Annual Report 2009

ALLIANZ INSURANCE LANKA LTD. | ALLIANZ LIFE INSURANCE LANKA LTD.

Allianz

Content

Our Vision

To be the first choice insurer for customers

To be the preferred employer in the insurance industry

To be the number one insurer for creating shareholder value

Our Mission

As a responsible, customer focused market leader, we will strive to understand the insurance needs of consumers and translate them into affordable products that deliver value for money

Guiding Principle

The customer is our most valuable asset and everything we do

is aimed at either winning a customer or retaining a customer

Core Values

We value the highest ethical standards

We apply the highest ethical standards to everything we do. Nothing is more important than our reputation for integrity and honesty and we will work to ensure that every Allianz employee continually earns and protects our reputation

We value commitment to excellence

We apply the highest standards of excellence to the products we develop, the services we provide and the relationships we build with our business partners

We value respect for individuals

We believe every job at Allianz is important. We recognise, respect, and appreciate the contributions of each individual by creating a culture that recognises and values our differences - not only in who we are but also in how we think and the way we carry our responsibilities

We value our investment in our people

We cultivate an environment that offers employees the opportunity for growth and advancement, personal satisfaction in work accomplishments and the means to share in the company's success

About Allianz

Allianz Group is one of the leading global financial services providers and offers insurance and asset management solutions to more than 75 million customers worldwide.

In its core businesses Property-Casualty insurance, Life/Health insurance and Asset Management, Allianz ranks among the top five players in 32 markets around the globe.

Allianz Lanka is a fully owned subsidiary of financial services conglomerate Allianz SE headquartered in Munich, Germany and is now a key player in the local insurance arena. Since inception in 2005, Allianz Lanka has been the fastest growing insurer in Sri Lanka, having achieved many 'firsts' that have set the industry benchmark.

In business since 1890, the Allianz Group - Allianz SE - is renowned as a global leader in Insurance, Asset Management and Banking, and is the world's Number One General insurer and Europe's largest insurer in terms of market capitalisation. Allianz is ranked among the top 20 companies in the Fortune 500 list of top global corporates.

Allianz is present in more than 70 countries and provides its customers worldwide with a wide range of insurance and financial products through globally affiliated subsidiaries, under strong and well-known brands. Allianz is ranked among the best global brands in the Business Week / Interbrand 2009 annual ranking.

Due to its strong global business position and solid capitalisation, Allianz is rated financially strong with an "AA" rating given by global rating agency Standard and Poor's.

Trust, integrity, reliability and professionalism have been the pillars on which Allianz has built its success. In 2008, Allianz SE was voted the world's Most Ethical Insurer by the "Ethisphere Institute", the think tank promoting best practices in global governance, business ethics, compliance and corporate responsibility.

Allianz was the recipient of numerous insurance awards from International financial markets journal "Euromoney" in 2009. In the journal's annual insurance survey, Allianz scored top ratings in 24 categories including Best Insurer for Claims Resolution, Best Product Range, Best for Price and Best Consultant for Insurance Risk Transfer.

Allianz created history in 2006 by becoming the first company on the Dow Jones Euro Stoxx 50 index to change its corporate form to a new European legal form, Societas Europaea (SE),

In 2006, Allianz initiated partnership with the International Paralympic Committee and Deutscher Behindertensportverband, committing to sharing the passion for paralympic sports and to spreading the emotions associated with paralympic sports to a broad global audience.

Allianz is the Official Global Partner of Formula 1 racing, and uses the fusion of speed technology and performance of

About Allianz (Contd.)

Formula 1 racing as the perfect platform to drive its expertise in safety. The world's only insurer to have its own safety research centre, the Allianz Center for Technology implements the safety aspects and new technologies in Formula 1 racing and translates these developments into everyday road safety and accident prevention strategies to improve the safety of drivers and passengers worldwide.

This commitment to safety was also taken into the sponsorship of the Allianz Arena in Munich, where the company installed outstanding safety measures that were recognised by German fire safety organisation Bundesverband Technischer Brandschutz e. V. (bvfa) with the prestigious Sprinkler Protected fire safety award. This is the first time ever that the bvfa has given a football stadium, an award for exceptional fire safety.

Empowering its people is just as important to Allianz as providing a premier service to customers. The over 181,000 staff in Allianz global offices function in a dynamic multi-ethnic and multi-cultural environment that provides them with a world of opportunities for personal and professional development. The fact that the Allianz Group was adjudged one of Europe's top 100 most favoured employers confirms the success of this focus on our people.

Allianz insures many of the world's largest and architecturally significant structures - in Asia alone, Malaysia's Petronas twin towers, one of the world's tallest buildings, the MRT (Mass Rapid Transport) in Singapore and Bangkok, the international airports in Hong Kong, Bangkok and Kuala Lumpur, Dubai's Palm Island the world's largest artificial island, and numerous atolls in the Maldives. Infrastructure projects and buildings insured by Allianz Lanka are as impressive - the Arugam Bay bridge, the World Trade Centre Twin Towers as well as the Colombo-Matara highway and the first wind power project in Sri Lanka, to name a few.

The global strength and solid capitalisation of the Allianz group coupled with local expertise and business know- how, has been Allianz Lanka's powerful formula for success since inception. From its second year of operations, Allianz Lanka has continued to make pure underwriting profits and maintain a combined ratio well below industry norms.

This year, Allianz Lanka celebrates yet another industry first with the achievement of Rs. 1 billion in Premium Income in less than 5 years of operations.

Allianz at a Glance

	2009	Change from previous year	2008	Change from previous year	2007	Change from previous year	2006	Change from previous year	2005
GENERAL INSURANCE									
Income Statement									
Total Revenue (Rs. '000)	360,783	124%	160,876	117%	73,970	104%	36,316	237%	10,771
Underwriting Profit after Expenses (Rs. '000)	62,603	52%	41,294	29%	32,009	822%	3,473	123%	(15,417)
Profit/(Loss) Before Tax (Rs. '000)	158,312	82%	86,934	63%	53,207	258%	14,867	267%	(8,900)
Balance Sheet									
Total Assets (Rs. '000)	1,105,444	58%	700,033	81%	386,195	47%	263,488	143%	108,624
Shareholders' Equity (Rs. '000)	431,946	38%	312,280	164%	118,411	72%	68,873	42%	48,602
Return on Net Assets (%)	27.7%	19%	23.3%	(44%)	41.8%	126%	18.5%	201%	(18.3%)
Earnings Per Share (Rs.)	5.59	(22%)	7.21	(2%)	7.34	250%	2.1	242%	(1.48)

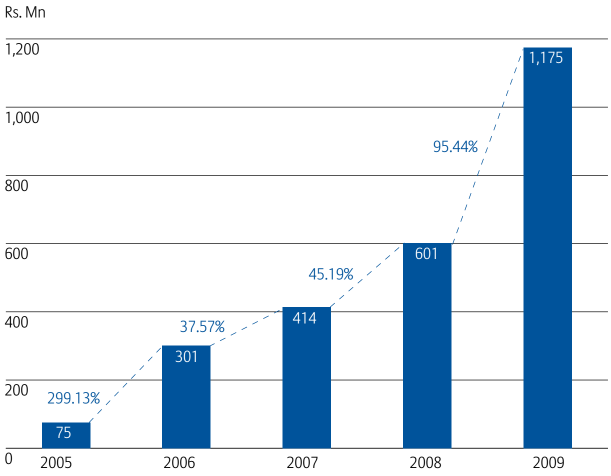
LIFE INSURANCE

Total Revenue (Rs. '000)	128,141	390%	26,171
Loss for the Period (Rs. '000)	75,716	684%	9,651
Investment (Rs. '000)	189,150	(18%)	231,775
Net Assets (Rs. '000)	164,632	(32%)	240,348

Financial Overview

GENERAL INSURANCE

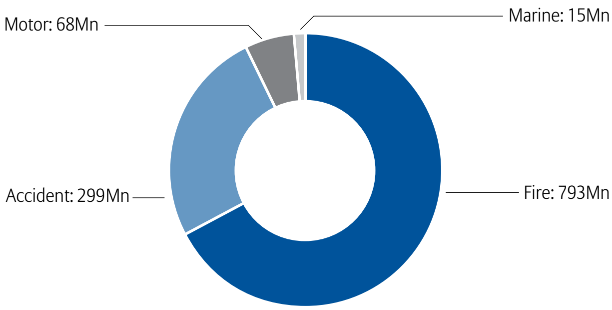
Gross Written Premium (GWP)



Allianz Lanka completed yet another successful year in General Insurance business, by growing its GWP by a sharp 95% year over year to Rs. 1,175Mn in 2009 despite the overall General Insurance industry having experienced a negative growth of 2.3% year over year. It is also noteworthy that the company, which surpassed Rs. 1Bn in GWP within less than 5 years from inception was the fastest to achieve this milestone within the Sri Lankan Insurance industry.

The rise in GWP was mainly driven by a sharp growth in the Accident and Fire segments, which grew by 139% and 94% respectively, year over year. Market confidence in the financial stability of Allianz, weathered a volatile economic climate and further supported the overall growth in company GWP in 2009.

Premium by Classes

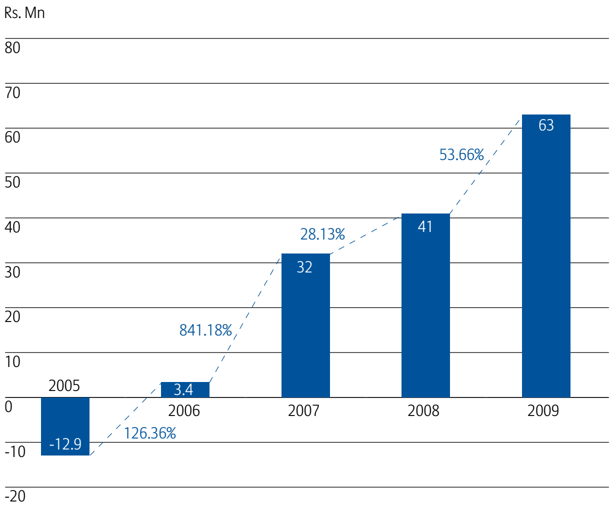


The company wrote its General Insurance business under four main business lines, namely; Accident, Fire, Marine and Motor. The Fire business line contributed 68% of the total GWP in both 2008 and 2009. Whilst a marked change in the business line mix is evident in the Accident segment, which increased its contribution to overall GWP from 21% in 2008 to 25% in 2009.

Contrary to the usual practice of the local General Insurance market, the company continues to maintain a lower presence in the highly competitive Motor business segment , which constituted only 6% of the total GWP in 2009.

Financial Overview (Contd.)

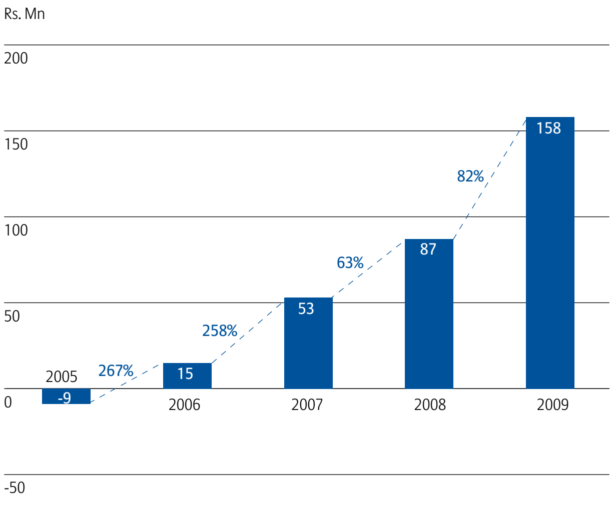
Underwriting Profit



Allianz grew its Underwriting Profit (after charging total costs inclusive of claims, acquisition and all other operating and administration costs) by a remarkable 54% year over year to Rs. 63Mn in 2009, and continued to display the sustainability of its core business model for churning out real returns.

Such positive results were possible due to the company's emphasis on sound cost management systems, its competitive advantage in reinsurance arrangements and strict screening processes when writing new business. The client-company relationship, which has grown ever closer over the years, has also made a positive contribution.

Profit Before Tax (PBT)

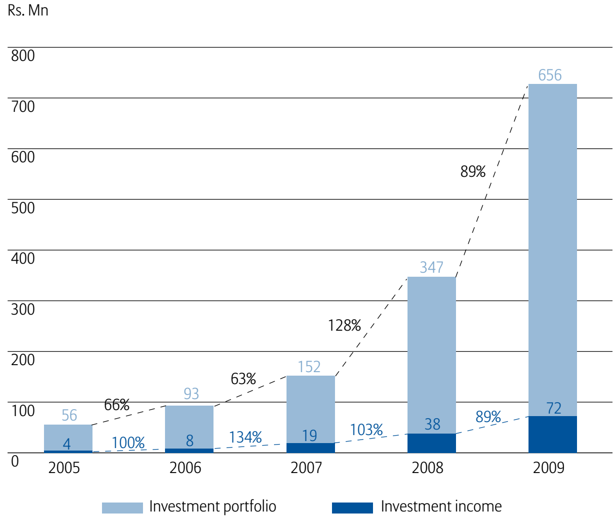


Despite facing a tough industry environment, Allianz recorded a 82% year over year growth in Profit Before Tax to Rs. 158Mn in 2009. The rate of growth had further improved from 63% in 2008 and is amongst the highest in the industry.

Profit after tax also grew by a strong 64% year over year to Rs. 120Mn in 2009 and Earnings Per Share was Rs. 5.59 in 2009.

Financial Overview (Contd.)

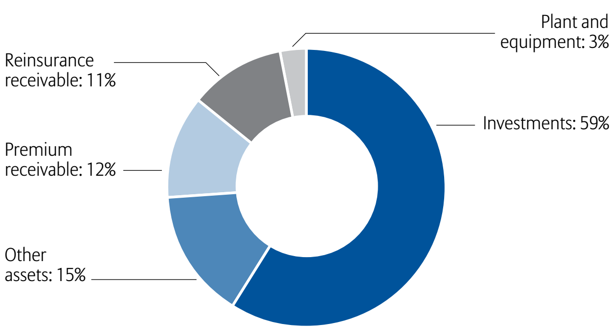
Investment Portfolio



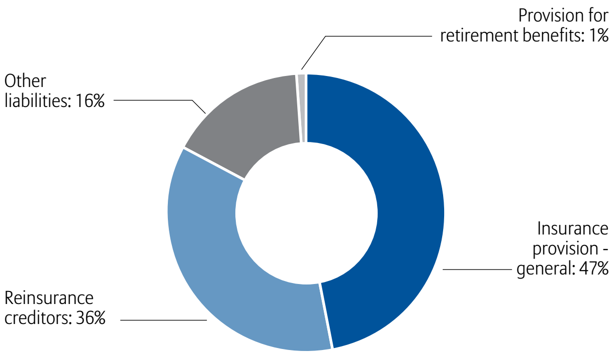
Total investments also grew by 89% year over year to Rs. 656Mn in 2009, whilst mainly utilising funds generated from operations and investments. Further, despite having a highly conservative investment strategy of investing only in Government Securities, the company generated Rs. 72Mn as interest income from investments in the year under review.

