investment in associate as available for sale	21,884	-	40,114	-
<b>Total fair value gains and losses</b>	<b>(358,112)</b>	<b>477,909</b>	<b>(339,882)</b>	<b>477,909</b>

## 34 Other operating revenue

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Interest income on policy loans	261,914	296,293	261,914	296,293
Interest income on other loans	16,526	20,718	16,526	20,718
Interest income on cash and cash equivalents	15,098	14,849	14,805	14,607
Other miscellaneous income	16,032	31,774	16,033	31,767
<b>Total other operating revenue</b>	<b>309,570</b>	<b>363,634</b>	<b>309,278</b>	<b>363,385</b>



### 35 Net claims and benefits

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Gross claims and benefits	(4,943,171)	(6,854,804)
Claims ceded to reinsurers	72,476	106,953
Net claims and benefits	(4,870,695)	(6,747,851)

### 36 Net acquisition expenses

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Gross acquisition expenses		
Commission	(1,188,633)	(934,431)
Franchise fees	(85,081)	(42,600)
Total gross acquisition expenses	(1,273,714)	(977,031)
Reinsurance commission	5,639	3,257
Change in deferred acquisition expenses		
Commission	10,096	51,321
Franchise fees	12,054	(19,110)
Total change in deferred acquisition expenses	22,150	32,211
Net acquisition expenses	(1,245,925)	(941,563)

### 37 Operating and administrative expenses

For the financial year ended 31 December	Note	Group		Company	
		2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Employee benefit expenses	37.1	(1,283,366)	(1,232,347)	(1,283,366)	(1,232,347)
Administrative and establishment expenses		(1,010,367)	(866,190)	(1,009,963)	(865,862)
Selling expenses		(830,129)	(701,617)	(829,967)	(701,413)
Amortisation of intangible assets		(102,428)	(103,318)	(102,428)	(103,318)
Depreciation		(119,894)	(109,515)	(119,894)	(109,515)
Other expenses	37.3	(144,222)	(144,750)	(144,187)	(144,640)
		(3,490,406)	(3,157,737)	(3,489,805)	(3,157,095)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 Operating and administrative expenses (contd.)

### 37.1 Employee benefit expenses

For the financial year ended 31 December	Group / Company	
	2015 LKR'000	2014 LKR'000
Salaries and bonus	(648,931)	(600,381)
Contribution to defined contribution plans	(68,327)	(61,085)
Contribution to defined benefit plans	(35,452)	(45,064)
Staff welfare	(68,447)	(62,646)
Staff training	(40,651)	(42,042)
Others	(421,558)	(421,129)
	(1,283,366)	(1,232,347)

### 37.2 Share based payments

During the year, the AIA Group made grants of Restricted Share Units (RSUs) and restricted share purchase units to certain employees, directors and officers of the Group under the RSU Scheme and the ESPP.

#### RSU scheme

Under the RSU scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares.

#### Employee Share Purchase Plan (ESPP)

Under the plan, eligible employees of the Group can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted share purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 5 per cent of the annual basic salary.

#### Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU scheme and ESPP for the year ended 31 December 2015 is LKR 50,583,649 (2014: LKR 27,068,545).

### 37.3 Other expenses

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Increase in provision for bad and doubtful debts	(1,333)	(5,037)	(1,333)	(5,037)
Other technical expenses	(26,442)	(23,225)	(26,406)	(23,116)
Investment expenses	(116,408)	(115,993)	(116,408)	(115,993)
Other non-technical expenses	(39)	(495)	(40)	(494)
	(144,222)	(144,750)	(144,187)	(144,640)

### 38 Profit before tax

Profit before tax for the year is stated after charging all expenses including the following:

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014* LKR'000	2015 LKR'000	2014* LKR'000
Auditors' remuneration				
- Audit	4,176	5,831	3,996	5,425
- Non-audit	2,158	1,055	2,158	1,025
Directors' / Chief Executive Officer's emoluments	105,664	114,980	105,664	114,980
Directors' fees	2,350	1,625	2,350	1,625
Premium paid for Directors and Officers Liability Policy	-	1,420	-	1,420
Legal fees	698	2,154	698	2,154
Donations	4,178	5,242	4,178	5,242
Provision for bad and doubtful debts	1,333	3,136	1,333	3,136

\* The amounts stated above are inclusive of expenses relating to discontinued operations.

### 39 Income tax expenses

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Current income tax				
Current tax expense	(3,050)	(3,630)	(2,855)	(3,468)
Adjustments of prior periods recognised in the period	146	22,547	160	22,547
Notional tax unutilised during the year	(213,270)	(230,366)	(213,270)	(230,366)
	(216,174)	(211,449)	(215,965)	(211,287)
Deferred income tax				
Deferred tax income	809	1,231	809	1,231
Total income tax expense	(215,365)	(210,218)	(215,156)	(210,056)

The applicable tax rate - 28 per cent (2014 - 28 per cent)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 Income tax expenses (contd.)

### 39.1 Reconciliation of tax charge

For the financial year ended 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Profit before tax	1,761,569	473,078	1,760,499	472,189
Applicable tax rate	28%	28%	28%	28%
Tax at applicable rate	493,239	132,462	492,940	132,213
Add / (less) tax effect of the following items:				
Insurance premiums & income not subject to tax	(2,280,837)	(1,980,530)	(2,280,837)	(1,980,530)
Insurance claims not deductible for taxes	1,949,723	2,024,646	1,949,723	2,024,646
Tax free investment income	(671,113)	(489,085)	(671,113)	(489,085)
Other non-deductible expenses	11,915	17,946	11,900	18,023
Tax loss on which deferred tax asset is not recognised	499,168	274,413	499,273	274,423
Unutilised notional tax for the year	213,270	230,366	213,270	230,366
Tax charge for the year	215,365	210,218	215,156	210,056

#### Notional tax credit for withholding tax on Government securities

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in Government securities on or after 1 April 2002 would be entitled to a notional tax credit being one ninth of the net interest income provided such interest income forms part of the statutory income of the Company.

The notional tax credit available to set-off against future tax liability of the Company is as follows.

Financial year	Notional tax credit available LKR '000
2003	123,980
2004	68,027
2005	74,741
2006	100,114
2007	122,511
2008	171,156
2009	238,462
2010	269,058
2011	289,244
2012	350,201
2013	330,427
2014	232,243
2015	215,965
	2,586,129
Set-off against tax liability up to Y/A 2014 / 2015	(1,068,052)
Balance available to set-off against future tax liability	1,518,077

#### 40 Discontinued operations

The Company divested its fully owned subsidiary, AIA General Insurance Lanka Limited which carried out the business of General insurance, on the 23 October 2015. The divestment resulted in a disposal of a separate major line of business of the Group, hence identified as a discontinued operations as per SLFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'.

##### 40.1 Summarised Statement of Comprehensive Income of the discontinued operations

For the period ended 23 October / 31 December	Group		Company	
	2015 LKR'000	2014 LKR'000	2015 LKR'000	2014 LKR'000
Gross written premium	3,167,544	2,946,284	-	2,946,284
Net earned premium	2,023,688	2,031,403	-	2,031,403
Investment and other income	294,649	355,024	-	348,670
<b>Total revenue</b>	<b>2,318,337</b>	<b>2,386,427</b>	<b>-</b>	<b>2,380,073</b>
Net claims	(1,549,051)	(1,249,831)	-	(1,249,831)
Net acquisition expenses	(57,220)	(54,890)	-	(54,890)
Operating and administrative expenses	(813,177)	(968,742)	-	(968,124)
<b>Profit before tax</b>	<b>(101,111)</b>	<b>112,964</b>	<b>-</b>	<b>107,228</b>
Income tax expense	22,315	(23,391)	-	(21,450)
<b>Post tax profit / (loss) for the period</b>	<b>(78,796)</b>	<b>89,573</b>	<b>-</b>	<b>85,778</b>
Realised gain from disposal of subsidiary 40.2	1,266,246	-	1,224,811	-
<b>Profit for the period from discontinued operations (net of tax)</b>	<b>1,187,450</b>	<b>89,573</b>	<b>1,224,811</b>	<b>85,778</b>
<b>Other comprehensive income-net of tax</b>				
Changes in fair value of available for sale financial assets	(5,234)	949	-	949
Remeasurement of retirement benefit obligations	182	-	-	-
<b>Total other comprehensive income for the year</b>	<b>(5,052)</b>	<b>949</b>	<b>-</b>	<b>949</b>
<b>Total comprehensive income</b>	<b>1,182,398</b>	<b>90,522</b>	<b>1,224,811</b>	<b>86,727</b>

##### 40.2 Realised gain from disposal of subsidiary

For the period ended 23 October / 31 December	Group 2015 LKR '000	Company 2015 LKR '000
Sales proceeds	3,200,000	3,200,000
Cost of investment in subsidiary	-	(1,878,017)
Net asset value of the subsidiary	(1,883,436)	-
Directly attributable expenses to the disposal	(97,172)	(97,172)
<b>Gain on disposal of assets together as a group</b>	<b>46,854</b>	<b>-</b>
	<b>1,266,246</b>	<b>1,224,811</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 Discontinued operations (contd.)

### 40.3 Summarised Cash Flow Statement of the discontinued operations

For the period ended 23 October / 31 December	Group		Company	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cash used in operating activities	(253,885)	(66,392)	(253,885)	(65,881)
Taxes paid	(4,943)	(1,060)	(4,943)	-
Net cash used in operating activities	(258,828)	(67,452)	(258,828)	(65,881)
Net cash flow from / (used in) investing activities	(5,280)	254,193	(5,280)	249,693
Net cash used in financing activities	-	(20,000)	-	(20,000)
Increase / (decrease) in cash and cash equivalents	(264,108)	166,741	(264,108)	163,812
Cash and cash equivalents and bank overdraft at the beginning of the year	407,290	240,549	407,290	240,549
Cash and cash equivalents and bank overdraft at the end of the year	143,182	407,290	143,182	404,361

## 41 Basic / diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For the financial year ended 31 December	Group		Company	
	2015	2014	2015	2014
<b>Continuing operations</b>				
Profit attributable to the Company's ordinary equity holders (LKR'000)	303,163	262,866	320,533	262,133
Weighted average number of ordinary shares in issue ('000)	30,749	30,749	30,749	30,749
Basic earnings per share (LKR)	9.86	8.55	10.42	8.52
<b>Discontinued operations</b>				
Profit attributable to the Company's ordinary equity holders (LKR'000)	1,187,450	89,573	1,224,811	85,778
Weighted average number of ordinary shares in issue ('000)	30,749	30,749	30,749	30,749
Basic earnings per share (LKR)	38.62	2.91	39.83	2.79

## 42 Dividend per share

The dividends paid in 2015 and 2014 were LKR 212,100,000 (LKR 7.07 per share) and LKR 60,000,000 (LKR 2.00 per share) respectively.