Supported by relatively high yields and growth in the investment portfolio, Allianz Lanka generated an investment yield of over 14% in 2009.

Asset Composition

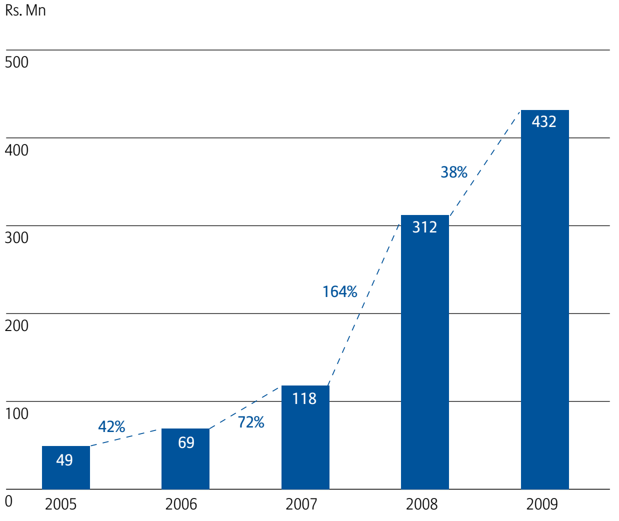


Liability Composition



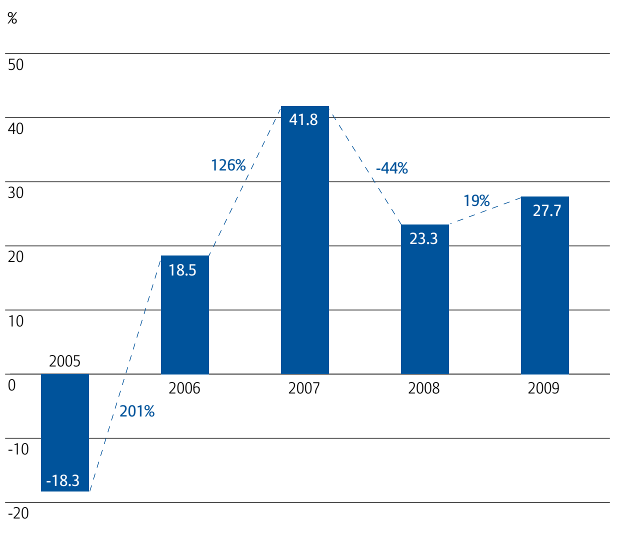
Financial Overview (Contd.)

Net Assets



Net Assets of the Company grew by 38% year over year to Rs. 432Mn in 2009, largely due to the growth in retained earnings. The Company has continued to plough back earnings and boost its net assets, allowing for more stable sustainable growth in the future.

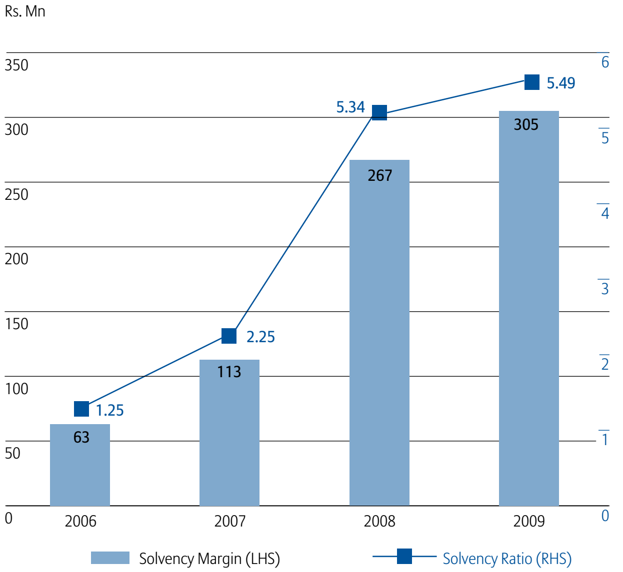
Return on Equity (ROE)



Allianz Lanka continued to generate a high ROE, recording a return on net assets of 27.7% in 2009 which has improved from the 23.3% recorded in 2008. The high ROE indicates the Company's ability to create real returns and also to record sustainable growth for the shareholders.

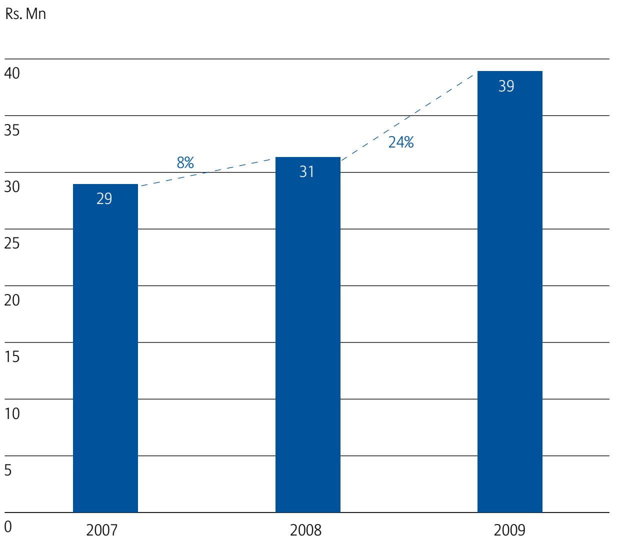
Financial Overview (Contd.)

Solvency Margin



The Company continued to maintain its impressive solvency level, which was well above the regulated minimum in 2009 as well. This year, Allianz has improved the solvency level by a further 3% to 5.49 times, from 5.34 times in 2008.

Economic Value Added (EVA)



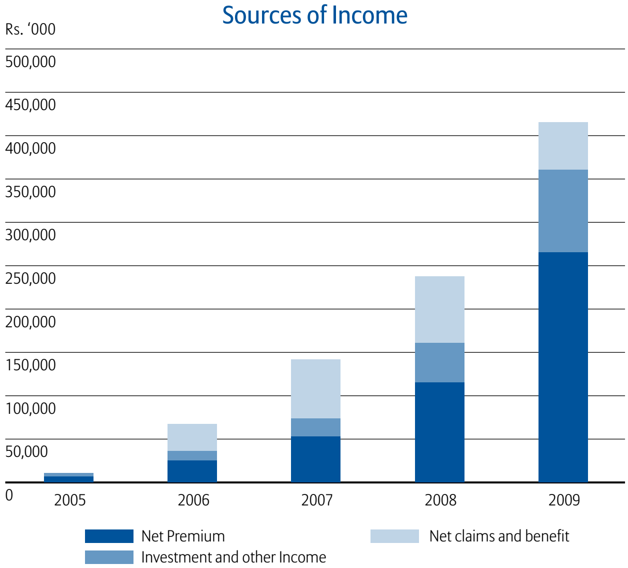
As in previous years, the Company continued to generate shareholder wealth and has in fact, successfully grown the returns at a much faster pace. This confirms the Company's success in achieving its objective of enhancing shareholder value, generating an EVA of Rs. 39Mn in 2009, which represented a growth of 24% year over year.

Contribution to the National Economy

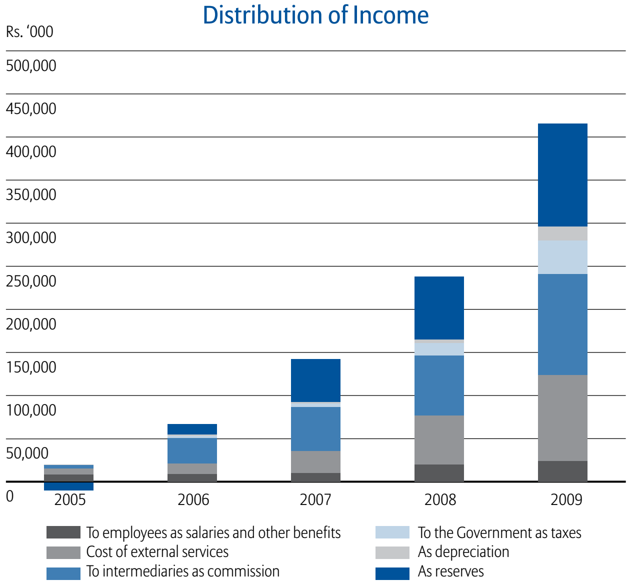
Statement of Value Added	2009	2008	2007	2006	2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Earned Premium	265,074	115,236	52,771	24,922	6,775
Investment and other Income	95,709	45,640	21,199	11,394	3,996
Net claims and benefit	54,726	76,835	67,962	30,978	406
Cost of external services	(99,454)	(56,569)	(25,485)	(11,801)	(7,287)
Total value added	**316,055**	**181,142**	**116,447**	**55,493**	**3,890**

	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
To employees as salaries and other benefits	24,245	8	19,919	11	9,986	9	8,904	16	8,064	207
To intermediaries as commissions	117,328	37	69,922	39	51,175	44	29,924	54	3,569	92
To the Government as taxes	38,646	12	14,190	8	3,669	3	2,105	4		0
Retained with the business										
- as depreciation	16,170	5	4,367	2	2,079	2	1,798	3	1,157	30
- as reserves	119,666	38	72,744	40	49,538	43	12,762	23	(8,900)	(229)
	316,055	**100**	**181,142**	**100**	**116,447**	**100**	**55,493**	**100**	**3,890**	**100**

Sources of Income



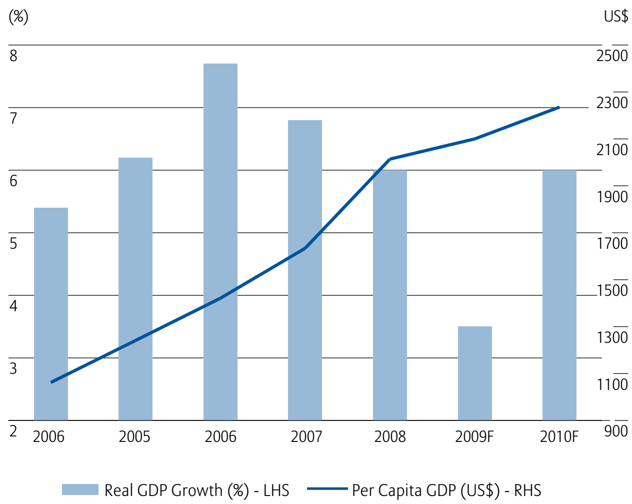
Distribution of Income



Economic Overview

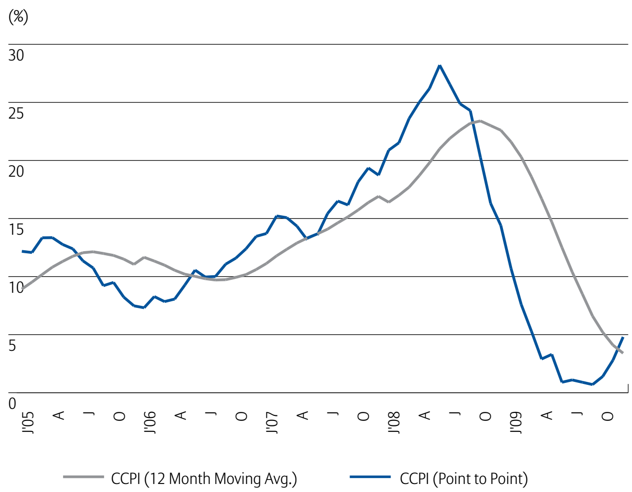
Sri Lanka, a macro overview

The Sri Lankan economy has an annual GDP of approx. US $ 40Bn and has been recording a growth CAGR of 5.9% over the past two decades despite bearing the brunt of an armed terrorist conflict, and has now evolved into a mainstay service-driven economy. Whilst the Service sector (mainly Trade, Transport, Communication and Finance sectors) accounts for nearly 60% of GDP, the Industrial and Agriculture sectors contribute about 28% and 12% respectively. Concurrently, the International Monetary Fund (IMF), citing the per capita GDP of US$ 2,014 recorded in 2008, the highest in South Asia, has upgraded Sri Lanka to Middle Income Emerging Market status.



The most vital outcome in 2009 was the conclusion of the three-decade old separatist war, which created a positive paradigm shift in the macro environment with the return to a conflict free country that has integrated a third of the land mass and two thirds of the resource-rich coastal belt to the mainstream economy.

Economic overview



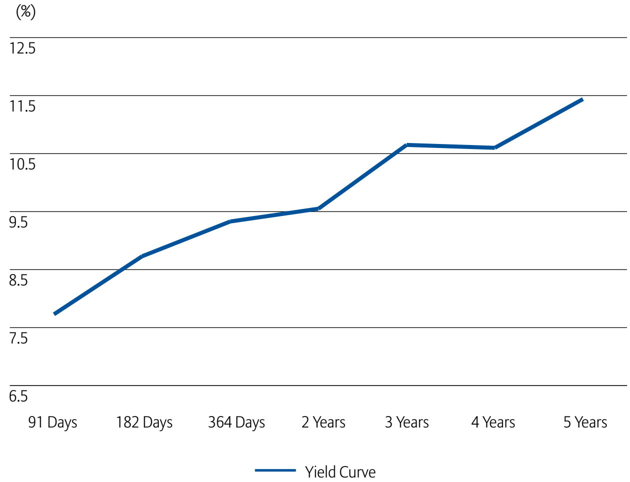
The Sri Lankan economy was adversely affected during 1H2009 due to heightened military operations, the cascading effects of the global financial turmoil and the collapse of some local financial institutions. Sliding Inflation rates (as measured by the CCPI) and Interest rates (which were historically high) were not sufficient to revive the economic doldrums. Hence, the GDP growth in 1H2009 edged down to 1.8%. Inflation rates nosedived due to lower domestic demand, the collapse of the global commodity bubble, lower imported inflation levels and the strict adherence to reserve money targets by the Central Bank. Interest rate were reduced as a consiquence of lower inflation, alternate

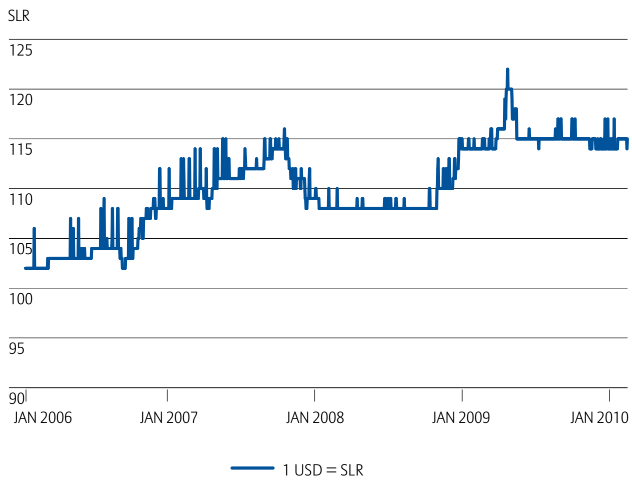
Economic Overview (Contd.)

measures of deficit financing, strong foreign remittances and the inflow of money from peripheral financial institutions to the core banking system.

Nevertheless, economic woes bottomed out in mid 2009 consequent to the end of the war and military offensives, and the Sri Lankan economy recommenced its growth drive with a GDP growth of 4.2% recorded in 3Q2009. During 2009, the Central Bank successfully issued a total of US$ 531Mn worth of US Dollar denominated Sri Lanka Development Bonds with a 2-3 year tenor and a US$ 500Mn Sovereign Bond with a 5 year tenor. Further, 2009 witnessed a strong foreign fund inflow to the equity market and the bond market whilst foreign holdings in Government Treasury Bills and Bonds reached the maximum threshold of 10% of the total Bills and Bonds in issue. Concurrently, the IMF approved a US$ 2.6Bn SBA concessionary loan for development activities in July 2009. The monies will be made available over a 20 month period. These foreign currency inflows, along with annual foreign worker remittances amounting to nearly US$ 3.3Bn, boosted Sri Lanka's foreign currency reserves which were sufficient to finance over 6 months worth of imports as at December 2009. Thus, contrary to the historic annual average depreciation of 5% of the Sri Lankan Rupee against the US Dollar, the local currency held firm against the greenback in 2009.

These positive economic influences gave rise to an upward revision in country ratings whilst S & P upped its country outlook from "Negative" to "Stable" in August 2009, revising up the sovereign rating from "B" to "B+" in October 2009. Fitch Ratings also mirrored the same ratings outlook. The Central Bank projects 4Q2009 GDP to grow by 6% year over year whilst lifting cumulative forecast 2009 GDP growth to 3.5% year over year and also expects a GDP growth of plus 6% year over year in 2010. Therefore we believe that, while 2009 was a year of economic consolidation, 2010 will be a year of growth, and that the same growth momentum will be sustained given the





Economic Overview (Contd.)

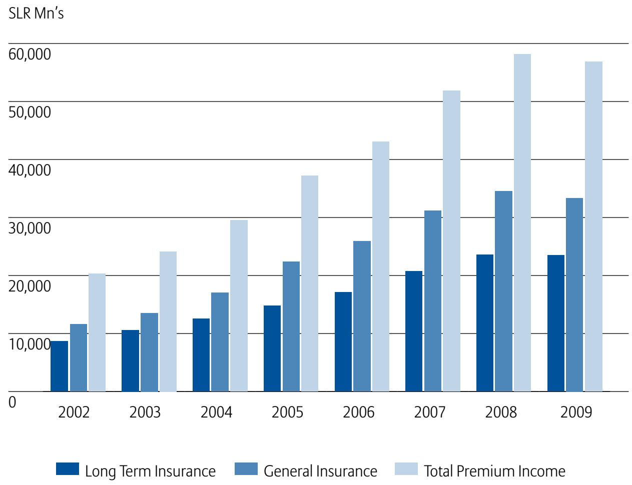
peace dividend following the cessation of military conflicts, growing tourist arrivals, rising foreign investments and the opening up of new markets in the previously war torn North and East provinces.

Industry overview

The Sri Lankan insurance industry consists of 17 insurance companies of which 10 are composite insurers while 5 provide only general insurance and 2 offer life insurance only.

In terms of business mix, Sri Lanka has a bias towards the general insurance market as it accounts for circa 60% of the total insurance business. In general insurance, the largest business segment is motor insurance accounting for approx. 54% of the premiums. The insurance industry contracted marginally in 2009 while having grown by 12.2% year over year in 2008. Several incidents relating to a few industry players and the overall weakness in the financial sector, caused concern among policyholders and somewhat deterred new business generation in 2009. However, this temporary setback was overcome and the industry showed signs of improvement in 4Q2009.

The Central Bank of Sri Lanka expects a GDP growth of over 6% in 2010, which is predicted to drive up the insurance industry premium income as well. With combined insurance industry Gross Written Premium still accounting for only 1.2% of annual GDP and Life insurance penetration being at only about 10%, the sector is poised to piggy back on stronger GDP growth. Further, with the industry's combined efforts of increasing awareness in Life insurance products, developing new insurance products coupled with the opening of the North and Eastern provinces which hitherto had limited coverage, it is certain that a brighter future awaits insurance in Sri Lanka.



Director's Review

The global economic recession and the woes of the financial system took their toll on business growth, with many financial institutions going into receivership in 2009. The volatile economic environment of the year under review prompted focus on existing businesses and on strengthening the balance sheet rather than on venturing into new business areas.

Sri Lanka, too, was not immune to the global economic downturn, due mainly to inherent issues. With the drag on global trade, the Transport and Export sectors suffered, with the broad Services and Industries sectors also experiencing a period of stagnation.

Since Sri Lanka's capital account is closed, the financial system of the country was somewhat immune to the turmoil in the global financial sector, but inherent weaknesses in certain local financial institutions created a strain on the Banking and Finance sector.

Allianz Lanka remained strong and continued to grow its Gross Premiums, positive Underwriting Result and Net Profit in this tough industry environment. Furthermore, 2009 has been the first full year during which Allianz Life Insurance Lanka Ltd was operational, and the business unit has grown despite the adverse economic environment. Nor did the economic drag of 2009 deter Allianz Lanka in its branch rollout: four new branches were added to its expanding footprint in Sri Lanka. I strongly believe that this performance will be continued in 2010 and that Allianz Lanka will proceed in its growth drive.

The insurance sector, which displayed much resilience in 2009, will also benefit from these recent positive developments. I am confident that Allianz Lanka, too, backed by the strength of its parent Group, will be on a strong footing to benefit from the industry upswing and will not fight shy of facing challenges head on.

With a revival in the overall economy, both Non Life and Life business is expected to grow, with insurance penetration be-

Director's Review (Contd.)

ing at a relatively low level at present. With Allianz consolidated with its recent expansion drive, I have no doubt that we can strongly benefit from the country's growth.

Many large- scale infrastructure developments are taking place in Sri Lanka and hence the Non Life Insurance segment has further broadened and is expected to grow in the medium-long term. Allianz, with its global parental support, can benefit significantly from these recent advances.

New growth opportunities have also presented themselves with the opening up of new markets in the North and East of Sri Lanka where a strong global brand such as Allianz will be a much sought after insurance solutions provider.

We provided our services to the fullest in times of economic hardship during the past years. In the future, we look to expanding our coverage and to becoming a total insurance services provider with a long term view of Sri Lanka as a vibrant market of opportunity.

In these turbulent times it is more important than ever to prove ourselves a trustworthy partner - and Allianz has done just that.

Allianz Group reported solid results for the fiscal year 2009, despite a challenging global economy. Based on preliminary figures, total revenues grew 5.2 percent to 97.4 billion euros for the year. Operating profit totaled 7.2 billion euros, or 147 million euros below the previous year's level. The Company's business segments coped with one of the most volatile economic environments in history during the first two quarters, and achieved positive growth and earnings momentum in the second half of the year.

The continued profitability of the operating segments along with lower impairments following the recovery of the capital markets, contributed to net income from the continuing operations of 4.7 billion euros. This translates into an increase of 13.2 percent from 4.2 billion euros in 2008.

Heinz Dollberg
Director
Allianz Insurance Lanka Ltd.
Allianz Life Insurance Lanka Ltd.

4 March 2010

CEO's Review

The year 2009 was another memorable one for Allianz Lanka, with the Company achieving excellent growth not only in terms of turnover but also in profits, and continuing its reputation for setting industry records. Despite having no captive business, Allianz Lanka continues to keep its reputation for being the fastest growing insurer in Sri Lanka.

On completion of our fifth year of operations, the Company achieved a noteworthy Rs. 1,175 million in Gross Written Premium in General business. The Company attained a growth of 95% in 2009, over the previous year's gross premium of Rs. 601 million, which, we are proud to state, is amongst the highest growth rates recorded in the industry. Yet another industry record was established with the realisation of Rs. 1 billion in premium income in less than five years of operations.

Allianz Lanka continued to grow across all classes of insurance and maintained a healthy business composition headed by Fire insurance with 68% and followed by 25% for Miscellaneous Accident, 6% for Motor insurance and 1% for Marine insurance.

Underwriting Profit (after deduction of all operational expenses) increased to Rs. 63 million, which is a growth of 52% over last year's underwriting profit of Rs. 41 million. Allianz Lanka has, arguably, been the only Sri Lankan insurer to make year on year underwriting profits from its second year of operations. This was the result of the Company's strategic direction in achieving growth through writing quality business rather than through focusing on growth *per se*. The Company made a profit before tax of Rs. 158 million which is a 82% growth over 2008.

Delivering strong growth in turnover as well as profitability was largely due to fine-tuning the way we worked across different functions: market knowledge, underwriting, sales, service capabilities and customer retention. This involved having in place more efficient procedures to maintain global standards balanced with measures to attain sustainable growth.

CEO's Review (Contd.)

The Company also sustained a very satisfactory combined ratio of 69%, well below industry norms, due to the adoption of prudent underwriting guidelines, risk assessment processes and cost management initiatives.

Life operations began only in November 2008, and achieved a gross written premium of Rs. 4 million for that year. In the difficult market situation of 2009, the Company achieved a remarkable Gross Written Premium of Rs. 102 million. For the first time in Sri Lanka, using the Universal Life concept, we declared an annual dividend of 15% to all in-force policyholders in 2009: this was the first calendar year of Life operations, and this dividend declared was higher than what was promised to policyholders at the outset.

We are confident that the Life Company will follow in the steps of the General Company to set industry records in the not too distant future.

We are proud to state that both Life and General businesses maintained solvency ratios well above the required statutory amount. The Life business has a solvency of 301 times, and in the case of General business, a solvency of 5.49 times. We are also satisfied with the sound management of the investment portfolio despite the declining interest rates scenario.

Although our aim has never been, and never will be, to increase market share only, it is gratifying to note that our strong business performance now brackets us with the big players in the local industry. Please be assured that we will not, however, compromise standards by losing focus on our corporate strategy of writing quality business. We will continue to emulate the standards set by our parent Company, Allianz SE, standards that have earned them their reputation for being one of the world's premier financial services conglomerates.

We are pleased to note that Sri Lankans are now demonstrating a much greater awareness of the unique and distinctive Allianz identity. This increased brand awareness we attribute to the fact of our increased market penetration and the satisfaction that our customers experienced with us.

This year saw the consolidation of our vision of reaching out to our customers in the provinces, with more agency offices being developed into self-sustaining branches equipped with all facilities to service customers in those regions. More than 90% of Life business was channelled through our regional branches.

Our staff rewards continue to be based on performance, with training and guidance being provided in specialised areas. Here too, we have the advantage of our global resources. As an equal opportunity employer we welcome cultural diversity and recognise our staff as being our main asset.

The broad target for the forthcoming year would be to build on the successes of this past year. Although this may not be an easy task, given uncertain market conditions, we are confident that we are now equipped with the right tools to meet and surmount the challenges ahead. The key here is flexibility and timeliness, the ability to identify and respond rapidly to opportunities as and when they arise. We are now approaching an intensely challenging mature market where most consumers have already fulfilled their basic needs. To maintain and to better our current position, we need to change at least as fast as our customers expect us to.

We look to 2010 with much enthusiasm. We will continue to build on the successes of the past years. And we will continue to develop and train our people.

We will be expanding our branch network further into the South along the Southern belt as well as into the Northern region. Existing branches will be further strengthened and

CEO's Review (Contd.)

we will commence writing General insurance business at these branches. We will also develop new channels to reach our customers. Service excellence is the key differentiator that we will be striving for this year.

Our sales force in Life business will be further strengthened. They will be trained and equipped to exploit the advantages of IT to the fullest to be more responsive to customer needs in terms of speed, delivery and productivity, on par with Allianz global standards of service.

We will also continue to infuse new and innovative insurance solutions to our General and Life business portfolios and to better our own record of readiness to meet customer needs.

I extend my grateful thanks to the Board of Directors, for their steady hand in guiding the Company at all times. I take this opportunity to thank our employees for their skill, expertise and continued commitment to delivering high quality services to our customers and also their very positive spirit in growing the Company from strength to strength. It is their untiring efforts that have made our sterling record of achievements a reality. I also extend my special appreciation to our clients and other business partners, who continue to demonstrate their faith in our capabilities. We will continue to share a unique relationship with them during the most significant moments of their lives.

We are confident that we will continue to deliver long term growth and superior performance, not by resting on our laurels but instead, by using our strong performance as an impetus to fuel our progress to further heights of excellence.

Surekha Alles
Chief Executive Officer
Allianz Insurance Lanka Ltd.
Allianz Life Insurance Lanka Ltd.

4 March 2010

Allianz Moments

Opening of Gampaha branch

Top Ten Congress, award ceremony

One Billion celebration

The year 2009 will be forever etched in the annals of Allianz Lanka's history as this was the year in which the Company completed five years of operations and, at the same time, set an industry record by achieving Rs. 1 billion in GWP (Gross Written Premium) in General insurance whilst also attaining a staggering Rs. 100 million in Life Premiums in the first year of its Life operations.

These milestones were celebrated throughout Allianz Lanka, from its head office across to its islandwide branches, on 18 December.

The Company's successful performance prompted staff to submit their own thoughts on what being a member of the dynamic Allianz team meant to them. The most innovative entries are featured on page 24 and 25.

Branch Expansion

This year saw the Company setting up four branches in rapid succession in key provinces in Sri Lanka, and even venturing into the newly emerging markets of the North Eastern territory. Allianz Lanka now has a strong presence in Galle, Negombo, Gampaha and Vavuniya, in addition to Kurunegala, where the Company opened its first branch in December 2008, All these branch offices provide clientele in those regions with the same insurance benefits, facilities and financial security enjoyed by customers in Colombo.

Top Ten Awards Congress

On 10 December 2009, Allianz Life Insurance Lanka held its second annual Top Awards Congress to recognise and reward the cream of Allianz achievers during the year. Over 150 employees from all branches of the Life company attended the ceremony, at which the 2010 Plan for the Agency force was also unveiled. The event culminated with the awards presentation to the Top Ten achievers of 2009 as well as to the winners of the First quarter and Third quarter sales competitions held during the year. The message of the Top Ten Congress of 2009 was the recognition and reward for exceptional performance and the motivation to reach greater heights of excellence in 2010.