**43 Related party disclosures**  
**43.1 Transactions with related entities**

Details of significant related party disclosures are as follows:

Nature of transaction	Name of the company and relationship													
	AIA General Insurance Lanka Limited* Subsidiary		Serendib Land PLC Associate		AIA Holdings Lanka (Private) Limited Immediate parent		AIA Company Limited Parent		AIA Group Limited Ultimate parent		AIA Shared Services (Hong Kong) Limited Fellow subsidiary		TATA AIA Life Insurance Company Limited Fellow associate	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	
For the financial year ended 31 December														
Rent paid	-	(16,128)	-	-	-	-	-	-	-	-	-	-	-	-
Group recharges	-	-	-	-	(90,532)	(67,367)	(65,474)	(40,725)	(69,568)	(17,603)	-	-	-	-
Group agency events	-	-	-	-	(15,158)	(11,953)	-	-	-	-	-	-	-	-
Expense reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	136	4,486
Dividend (paid) / received	-	2,019	(185,108)	(52,364)	(20,956)	(5,928)	-	-	-	-	-	-	-	-
Allocation of overheads	161,378	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance premium paid	(59,372)	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Transactions upto 23 October 2015

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 Related Party Disclosures (contd.)

### 43.2 Transactions with Key Management Personnel of the Company or Parent and their close family members

The Key Management Personnel of the Company are the members of its Executive Committee including Chief Executive Officer (CEO), Board of Directors and those of its Parent and Ultimate Parent.

#### a) Key Management Personnel compensation Directors' / CEO's compensation

For the financial year ended 31 December	2015 LKR '000	2014 LKR '000
Directors' / CEO's remuneration	49,786	47,857
Short-term employee benefits	51,659	59,944
Contribution to defined contribution plans	7,468	7,179
Premiums paid for Directors and Officers Liability policy *	-	1,420
Directors' fees	2,350	1,625
	111,263	118,025

\* The insurance policy covers past and present Directors and Officers of the Company and its subsidiaries.

#### Other Key Management Personnel emoluments

For the financial year ended 31 December	2015 LKR '000	2014 LKR '000
Emoluments	120,600	133,700
	120,600	133,700

#### Transactions by other Key Management Personnel with related entities

Share ownerships of other Key Management Personnel	No of shares as at 31 December 2015	Name of the related entity
Employee Share Purchase Plan	5,282	AIA Group Limited*

\* AIA Group Limited is the parent of AIA Company Limited.

b) No loans have been granted to Directors during the year. A sum of LKR 348,588 was granted to other Key Management Personnel excluding Directors and CEO.

#### c) Other transactions Business transactions of Key Management Personnel

For the financial year ended 31 December	2015 LKR '000	2014 LKR '000
Premium paid on insurance policies taken by Directors in their individual capacity	165	172
	165	172

There have been no transactions with close family members of Key Management Personnel and shareholders who have either control, significant influence or joint control over the Company.

### 43.3 Transactions with other related parties

Transactions by Key Management Personnel with other companies

(Directors of the Company who are also Directors / Key Management Personnel of the following entities which have transactions with the Company).

Company	Name of the Director	Position	Relationship	Details of financial dealings
AIA Company Limited	Gordon Timmins Watson (Resigned from the position of Chairman / Director w.e.f. 22 June 2015)	Director	AIA Company Limited is the parent of AIA Insurance Lanka PLC	This company has an Intra-Group master services agreement and Statements of Work (SOW) relating to group service fee and group distribution organised events with AIA Insurance Lanka PLC
	William Lisle	Director		
TATA AIA Life Insurance Company Limited	Heerak Basu	Senior Vice President & Appointed Actuary	TATA AIA Life Insurance Company Limited is a fellow associate of AIA Insurance Lanka PLC	This company has a settlement agreement with AIA Insurance Lanka PLC
	Gordon Timmins Watson (Resigned from the position of Chairman / Director w.e.f. 22 June 2015)	Director		
	William Lisle	Director		
Richard Peiris Distributors Limited	Deepal Sooriyaarchchi	Director	No relationship with AIA Insurance Lanka PLC	AIA Insurance Lanka PLC has transactions in the ordinary course of business with Richard Peiris Distributors Limited
Singer Sri Lanka PLC	Deepal Sooriyaarchchi	Director	No relationship with AIA Insurance Lanka PLC	AIA Insurance Lanka PLC has transactions in the ordinary course of business with Singer Sri Lanka PLC
Sampath Bank PLC	Deepal Sooriyaarchchi	Director	No relationship with AIA Insurance Lanka PLC	AIA Insurance Lanka PLC has transactions in the ordinary course of business with Sampath Bank PLC

### 44 Contingent liabilities

#### 44.1 Outstanding tax assessments

The Department of Inland Revenue (DIR) has issued an assessment in relation to the year ending 31 December 2003, mainly imposing VAT on reinsurance commissions and claim recoveries. The Company has made an appeal against the assessment and the matter at present is before the Court of Appeal. As per the opinion of the legal/ tax experts, the matter would be concluded in Company's favour on the merits of the facts of the case. Based on the grounds of appeals and the submissions made by the Company's tax consultants, neither the best estimate of future expense to settle this obligation nor the timing of such settlement can be reasonably measured as at the date of the Statement of Financial Position.

The Company has also received assessments relating to income taxes for the assessment periods of 2010/11,

2011/12 and 2012/13. DIR has disallowed management expenses relating to the life insurance business including capital allowance. Company disagreed with this assessment and an appeal has been filed following due process. Based on the information available and expert advice received, the Directors are confident that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the financial position of the Company. Hence no provision has been made in the financial statements.

Additionally the Company has received VAT assessments to the value of LKR 1.6 million from the DIR, in relation to which appeals have been filed.

#### 44.2 Pending litigation

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial

results or future operations of the Company.

### 45 Events after the reporting period

The Board of Directors of the Company has recommended a declaration of final dividend of LKR 49.50 per share for the financial year ended 31 December 2015, subject to approval by the shareholders.

As required by the section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to declaring a dividend of LKR 49.50 per share for the year 2015 to be paid in 2016.

In accordance with LKAS 10, 'Events After the Reporting Period', the final dividend declared has not been recognised as a liability in the financial statements as at 31 December 2015.

# QUARTERLY ANALYSIS 2015

## Income Statement - Group

	1st quarter Jan - Mar 15 LKR '000	2nd quarter Apr - Jun 15 LKR '000	3rd quarter Jul - Sep 15 LKR '000	4th quarter Oct - Dec 15 LKR '000	Total Jan - Dec 15 LKR '000
<b>Continuing operations</b>					
Gross written premium	1,816,606	2,050,304	2,225,762	2,340,661	8,433,333
Gross reinsurance premium	(57,411)	(59,094)	(55,423)	(60,113)	(232,041)
Net change in reserves for unearned premium	(41,443)	(109,738)	(104,225)	(138,275)	(393,681)
Net earned premium	1,717,752	1,881,472	2,066,114	2,142,273	7,807,611
<b>Other revenue</b>					
Investment income	885,019	955,879	988,438	1,051,228	3,880,564
Fee income	83,594	84,112	86,901	85,007	339,614
Realised gains	11,311	95,659	79,342	52,595	238,907
Fair value gains and losses	(156,248)	44,437	(94,675)	(151,626)	(358,112)
Other operating revenue	75,181	74,214	75,041	85,134	309,570
	898,857	1,254,301	1,135,047	1,122,338	4,410,543
<b>Total revenue</b>	<b>2,616,609</b>	<b>3,135,773</b>	<b>3,201,161</b>	<b>3,264,611</b>	<b>12,218,154</b>
Net claims and benefits	(1,184,971)	(1,091,250)	(1,173,245)	(1,421,229)	(4,870,695)
Change in contractual liability	(243,089)	(745,002)	(766,903)	(337,606)	(2,092,600)
Net acquisition expenses	(281,924)	(300,315)	(318,899)	(344,787)	(1,245,925)
Operating and administrative expenses	(821,175)	(902,170)	(829,224)	(937,837)	(3,490,406)
Profit before tax	85,450	97,036	112,890	223,152	518,528
Income tax expense	(47,872)	(47,696)	(58,108)	(61,689)	(215,365)
Profit for the period from continuing operations	37,578	49,340	54,782	161,463	303,163
<b>Discontinued operations</b>					
Profit / (loss) for the period of discontinued operations (net of tax)	(39,469)	24,777	(31,993)	1,234,135	1,187,450
Profit / (loss) for the period	(1,891)	74,117	22,789	1,395,598	1,490,613

## Income Statement - Company

	1st quarter Jan - Mar 15 LKR '000	2nd quarter Apr - Jun 15 LKR '000	3rd quarter Jul - Sep 15 LKR '000	4th quarter Oct - Dec 15 LKR '000	Total Jan - Dec 15 LKR '000
<b>Continuing operations</b>					
Gross written premium	1,816,606	2,050,304	2,225,761	2,340,662	8,433,333
Gross reinsurance premium	(57,411)	(59,094)	(55,423)	(60,113)	(232,041)
Net change in reserves for unearned premium	(41,443)	(109,738)	(104,225)	(138,275)	(393,681)
Net earned premium	1,717,752	1,881,472	2,066,113	2,142,274	7,807,611
<b>Other revenue</b>					
Investment income	885,019	955,879	988,438	1,051,228	3,880,564
Fee income	83,256	83,776	86,551	84,655	338,238
Realised gains	11,309	95,659	79,342	52,595	238,905
Fair value gains and losses	(156,248)	44,437	(94,675)	(133,396)	(339,882)
Other operating revenue	75,120	74,142	74,966	85,050	309,278
	898,456	1,253,893	1,134,622	1,140,132	4,427,103
<b>Total revenue</b>	<b>2,616,208</b>	<b>3,135,365</b>	<b>3,200,735</b>	<b>3,282,406</b>	<b>12,234,714</b>
Net claims and benefits	(1,184,971)	(1,091,250)	(1,173,245)	(1,421,229)	(4,870,695)
Change in contractual liability	(243,089)	(745,002)	(766,903)	(337,606)	(2,092,600)
Net acquisition expenses	(281,924)	(300,315)	(318,900)	(344,786)	(1,245,925)
Operating and administrative expenses	(821,093)	(901,985)	(829,116)	(937,611)	(3,489,805)
Profit before tax	85,131	96,813	112,571	241,174	535,689
Income tax expense	(47,814)	(47,655)	(58,050)	(61,637)	(215,156)
Profit for the period from continuing operations	37,317	49,158	54,521	179,537	320,533
<b>Discontinued operations</b>					
Profit / (loss) for the period of discontinued operations (net of tax)	(747)	(6,044)	(5,915)	1,237,517	1,224,811
Profit for the period	36,570	43,114	48,606	1,417,054	1,545,344

# QUARTERLY ANALYSIS 2014

## Income Statement - Group

	1st quarter Jan - Mar 14 LKR '000	2nd quarter Apr - Jun 14 LKR '000	3rd quarter Jul - Sep 14 LKR '000	4th quarter Oct - Dec 14 LKR '000	Total Jan - Dec 14 LKR '000
<b>Continuing operations</b>					
Gross written premium	1,754,618	1,760,906	1,842,837	1,908,212	7,266,573
Gross reinsurance premium	(45,199)	(47,584)	(57,233)	(54,611)	(204,627)
Net change in reserves for unearned premium	(130,111)	(72,824)	(29,872)	(54,306)	(287,113)
Net earned premium	1,579,308	1,640,498	1,755,732	1,799,295	6,774,833
<b>Other revenue</b>					
Investment income	935,681	940,931	918,949	905,541	3,701,102
Fee income	64,272	67,670	71,532	76,936	280,410
Realised gains and losses	(20,408)	5,218	152,401	68,163	205,374
Fair value gains and losses	5,736	209,536	299,008	(36,371)	477,909
Other operating revenue	79,289	98,170	85,467	100,708	363,634
	1,064,570	1,321,525	1,527,357	1,114,977	5,028,429
<b>Total revenue</b>	<b>2,643,878</b>	<b>2,962,023</b>	<b>3,283,089</b>	<b>2,914,272</b>	<b>11,803,262</b>
Net claims and benefits	(1,727,947)	(1,764,467)	(1,752,261)	(1,503,176)	(6,747,851)
Change in contractual liability	62,071	(136,583)	(329,418)	(79,097)	(483,027)
Net acquisition expenses	(166,207)	(263,062)	(261,757)	(250,537)	(941,563)
Operating and administrative expenses	(713,863)	(704,700)	(848,446)	(890,728)	(3,157,737)
Profit before tax	97,932	93,211	91,207	190,734	473,084
Income tax expense	(51,517)	(54,368)	(51,798)	(52,535)	(210,218)
Profit for the period from continuing operations	46,415	38,843	39,409	138,199	262,866
<b>Discontinued operations</b>					
Profit for the period from discontinued operations (net of tax)	32,012	28,629	13,371	15,561	89,573
Profit for the period	78,427	67,472	52,780	153,760	352,439

## Income Statement - Company

	1st quarter Jan - Mar 14 LKR '000	2nd quarter Apr - Jun 14 LKR '000	3rd quarter Jul - Sep 14 LKR '000	4th quarter Oct - Dec 14 LKR '000	Total Jan - Dec 14 LKR '000
<b>Continuing operations</b>					
Gross written premium	1,754,618	1,760,906	1,842,837	1,908,212	7,266,573
Gross reinsurance premium	(45,199)	(47,584)	(57,233)	(54,611)	(204,627)
Net change in reserves for unearned premium	(130,111)	(72,824)	(29,872)	(54,306)	(287,113)
Net earned premium	1,579,308	1,640,498	1,755,732	1,799,295	6,774,833
<b>Other revenue</b>					
Investment income	935,681	940,931	918,949	905,541	3,701,102
Fee income	64,177	67,155	71,200	76,599	279,131
Realised gains and losses	(20,416)	5,218	152,399	68,164	205,365
Fair value gains and losses	5,736	209,536	299,008	(36,371)	477,909
Other operating revenue	79,242	98,100	85,421	100,622	363,385
	1,064,420	1,320,940	1,526,977	1,114,555	5,026,892
<b>Total revenue</b>	<b>2,643,728</b>	<b>2,961,438</b>	<b>3,282,709</b>	<b>2,913,850</b>	<b>11,801,725</b>
Net claims and benefits	(1,727,947)	(1,764,467)	(1,752,261)	(1,503,176)	(6,747,851)
Change in contractual liability	62,071	(136,583)	(329,418)	(79,097)	(483,027)
Net acquisition expenses	(166,207)	(263,062)	(261,757)	(250,537)	(941,563)
Operating and administrative expenses	(713,812)	(704,471)	(848,345)	(890,467)	(3,157,095)
Profit before tax	97,833	92,855	90,928	190,573	472,189
Income tax expense	(51,499)	(54,303)	(51,748)	(52,506)	(210,056)
Profit for the period from continuing operations	46,334	38,552	39,180	138,067	262,133
<b>Discontinued operations</b>					
Profit for the period from discontinued operations (net of tax)	31,357	26,749	13,657	14,015	85,778
Profit for the period	77,691	65,301	52,837	152,082	347,911

# FIVE YEAR SUMMARY

As at 31 December	2015 LKR '000	2014 LKR '000	2013 LKR '000	2012 LKR '000	2011 LKR '000
<b>Statement of Financial Position</b>					
<b>Group</b>					
<b>Assets</b>					
Investments	35,664,879	33,943,900	30,398,645	26,222,740	24,835,175
Investments - unit-linked	5,565,077	6,499,893	7,476,508	8,090,885	6,632,277
Property, plant and equipment	300,079	358,634	303,473	203,439	209,786
Other assets	4,432,555	6,898,293	6,026,766	6,476,046	5,473,419
<b>Total assets</b>	<b>45,962,590</b>	<b>47,700,720</b>	<b>44,205,392</b>	<b>40,993,110</b>	<b>37,150,657</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	511,922	300,000	300,000	300,000	300,000
Revaluation reserve	72,096	72,096	72,096	72,096	39,916
Resilience reserve	289,000	289,000	289,000	289,000	289,000
Retained earnings	5,493,899	4,225,573	3,924,237	3,402,457	2,956,502
<b>Total equity</b>	<b>6,366,917</b>	<b>4,886,669</b>	<b>4,585,333</b>	<b>4,063,553</b>	<b>3,585,418</b>
<b>Liabilities</b>					
Insurance provision - conventional	31,372,229	29,668,160	26,174,239	23,892,127	22,195,937
Insurance provision - unit-linked	5,655,373	6,569,799	7,638,055	8,125,091	6,668,504
Insurance provision - general	-	2,956,174	2,755,899	2,325,611	2,486,262
Other liabilities	2,568,071	3,619,918	3,051,866	2,586,728	2,214,536
<b>Total liabilities</b>	<b>39,595,673</b>	<b>42,814,051</b>	<b>39,620,059</b>	<b>36,929,557</b>	<b>33,565,239</b>
<b>Total equity and liabilities</b>	<b>45,962,590</b>	<b>47,700,720</b>	<b>44,205,392</b>	<b>40,993,110</b>	<b>37,150,657</b>
<b>Long term - supplemental</b>					
<b>Assets</b>					
Investments	30,075,237	28,664,494	25,431,589	23,223,489	20,385,777
Investments - unit-linked	5,565,077	6,499,893	7,476,508	8,090,885	6,632,277
Other assets	3,401,324	3,264,965	2,534,334	1,936,635	3,019,814
<b>Total assets</b>	<b>39,041,638</b>	<b>38,429,352</b>	<b>35,442,431</b>	<b>33,251,009</b>	<b>30,037,868</b>
<b>Liabilities</b>					
Insurance provision - conventional	31,372,229	29,668,160	26,174,239	23,892,127	22,195,938
Insurance provision - unit-linked	5,655,373	6,569,799	7,638,055	8,125,091	6,668,504
Other liabilities	2,014,036	2,191,393	1,630,137	1,233,791	1,173,426
<b>Total liabilities</b>	<b>39,041,638</b>	<b>38,429,352</b>	<b>35,442,431</b>	<b>33,251,009</b>	<b>30,037,868</b>



## Five year summary

### For the financial year ended 31 December

	2015 LKR '000	2014 LKR '000	2013 LKR '000	2012 LKR '000	2011 LKR '000
<b>Income Statement</b>					
<b>Group</b>					
Annualised new premium	3,894,229	3,460,035	2,976,393	2,611,006	2,888,782
Gross written premium	8,433,333	7,266,573	6,863,047	6,495,863	7,846,447
Gross reinsurance premium	(232,041)	(204,627)	(253,493)	(219,497)	(260,263)
Net change in reserves for unearned premium	(393,681)	(287,113)	(296,445)	-	-
Net earned premium	7,807,611	6,774,833	6,313,109	6,276,366	7,586,184
Other revenue	4,410,543	5,028,429	4,382,419	3,970,127	2,746,678
Total revenue	12,218,154	11,803,262	10,695,528	10,246,493	10,332,862
Net claims and benefits	(4,870,695)	(6,747,851)	(5,652,349)	(3,163,294)	(2,468,068)
Change in contractual liability	(2,092,600)	(483,027)	(753,963)	(3,672,697)	(4,195,094)
Net acquisition expenses	(1,245,925)	(941,563)	(815,996)	(757,551)	(943,840)
Operating and administrative expenses	(3,490,406)	(3,157,737)	(2,996,996)	(1,873,048)	(1,917,780)
Profit before tax	518,528	473,084	476,224	779,903	808,080
Income tax expense	(215,365)	(210,218)	(293,067)	(314,011)	(287,618)
Surplus transfer to Shareholders' Fund	100,000	100,000	200,000	195,000	355,000
Profit for the period from continuing operations	303,163	262,866	183,157	465,892	520,462
Profit for the period from discontinued operations (net of tax)	1,187,450	89,573	316,136	382,015	171,990
Profit for the period	1,490,613	352,439	499,293	847,907	692,452

## Investor information

Financial year		2015	2014	2013	2012	2011
Return on net assets	%	5.38	7.44	11.54	22.17	20.21
Net assets per share	LKR	207.06	158.92	149.12	132.15	116.60
Market price per share - 31 December	LKR	292.00	302.00	250.70	329.80	247.40
Basic earnings per share	LKR	9.86	8.55	5.96	15.14	16.89
Price earnings ratio	times	29.62	35.33*	42.09*	21.79*	14.64*
Market capitalisation	LKR Mn	8,979	9,060	7,521	9,894	7,422
Dividend per share	LKR	7.07	2.00*	2.50*	9.00*	9.00*
Dividend payout ratio	%	71.71	23.40*	41.97*	59.46*	53.27*
<b>Employee information</b>						
Revenue per employee**	LKR Mn	15.14	15.49	15.59	18.84	18.42
Net profit per employee**	LKR '000	376	345*	267*	856*	926*
Number of permanent employees**	nos.	807	762	686	544	561

\* Adjusted to reflect the declaration of 749,370 new ordinary shares as a scrip dividend on 27 January 2015.

\*\* Continuing operations only.

# SHARE INFORMATION

## Shareholdings

As at 31 December 2015 there were 1,796 registered shareholders.

## Distribution of Ordinary Shares

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	1,615	328,667	1.06	5	749	0.00	1,620	329,416	1.06
1001 - 10,000	165	398,212	1.30	1	1,828	0.01	166	400,040	1.31
10,001 - 100,000	8	144,979	0.47	0	0	0.00	8	144,979	0.47
100,001 - 1,000,000	0	0	0.00	0	0	0.00	0	0	0.00
Over 1,000,000	1	26,836,716	87.28	1	3,038,219	9.88	2	29,874,935	97.16
Total	1,789	27,708,574	90.11	7	3,040,796	9.89	1796	30,749,370	100.00

The percentage of shares held by the public 2.84 per cent.