Annual Company Outing

The annual company excursion was to Habarana Lodge, and was, this year, extended to an overnight stay for staff and their families during September. Most staff with their families joined in a time of fun and fellowship and had an enjoyable time, venturing into the wilds of Habarana on safaris and building team spirit through a host of games and other social activities. All were in agreement that this relaxed holiday atmosphere was the ideal occasion for getting to know the ever-increasing Allianz family better.

Christmas Celebrations

December was a month of celebration for the Allianz family, but celebrations this year were with a difference: in true Christmas spirit, employees of all faiths joined together to celebrate Christmas with the children of the "Shanthi Niwasa" children's home on 16 December. The Allianz team

Allianz Moments (Contd.)


Trainning programme

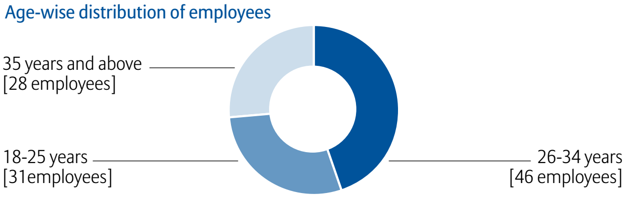
Company annual outing to Habarana Lodge

shared Christmas fellowship with the children by distributing gifts and singing Christmas carols. One and all agreed that it was a memorable and heartwarming experience. "Shanthi Niwasa" is a charity run for the destitute by the 'Sisters of Charity' nuns of Mother Theresa.

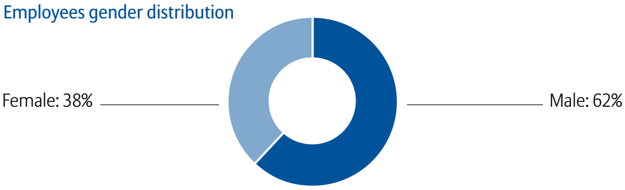
Staff Movements

With the opening of the four branches and expansion into the provinces, several new staff joined the Allianz team this year. As at December 31, 2009 there were a total of 105 employees in both the General and Life Companies, of which 40 were females. This total is an increase of 31 from the previous year's total of 72. The average age of staff is 30, which reiterates the Allianz commitment to recruit and train young staff who will grow with the Company.

Age-wise distribution of employees



Employees gender distribution



Working smart is integral to Allianz Lanka's strong performance. The Allianz Lanka staff productivity rate increase during the year, confirms the Company's commitment to this approach. The Gross Written Premium per employee rose to Rs. 14.6 million or by 22% over the previous year's figure, despite staff expansion.

Training and Development

Allianz Lanka continued its training and development initiatives. A new training room with improved facilities and a designated section for sales staff was set up at the head office during the year, to carry forward the Allianz goals of providing contemporary training facilities to develop its employees.

As part of the Company's talent development efforts, workshops were conducted on customer service and a special training programme for managers were held for employees specifically identified as having management skills. The Company also places great emphasis on skills training, and launched special training to develop IT skills in collaboration with Microsoft Sri Lanka, which is to be an ongoing programme in which all staff will participate. The Company also continued its support and recognition of employees pursuing professional courses of study.

As a multinational with a global presence, Allianz Lanka is uniquely placed to provide overseas training to its staff and several staff followed specialised training in India, Japan

Allianz Moments (Contd.)

Sharing X'mas with "Shanthi Niwasa"

Assisting displaced children living in refugee camps

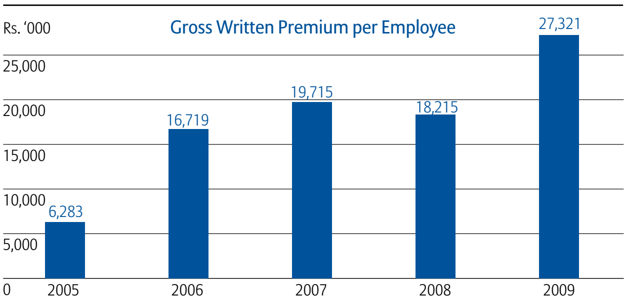
and Egypt. Allianz Lanka is also committed to developing technical areas that are in short supply in the country and has initiated an actuarial department with Allianz regional and Group support.

Employee Engagement Survey

Allianz is globally committed to continuously improving job satisfaction and employee engagement. The Group recognises employee response and feedback as being an invaluable tool in judging the effectiveness of policies and workplace enhancement initiatives.

In 2009 Allianz Lanka participated in the group employee engagement survey for the first time. The survey is conducted globally, by an independent third party survey research organisation.

The survey focused on areas such as Strategic Orientation, Communication and Collaboration, Structure and Procedures, Leadership behavior, Job role, Learning and Development, Performance and Compensation, Customer focus,



Innovation and Change, Diversity, Best Practice Sharing and Employer attractiveness. Allianz Lanka achieved a favourable overall score of 72% in all the abovementioned areas, which was highly commendable.

Corporate Social Responsibility (CSR)

Remaining competitive ensures that the company is sustainable in the long term in a manner that reflects its role in society. As such, Allianz has always been alive to the needs of the underprivileged and the differently abled in society.

Following in the footsteps of its parent, Allianz Lanka, too, initiated several programmes to brighten the lives of those at the bottom of the economic spectrum.

One such initiative was joining hands with World Vision to assist displaced children in the North East living in refugee camps, to return to school. Recognising the need to help these young displaced refugees reintegrate into society, Allianz Lanka staff provided them with basic schooling materials, with many staff selflessly donating a day's salary towards these expenses.

Several other initiatives were also embarked upon during the year, including the sponsoring of school fees for an impoverished child to attend a leading school in Colombo, providing sports gear for a child showing athletic prowess as well as providing equipment to the school for the deaf and blind in Seeduwa.

Allianz turns 5

In 2005, Allianz Lanka began a journey into unchartered territory, a territory that held many challenges and demanded much of the way farers. Today, five years down the road, the way has been marked by milestones, challenges have been met, crossroads reached, and new paths explored and travelled on.

All those who embarked on the journey are unanimous in their agreement that it was well worth the effort. These are the people of Allianz. They were the pillars of strength along the way. It is their commitment and dedication that helped Allianz Lanka surpass all expectations to become a leading player in the industry in so short a time.

In celebration of the completion of five years of operations in Sri Lanka, Allianz Lanka employees shared their personal perspectives on their Company and what it means to them.

To me, working at Allianz is...

A chievement of life's goals with

L essons in real-time learning,

L oyalty &

I nspiration by success stories,

A nd accomplishing

N ever-ending

Z enith of satisfaction.

Proud to be a member of the Allianz Family. Happy 5th Year Anniversary Allianz Lanka!!!

> "Proud to be a member of the Allianz Family"
>
> Bhagya Wijayaweera

> "Now I have a dream: that Allianz should be Number One in this beautiful Island"
>
> Uditha Wijesundara

My Dream

I dreamed about an ideal job in which I'd be motivated, inspired, respected and well paid. After joining Allianz, my dream became a reality. It has been a pleasure to work with Allianz which has done a great job in Sri Lanka within just 5 years. A respectful work environment that is focused on the future ensures that we are working in a productive way to meet the goals of our function. Now I have a dream: it is that Allianz should be Number One in this beautiful island. I know my dream will become a reality in the very near future.

A lways making today my best day

L oving my colleagues generously

L evelling up my talents every day

I mplementing the goals on time

A lways taking pride in a job well done

N avigating my negative thoughts

Z enith is my limit to achieve

Allianz turns 5 (Contd.)

Young Blood

I would like to share my experience at Allianz

"YOUNG BLOOD IS OUR STRENGTH & OUR SUCCESS"

The youngsters who are capable and willing to take challenges have great opportunities with Allianz. I am proud to be a member of the Allianz family. And I wish Allianz more and more success throughout the journey.

> "Young blood is our strength & our success!"
> Visaka Perera

Allianz Careers

After spending most of my insurance career in different Insurance Companies, I found a welcome change at Allianz Lanka, a place where I was given the opportunity to be creative in my job role in an atmosphere of teamwork. I'm glad that I took the best decision of my life to Join Allianz Lanka. I knew I wanted a challenge, something that would keep my attention, provide an ample amount of opportunities to grow, and endless possibilities to learn as much as I can. I feel so fortunate to have a job where I am appreciated for my hard work. Where my contributions and commitment are noticed, appreciated and challenged on a daily basis. What drives me most is that there is never a dull day at Allianz.

It's a pleasure to work for a company that cares! "People do not care how much you know, until they know how much you care." I feel that sums it up nicely!

> "I'm glad that I took the best decision of my life to Join Allianz Lanka"
> Ruchera Perera

> "දිනේවා සැමදා නාමය අලියාන්ස්"
> Dilrukshi Perera

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Content

Annual Report 2009

ALLIANZ INSURANCE LANKA LTD.

Allianz

Directors' Report

The Directors of Allianz Insurance Lanka Ltd., present their report together with the Audited Financial Statements and the Report of the Auditors for the year ended 31 December 2009.

Principal Activity

The Company underwrites Non-Life Insurance business. Income derives from underwriting, underwriting management, and investment income.

Stated Capital

The Stated Capital of the Company as at 31 December 2009 was Rs.250,000,000 (Rs.188,634,630 in 2008).

During the year, shareholders approved the issuance of 6,136,537 Bonus Shares. The Bonus Issue was effected by capitalising upto Rs.61,365,370 from the Revenue Reserves of the Company and applying the same towards payment in full for the Bonus Shares issued. With the completion of the Bonus Issue, the Stated Capital of the Company was Rs.250,000,000 comprising of 25,000,000 Ordinary Shares.

Shareholding

Allianz SE of Munich Germany is the immediate and the ultimate shareholder of the Company. The Allianz Group provides services in Insurance, Banking and Asset Management.

Review of Business and Future Developments

The Business Review, which includes details of the Company's development and performance, are set out in the Financial Review on pages 7 to 11. The future developments of the Company are presented in the CEO's Review on pages 18 to 20. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Financial Results

The Company results for the year are shown in the Statement of Income on page 33.

	2009 Rs.'000	2008 Rs.'000
Gross Written Premium:		
Accident	299,411	125,261
Fire	792,775	408,457
Marine	15,039	17,615
Motor	67,597	49,770
Total GWP	1,174,822	601,103
Net Earned Premium	265,074	115,236
Underwriting Profit	62,603	41,294
Profit before Taxation	158,312	86,934
Taxation	(38,646)	(14,190)
Profit after Taxation	119,666	72,744
Profit brought forward from previous year	123,645	50,901
Accumulated Profit at the end of the year	181,946	123,645

Plant and Equipment

The details of plant and equipment are given in Note 4 to the Financial Statements.

Investments

The details of investments held by the Company are disclosed in Note 3 to the Financial Statements.

Asset Allocation by Asset Class

	2009 Rs. '000	%	2008 Rs.'000	%
Fixed Income Securities	656,207	97	347,368	86
Cash and Cash Equivalents	23,172	3	54,804	14
Total	679,379	100	402,172	100

Employment Policy

As a people business, our principal asset is the intellectual capital and our highly motivated and skilled employees are critical to our success. We acknowledge top performance and reward it appropriately. Our compensation and benefits plans are designed to motivate our employees to successfully implement our strategies and business plans.

We encourage equal opportunity and this involves recruiting, engaging, retaining, rewarding and developing people solely on the grounds of their ability to do the job, and establishing and promoting a working environment which is free from discrimination.

Directors' Report (Contd.)

Allianz employees continued to receive global training opportunities in the Allianz Group, on current trends and developments in insurance worldwide, which ensures that the Allianz team has the required expertise towards the achievement of corporate objectives. We believe, we can create real competitive advantage by building and maintaining a high performance culture in the Company.

Directors

The following persons served as Directors of the Company during the year:

- Heinz Dollberg
- Don Tri Nguyen
- Kamesh Goyal
- Dietmar Raich (appointed 3 August 2009)

Directors' Interest in Contracts with the Company

None of the Directors had any material interest either directly or indirectly in any transaction or contract with the Company other than as disclosed in Note 21 to the Financial Statements.

Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Auditors

The Financial Statements for the year ended 31st December 2009 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Co. (Chartered Accountants), who will retire from office at the end of this Annual General Meeting. They have expressed their willingness to be re-appointed until the next Annual General Meeting at a remuneration to be agreed on.

The fees paid to Auditors are disclosed in Note 18 page 49 to the Financial Statements.

The Auditors of the Company, Messrs. KPMG Ford, Rhodes, Thornton & Co. do not have any relationship with the Company other than that as the Auditors.

On behalf of the Board.

Heinz Dollberg
Director

Kamesh Goyal
Director

Secretaries to the Company

EM & EN Agents and Secretaries (Pvt) Limited

4 March 2010

Certification of Incurred But Not Reported (IBNR) Reserve

IBNR represents that amount of claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims incurred but not enough reported (IBNER).

In calculation of the provision, I have relied on the information and data provided by the management of Allianz Insurance Lanka Ltd. I am assured that the figures given to me were tallied/reconciled with the Audited Accounts. They were verified to the extent possible to satisfy ourselves as to the reasonability of the data. Analysis of claims on gross and net of reinsurance has been done. The results have been determined largely in accordance with internationally generally accepted actuarial principles. I have certified IBNR provision net of reinsurance as Sri Lanka Rs. 31,802,000 as at 31 December 2009.

Asha Joshi
Fellow of the Institute of Actuaries of India
Associate of the Institute of of Actuaries (UK)
15 February 2010

Independent Auditors' Report

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300
Sri Lanka.

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: +94 - 11 244 6058
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: +94 - 11 230 7345
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TO THE SHAREHOLDERS OF ALLIANZ INSURANCE LANKA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Allianz Insurance Lanka Limited, which comprise the balance sheet as at December 31, 2009, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 32 to 50 of this annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2009 and its profit 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) of the Companies Act No. 07 of 2007. Further, pursuant to Regulation of Insurance Industry Act, No. 43 of 2000, proper accounting records have been maintained as required by the related rules.