## Categories of Shareholdings

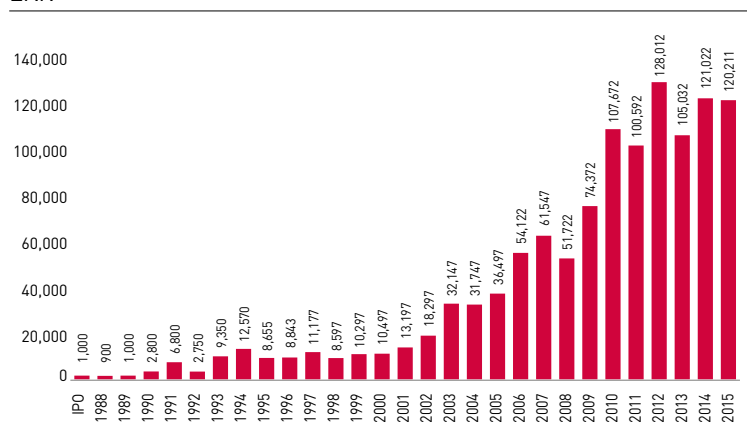
Categories of Shareholders	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	1,728	743,648	2.42	6	2,577	0.01	1,734	746,225	2.43
Institutional	61	26,964,926	87.69	1	3,038,219	9.88	62	30,003,145	97.57
Total	1,789	27,708,574	90.11	7	3,040,796	9.89	1,796	30,749,370	100.00

## Substantial Shareholdings

Name of the Shareholder	No. of Shares	%
AIA Holdings Lanka (Private) Limited	26,836,716	87.28
AIA Company Limited	3,038,219	9.88

## Value of LKR. 1,000 invested at AIA IPO

LKR



## 20 Largest Shareholders

The 20 largest shareholders as at 31 December 2015 are given below.

Name of the Shareholder	31 December 2015	
	No. of Shares	%
AIA Holdings Lanka (Private) Limited	26,836,716	87.28
AIA Company Limited	3,038,219	9.88
Mr. Srikantha Rasaratnam	38,435	0.12
People's Leasing and Finance PLC/ Mr. Chamila Damion Kohombanwickramage	20,348	0.07
Dawi Investment Trust (Pvt) LTD	15,375	0.05
Miss. A S Gunaratne	15,375	0.05
Mr. N W H D Gunaratne	15,375	0.05
Deutsche Bank AG as trustee to Assetline Income Plus Growth Fund	15,202	0.05
Mr. Chandra Jayaratne	13,220	0.04
People's Leasing & Finance PLC / M V D Ranasinghe	11,649	0.04
Mr. Aravinthan Sivarajah	9,891	0.03
Waldock Mackenzie LTD / Dr. Henneidge Srinath Dilanjan Soysa	8,244	0.03
Mr. Varatharajah Selvaratnam	7,685	0.02
Mr. S K Kader / Mrs. N M Kader	7,685	0.02
Mr. S P K Chamara Perera	7,436	0.02
Mr. H Janak Bhagwandas	7,224	0.02
Mrs. Thevarajah Sithamparam	7,172	0.02
Mr. N S J Nawaratne	6,765	0.02
People's Leasing and Finance PLC/ Mr. L P Hapangama	6,731	0.02
Mr. R T Manatunga / Mrs. C N C Manatunga	6,150	0.02
Others	30,094,897	97.85
Total	654,473	2.15
	30,749,370	100.00

The 20 largest shareholders as at 31 December 2014 are given below.

Name of the Shareholder	31 December 2014	
	No. of Shares	%
AIA Holdings Lanka (Private) Limited	26,182,162	87.27
AIA Company Limited	2,964,117	9.88
Mr. Srikantha Rasaratnam	37,498	0.12
Dawi Investment Trust (Private) Limited	15,000	0.05
Mr. G N Wickramasekera Harry Dias	15,000	0.05
Miss. A S Gunaratne	15,000	0.05
Mr. Chandra Jayaratne	12,898	0.04
Deutsche Bank AG as trustee to Assetline Income Plus Growth Fund	10,205	0.03
Mr. Aravinthan Sivarajah	9,650	0.03
People's Leasing and Finance PLC/ Mr. Chamila Damion Kohombanwickramage	9,482	0.03
Waldock Mackenzie Limited / Dr. Henneidge Srinath Dilanjan Soysa	8,043	0.03
Mr. Varatharajah Selvaratnam	7,498	0.02
Mr. Sivagnanam Sathasivam	7,498	0.02
Mr. S K Kader / Mrs. N M Kader	7,498	0.02
Mr. S P K Chamara Perera	7,255	0.02
Mr. H Janak Bhagwandas	7,048	0.02
Mrs. Thevarajah Sithamparam	6,998	0.02
Mr. N S J Nawaratne	6,600	0.02
People's Leasing and Finance PLC/ Mr. L P Hapangama	6,348	0.02
Mr. R T Manatunga / Mrs. C N C Manatunga	6,000	0.02
Others	29,341,798	97.76
Total	658,202	2.24
	30,000,000	100.00

# SHARE INFORMATION

## Share Valuation

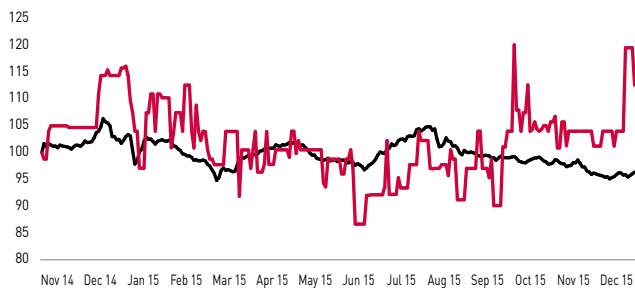
The market value of the Company's ordinary shares as at 31 December 2015 was LKR 292.00 (31 December 2014 - LKR 302.00)

## Record of scrip Issues

Year of Issue	Type of Issue	Ratio
1994	Bonus	1 : 5
1995	Bonus	1 : 4
1996	Bonus	1 : 4
1997	Bonus	1 : 15
2005	Bonus	1 : 2
2015	Scrip dividend	1 : 40

## CSE ASPI Index Vs AIA Share Price

Indexed to 31 December 2014



AIA ■ ASPI ■

## Share Performance

	2015	2014
No. of transactions	517	654
No. of shares traded	57,285	68,009
Total value of shares traded (LKR)	16,971,336	19,576,828
CSE Turnover (LKR Mn)	253,251	341,359
AIA market cap. (LKR Mn)	8,979	9,060
CSE market cap. (LKR Mn)	2,937,998	3,104,864
All Share Price Index - 31 December	6,894.50	7,298.95
AIA Share Price - 31 December (LKR)	292.00	302.00
AIA Share Price - High (LKR)	350.00	324.00
AIA Share Price - Low (LKR)	250.00	251.00
Earnings per share (LKR)	9.86	8.55
P/E Ratio (times)	29.62	35.33
Net assets per share (LKR)	207.06	158.92*
Return on net assets (%)	5.38	7.44

\* Adjusted to reflect the declaration of 749,370 new ordinary shares as a scrip dividend on 27 January 2015.

# OUR LOCAL AND REGIONAL REACH

## AIA FOOTPRINT IN ASIA

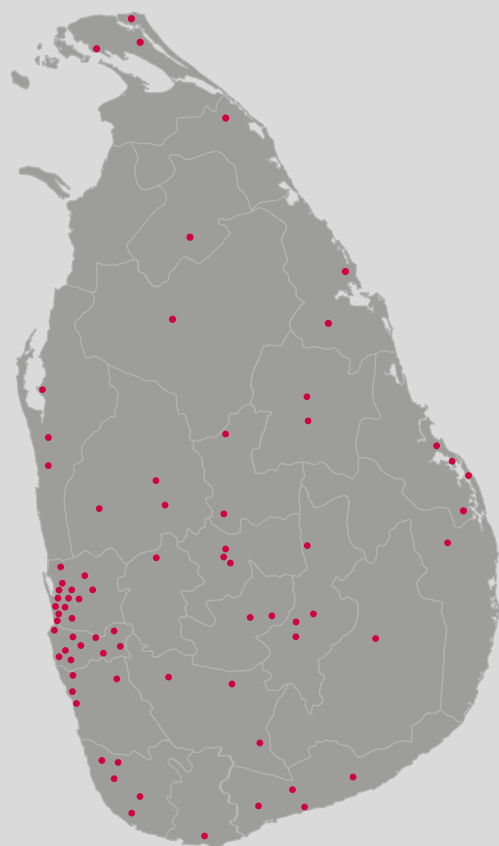


### 18 MARKETS

AUSTRALIA 1972	MYANMAR 2013
BRUNEI 1957	NEW ZEALAND 1981
CHINA 1919	PHILIPPINES 1947
HONG KONG 1931	SINGAPORE 1931
INDIA 2001	SRI LANKA 2012
INDONESIA 1984	TAIWAN 1990
KOREA 1987	THAILAND 1938
MACAU 1982	VIETNAM 2000
MALAYSIA 1948	CAMBODIA 2015

## BRANCH OFFICE NETWORK IN SRI LANKA

Ambalangoda	Jaffna	Mount Lavinia
Ambalantota	Kaduwela	Negombo
Ampara	Kalawanchikudi	Nelliady
Anuradhapura	Kalmunai	Nikaweratiya
Avissawella	Kalutara	Nittambuwa
Badulla	Kandana	Nugegoda
Balangoda	Kandy	Nuwara Eliya
Bandarawela	Kanthale	Peliyagoda
Battaramulla	Karapitiya	Pilimathalawa
Batticaloa	Kegalle	Polonnaruwa
Beliatta	Kilinochchi	Puttlam
Chilaw	Kiribathgoda	Ragama
Colombo	Kodikamam	Ratnapura
Dambulla	Kottawa	Tissamaharma
Dankotuwa	Kuliyapitiya	Trincomalee
Elpitiya	Kurunegala	Valaichchenai
Embilipitiya	Maharagama	Vavuniya
Galle	Mahiyanganaya	Wadduwa
Gampaha	Matale	Wariyapola
Gampola	Matara	Wattala
Hingurakgoda	Mirigama	Welimada
Homagama	Minuwangoda	Wennappuwa
Horana	Moneragala	Yakkala
Ja-ela	Moratuwa	



# DISTRIBUTION NETWORK

## HEAD OFFICE

AIA Insurance Lanka PLC  
75 KumaranRatnam Road Colombo 2  
Tel : 011 231 0300 / 231 0000  
Fax : 011 231 0076  
E-mail : lk.info@aia.com  
Web : www.aialife.com.lk  
Hotline : 011 231 0310  
Fax : 011 471 5892

## AIA Life Link

1 KumaranRatnam Road  
Colombo 2  
Tel : 011 231 0310  
Fax : 011 471 5892

## AIA DISTRIBUTION NETWORK BRANCH OFFICE NETWORK

**Ambalangoda**  
118A/2/1 GMA Building, Galle Road  
Ambalangoda  
Tel : 091 225 8969  
Fax : 091 225 8994

**Ambalantota**  
143 Main Street Ambalantota  
Tel : 047 222 3359 / 437 9672  
Fax : 047 222 5022

**Ambalantota Region 1**  
143 Main Street Ambalantota  
Tel : 047 222 3359 / 437 9672  
Fax : 047 222 5022

**Ambalantota Region 2**  
143 Main Street Ambalantota  
Tel : 047 222 3359 / 437 9672  
Fax : 047 222 5022

**Ambalantota City**  
139 -1/2, Thawaluwila, Food City  
Building, Ambalantota  
T/P - 047-2223099 / 102  
Fax - 047-2223099

**Ambalantota City Region 1**  
139 -1/2, Thawaluwila, Food City  
Building, Ambalantota  
T/P - 047-2223099 / 102  
Fax - 047-2223099

**Ampara**  
149 Nidahas Mw Ampara  
Tel : 063 222 3664 / 222 3663  
Fax : 063 222 2554

**Anuradhapura**  
523/7 Maithripala Senanayake Mawatha  
Anuradhapura  
Tel : 025 222 0858 / 223 4150  
Fax : 025 222 3102

**Anuradhapura City**  
514/3B, 1st Floor, Samanala Building,  
Maithripala Senanayaka Mawatha,  
Anuradhapura.  
Tel: 025 2227300 / 2227301  
Fax: 025 2227301.