Ford Rhodes Thornton & Co

Chartered Accountants
4th March 2010
Colombo, Sri Lanka

Balance Sheet

As at 31 December	Note	2009 Rs. '000	2008 Rs. '000
Assets			
Investments	3	656,207	347,368
Plant and Equipment	4	31,988	22,963
Intangible Assets	5	19,453	9,802
Reinsurance Receivable		125,480	133,939
Premiums Receivable	6	130,678	104,593
Other Assets	7	111,342	23,680
Deferred Tax Assets	19b	7,124	2,884
Cash and Cash Equivalents	8	23,172	54,804
Total Assets		**1,105,444**	**700,033**
Liabilities and Shareholders' Equity			
Liabilities			
Insurance Provision - General	9	315,105	238,503
Reinsurance Creditors		240,657	86,537
Retirement Benefit Obligation	10	2,856	966
Other Liabilities	11	107,535	46,881
Bank Overdraft		7,345	14,866
Total Liabilities		**673,498**	**387,753**
Shareholders' Equity			
Stated Capital	12	250,000	188,635
Revenue Reserves	13	181,946	123,645
Total Shareholders' Equity		**431,946**	**312,280**
Total Liabilities and Shareholders' Equity		**1,105,444**	**700,033**

The above Balance Sheet is to be read in conjuction with the Notes to the Financial Statements on pages 37 to 50.
These Financial Statements have been prepared in accordance with the Companies Act No. 7 of 2007.

Dineth Ediriweera
Chief Financial Officer

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

Heinz Dollberg
Director
4 March 2010

Kamesh Goyal
Director

Statement of Income

For the year ended 31December	Note	2009 Rs. '000	2008 Rs. '000
Revenue	13a	360,783	160,876
Gross Written Premium		1,174,822	601,103
Premium Ceded to Reinsurers		(897,007)	(423,914)
Net Written Premium		277,815	177,189
Net Change in Reserve for Unearned Premium		(12,741)	(61,953)
Net Earned Premium	13b	**265,074**	**115,236**
Benefits, Losses and Expenses			
Net Insurance Claims and Benefits	14	(150,698)	(59,178)
Net Acquisition Cost		88,096	66,090
Total Benefits, Losses and Expenses		**(62,602)**	**6,912**
Net Premium less Benefits, Losses and Expenses		**202,472**	**122,148**
Other Revenue			
Income from Investments	15	72,346	38,531
Other Income	16	23,363	7,109
Expenses			
Operating and Administration Expenses	17	(139,869)	(80,854)
Profit before Taxation	18	158,312	86,934
Taxation	19	(38,646)	(14,190)
Profit after Taxation		119,666	72,744
Earnings Per Share (Rs.)	26	5.59	7.21

The above Statement of Income is to be read in conjunction with the Notes to Financial Statements on pages 37 to 50.

Statement of Changes in Equity

	Note	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Total Rs.'000
Balance as at 31 December 2007		**67,510**	**50,901**	**118,411**
Shares issued during the year	12	121,125	-	121,125
Net Profit for the year		-	72,744	72,744
Balance as at 31 December 2008		**188,635**	**123,645**	**312,280**
Shares issued during the year	12	61,365	(61,365)	-
Net Profit for the year		-	119,666	119,666
Balance as at 31 December 2009		**250,000**	**181,946**	**431,946**

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 37 to 50.

Cash Flow Statement

For the year ended 31 December	Note	2009 Rs. '000	2008 Rs. '000
Cash Flows from Operating Activities			
Premium Received From Customers		1,148,737	554,347
Reinsurance Premium Paid		(483,367)	(308,277)
Claims Paid		(202,681)	(125,658)
Reinsurance Receipts in Respects of Claims		85,827	61,520
Cash Paid to and on Behalf of Employees		(24,245)	(18,191)
Operating Cash Payments		(216,065)	(86,337)
Cash Inflow from Operating Activities (Note A)		**308,206**	**77,404**
Tax Paid		(25,971)	(2,850)
Net Cash Flows from Operating Activities		**282,235**	**74,554**
Cash Flows from Investment Activities			
Purchase of Investments		(678,470)	(766,491)
Sale of Investments		369,631	571,037
Purchase of Intangible Assets	5	(15,185)	(10,082)
Purchase of Plant and Equipment	4	(19,673)	(24,766)
Interest Income Received		37,322	34,350
Proceeds on Sale of Plant and Equipment		29	3
Net Cash Flows from Investing Activities		**(306,346)**	**(195,949)**
Net Cash Flows before Financing		**(24,111)**	**(121,395)**
Cash Flows from Financing Activities			
Proceeds from Issuance of Share Capital	12	-	121,125
Cash Flows from Financing Activities		**-**	**121,125**
Net Decrease in Cash and Cash Equivalents (Note B)		**(24,111)**	**(270)**

Cash Flow Statement (Contd.)

For the year ended 31 December	Note	2009 Rs. '000	2008 Rs. '000
A. Reconciliation of Operating Profit with Cash Flows from Operating Activities			
Profit Before Taxation		158,312	86,934
Depreciation	4	10,636	4,087
Provision for Gratuity	10	1,890	399
Amortization of Intangible Assets	5	5,534	280
Interest & Other Income		(72,363)	(38,531)
Decrease in Debtors		(58,629)	(81,864)
Increase in Unearned Premiums and Deferred Acquisition Costs		52,899	67,694
Increase in Claims Provisions		12,066	33,397
Increase in Creditors and Accruals		197,860	5,008
Cash Inflow from Operating Activities		308,206	77,404
Tax Paid		(25,971)	(2,850)
Net Cash Inflow from Operating Activities		**282,235**	**74,554**
B. Net Increase in Cash and Cash Equivalents			
Cash in Hand and at Bank	8	23,172	54,804
Bank Overdraft		(7,345)	(14,866)
Net Cash and Cash Equivalents for the Current Year		15,827	39,938
Net Cash and Cash Equivalents for the Previous Year		39,938	40,208
Net Decrease in Cash and Cash Equivalents		**(24,111)**	**(270)**

The above Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements on pages 37 to 50.

Notes to the Financial Statements

1. Corporate Information

1.1 Reporting Entity

Allianz Insurance Lanka Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at No. 92, Glennie Street, Colombo 02.

The immediate and ultimate holding company is Allianz SE of Munich Germany.

The Company was incorporated on 20 January 2004 and commenced Non-Life (General) Insurance business in January 2005.

The Financial Statements of Allianz Insurance Lanka Ltd. for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2010.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Financial Statements have been prepared and approved by the Directors in accordance with Sri Lanka Accounting Standards (SLAS) and the requirements of the Companies Act, No 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act, No 15 of 1995 and the Regulation of Insurance Industry Act, No 43 of 2000 and subsequent amendments thereon.The formats and disclosures, where applicable, are also in accordance with the Statement of Recommended Practice for Insurance Contracts (SORP), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

2.1.2 Responsibility for Financial Statements

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

2.1.3 Basis of Measurement

The Financial Statements are presented in Sri Lanka Rupees and rounded to the nearest thousand and prepared on the historical cost convention.

The Accounting Policies have been applied consistently by the Company.

2.1.4 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLAS) require Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by Management in the application of Sri Lanka Accounting Standards (SLAS) that have a significant effect on the Financial Statements and estimates are mentioned below.

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Insurance Provision - General	9	46
Unearned Premium and Deferred Acquisition Cost	9a & 9b	46
Reserve for Gross Outstanding Claims	9c	46
Deferred Taxation	19b	50
IBNR Reserve	9d	46
Retirement Benefit Obligation	10	47

Notes to the Financial Statements (Contd.)

2.1.5 Comparative Information

Where necessary, comparative figures have been re classified to conform with the current year's presentation. The changes made to comparative classification are disclosed in Note 27 to the Financial Statements.

2.1.6 Foreign Currency Transactions

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Insurance contracts which were underwritten in foreign currency, are converted to Sri Lanka Rupees at the rates of exchange prevailing at the time of underwriting, and revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non- monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Statement of Income.

2.1.7 Taxation

a) Current Taxes

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

b) Deferred Taxation

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

c) Economic Service Charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendment thereto, ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

d) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No. 5 of 2005, as amended by the Finance Act No. 8 of 2008, a Social Responsibility Levy (SRL) was introduce with effect from 1 January 2005. SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Act.

Notes to the Financial Statements (Contd.)

2.1.8 Cash Flow Statement

The cash flow statement has been prepared using the direct method. For cash flow purpose, cash and cash equivalents are presented net of bank overdrafts.

2.2 Valuation of Assets and their Measurement Basis

2.2.1 Investments

Investments in Government Securities

Investments in Treasury bills, Treasury bonds and Repurchase agreements are stated at cost and interest is accrued up to year end.

2.2.2 Plant and Equipment

a) Recognition and Measurement

Plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.

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

Purchased software which is integral to the computer equipments or the self-generated type of software is capitalised under computer equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

b) Subsequent Costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Office Equipment	3 years
Computer Equipment	3 years
Furniture and Fittings	5 years
Motor Vehicles	5 years

Assets were depreciated from the month they were available for use and no depreciation is provided in the month of disposal.

d) De-recognition

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Income in the year the asset is de-recognised.

When replacement costs are recognised in the carrying amount of an item of plant and equipment, the remaining carrying amount of the replaced part is de-recognised.

Notes to the Financial Statements (Contd.)

e) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of Income.

2.2.3 Intangible Assets

a) Recognition and Measurement

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Income as incurred.

c) Amortization

Amortization is recognised in the Statement of Income on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods for the intangible assets are 3 years.

The estimated useful life of an intangible asset in a service concession arrangement is the period when it is available for use to the end of the concession period.

2.2.4 Reinsurance Receivable

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to offset exists.

2.2.5 Premiums Receivable

Premiums receivable and other assets are stated at their net estimated realisable amounts. Collectability of premiums and other assets are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

2.2.6 Other Receivables

Other receivables and dues from related parties are recognised at cost.

2.2.7 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and demand deposits, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.3 Liabilities and Provisions

2.3.1 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision

Notes to the Financial Statements (Contd.)

to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the Statement of Income net of any reimbursement.

2.3.2 Reinsurance Payable

Reinsurance liability consists of reinsurance premium due to reinsurance in respect of the reinsurance contracts that are entered into by the Company.

2.3.3 Retirement Benefit Obligation

a) Defined Benefit Plan - Gratuity

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with SLAS 16. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded, nor actuarially valued. The gratuity liability is valued using gratuity formula method as allowed by SLAS 16 - Employee Benefits.

b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

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

2.4 Stated Capital

2.4.1 Ordinary Shares

The Company's Stated Capital comprises of Ordinary Shares, which are classified as equity.

2.5 Statement of Income

2.5.1 Non-Life Insurance Business

a) Gross Written Premium

Gross Written Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. Earned premiums are calculated on 365 days basis except for marine business, which is computed on a 60 - 40 basis.

b) Reinsurance Premium

Reinsurance premium expense is recognised in the same accounting period as the Gross Written Premium to which it relates or in accordance with the pattern of reinsurance services received.

c) Unearned Premium

Unearned premium reserve represents the portion of the Gross Written Premium and reinsurance premium written in the current year but relating to the unexpired period of coverage.

Unearned premiums are calculated on the 365 days basis except for marine business, which is computed on a 60 - 40 basis in accordance with the rules made by the Insurance Board of Sri Lanka.

d) Unexpired Risks

Provision is made, where appropriate, for the estimated amount required over and above the unearned premium to meet future claims and related expenses on the business in force as at 31 December.

Notes to the Financial Statements (Contd.)

e) Claims

Claims expenses and liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers, claims reported but not yet paid, IBNR (Incurred but Not Reported) claims, IBNER (Incurred but Not Enough Reported) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by the review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR and IBNER is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on an annual basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

f) Deferred Acquisition Costs

Deferred acquisition costs represent commissions and reinsurance commissions, which are deferred and amortized over the period in which the related written premiums are earned. This is computed on the 365 days basis.

2.5.2 Expenditure Recognition

a) Expenses are recognised in the Statement of Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

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

2.5.3 Investment Income and Other Income

a) Interest

Interest income is recognised as the interest accrued based on the agreed rates, unless collectability is in doubt.

b) Other

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of plant and equipment and other non-current assets including investments have been accounted for in the Statement of Income, having deducted from proceeds on disposal the carrying amount of the assets and related selling expenses.

2.6 Events after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in Note 24 to the Financial Statements.

2.7 Commitments and Contingencies

Commitments and contingencies as at the Balance Sheet date is disclosed in Note 22 and 23 to the Financial Statements.

Notes to the Financial Statements (Contd.)

2.8 Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments like investments and receivables:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these Financial Statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

a) Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the intermediaries. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company reviews credits granted to customers on a regular basis and take necessary actions if any doubtful debts are identified.

b) Investments

The Company limits its exposure to credit risk by only investing in fixed income securities which are issued by the Government of Sri Lanka and Licensed Commercial Banks. The Investment Committee is responsible for management of the investment portfolios, including development of overall, and portfolio specific investment guidelines.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its cash flow requirements and optimises cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected claims, reinsurance premiums and operational expenses on due dates. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. In order to manage the market risk, the Company has adapted to the investment guidelines stipulated by the Regulator.

2.9 New Accounting Standards Issued But Not Effective As At Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued two new standards given below, which become effective for annual periods beginning on or after 1 January 2011. Accordingly, these Standards have not been applied in preparing these Financial Statements as they are not effective for the year ended 31 December 2009.

a) Sri Lanka Accounting Standard 44 - Financial Instruments: Presentation (SLAS 44)

b) Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement (SLAS 45)

These Standards require the application of fair value measurement techniques for financial instruments.

a) Sri Lanka Accounting Standard 44 - Financial Instruments: Presentation provides for the following,

- Guidance regarding the classification of financial instruments as equity or debt, and for the accounting for compound instruments with characteristics of both equity and debt instruments based on the substance of the contractual arrangement.
- Criteria are specified for the netting of financial assets and financial liabilities. Netting requires a legal right to set off as well as the intention to offset the assets and liabilities or settle simultaneously.

b) Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement provides the principles for recognising and measuring financial assets and financial liabilities.

Insurance Contracts

However, the scope of the Standard excludes its application to rights and obligations arising under an insurance contract, except for derivatives embedded in an insurance contract. The ICASL has not adopted a Standard for insurance contracts and therefore the SORP on insurance contracts is significantly used, except for matters summarised below.

a) Recognition

All financial assets and financial liabilities should be recognised in the Balance Sheet. Previously, certain instruments in particular derivatives, were held by enterprises without being reflected in the Balance Sheet.

b) Measurement

Financial Assets

For the purpose of measuring a financial asset SLAS 45 requires the financial asset to be classified into the following four categories; fair value through profit & loss (trading), originated loans and receivables (at amortized cost using the effective interest method), available-for-sale (at fair value) and held to maturity (at amortized cost). The categorisation determines whether and where the re-measurement is recognised in the Financial Statements.

Derivative Financial Instruments and Hedging

Derivatives are always categorised as trading and therefore measured at fair value with changes recorded in the Statement of Income, unless the enterprise can establish that an effective hedging relationship exists. SLAS 45 also applies to a derivative that is embedded in an insurance contract, if the derivative is not itself a contract within the scope of the International Financial Reporting Standards (IFRS) 4, which Standard has not yet been adopted by the ICASL. There are three types of hedging relationships under SLAS 45. These are the fair value hedge, the cash flow hedge and the hedge of a net investment in a foreign operation.