**Anuradhapura Region 1**  
523/7 Maithripala Senanayake Mawatha  
Anuradhapura  
Tel : 025 2054022  
Fax : 025 222 3102

**Avissawella**  
93/1/1 Ratnapura Road, Avissawella  
Tel : 036 223 2597  
Fax : 036 223 3550

**Avissawella Region 1**  
93/1/1 Ratnapura Road, Avissawella  
Tel : 036 223 2597/036 223 3550  
Fax : 036 223 3550

**Badulla**  
King City 18/1/2, Dharmadutha Road  
Badulla  
Tel : 055 222 2848 / 223 0772  
Fax : 055 222 5780

**Badulla Region 1**  
King City 18/1/2, Dharmadutha Road  
Badulla  
Tel : 055 222 2848 / 223 0772  
Fax : 055 222 5780

**Badulla Region 2**  
King City 18/1/2, Dharmadutha Road  
Badulla  
Tel : 055 222 2848 / 223 0772  
Fax : 055 222 5780

**Balangoda**  
51-1/1 Kaltota Road, Balangoda.  
Tel : 045 228 9516  
Fax : 045 228 9517

**Bandarawela**  
3/126 DFCC Building, Main Street  
Bandarawela  
Tel/ Fax : 057 222 4869 / 223 3288

**Battaramulla**  
1006/4/A Pannipitiya Road, Battaramulla  
Tel : 011 288 9809-11  
Fax : 011 552 5394

**Batticaloa**  
42/1 Trincomalee Road, Batticaloa  
Tel : 065 222 7975  
Fax : 065 222 7988

**Beliatta**  
14, 1st floor, Dickwella Road, Beliatta  
Tel:-0472251126/27  
Fax:-0472251127

**Chilaw**  
109/1 Colombo Road Chilaw  
Tel : 032 222 1217  
Fax : 032 222 3027

**Colombo Main**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0262 / 231 0293  
Fax : 011 231 0259

**Colombo Region 1**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0781  
Fax : 011 231 0259

**Colombo Region 2**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0289 / 231 0489  
Fax : 011 231 0259

**Colombo Region 3**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0264 / 231 0272  
Fax : 011 231 0259

**Colombo Region 4**  
100 KumaranRatnam Road, Colombo 2  
Tel : 011 231 0006 / 231 0350  
Fax : 011 231 0120

**Colombo Region 5**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0010 / 231 0250  
Fax : 011 231 0259

**Colombo Region 6**  
101/1 Sir Chittampalam A Gardiner Mw,  
Colombo 2  
Tel : 011 231 0249 / 231 0265  
Fax : 011 231 0259

**Dambulla**  
734/1 Anuradhapura Road, Dambulla  
Tel : 066 228 3335  
Fax : 066 228 3336

**Dambulla Region 1**  
734/1 Anuradhapura Road, Dambulla  
Tel : 066 228 3465  
Fax : 066 228 3336

**Dankotuwa**  
163/A, Pannala Road, Dankotuwa  
Tel : 031-2265210/031-2265220  
Fax : 031-2265220

**Elpitiya**  
301/1, Ambalangoda Road, Egala,  
Elpitiya  
Tel : 0912290634 / 0912290635  
Fax - 0912290634

**Embilipitiya**  
1st Floor Lakmini Supermarket Building  
51 Main Street, Embilipitiya  
Tel : 047 223 0416  
Fax : 047 226 1919

**Galle**  
32 Old Matara Road, PettigalaWatta Galle  
Tel : 091 224 6733 / 223 2261  
Fax : 091 223 2261

**Galle City**  
30-1/1  
Sri Dewamitta Road, China garden, Galle  
Tel : 091 2226 227  
Fax : 091 2226 228

**Gampaha**  
85 Baudhaloka Mw Gampaha  
Tel : 033 222 1177 / 222 6840 / 222 7393 /  
223 4808  
Fax : 033 223 4700

**Gampaha Metro**  
161/1/1, Ja-Ela Road, Gampaha  
Tel : 033 223 9246, 033 223 9247  
Fax : 033 223 9247



<b>Gampaha Region 1</b>
85 Baudhaloka Mw Gampaha Tel : 033 222 7393 / 222 6840 / 223 4808 Fax : 033 223 4700
<b>Gampola</b>
8/38/b/1/1 Nawalapitiya Road, Gampola Tel : 0812-353173/273 Fax : 0812-353173
<b>Hingurakgoda</b>
06, Airport Road, Hingurakgoda Tel : 027 224 5799 / 027 224 5798 Fax : 027 224 5799 / 027 224 5798
<b>Homagama</b>
113/A/1 Avissawella Road, Homagama Tel : 011 285 7155 /0112098188 / 011 285 7160 Fax : 011 285 7160
<b>Horana</b>
135 Panadura Road Horana Tel/ Fax : 034 226 2359
<b>Ja-ela</b>
112/C Negombo Road Ja-ela Tel/Fax : 011 224 8222 / 224 8223 / 224 8224
<b>Jaffna</b>
62/6 Stanely Road, Jaffna Tel/Fax : 021 222 1215 / 021 222 1216
<b>Kaduwela</b>
296A/1, New Kandy Road, Kothalawala, Kaduwela Tel: 011 253 8856 Fax: 011 253 8859
<b>Kalawanchikudi</b>
Batticaloa road, Kalawanchikudi Tel : 065 225 1933
<b>Kalmunai</b>
140/1/2, Main street, Kalmunai Tel : 067 222 5262 Fax : 067 2225 262
<b>Kalutara</b>
195/1 Main Street, Kalutara South Tel : 034 222 2820 / 222 9783 Fax : 034 223 5150
<b>Kalutara Agency 2</b>
195/1 Main Street ,Kalutara South Tel : 034 222 2820 / 222 9783 Fax : 034 223 5150
<b>Kandana</b>
48/04/1/1 Negombo Road, Kandana Tel/Fax : 011 2 226 320 / 011 2 226 146
<b>Kandy</b>
90-92, 6th Floor, Commercial Bank Building, Kotugodella Veediya Kandy Tel : 081 222 2321 / 220 0100 / 220 0101/ 222 2322 Fax : 081 223 2668
<b>Kandy Region 1</b>
90-92, 6th Floor, Commercial Bank Building, Kotugodella Veediya Kandy Tel : 081 220 0100 / 220 0101 / 222 2322 Fax : 081 223 2668
<b>Kanthale</b>
72/2, Main Street, Kanthale Tel : 026 223 4903 / 026 223 4904 / 026 223 4902

<b>Karapitiya</b>
461 Hirimbura Road, Karapitiya Galle Tel : 091 222 6830 Fax : 091 224 6627
<b>Karapitiya Region 1</b>
183/1, Hirimbura Cross Road, Karapitiya, Galle Tel : 091 223 1614 / 613 (Gen) Fax : 091 223 1613
<b>Kegalle</b>
447/8 Main Street Kegalle Tel : 035 222 3141 / 222 2835 Fax : 035 223 1780
<b>Kegalle Region 1</b>
447/8 Main Street Kegalle Tel : 035 222 3141 / 222 2835 Fax : 035 223 1780
<b>Kilinochchi</b>
470/2 Kandy Road, Kilinochchi Tele : 021 228 5514 Fax : 021 228 5513
<b>Kiribathgoda Region 1</b>
412/2 Gaala Junction, Kandy Road Kiribathgoda Tel : 011 290 1660 Fax : 011 290 1666
<b>Kiribathgoda Region 2</b>
412/2 Gaala Junction, Kandy Road Kiribathgoda Tel : 011 290 1664 Fax : 011 290 1666
<b>Kodikamam</b>
Kachchai Road, Kodikamam Tel: 021 2050 388 Fax: 021 2050 389
<b>Kottawa</b>
Senadheera alignment Center No.456/2, highlevel Road, Makumbura Tel : 011 217 2515
<b>Kuliyapitiya</b>
149/7 Main Street Kuliyapitiya Tel : 037 228 4222 Tel/ Fax : 037 228 1867
<b>Kuliyapitiya city</b>
149/7 Main Street Kuliyapitiya Tel : 037 22 82224 Tel/ Fax : 037 228 2224 / 225
<b>Kuliyapitiya Region 1</b>
149/7 Main Street Kuliyapitiya Tel : 037 228 4222 Tel/ Fax : 037 228 1867
<b>Kurunegala</b>
110/1 Noel Seneviratne Mawatha Colombo Road Kurunegala Tel/ Fax : 037 222 3540 / 222 7707/ 222 9998
<b>Kurunegala City</b>
17, Rajapihilla Road, Kurunegala Tel : 037 222 2668 / 037 222 2828 Fax : 037 222 2668
<b>Kurunegala Region 1</b>
110/1 Noel Seneviratne Mawatha Colombo Road Kurunegala Tel/ : 037 222 1217 / 222 7707 Fax : 222 7707/ 222 9998