Financial Liabilities

All financial liabilities are measured at amortized cost except certain financial liabilities which are at fair value.

The Company is currently in the process of evaluating the potential effect of these Standards. However, the impact of the above requirements has not been quantified as at Balance Sheet date.

Notes to the Financial Statements (Contd.)

3. Investments	2009 Rs. '000	2008 Rs. '000
Sri Lanka Government Securities	641,207	347,368
Fixed Deposit	15,000	-
	656,207	347,368

4. Plant and Equipment	Office Equipment Rs.'000	Furniture and Fittings Rs. '000	Computer Equipment Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Cost					
Balance as at 1 January 2009	3,818	6,538	10,203	11,580	32,139
Additions during the year	1,595	3,049	15,029	-	19,673
Disposals	(34)	(13)	-	-	(47)
Balance as at 31 December 2009	5,379	9,574	25,232	11,580	51,765
Depreciation					
Balance as at 1 January 2009	803	1,457	4,565	2,351	9,176
Depreciation charge for the year	1,546	1,697	5,156	2,237	10,636
Accumulated depreciation on disposals	(34)	(1)	-	-	(35)
Balance as at 31 December 2009	2,315	3,153	9,721	4,588	19,777
Carrying Amount					
Balance as at 31 December 2009	3,064	6,421	15,511	6,992	31,988
Balance as at 31 December 2008	3,014	5,081	5,638	9,230	22,963

5. Intangible Assets	2009 Rs. '000	2008 Rs. '000
Acquisition Cost		
Balance as at 1 January	10,082	-
Additions during the year	15,185	10,082
Balance as at 31 December	25,267	10,082
Amortization		
Balance as at 1 January	280	-
Amortization charge for the year	5,534	280
Balance as at 31 December	5,814	280
Carrying amount as at 31 December	19,453	9,802

Intangible assets represent the cost of acquisition (Rs.19 Mn) of an Insurance Management System (IMS) from Data Quest S. A. L.
The assets have been amortized over 3 years as per the SLAS 37 - Intangible Assets.

6. Premium Receivable	2009 Rs. '000	2008 Rs. '000
Premium receivable	151,903	131,474
Provision for bad debts	(21,225)	(26,881)
Premium receivable net of provision	130,678	104,593

Notes to the Financial Statements (Contd.)

7. Other Assets	2009 Rs. '000	2008 Rs. '000
Interest receivable	40,265	5,241
Other debtors and receivables	6,124	6,899
Amounts receivable from Allianz Life Insurance Lanka Ltd.	64,953	11,540
	111,342	23,680

8. Cash and Cash Equivalents	2009 Rs. '000	2008 Rs. '000
Cash in hand	182	20
Cash at bank	22,990	54,784
	23,172	54,804

9. Insurance Provision - General	2009 Rs. '000	2008 Rs. '000
Reserve for net unearned premium (9a)	116,337	103,596
Reserve for net deferred acquisition cost (9b)	67,331	27,172
Reserve for gross outstanding claims (9c)	99,635	95,595
Reserve for IBNR (9d)	31,802	12,140
	315,105	238,503

9a Reserve for Net Unearned Premium	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	103,596	41,643
Transfers during the year	12,741	61,953
Balance as at 31 December	116,337	103,596

9b Reserve for Net Deferred Acquisition Cost	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	27,172	21,388
Transfers during the year	40,159	5,784
Balance as at 31 December	67,331	27,172

9c Reserve for Gross Claims Outstanding	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	95,595	70,275
Transfers during the year	195,085	150,978
Claims approved during the year	(191,045)	(125,658)
Balance as at 31 December	99,635	95,595

9d Reserve for IBNR	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	12,140	13,000
Transfers during the year	19,662	(860)
Balance as at 31 December	31,802	12,140

Notes to the Financial Statements (Contd.)

9e Reconciliation between Insurance Provision and Technical Reserve

	2009 Rs. '000	2008 Rs. '000
Non Life insurance provision	315,105	238,503
Reinsurance receivables on claims outstanding	(65,836)	(80,499)
Technical reserve	249,269	158,004

The non life insurance technical reserve of Rs. 249Mn as at 31 December 2009 includes the claims incurred but not reported reserve that has been certified by an independent Actuary, Mrs. Asha Joshi. According to the actuary certificate dated 15 February 2010 the IBNR reserve as at 31 December 2009 is Rs. 31.8Mn which is equal to 8% in the case of accident and 7% of the net earned premium of Rs. 265Mn as at 31 December 2009 for the other lines of business.

Significant delays occured in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the Balance Sheet date. The reserve is determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

10 Retirement Benefit Obligation - Gratuity

	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	966	567
Provision made during the year	1,890	399
Balance as at 31 December	2,856	966

The Retirement Benefit Plan entitles a retired employee to receive payment equal to ½ of final salary multiplied by the number of completed years of service. However, under the Payment of Gratuity Act No 12 of 1983, the liability of the employee arises only on the completion of five year of continued service. The Retirement Benefit Plan valuation is carried out based on the gratuity formula method in accordance with SLAS 16 - Employee Benefits.

Principal Assumptions as at the Balance Sheet Date (Expressed as weighted averages)	2009	2008
Discount rate at 31 December	10%	12%
Future salary increases	12%	15%

11 Other Liabilities

	2009 Rs. '000	2008 Rs. '000
Agency commission payable	27,173	19,561
Government levies	13,830	7,125
Tax payable	29,150	12,234
Other creditors and accrued expenses	37,382	7,961
	107,535	46,881

12 Stated Capital

	2009 Rs.'000	2008 Rs.'000
Balance as at 1 January	188,635	67,510
Issued during the year	61,365	121,125
25,000,000 fully paid Ordinary Shares	250,000	188,635

13 Revenue Reserve

	2009 Rs. '000	2008 Rs. '000
Balance as at 1 January	123,645	50,901
Bonus Share Issue	(61,365)	-
Net Profit for the year	119,666	72,744
Balance as at 31 December 2009	181,946	123,645

Notes to the Financial Statements (Contd.)

13a Revenue

	2009 Rs. '000	2008 Rs. '000
Gross Written Premium	1,174,822	601,103
Less: Premium ceded to reinsurers	(897,007)	(423,914)
Net written premium	277,815	177,189
Net change in reserve for unearned premium	(12,741)	(61,953)
Net Earned Premium	265,074	115,236
Income from investments	72,346	38,531
Other income	23,363	7,109
Total revenue	360,783	160,876

13b Net Earned Premium

	2009 Rs. '000	2008 Rs. '000
Gross Written Premium		
Accident	299,411	125,261
Fire	792,775	408,457
Marine	15,039	17,615
Motor	67,597	49,770
	1,174,822	601,103
Premium ceded to reinsurers	(897,007)	(423,914)
Net written premium	277,815	177,189
Increase in unearned premium (9a)	(12,741)	(61,953)
Net earned premium	265,074	115,236

14 Net Insurance Claims and Benefits

	2009 Rs.'000	2008 Rs.'000
Gross claims		
Accident	96,189	21,843
Fire	77,953	107,940
Marine	3,817	4,790
Motor	36,789	24,439
	214,748	159,012
Reinsurance recoveries	(64,050)	(99,834)
Insurance claims and benefits (net)	150,698	59,178

15 Income from Investments

	2009 Rs.'000	2008 Rs.'000
Interest income	72,346	38,531

16 Other Income

	2009 Rs. '000	2008 Rs. '000
Exchange gain	-	5,873
Other	23,363	1,236
	23,363	7,109

Notes to the Financial Statements (Contd.)

17 Administration and Operating Expenses	2009 Rs. '000	2008 Rs. '000
Staff expenses (17a)	24,245	19,919
Administration and establishment expenses	74,965	48,209
Selling expenses	18,981	8,359
Depreciation (4)	10,636	4,087
Amortization (5)	5,534	280
Exchange loss	5,508	-
	139,869	80,854

17a Staff Expenses	2009 Rs.'000	2008 Rs.'000
Wages and salaries	15,257	13,280
EPF and ETF (17b)	1,923	1,585
Provision for retirement benefits obligation (10)	1,890	363
Staff welfare	1,325	1,044
Training expenses	871	1,467
Other costs	2,979	2,180
	24,245	19,919

17b Contributions made to the Provident and Trust Funds	2009 Rs.'000	2008 Rs.'000
Provident fund	1,500	1,268
Trust fund	423	317
	1,923	1,585

17c Number of Employees	2009	2008
As at the end of the Financial Year	66	55

18 Profit Before Tax	2009	2008
Profit before tax for the year is stated after charging the following expenses	Rs.'000	Rs.'000
Depreciation (4)	10,636	4,087
Auditors' remuneration - Audit	984	625
- Audit related fees	36	-

19 Income Tax Expense	2009 Rs.'000	2008 Rs.'000
Current tax expense		
Current period (19a)	40,417	11,600
Social responsibility levy	634	237
Deemed dividend tax	1,835	1,964
Deferred tax expense		
Origination and reversal of temporary differences (19b)	(4,240)	389
Income tax expense from continuing operations	38,646	14,190
Total income tax expense	**38,646**	**14,190**

Notes to the Financial Statements (Contd.)

19a Income Tax Expense

	2009 Rs.'000	2008 Rs.'000
Accounting profit	158,312	86,934
Aggregate disallowed items	41,156	10,582
Aggregate allowable expenses	(14,399)	(6,870)
Aggregate exempt income	(69,594)	(57,505)
Taxable profit	**115,475**	**33,143**
Statutory tax rate	35%	35%
Current income tax expense	**40,417**	**11,600**

19b Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000
Plant and equipment	-	-	(1,305)	(1,148)	(1,305)	(1,148)
Employee benefits	1,000	339	-	-	1,000	339
Provisions	7,429	3,693	-	-	7,429	3,693
Net tax (assets) / liabilities	**8,429**	**4,032**	**(1,305)**	**(1,148)**	**7,124**	**2,884**

	2009	2008
Origination and reversal of temporary differences	(4,240)	389

20 Transactions with Group Companies

The Company has reinsurance arrangements and has placed business of Rs. 329Mn (2008 - Rs. 152Mn) with the Allianz Group.

21 Transactions with Key Management Personnel

The key management personnel include the Board of Directors. There was no remuneration or fees paid and there were no transactions with key management personnel for the year ended 31 December 2009.

22 Capital Commitments

There were no material capital commitments outstanding as at the Balance Sheet date.

23 Contingent Liabilities

There were no contingent liabilities outstanding as at the Balance Sheet date.

24 Events after the Balance Sheet Date

There were no material events occurring after the Balance Sheet date which require adjustments or disclosures in the Financial Statements.

25 Litigations and Claims

There were no litigations and claims filed against the company as at the Balance Sheet date.

26 Earning Per Share

Earning per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding as at year end.

	2009	2008
Profit attributable to Ordinary Shareholders (Rs. '000)	119,666	72,744
Weighted average No. of Ordinary Shares ('000)	21,420	10,095
Earning Per Share (Rs.)	5.59	7.21

27 Comparative Information

No changes were made to the comparative classification and presentation.

Content

Annual Report 2009

ALLIANZ LIFE INSURANCE LANKA LTD.

Allianz

Directors’ Report

The Directors of Allianz Life Insurance Lanka Ltd. present their report together with the Audited Financial Statements and the Report of the Auditors for the year ended 31 December 2009.

Principal Activity

The Company underwrites Life Insurance business. Income is derived from Underwriting, Underwriting Management and Investment Income. The Company obtained registration from the Insurance Board of Sri Lanka (IBSL) to carry out Life Insurance business from 1 July 2008 and commenced operations in November 2008.

Stated Capital

The Stated Capital of the Company as at 31 December 2009 was Rs. 249,998,500 comprising of 24,999,850 Ordinary Shares.

Shareholding

Allianz SE of Munich Germany is the immediate and the ultimate shareholder of the Company. The Allianz Group provides services in Insurance, Banking and Asset Management.

Turnover

The Gross Written Premium for the year was Rs.102 Mn and for the two months in 2008 was Rs. 4Mn.

Financial Results

The Company results for the year are shown in the Income Statement on page 57.

Plant and Equipment

Details of plant and equipment are given in Note 4 to the Financial Statements.

Investments

Details of investments held by the Company are disclosed in Note 3 to the Financial Statements.

Actuarial Valuation

Liabilities for Life policies are determined by the appointed Actuary. An annual dividend of 15% has been recommended for the financial year ending 31 December 2009. The rate is determined after taking into consideration the yield obtained on relevant matching assets.

Employment Policy

As a service oriented business, our principal asset is our intellectual capital, and our highly motivated and skilled employees are critical to our success. We acknowledge top performance and reward it appropriately. Our compensation and benefits packages are designed to motivate our employees to successfully implement our strategies and business plans.

We encourage equal opportunity. This involves recruiting, engaging, retaining, rewarding and developing our people solely on the grounds of their ability to do the job, and establishing and promoting a working environment free of discrimination.

Allianz employees continued to receive global training opportunities within the Allianz Group, on current trends and developments in insurance worldwide. This initiative ensures that the Allianz team has the required expertise to achieve corporate objectives. We believe we can create real competitive advantage by building and maintaining a high performance culture in the Company.

Directors

The following persons served as Directors of the Company during the year:

- Heinz Dollberg
- Kamesh Goyal
- Dietmar Raich (appointed 3 August 2009)

Directors’ Interest in Contracts with the Company

None of the Directors had any material interests, either directly or indirectly, in any transactions or contracts with the Company other than as disclosed in Note 19 to the Financial Statements.

Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable

Directors' Report (Contd.)

future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Auditors

The Financial Statements for the year ended 31 December 2009 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Co. (Chartered Accountants), who will retire from office at the end of this Annual General Meeting. They have expressed their willingness to be re-appointed until the next Annual General Meeting at remuneration to be agreed on.

The fees paid to Auditors are disclosed in Note 16 page 71 to the Financial Statements.

The Auditors of the Company, Messrs. KPMG Ford, Rhodes, Thornton & Co. do not have any relationship with the Company other than that as the Auditors.

On behalf of the Board.

Heinz Dollberg
Director

Kamesh Goyal
Director

Secretaries to the Company

EM & EN Agents and Secretaries (Pvt) Limited

4 March 2010

Actuary’s Report - Life

To the Shareholders of Allianz Life Insurance Lanka Limited

I have investigated the financial condition of the business as at 31 December 2009.

2009 has been the first full year of operations in Life insurance, and the amount written is still relatively small.

I am satisfied I have been provided with adequate records in order to determine an appropriate value of liabilities as at 31/12/2009. First analysis of experience indicates that the basis on which the business has been written is sound.