<b>Kurunegala Region 2</b>
110/1 Noel Seneviratne Mawatha Colombo Road Kurunegala Tel/ Fax : 037 222 3990 /222 7707 Fax : 222 7707 / 222 9998
<b>Maharagama</b>
201 Wattegedera Junction High Level Road Maharagama Tel : 011 283 7611 Fax : 011 283 7488
<b>Mahiyanganaya City</b>
20/1, 22/ 1, First Floor, Darashana Building, Kandy Road, (south) Mahiyangana. Tel : 055 225 8475 Fax : 055 225 8476
<b>Matale</b>
181 Nimali Building, Trincomalee Street Matale Tel/ Fax : 066 223 2401-2
<b>Matale Region 1</b>
181 Nimali Building, Trincomalee Street Matale Tel/ Fax : 066 222 6625 Fax: 066 223 2401-2
<b>Matara</b>
24 E H Cooray Building, 3rd Floor Anagarika Dharmapala Mawatha, Matara Tel : 041 222 2844 / 222 0674 / 222 6344 Fax : 041 222 7344
<b>Matara City</b>
129 / 2, Anagarika Dharmapala Mawatha, Matara Tel : 041 223 7041 / 041 223 7042 Fax : 041 223 7042
<b>Matara Region 1</b>
24 E H Cooray Building, 3rd Floor Anagarika Dharmapala Mawatha Matara Tel : 222 0674 / 222 6344 / 041 222 0674 Fax : 041 222 7344
<b>Matara Region 2</b>
24 E H Cooray Building, 3rd Floor Anagarika Dharmapala Mawatha Matara Tel : 222 0674 / 222 6344 / 041 222 0674 Fax : 041 222 7344
<b>Mirigama</b>
19, Negombo Road, Mirigama Tel : 033 227 3328 / 73329 Fax : 033 227 3328
<b>Minuwangoda</b>
Sanasa Super Complex, First Floor Veyangoda Road, Minuwangoda Tel : 0112299364 / 2299374
<b>Moneragala</b>
308A Kachcheri Junction Wellawaya Road Moneragala Tel : 055 227 6496 Fax : 055 227 6211
<b>Moneragala Region 1</b>
308A Kachcheri Junction Wellawaya Road Moneragala Tel : 055 227 6496 Fax : 055 227 6211

# DISTRIBUTION NETWORK

<b>Moratuwa Region 1</b>
459/1/1 Galle Road Rawathawatte Moratuwa Tel/ Fax : 011 264 8020 / 264 8021 / 264 8022
<b>Moratuwa Region 2</b>
553 Galle Road, Rawathawatte Moratuwa Tel/ Fax : 011 264 8020 / 264 8021 / 264 8022
<b>Moratuwa Region 3</b>
553 Galle Road, Rawathawatte Moratuwa Tel/ Fax : 011 264 9009 / 264 8021 / 264 8022
<b>Mount Lavinia</b>
230, Galle Road, Mt. Lavinia Tel : 011 271 0267 (Gen) Fax : 011 271 0268
<b>Negombo</b>
349/17 Main Street Negombo Tel/ Fax : 031 222 2266 / 223 5115
<b>Negombo Region 1</b>
349/17 Main Street Negombo Tel/ Fax : 031 222 2266 / 223 5115
<b>Negombo Region 2</b>
349/17 Main Street Negombo Tel/ Fax : 031 222 2266 / 223 5115
<b>Nelliady</b>
109/1 Jaffna Road, Nelliady Jaffna Tel/ Fax : 021 226 2806
<b>Nikaweratiya</b>
78/2, Wanninayake Building, Nikaweratiya Tel : 037 226 0774 / 037 226 0775 Fax : 037 226 0774
<b>Nittambuwa</b>
195/2/3, Colombo Road, Nittambuwa Tel : 033 229 8279 Fax : 033 229 8279
<b>Nugegoda</b>
513/3/1, High Level Road, Delkanda, Nugegoda Tel : 011 280 4009 Fax : 011 280 4009
<b>NuwaraEliya</b>
4th Floor 86 Kandy Road NuwaraEliya Tel/ Fax : 052 222 3478
<b>Peliyagoda</b>
293, Kandy Road, Peliyagoda Tel : 011 298 7950 Fax : 298 7951
<b>Pilimathalawa</b>
369/A Colombo Road, Pilimathalawa
<b>Polonnaruwa</b>
68/1 Batticaloa Road, Polonnaruwa Tel/ Fax : 027 222 3108
<b>Polonnaruwa Region 1</b>
68/1 Batticaloa Road, Polonnaruwa Tel/ Fax : 027 222 3108
<b>Puttalam</b>
17/1 Kurunegala Road Puttalam Tel : 032 226 6955 / 032 226 7112

<b>Ragama City</b>
43/1/1, Kadawatha Road, Ragama (In front of Cargills Food City ) Tel : 011 295 1078 Fax : 011 295 1078
<b>Ratnapura</b>
23A Bandaranayake Mawatha, Ratnapura Tel : 045 222 4417 Fax : 045 222 2601
<b>Tissamaharma City</b>
02, Munasinghe Building, Wellaway Road Debarawewa, Tissamaharama Fax : 047 223 9376 / 377
<b>Trincomalee</b>
5A Main Street Trincomalee Tel/ Fax : 026 222 7949 / 222 6095-6
<b>Trincomalee Region 1</b>
5A Main Street Trincomalee Tel/ Fax : 026 222 7949 / 222 6095-6
<b>Valichchenai</b>
Karuwakeni, Main street, Valichchenai. Tel : 065 225 8494 / 459
<b>Vavuniya</b>
66 Station Road, Vairavapuliyanakulam Vavuniya Tel : 024 222 5672 Tel/ Fax : 024 222 5673
<b>Wadduwa</b>
557/1 Galle Road, Wadduwa Tel : 038 228 3063 / 038 228 3064
<b>Wariyapola</b>
90 Puttalam Road, Wariyapola Tel : 037 226 8615 Fax : 037 226 8616
<b>Wattala</b>
329/1 Elmo Tower Negombo Road Kerangapokuna Wattala Tel : 0112 945 272 / 1 Fax : 011 294 5271
<b>Welimada</b>
232, 1st Floor, Nuwaraeliya Road, Welimada Tel : 057 224 6878 / 057 224 5177 Fax : 0572245177
<b>Wennappuwa</b>
Chamrith Tile Factory, Halmilla Kale, Chilaw Road, Wennappuwa Tel/ Fax : 031 22 55 510 / 22 55 600
<b>Yakkala</b>
91/D/2 Kandy Road, Yakkala Tel : 033 223 6736 / 033 223 6763 Fax : 033 223 6763

<b>AREA DEVELOPMENT OFFICE NETWORK</b>
<b>Akuressa</b>
95 1/1 1st Floor Matara Road, Akuressa Tel : 041 228 4544
<b>Angunakolapelessa</b>
1 Pragathi Building Middeniya Road Angunakolapelessa Tel : 047 222 9130
<b>Baddegama</b>
Hikkaduwa Road Baddegama Tel : 091 229 2150
<b>Bandaragama</b>
45/1 1st floor Horana Road Bandaragama Tel : 038 228 9277
<b>Dehiattakandiya</b>
B4 New Town Dehiattakandiya Tel / Fax : 027 225 0447
<b>Embilipitiya</b>
70, New Town Road, Pallegama Embilipitiya
<b>Hali Ela</b>
65, Badulla Road, Hali Ela Tel : 055 229 5576 / 055 229 5575
<b>Kadawatha</b>
468/03, Kandy Road Kadawatha Tel : 011 292 0270
<b>Kamburupitiya</b>
Pathirana Building 2nd Floor Kirinda Road, Kamburupitiya Tel : 041 229 4477 / 229 4818
<b>Mathugama</b>
60 Neboda Road, Mathugama Tel : 034 224 9418 / 224 9955
<b>Mawanella</b>
257 Second Floor, New Colombo Kandy Road, Mawanella. Tel: 035 322 0550
<b>Middeniya</b>
1st Floor, Liyanage building Weeraketiya Road Middeniya Tel : 047 224 8095
<b>Piliyandala</b>
130/5, Second Floor, Horana Road, Kesbewa Tel : 011 2 703 644
<b>Tangalle</b>
8A Medaketiya Road Tangalle Tel : 047 224 0166 / 721 1580
<b>Tissamaharama</b>
173/1, Iresha Building Kachcheriyagama, Tissamaharama Tel : 047 223 9096
<b>Weliweriya</b>
342A New Kandy Road Weliweriya Tel : 033 352 6888

# GLOSSARY

## **Actuary**

A person who provides solutions to insurance-related problems using applied mathematics (in particular, probability). Actuarial techniques are used to design new insurance products and to assess the profitability of new and existing business.

## **Agent**

An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

## **Amortisation - Intangible assets**

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

## **Annualised New Premium (ANP)**

A method for calculating levels of life, pensions and investment new business levels, to smooth out the effect of large, one-off payments.

## **Annuity**

Another word for "pension". An annuity is a regular payment from an insurance company designed to give the policyholder an income for life after retirement. It is paid for by a lump sum saved during the policyholders' working lifetime. Annuity rates are based on yields on gilt-edged securities at the time of purchase. On death, any remaining investments usually become the property of the annuity provider.

## **Asset**

An asset is a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

## **Assurance**

A term sometimes used instead of "insurance", generally in connection with life business, since assurance implies the certainty of an event (such as death) and insurance only the probability.

## **Available for sale financial assets**

Non-derivative financial assets that

are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial assets are measured at fair value, with movements in fair value recorded in other comprehensive income.

## **Bancassurance**

An arrangement whereby banks allow selling of insurance and investment products to their customers by insurers.

## **Benchmark**

A market index or rate against which an investment fund compares its performance and mix of assets.

## **Blue chip**

A description applied to the biggest and most highly regarded companies quoted on the stock market. Shares in such companies are usually considered a reliable and profitable investment.

## **Board of Directors**

Decision-making body legally responsible for overseeing the management of a company. In a listed company the Directors are elected by the shareholders. Executive Directors are usually employee directors responsible for managing the day-to-day business of the company.

## **Bond**

A bond is technically a certificate of debt issued by a government or company in return for a loan from an investor. Bonds are sometimes known as fixed interest securities, as they often have a fixed rate of interest and a predetermined repayment date. Examples include gilt-edged securities issued by the government of Sri Lanka, and corporate bonds issued by companies as investment products.

## **Broker**

An individual or firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

## **Capital**

Any form of wealth capable of being employed in the production of more wealth.

## **Central bank**

The major regulatory bank in a country, usually controlled by the government. Its role can include setting interest rates, note issue, supervision of commercial banks, management of exchange reserves and the national currency's value, as well as acting as the government banker.

## **CEO**

Abbreviation for Chief Executive Officer. The CEO is the head of a company and oversees strategic planning and operational activities.

## **CFO**

Abbreviation for Chief Financial Officer. The CFO is responsible for a company's accounting and financial activities, and usually reports to the Chief Executive Officer.

## **Claim**

Notification to an insurance company of a call by a policyholder to the benefits due under the terms of an insurance policy or scheme.

## **Claims incurred**

The total of all claims sustained during an accounting period, whether paid or not. Also known as losses incurred.

## **Commission paid**

Payment made to an agent or other intermediary, normally in return for selling an insurance or investment policy.

## **Compliance**

The requirement to operate in accordance with statutory or regulatory guidelines.

## **Contract**

A legally binding document between two parties. In the case of insurance, a common name for a scheme or policy.

## **Credit rating**

A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA, and the lowest is D. These are usually issued by a credit rating agency or credit bureau.

## **Credit spread**

The difference in yield between a corporate bond and a reference yield (e.g. a risk free interest rate such as a sovereign bond yield) of equal or comparable tenure.

# GLOSSARY

## **Debenture**

A fixed interest security issued by a company or government agency, usually secured on its assets, with a long-term redemption (repayment) date typically between 5 and 10 years ahead. If a company files for bankruptcy, debenture stockholders are first in line to be repaid before the other stockholders and shareholders.

## **Depreciation**

Reduction in the worth of an asset in a company's accounts to reflect its loss of value through age and use.

## **Discontinued operation**

Discontinued operation is a segment of the Group that has been disposed of and represented a separate major line of business.

## **Dividend**

An amount based on a company's profits paid out to shareholders for each share they hold based on the profits of a company. Usually paid as cash, but they can also take the form of non-cash benefits.

## **Earnings**

Another word for profit. Broadly calculated as revenues minus costs, operating expenses and taxes, minority interests, extraordinary items and dividends on preference stock.

## **Earnings Per Share (EPS)**

Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued - is a guide to how well a company is performing. Companies often use a weighted average of shares outstanding over the reporting term.

## **Economic value**

A financial performance measure used to evaluate a company's true profit and the creation of wealth for shareholders.

## **Effective Interest Rate (EIR) method**

A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period.

## **Equity**

Another word for "share". Shareholders' equity is the value of the shares they hold.

## **Exchange rate**

The rate at which one currency may be converted into another. Often quoted as an indicator of the relative strength of a currency or the attractiveness of the market in which it is used.

## **Expense ratio**

Expenses associated with running an insurance business, such as commission, professional fees and other administrative costs, expressed as a percentage of premiums. Also the annual operating costs of an investment fund, expressed as a percentage of assets.

## **Fair value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## **Fair value through profit or loss (FVTPL)**

A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.

## **Final dividend**

The dividend paid by a company to shareholders at the end of the financial year.

## **Gross Domestic Product (GDP)**

The total value of all goods and services produced domestically by a country each year. Can be calculated as gross national product minus income from abroad. A key measure of national economic health.

## **Gross written premium**

The total earnings or revenue generated by sales of insurance products, before any reinsurance is taken into account. Not all premiums written will necessarily be treated as income in the current financial year, because some of them could relate to insurance cover for a subsequent period.

## **Health insurance**

Provides cover against loss from illness or bodily injury. The policy can cover expenses for medicine, visits to the doctor, hospital stays,

other medical expenses and loss of earnings, depending on the conditions covered and the benefits and choices of treatment available on the policy.

## **In-force**

An insurance policy is "in-force" from its start date until the date it is terminated provided that premiums due have been received by the insurer.

## **Index**

An index is the weighted value of a group of securities used to measure the ups and downs of a market, market sector or asset class, and to provide a performance benchmark against which other investments in that category can be measured.

## **Inflation**

An increase in the general level of prices of goods and services over a period of time.

## **Insurance**

A contract taken out with an insurer to protect against loss from a perceived risk. The person taking out the insurance is called the insured. Payments for the policy are called premiums.

## **Insurance contract**

A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

## **Insurance risk**

The potential loss resulting from inappropriate underwriting, mispricing, adverse expense, lapse, mortality and morbidity experiences. Under SLFRS / LKAS, insurance risk means risk, other than financial risk, transferred from the holder of a contract to the issuer.

## **Intangible assets**

An intangible asset is an identifiable non-monetary asset without a physical substance.

## **Interest**

The fee charged by a lender for the use of borrowed money, or the return earned on an investment, such as savings in a deposit account. It can also mean part or total ownership of an asset.

**Interest rate**

Percentage rate at which money is added to savings or borrowings. The cost of borrowing or lending money.

**Interim results**

Figures issued during the financial year to indicate business performance since the last full-year accounts were published. Usually announced quarterly or half-yearly.

**Intermediary**

An individual or organisation who introduces business to an insurance company on behalf of a customer and represents them in dealings with the company. Types of intermediaries include financial advisers, agents, brokers, dealers and traders.

**Investment**

Buying and holding assets, such as shares, bonds, property and commodities, to earn income or to make capital gains.

**Investment contract**

An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.

**Investment income**

Earnings or revenue (such as share dividends and interest payments) arising from the ownership of assets.

**Liabilities**

A company's debts and obligations, shown on the Balance Sheet as claims on its assets.

**Liability adequacy testing**

An assessment of whether the carrying amount of an insurance liability needs to be increased or the carrying amount of related deferred acquisition and origination costs or related intangible assets needs to be decreased based on a review of future cash flows.

**Life insurance**

Promises the payment of an agreed sum of money upon the death of the insured within a specified period of time. Also known as life assurance.

**Liquidity**

Ease with which an asset can be bought or sold without significantly affecting its price. A liquid asset is one easily convertible into cash.

**Liquidity risk**

The risk of having insufficient cash available to meet payment obligations to counterparties when they fall due.

**Listed**

A company whose shares are traded on a stock exchange is said to be listed. It means the same as quoted.

**Long-term savings**

Collective term for life insurance, pensions, savings, investments and related business.

**Market**

The place where transactions take place in a particular type of commodity, such as a stock exchange.

**Market capitalisation**

The value of a company calculated by multiplying the number of shares the company has in circulation by the market price of those shares.

**Maturity**

The date that an insurance policy or other financial contract finishes or "matures", and the proceeds, sometimes known as the maturity value, become payable.

**Million Dollar Round Table (MDRT)**

MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.

**Money supply**

Total amount of money in circulation in an economy. There are several ways this can be measured such as M0, M1, M2, M2b. Financial authorities use these measures to set targets for monetary growth.

**Net asset value**

The value of a company calculated by subtracting its liabilities from its assets. The difference is the capital, that is, the funds that would be available to ordinary shareholders if the company were to be wound up.

**Net earned premium**

The proportion of net written premiums recognised for accounting purposes as income in a given period.

**Net written premium**

Total gross written premium for a given period, minus premiums paid or "ceded" to reinsurers.

**Net profit**

The amount left over after deducting tax, interest, depreciation, fees, minority interests and extraordinary charges from sales revenue. Also known as net earnings, or net income.

**New business**

Term used to describe the value of long-term savings policies sold to new and existing customers. Includes premium increases on existing business.

**Ordinary share**

Where ownership of a company is divided into a number of equal parts or "shares", ordinary shareholders are entitled to a distribution of the profits (known as dividends) and have the right to vote at company meetings. If the company is wound up, ordinary shareholders are entitled to any assets left after all other obligations have been met. These residual assets are known as the equity of the company, hence the term "equities" sometimes used to describe ordinary shares. Ordinary shares rank after debentures and preference shares.

**Portfolio**

A collection of financial assets - investments in shares, fixed interest stocks, cash and property held by an investor.

**Premium**

The monetary amount paid for an insurance policy. The payment a policyholder makes in return for insurance cover. Usually paid monthly, annually or as a single lump sum. Also, if the market price of a new share is higher than its issue price, it is said to be trading at a premium.

**Price/Earnings ratio (P / E ratio)**

Share price divided by earnings per share over the latest 12-month period. The result offers investors a way of



# GLOSSARY

comparing companies' prospects. For example, a high P/E ratio might suggest a company has strong growth potential, and investors will pay more for a share if they think that the company's earnings will rise rapidly.

## **Profit**

Excess of income over expenses for a particular period. Figures may be given as gross profit, net profit before tax, net profit after tax, and earnings.

## **Profit before tax**

All profits earned in a period, including investment gains.

## **Proxy**

A method by which a shareholder may vote without attending a meeting by appointing someone else to vote on their behalf.

## **Quoted**

If a company has a quote (or is "quoted"), its shares can be traded on the stock exchange. It means the same as listed.

## **Rate of return**

The change in value of an investment over a period of time, taking into account income from it and any change in its market value. Normally expressed as an equivalent annual percentage of the total amount invested. Also the yield from a fixed income security.

## **Recession**

A period of general economic decline. Specifically, a decline in Gross Domestic Product (GDP) for two or more consecutive quarters.

## **Regulatory body**

An organisation with statutory powers to lay down a framework within which member companies must operate.

## **Reinsurance**

A form of insurance bought by insurance companies to protect themselves from the risk of large losses. One insurer pays to place part of an insured risk or an entire book of business with one or more other insurance companies, known as the reinsurers.

## **Return**

For savings, the difference between the original sum invested and the final value of income or capital growth, given as a percentage. For shares, the overall

investment performance based on the movement in the price of the shares (gain or loss) and the dividend income from the shares.

## **Return on Net Assets (RONA)**

Usually calculated as post-tax profit divided by equity (total assets minus total liabilities), expresses as a percentage.

## **Rights issue**

An invitation from a company to their existing shareholders to buy new shares, usually for less than the prevailing share price, to raise additional capital.

## **Risk**

The measurable probability of loss or less-than-expected returns from an investment, asset or business activity.

## **Risk based capital**

Capital allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments. For example, banks may be required to set aside capital to cover their exposure to the risk of customers defaulting on the repayment of loans.

## **Sector**

Part of a market or industry whose components share similar characteristics. Stocks are often grouped into sectors.

## **Securities**

General term for financial instruments traded on a stock exchange, such as stocks and shares, and the notes, certificates and bearer warrants that signify ownership of them.

## **Securities and Exchange Commission of Sri Lanka (SEC)**

Official Sri Lankan regulatory body responsible for investor protection and regulation of the securities industry and companies quoted on Colombo Stock Exchanges.

## **Share**

Common term for equity. Specifically, a certificate conferring ownership rights in a company. Ordinary shares (or common stock) provide voting rights at company meetings and entitle the

holder to a proportional share of the profits.

## **Shareholder**

Someone who owns shares or stock in a company or mutual fund. Shareholders also have the right to declared dividends and the right to vote on company matters, including the Board of Directors.

## **Shareholders' Funds**

Shareholders' Funds represent the assets that remain once all of a company's liabilities have been accounted for. This also equates to the capital of the company, plus any profits that have been retained by the business.

## **Stakeholder**

Any individual or organisation with an interest in a company.

## **Statement of Financial Position / Balance Sheet**

A statement showing the financial position of a business on a specific date by listing its assets (what it owns) and its liabilities (the claims on its assets, or what it owes).

## **Stock**

Often used as an alternative word for share, especially in the US. However, it can refer specifically to fixed-interest investments, such as bonds and gilt-edged stocks, which represent a loan to the issuer, rather than shares, which signify part ownership of a company.

## **Stock exchange**

A marketplace where stocks and shares and other financial instruments can be traded.

## **Surrender**

The act of cancelling or cashing in the proceeds of an insurance contract before it becomes payable or reaches its maturity date for a surrender value.