There is no doubt that the assets in the business are very much more than is needed to meet the liabilities and provide for the statutory solvency margin.

Andrew Wakeling

Fellow of the Institute of Actuaries (UK)
Fellow of the Institute of Actuaries of Australia
Fellow of the Institute of Actuaries of India

4 March 2010

Independent Auditors' Report

KPMG

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300
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TO THE SHAREHOLDERS OF ALLIANZ LIFE INSURANCE LANKA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Allianz Life Insurance Lanka Limited, which comprise the balance sheet as at December 31, 2009, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 56 to 73 of this annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2009 and its loss 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) of the Companies Act No. 07 of 2007. Further, pursuant to Regulation of Insurance Industry Act, No. 43 of 2000, proper accounting records have been maintained as required by the related rules.

Ford Rhodes Thornton & Co

Chartered Accountants
4th March 2010
Colombo, Sri Lanka

Balance Sheet

As at 31 December	Note	2009 Rs.'000	2008 Rs.'000
Assets			
Investments	3	189,150	231,775
Plant and Equipment	4	18,147	6,210
Reinsurance Receivable		2,376	-
Other Assets	5	57,981	19,238
Cash and Cash Equivalents	6	3,764	2,522
Total Assets		**271,418**	**259,745**
Liabilities and Shareholders' Equity			
Liabilities			
Insurance Provision - Life	7	8,001	684
Reinsurance Creditors		5,098	937
Other Liabilities	8	93,179	17,776
Retirement Benefits Obligation	9	508	-
Total Liabilities		**106,786**	**19,397**
Shareholders' Equity			
Stated Capital	10	249,999	249,999
Revenue Reserves / (Accumulated Losses)	11	(85,367)	(9,651)
Total Shareholders' Equity		164,632	240,348
Total Liabilities and Shareholders' Equity		**271,418**	**259,745**

The above Balance Sheet is to be read in conjunction with the Notes to the Financial Statements on pages 61 to 73.
These Financial Statements have been prepared in accordance with the Companies Act No 7 of 2007.

Dineth Ediriweera
Chief Financial Officer

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

Signed for and on behalf of the Board by:

Heinz Dollberg
Director

Kamesh Goyal
Director

4 March 2010

Statement of Income

For the year ended 31December	Note	2009 Rs.'000	2008 Rs.'000
Revenue	11a	128,141	26,171
Gross Written Premium	11b	101,816	4,013
Premium Ceded to Reinsurers		(7,494)	(173)
Net Written Premium		94,322	3,840
Benefits, Losses and Expenses			
Increase in Insurance Provision - Life	7.1	(7,317)	(684)
Net Insurance Claims and Benefits	12	(3,283)	-
Net Acquisition Costs	13	(48,014)	(1,849)
Total Benefits, Losses and Expenses		(58,614)	(2,533)
Net Premium less Benefits, Losses and Expenses		35,708	1,307
Other Revenue			
Income from Investments	14	33,819	22,331
Expenses			
Operating and Administration Expenses	15	(145,243)	(33,289)
Loss before Taxation	16	(75,716)	(9,651)
Taxation	17	-	-
Loss after Taxation		(75,716)	(9,651)
Loss Per Share (Rs.)	24	(3.03)	(0.86)

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements on pages 61 to 73.

Statement of Changes in Equity

	Stated	Retained	Total	
		Capital	Earnings	Equity
	Note	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January 2008		-	-	-
Share issued during the year	10	249,999	-	249,999
Loss for the year		-	(9,651)	(9,651)
Balance as at 31 December 2008		249,999	(9,651)	240,348
Loss for the year		-	(75,716)	(75,716)
Balance as at 31 December 2009		249,999	(85,367)	164,632

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 61 to 73.

Cash Flow Statement

For the year ended 31 December	Note	2009 Rs.'000	2008 Rs.'000
Cash Flows from Operating Activities			
Premium Received from Customers	11a	101,816	7,412
Reinsurance Premium Paid		(3,335)	-
Claims Paid		(5,283)	-
Reinsurance Receipts in Respects of Claims		113	-
Cash Paid to and on behalf of Employees		(49,136)	(14,352)
Interest Received		25,119	19,484
Other Operating Cash Payments		(95,457)	(21,108)
Cash Inflow from Operating Activities (Note A)		(26,162)	(8,564)
Income Tax Paid		-	-
Net Cash Flows from Operating Activities		(26,162)	(8,564)
Cash Flows from Investment Activities			
Purchase of Liquid Investments		(190,879)	(1,015,860)
Proceeds on maturity Investment		233,504	784,085
Purchase of Fixed Assets	4	(15,220)	(7,138)
Net Cash Flows from Investing Activities		27,404	(238,913)
Net Cash Inflow before Financing		1,242	(247,477)
Cash Flows from Financing Activities			
Issue of Share Capital	10	-	249,999
Net cash Flow from Financing Activities		-	249,999
Increase in Cash and Cash Equivalents (Note B)		1,242	2,522

Cash Flow Statement (Contd.)

For the year ended 31 December	Note	2009 Rs.'000	2008 Rs.'000
A. Reconciliation of Operating Profit with Cash Flows from Operating Activities			
Loss before Tax		(75,716)	(9,651)
Depreciation	4	3,284	927
Increase in Other Assets		(41,118)	(19,238)
Increase in Life Insurance Provision	7.1	7,317	684
Increase in Creditors		80,071	18,714
Cash Flows from Operating Activities		(26,162)	(8,564)
B. Increase in Cash and Cash Equivalents			
Cash at Bank and in Hand	6	3,764	2,522
Net Cash and Cash Equivalents for the current year		3,764	2,522
Net Cash and Cash Equivalents at the begining of the year		2,522	2,522
Increase /(Decrease) in Cash and Cash Equivalents		1,242	2,522

The above Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements on pages 61 to 73.

Notes to the Financial Statements

1. Corporate Information

1.1 Reporting Entity

Allianz Life Insurance Lanka Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at No. 92, Glennie Street, Colombo 02.

The immediate and ultimate holding Company is Allianz SE of Munich Germany.

The Company was incorporated on 24 March 2008 and commenced Life insurance business in November 2008.

The Financial Statements of Allianz Life Insurance Lanka Ltd. for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2010

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Financial Statements have been prepared and approved by the Directors in accordance with Sri Lanka Accounting Standards (SLAS) and the requirements of the Companies Act No 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995, and the Regulation of Insurance Industry Act No 43 of 2000 and subsequent amendments thereon. The formats and disclosures where applicable are also in accordance with the Statement of Recommended Practice for Insurance Contracts (SORP), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

2.1.2 Responsibility for Financial Statements

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

2.1.3 Basis of Measurement

The Financial Statements are presented in Sri Lanka Rupees and rounded to the nearest thousand and prepared on the historical cost convention.

The Accounting Policies have been applied consistently by the Company.

2.1.4 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLAS) require Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by Management in the application of Sri Lanka Accounting Standards (SLAS) that have significant effect on the Financial Statements and estimates, are mentioned below.

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Insurance Provision - Life	7	68
Retirement Benefit Obligation	9	69
Deferred Taxation	17b	72

Notes to the Financial Statements (Contd.)

2.1.5 Comparative Information

Where necessary, comparative figures have been reclassified to conform with the current year's presentation.

The changes made to comparative classification are disclosed in note 25 to the Financial Statements.

2.1.6 Foreign Currency Transactions

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Insurance contracts which were underwritten in foreign currency, are converted to Sri Lanka Rupees at the rates of exchange prevailing at the time of underwriting and revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Statement of Income.

2.1.7 Taxation

a) Current Taxes

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

b) Deferred Taxation

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Unrecognised deferred tax assets are disclosed in Note 17b to the Financial Statement.

c) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No 5 of 2005, as amended by the Finance Act No 8 of 2008, a Social Responsibility Levy (SRL) was introduced with effect from 1 January 2005. SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Act.

2.1.8 Cash Flow Statement

The Cash Flow Statement has been prepared using the direct method. For cash flow purpose, cash and cash equivalents are presented net of bank overdrafts.

Notes to the Financial Statements (Contd.)

2.2 Valuation of Assets and their Measurement Basis

2.2.1 Investments

Investments in Government Securities

Investments in Treasury bills, Treasury bonds and Repurchase agreements are stated at cost and interest is accrued up to year end.

2.2.2 Plant and Equipment

a) Recognition and Measurement

Plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.

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

Purchased software which is integral to the computer equipment or the self-generated type of software is capitalised under Computer Equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

b) Subsequent Costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Office Equipment	3 years
Computer Equipment	3 years
Furniture and Fittings	5 years

Assets were depreciated from the month they were available for use and no depreciation is provided in the month of disposal.

d) De-recognition

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Income in the year the asset is de-recognised.

When replacement costs are recognised in the carrying amount of an item of plant and equipment, the remaining carrying amount of the replaced part is de-recognised.

e) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the assets recoverable amount is estimated. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its

Notes to the Financial Statements (Contd.)

recoverable amount. Impairment losses are recognised in the Statement of Income.

2.2.3 Reinsurance Receivable

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsures are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to offset exists.

2.2.4 Other Receivables

Other receivables and dues from related parties are recognised at cost.

2.2.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.3 Liabilities and Provisions

2.3.1 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company 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.

2.3.2 Reinsurance Payable

Reinsurance liability consists of reinsurance premium due to reinsurance in respect of the reinsurance contracts that are entered into by the Company.

2.3.3 Retirement Benefit Obligation

a) Defined Benefit Plan - Gratuity

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with SLAS 16. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded, nor actuarially valued. The Gratuity Liability is valued using Gratuity Formula method as allowed by the SLAS 16 - Employee Benefits.

b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

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

2.4 Stated Capital

2.4.1 Ordinary Shares

Company's stated capital comprises of Ordinary Shares, which are classified as equity.

2.5 Statement of Income

2.5.1 Life Insurance Business

a) Gross Written Premium

Premiums from long term insurance contracts, that are non-participating, are recognised as revenue when cash is received from the policyholder. The "Single Premium" contracts premiums are also recognised as income when cash is received.

Notes to the Financial Statements (Contd.)

b) Reinsurance Contracts

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

c) Claims

Death claims are recorded on the basis of notifications received. Surrenders and Maturities are recorded when due. Claims payable includes direct costs of settlement. The interim payments and surrenders are accounted only at the time of settlement. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Actuary.

d) Insurance Provision Life

Long duration contract liabilities included in the Long Term Insurance Fund, result primarily from non-participating long term insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products.

The valuation of life insurance provision was made based on retrospective method, which is largely account based and it is appropriate for the nature of life insurance, where amounts are building up in an account for benefits of the policyholders.

The actuarial reserves/insurance provision has been established based upon the following.

- Mortality rates based on published mortality tables adjusted for actual experience, as required by regulations issued by the Insurance Board of Sri Lanka (IBSL).
- Surrender rates are based upon actual experience. The amount of policyholder dividend to be paid is determined annually by the Company, on the advice of the Actuary.

e) Expenditure Recognition

a) Expenses are recognised in the Statement of Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of the Statement of Income, the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

2.5.2 Investment Income and Other Income

a) Interest

Interest income is recognised as the interest accrued based on the agreed rates, unless collectability is in doubt.

b) Other Income

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal plant and equipment and other non current assets including investments have been accounted for in the Statement of Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

2.6 Events after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in Note 22 to the Financial Statements.

2.7 Commitments and Contingencies

Commitments and contingencies as at the Balance Sheet date are disclosed in Notes 20 and 21 to the Financial Statements.

2.8 Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments like investments and receivables:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these Financial Statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management.

Credit Risk

Credit risk is the risk of financial loss to the Company, if a counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from investment and other receivables.

a) Investments

The Company limits its exposure to credit risk by only investing in fixed income securities, which are issued by the Government of Sri Lanka and Licensed Commercial Banks. The Investment Committee is responsible for management of the investment portfolios, including development of overall and portfolio specific investment guidelines.

b) Other Receivables

The Company's exposure to credit risk is influenced by the individual characteristics of the intermediaries.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its cash flow requirements and optimises cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected claims, reinsurance premiums and operational expenses on due dates. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Company income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. In order to manage the market risk, the Company has adapted to the investment guidelines stipulated by the Regulator.

2.9 New Accounting Standards Issued but not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued two new standards given below, which become effective for annual periods beginning on or after 1 January 2011. Accordingly, these Standards have not been applied in preparing these Financial Statements as they are not effective for the year ended 31 December 2009.

a) Sri Lanka Accounting Standard 44 - Financial Instruments: Presentation (SLAS 44)

b) Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement (SLAS 45)

These Standards require application of fair value measurement techniques for financial instruments.

a) Sri Lanka Accounting Standard 44 - Financial Instruments: Presentation provides for the following,

- Guidance regarding the classification of financial instruments as equity or debt, and for the accounting for compound instruments with characteristics of both equity and debt instruments based on the substance of the contractual arrangement.
- Criteria are specified for the netting of financial assets and financial liabilities. Netting requires a legal right to set off as well as the intention to offset the assets and liabilities or settle simultaneously.

b) Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement provides the principles for recognising and measuring financial assets and financial liabilities.

Insurance Contracts

However, the scope of the Standard excludes its application to rights and obligations arising under an insurance contract, except for derivatives embedded in an insurance contract. The ICASL has not adapted a Standard for Insurance Contracts and therefore The Statement of Recommended Practice on Insurance Contracts is significantly used, except for matters summarised below.

a) Recognition

All financial assets and financial liabilities should be recognised in the Balance Sheet. Previously certain instruments, in particular derivatives, were held by enterprises without being reflected in the Balance Sheet.

b) Measurement

Financial Assets

For the purpose of measuring a financial asset SLAS 45 requires the financial asset to be classified into the following four categories; fair value through profit and loss (trading), originated loans and receivables (at amortized cost using effective interest method), available-for-sale (at fair value) and held to maturity (at amortised cost). The categorisation determines whether and where the re-measurement is recognised in the Financial Statements.

Derivative Financial Instruments and Hedging

Derivatives are always categorised as trading and therefore measured at fair value with changes recorded in the Statement of Income, unless the enterprise can establish that an effective hedging relationship exists. SLAS 45 also applies to a derivative that is embedded in an insurance contract, if the derivative is not itself a contract within the scope of International Financial Reporting Standards (IFRS) 4, which Standard has not yet been adopted by the ICASL. There are three types of hedging relationships under SLAS 45. These are the fair value hedge, the cash flow hedge and the hedge of a net investment in a foreign operation.

Financial Liabilities

All financial liabilities are measured at amortised cost except certain financial liabilities, which are at fair value.

The Company is currently in the process of evaluating the potential effect of these Standards. However, the impact of the above requirements has not been quantified as at Balance Sheet date.