## **Technical provisions**

Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

## **Treasury bill/Treasury bond**

Loan or debt securities issued by a government to help pay for its financial needs. Investors receive a guaranteed return over a fixed period. In Sri Lanka, treasury bills (also known as T-bills)

are short-term securities issued for up to one year. They are sold at a discount, the difference between the purchase price and the face value representing the holder's profit at the end of the term. Treasury bonds (T-bonds) also pay a fixed rate of interest and are long-term securities issued with a term of more than one year. Treasury bills and Treasury bonds are usually known as gilt-edged securities.

#### **Trust**

A legal arrangement where one or more people are appointed to look after property or investments on behalf of someone else (the beneficiary). The Trustees are legally responsible for how the assets are managed.

#### **Trustee**

Someone appointed to hold or administer assets for the benefit of other people.

#### **Underwriting**

The process of selecting which risks an insurance company can cover, and deciding the premiums and terms of acceptance. On the stock exchange, an arrangement by which a company is guaranteed that an issue of shares will raise a given amount of money, because the underwriters promise to buy any of the issue not taken up by the public.

#### **Unearned premiums**

Premiums received by an insurer relating to cover provided outside the current accounting period. Such premiums are not normally treated as income until they have been "earned" during the period to which they relate.

#### **Unearned Premium Reserve (UPR)**

The amount set aside from premiums written before the accounting date to cover risks incurred after that date.

#### **Unit trust**

Fund of stocks and shares held by a manager for the benefit of investors. Individuals buy units in the fund, which then invests in a wide range of stocks and shares. This approach offers small investors the opportunity to pool their money with others and benefit from a greater spread of risk and investment opportunities. British equivalent of an American mutual fund.

#### **Unitised**

Investment policy under which contributions are used to buy units in a chosen investment fund.

#### **Unit-linked**

A type of long-term savings plan where premiums are used to buy units in an investment fund, such as a unit trust. The assets in the fund can be a mix of stocks, shares, bonds, property or other securities. The value of the units and the return from them can fluctuate in line with the investment performance of the assets in the fund, and there is no guarantee on the amount of capital that will be returned.

#### **Unrealised**

A notional profit or loss that has not yet been achieved through a transaction. The profit or loss is "realised" when the investor sells the security or asset in question. Unrealised gains are usually not taxable.

#### **Volatility**

The variable amount by which a share price or market value rises and falls during a period of time. If it moves up and down rapidly or unpredictably, it has high volatility; if it is more stable or rarely changes, it has low volatility.

#### **Warrant**

A tradable security that gives the holder the right to buy a share or bond at a fixed price on a future date.

#### **Withholding tax**

Withholding tax is an amount withheld by the party making payment to another (payee) and paid to the taxation authorities.

#### **Write off**

To cancel a debt, or to acknowledge the loss or worthlessness of an asset. Also to remove an asset or holding entirely from a Balance Sheet. The reduction in value, or loss, is said to be "written off".

#### **Yield**

Rate of return on an investment in percentage terms, taking into account annual income and any change in capital value. Also the dividend payable on a share expressed as a percentage of the market price.



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting of AIA Insurance Lanka PLC will be held on Tuesday, 29 March 2016 at 10.00 a.m. at " Kings Court", Cinnamon Lakeside Hotel, No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 , for the following purposes:

## Ordinary Business:

- 1 To receive and consider the audited financial statements for the year ended 31 December 2015 together with the Annual Report of the Board of Directors and the Report of the Auditors thereon.
- 2 To declare a first and final dividend of LKR 49.50 per share for 2015 as recommended by the Directors.
- 3 To ratify the total donations of LKR 4.2 million which had been made by the Company during the year ended 31 December 2015 which amount is within the aggregate thereof amounting to 1% of the average profits after tax for the preceding three years.
- 4 To authorise the Directors, to make on behalf of the Company, in pursuance of the provisions of the Companies (Donations) Act No. 26 of 1951, donations during the year 2016 not exceeding 1% of the average profits after tax of the Company for the preceding three years.
- 5 To re-elect Mr. Mitchell David New as a Director who retires by rotation in terms of Article 30 of the Articles of Association of the Company.
- 6 To re-elect Mr. Manoj Ramachandran as a Director who retires by rotation in terms of Article 30 of the Articles of Association of the Company.
- 7 To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants as Company's External Auditors and to authorise the Directors to determine their remuneration.

## NOTE:

- 1) A member entitled to attend and to vote at the meeting is entitled to appoint a Proxy to attend and to vote in his/her stead.
- 2) A Proxy need not be a member of the Company.
- 3) A Form of Proxy accompanies this Notice.
- 4) The completed Form of Proxy should be deposited at the registered office of the Company not later than 48 hours before the time appointed for the holding of the meeting.
- 5) Shareholders are requested to bring with them their National Identity Cards or any other form of valid identification and present same at the time of registration.

## BY ORDER OF THE BOARD



**Chathuri Munaweera**  
Company Secretary

Colombo  
16 February 2016

# FORM OF PROXY

I/We ..... (please indicate the full name) bearing NIC/Passport/Com.Reg. No. .... of ..... being a member/members of AIA Insurance Lanka PLC do hereby appoint Mr/Ms ..... (please indicate the full name of the Proxy) bearing NIC No./Passport No. .... of.....whom failing:

Mr. Manoj Ramachandran or failing him  
 Mr. Robert Alexander Hartnett or failing him  
 Mr. Deepal Sooriyaarachchi or failing him  
 Mr. Russell DeMel

as my/ our Proxy to represent me/ us and to vote on my/ our behalf at the Thirtieth Annual General Meeting of the Company to be held on Tuesday, 29 March 2016 at 10.00 a.m. at "Kings Court", Cinnamon Lakeside Hotel Colombo, No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 and at any adjournment thereof, and at every poll which may be taken in consequence of the aforesaid meeting.

I / We the undersigned, hereby direct my/ our Proxy to vote for me/ us and on my/ our behalf on the specified resolution as indicated by the letter "X" in the appropriate cage;

## Ordinary Business

	For	Against
1. The ordinary resolution numbered (1) set out in the Notice convening the aforesaid meeting		
2. The ordinary resolution numbered (2) set out in the Notice convening the aforesaid meeting		
3. The ordinary resolution numbered (3) set out in the Notice convening the aforesaid meeting		
4. The ordinary resolution numbered (4) set out in the Notice convening the aforesaid meeting		
5. The ordinary resolution numbered (5) set out in the Notice convening the aforesaid meeting		
6. The ordinary resolution numbered (6) set out in the Notice convening the aforesaid meeting		
7. The ordinary resolution numbered (7) set out in the Notice convening the aforesaid meeting		

\* please indicate your preference with "X" marked in the appropriate cage

Signed on this ..... day of ..... Two Thousand and Sixteen.

.....  
 Signature/s of shareholder/s

### Please provide the details:

Shareholder's NIC No./Company Registration No.	
Folio No./Number of shares held	
Proxy holder's NIC No. (if not a Director)	

### Notes:

- 1 If no indications are given and/ or there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy Form have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he/ she thinks fit.
- 2 A Proxy holder need not be a member of the Company.
- 3 Instructions as to completion appear on reverse.
- 4 Proxy holders are requested to bring with them their National Identity Cards or any other form of valid identification and present same at the time of registration.

# FORM OF PROXY

## **Instructions as to completion of Form of Proxy**

- 1 Kindly perfect the Form of Proxy after filling in legibly your full name and address signing in the space provided and filling in the date of signature.
- 2 The persons mentioned on the reverse hereof, are Directors of the Company and they are willing to represent any shareholder/s as Proxy, and vote as directed by the shareholder. They will not, however be willing to speak or move or second any amendments to the resolutions or make any statement in regard thereto on behalf of any shareholder.
- 3 If another Proxy is preferred, delete the names printed, add the name of the Proxy preferred and initial the alteration.
- 4 Please indicate your preference with "X" in the appropriate cages provided in the Form of Proxy, as to how your Proxy is to vote on the resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
- 5 In the case of a corporate member the Proxy Form must be executed under its common seal or by a duly authorised officer of the entity in accordance with its Articles of Association or Constitution. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
- 6 The completed Form of Proxy should be deposited at the registered office of the Company at No. 75, Kumaran Ratnam Road, Colombo 02 not less than 48 hours before the time appointed for the holding of the meeting.

# CORPORATE INFORMATION

## Name of the Company

AIA Insurance Lanka PLC  
Company Registration No – PQ 18

## Legal Form

- Public Company with limited liability.
- Incorporated in Sri Lanka on 12 December 1986 under the Companies Act No. 17 of 1982.
- Re - registered under the Companies Act No. 07 of 2007.
- Insurance Company licensed by the Insurance Board of Sri Lanka.
- The shares of the Company are listed on the Colombo Stock Exchange.

## Tax Payer Identification Number (TIN)

134001356

## VAT Registration Number

134001356 – 7000

## Directors

William Lisle – Chairman  
Mitchell David New  
Manoj Ramachandran  
Robert Alexander Hartnett  
Deepal Sooriyaarachchi  
Russell DeMel

## Chief Executive Officer

Shah Rouf

## Deputy Chief Executive Officer

Upul Wijesinghe

## Company Secretary

Chathuri Munaweera

## Accounting year

31 December

## Subsidiary

Name of the Company	Holding	Principal Activity
Rainbow Trust Management Limited	100%	Trust Management

## Registered Office / Head Office

No. 75, Kumaran Ratnam Road,  
Colombo 02  
Telephone : 0094-11-2310000  
Fax : 0094-11-2447620 /  
2310076  
E-mail : lk.info@aia.com  
Web : www.aialife.com.lk

## Company Registrars

SSP Corporate Services (Private)  
Limited  
No. 101, Inner Flower Road, Colombo 03  
Telephone: 0094-11-2573894 / 2576871

## Auditors

PricewaterhouseCoopers  
Chartered Accountants  
No. 100, Braybrooke Place  
Colombo 02,  
Sri Lanka

## Appointed Actuary

Frank Munro  
AIA Insurance Lanka PLC  
No. 75, Kumaran Ratnam Road,  
Colombo 02,  
Sri Lanka

## Lawyers

Julius & Creasy  
Attorneys-at-Law & Solicitors  
No. 41, Janadhipathi Mawatha,  
Colombo 01,  
Sri Lanka

## Reinsurance Panel - Life Insurance

- Munich Re
- RGA International Reinsurance Company Limited

## Bankers

- Standard Chartered Bank
- Bank of Ceylon
- Commercial Bank of Ceylon PLC
- Hatton National Bank PLC
- The Hongkong & Shanghai Banking Corporation Limited
- People's Bank
- Sampath Bank PLC
- National Development Bank PLC
- Nations Trust Bank PLC
- National Savings Bank
- Deutsche Bank
- Union Bank of Colombo PLC
- Pan Asia Banking Corporation PLC
- Seylan Bank PLC
- DFCC Bank PLC

## Custodian Banks

- Deutsche Bank

AIA Insurance Lanka PLC  
75, Kumaran Ratnam Road,  
Colombo 02, Sri Lanka

[aialife.com.lk](http://aialife.com.lk)