Notes to the Financial Statements (Contd.)

3. Investments

	2009 Rs.'000	2008 Rs.'000
Sri Lanka Government Securities	189,150	231,775

4. Plant and Equipment

	Computer Equipment Rs. '000	Office Equipment Rs. '000	Furniture and Fittings Rs. '000	Total Rs. '000
Cost				
Balance as at 1 January 2009	2,115	69	4,953	7,138
Additions during the year	3,685	2,148	9,388	15,220
Disposals	-	-	-	-
Balance as at 31 December 2009	5,800	2,217	14,341	22,358
Depreciation				
Balance as at 1 January 2009	444	10	473	927
Charge for the year	1,288	355	1,641	3,284
Balance as at 31 December 2009	-	-	-	-
	1,732	365	2,114	4,211
Carrying amount				
Balance as at 31 December 2009	4,068	1,852	12,227	18,147
Balance as at 31 December 2008	1,671	59	4,480	6,210

5. Other Assets

	2009 Rs.'000	2008 Rs.'000
Interest receivable	11,547	2,847
Other debtors and receivables	46,434	16,391
	57,981	19,238

6. Cash and Cash Equivalents

	2009 Rs.'000	2008 Rs.'000
Cash at bank	1,477	827
Cash in hand	2,286	1,695
	3,764	2,522

7. Insurance provision - Life

The valuation of the long term insurance business, as at 31 December 2009, was made by Mr. Andrew Wakeling, a fellow of the Institute of Actuaries (UK), for and on behalf of Allianz Life Insurance Lanka Ltd.

In accordance with the Actuary's report, the sum of provision Rs. 8Mn includes the liability in respect of policy holder bonus as well. In the opinion of the Actuary, the provision is adequate to cover the liabilities pertaining to long term insurance.

In establishing the valuation, a reserve of Rs. 8Mn has been created for the purpose of any future bonus and contingencies by the Actuary.

Actuarial assumptions	2009	2008
Mortality table used	A67/70	A67/70

Notes to the Financial Statements (Contd.)

7.1 Movement in Insurance Provision - Life	2009 Rs.'000	2008 Rs.'000
Balance as at 1 January	684	-
Increase in Life fund	7,317	684
Balance as at 31 December	8,001	684

8 Other Liabilities	2009 Rs.'000	2008 Rs.'000
Commission payable	13,881	1,605
Claims payable	489	-
Premium in deposit	9,033	3,440
Other creditors and accrued expenses	4,823	1,191
Amount due to Allianz Insurance Lanka Ltd.	64,953	11,540
	93,179	17,776

8.1 Movement of Claims Payable	2009 Rs.'000	2008 Rs.'000
Balance as at 1 January	-	-
Claims approved during the year	5,772	-
Claims paid during the year	(5,283)	-
Balance as at 31 December	489	-

9 Retirement Benefit Obligation - Gratuity	2009 Rs.'000	2008 Rs.'000
Balance as at 1 January	-	-
Provision made during the year	508	-
Balance as at 31 December	508	-

The Retirement Benefit Plan entitles a retired employee to receive payment equal to ½ of final salary multiplied by the number of completed years of service. However under the Payment of Gratuity Act No 12 of 1983, the liability of the employee arises only on the completion of five year of continued service.

The Retirement Benefit Plan valuation is carried out based on gratuity formula method in accordance with SLAS 16 - Employee Benefits.

Principal Assumptions as at the Balance Sheet Date	2009
Discount rate at 31 December	10%
Future salary increase	12%

10 Stated Capital	2009 Rs.'000	2008 Rs.'000
Balance as at 1st January	249,999	-
Issued during the year	-	249,999
24,998,850 fully paid ordinary shares	249,999	249,999

Notes to the Financial Statements (Contd.)

11 Revenue Reserve / Accumulated Losses

	2009 Rs.'000	2008 Rs.'000
Balance as at 1 January	(9,651)	-
Net loss for the year	(75,716)	(9,651)
Balance as at 31 December	(83,367)	(9,651)

11a Revenue

	2009 Rs.'000	2008 Rs.'000
Gross Written Premium	101,816	4,013
Less: Premium ceded to reinsurers	(7,494)	(173)
Net written premium	94,322	3,840
Income from investments	33,819	22,331
Total revenue	128,141	26,171

11b Gross Written Premium

	2009 Rs.'000	2008 Rs.'000
Universal Life Premium	96,459	4,013
Group Life Premium	4,442	-
Single Premium	915	-
	101,816	4,013

12 Net Insurance Claims and Benefits

	2009 Rs.'000	2008 Rs.'000
Life insurance claims death, disabilities and hospitalisation	5,772	-
Reinsurance recoveries	(2,489)	-
	3,283	-

13 Net Acquisition Cost

	2009 Rs.'000	2008 Rs.'000
Net policy acquisition cost	45,781	1,744
Other insurance related cost	2,233	105
	48,014	1,849

14 Income From Investments

	2009 Rs.'000	2008 Rs.'000
Interest income	33,819	22,331

Notes to the Financial Statements (Contd.)

15 Operating and Administration Expenses

	2009 Rs.'000	2008 Rs.'000
Staff expenses (15a)	49,136	14,611
Administration and establishment expenses	39,565	10,189
Selling expenses	53,258	7,562
Depreciation (4)	3,284	927
	145,243	33,289

15a Staff Expenses

	2009 Rs.'000	2008 Rs.'000
Wages and salaries	23,984	8,899
EPF and ETF (15b)	3,165	716
Provision for retirement benefit obligation (9)	508	-
Staff welfare	622	48
Training expenses	759	210
Other costs	20,098	4,738
	49,136	14,611

15b Contributions made to the Provident and Trust Funds

	2009 Rs.'000	2008 Rs.'000
Provident fund	2,532	573
Trust fund	633	143
	3,165	716

15c Number of Employees

	2009	2008
As at the end of the Financial Year	32	17

16 Loss Before Taxation

Loss before tax for the year is stated after charging following expenses	2009 Rs.'000	2008 Rs.'000
Depreciation (4)	3,284	927
Auditors' remuneration - Audit	330	50
- Audit related fee	175	-

17 Income Tax Expense

The Company is liable to income tax at 35% of its taxable profit. However, no provision is made in view of the tax loss. The tax loss carried forward as at 31 December 2009 is Rs. 137,784,146 (2008 - Rs. 6,789,405)

Notes to the Financial Statements (Contd.)

17a Current Income Tax Expense

	2009 Rs.'000	2008 Rs.'000
Accounting loss	(75,716)	(9,651)
Aggregate disallowed items	29,304	11,851
Aggregate allowable expenses	(8,353)	(5,833)
Aggregate exempt income	(76,230)	(3,156)
Taxable loss	(130,995)	(6,789)
Tax loss brought forward	(6,789)	-
Statutory tax rate	35%	35%
Current income tax expense	Nil	Nil

17b Deferred Tax Assets and Liabilities

Unrecognized Deferred Tax Assets	2009 Rs.'000	2008 Rs.'000
Deferred tax assets have not been recognized in respect of the following items.		
Tax loss carried forward	137,784	6,789
Provision for retirement benefit	508	-
Other provisions	13,231	-
Total deductible temporary difference	151,523	6,789
Unrecognized deferred tax assets	22,728	1,018

Unrecognized Deferred Tax Liabilities

No provision has been made in respect of deferred taxation as the Company has incurred tax losses and the temporary differences are not expected to reverse due to the above component and it is not probable that future taxable profits will be available against which the Company can utilise the benefits there from. The amount of taxable temporary differences and the the resultant tax effects are as follows.

	2009 Rs.'000	2008 Rs.'000
Plant and equipments	1,913	601
Total taxable temporary differences	1,913	601
Unrecognized deferred tax liabilities	287	90

17c The Company is entitled to the following notional tax credit in case of a future tax liability

	2009 Rs.'000	2008 Rs.'000
Notional tax credit	6,214	2,456

18 Transactions with Group Companies

There were no transactions entered during the financial year ended 31 December 2009.

19 Transactions with Key Management Personnel

The key management personnel includes the Board of Directors. There was no remuneration or fees paid and there were no transactions with key management personnel for the year ended 31 December 2009.

20 Contingent Liabilities

There were no contingent liabilities outstanding as at the Balance Sheet date.

21 Capital Commitments

There were no capital commitments outstanding as at the Balance Sheet date.

22 Events after the Balance Sheet date

There were no material events occurring after the Balance Sheet date which require adjustments or disclosures in the Financial Statements.

Notes to the Financial Statements (Contd.)

23 Litigations and Claims

There were no litigations and claims filed against the Company as at the Balance Sheet date.

24 Loss Per Share

Loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding as at year end.

	2009	2008
Loss attributable to Ordinary Shareholders (Rs. '000)	(75,716)	(9,651)
Weighted average No. of Ordinary Shares ('000)	24,999	11,233
Loss Per Share (Rs.)	3.03	0.86

25 Comparative Information

No changes made to the comparative classification and presentation.

Five Year Summary

ALLIANZ INSURANCE LANKA LTD

Statement of Income for the year ended 31 December	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000	2005 Rs.'000
Gross Written Premium	1,174,822	601,103	414,017	300,949	75,402
Net earned premium	265,074	115,236	52,771	24,922	6,775
Income from investment and other income	95,709	45,640	21,199	11,394	3,996
Insurance claims and benefits (net)	(150,698)	(59,178)	(33,219)	(18,239)	(7,503)
Underwriting and net acquisition cost/income (including reinsurance)	88,096	66,090	50,006	19,293	4,340
Expenses	(139,869)	(80,854)	(37,549)	(22,503)	(16,508)
Profit before taxation	158,312	86,934	53,207	14,867	(8,900)
Income tax expense	(38,646)	(14,190)	(3,669)	(2,105)	-
Net profit for the year	119,666	72,744	49,538	12,762	(8,900)

Balance Sheet as at 31 December	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000
Assets					
Investments	656,207	347,368	151,914	93,388	55,618
Plant and equipment	31,988	22,963	2,287	3,708	4,773
Intangible assets	19,453	9,802	-	-	-
Reinsurance receivables	125,480	133,939	104,561	75,308	12,948
Premium receivables	130,678	104,593	76,520	57,937	24,939
Other assets	111,342	23,680	4,022	2,148	2,485
Deferred tax assets	7,124	2,884	3,273	-	-
Cash and cash equivalents	23,172	54,804	43,618	31,000	7,861
Total assets	1,105,444	700,033	386,195	263,488	108,624
Liabilities and shareholders' equity					
Liabilities					
Insurance provision - General	315,105	238,503	146,349	112,811	24,587
Reinsurance creditors	240,657	86,537	88,505	56,121	19,734
Provision for retirement benefits	2,856	966	567	355	126
Other liabilities	107,535	46,881	28,954	19,043	15,575
Bank overdraft	7,345	14,866	3,409	6,285	-
Total liabilities	673,498	387,753	267,784	194,615	60,022
Shareholders' equity					
Stated capital	250,000	188,635	67,510	67,510	60,001
Revenue reserve	181,946	123,645	50,901	1,363	(11,399)
Total shareholders' equity	431,946	312,280	118,411	68,873	48,602
Total liabilities and shareholders' equity	1,105,444	700,033	386,195	263,488	108,624

Two Year Summary

ALLIANZ LIFE INSURANCE LANKA LTD

Statement of Income for the year ended 31 December	2009 Rs.'000	2008 Rs.'000
Gross Written Premium	101,816	4,013
Net written premium	94,322	3,840
Income from investment	33,819	22,331
Insurance claims and benefits (net)	3,283	-
Underwriting and net acquisition cost	(48,014)	(1,849)
Increase in life insurance provision	(7,317)	(684)
Expenses	(145,243)	(33,289)
Loss before taxation	(75,716)	(9,651)
Income tax expense	-	-
Net Loss for the year	(73,716)	(9,651)

Balance Sheet as at 31 December	2009 Rs. '000	2008 Rs. '000
Assets		
Investments	189,150	231,775
Plant and equipment	18,147	6,210
Reinsurance receivables	2,376	-
Other assets	57,981	19,238
Cash and cash equivalents	3,764	2,522
Total assets	271,418	259,745
Liabilities and shareholders' equity		
Liabilities		
Insurance provision - Life	8,001	684
Reinsurance creditors	5,098	937
Other liabilities	93,179	17,776
Retirement benefits obligation	508	-
Total liabilities	106,786	19,397
Shareholders' equity		
Stated capital	249,999	249,999
Revenue reserve	(85,367)	(9,651)
Total shareholders' equity	164,632	240,348
Total liabilities and shareholders' equity	271,418	259,745

Glossary of Insurance Terms

Accumulation
The situation where a significant number of risks insured or reinsured with the same company may be affected simultaneously by a loss event.

Acquisition Expenses
All expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts. e.g. commissions.

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

Administrative Expenses
Costs of an administrative nature including those arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible Assets
Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annual Basis of Accounting
A basis of accounting for General insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period, and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Annuity
A series of regular payments. Annuities include annuities certain, where payments depend on the survival of an annuitant. A Life annuity is a contract that provides a regular payment, typically monthly, during the lifetime of the policyholder or a fixed period if less. If the payments starts at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Beneficiary
A person named by the policy holder as the recipient of the sum insured and other benefits due in the event of the policyholders' death.

Cedent
Client of a reinsurance company (also see primary insurers)

Claims
The amount payable under a contract of insurance arising from the occurrence of an insured event.

Claims Incurred
A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims Incurred But Not Reported (IBNR)
Claims arising out of events which have occurred by the balance sheet date but have not been reported to the insurer at that date.

Claims outstanding – General Insurance Business
The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date, including IBNR claims and claims handling expenses, less amounts already paid in respect of those claims.

Claims outstanding – Life Insurance Business
The amount provided to cover the estimated cost of settling claims arising out of events which have been notified by the balance sheet date, being the sum due to beneficiaries together with claims handling expenses less amounts already paid in respect of those claims.

Co Insurance
An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

Commissions
A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Deferred Acquisition Costs – General Insurance Business
Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which

Glossary of Insurance Terms (Contd.)

are carried forward from one accounting period to subsequent accounting periods.

General Insurance Business
Insurance (including reinsurance) business falling within the classes of insurance specified as General insurance business, under the Regulation of Insurance Industry Act No.43 of 2000.

Insurance Risk
Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Insurance Provision – General
This usually relates to the proportion of net written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods, the related net acquisition costs and gross claims outstanding.

Insurance Provision – Life
The fund or funds maintained by an insurer in respect of its Life insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

Life Insurance Business
Insurance (including reinsurance) business falling within the classes of insurance specified as long term insurance business under the Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto.

Net Combined Ratio – General Insurance
This indicates the profitability of the insurer's operations by combining the net loss ratio with the net expenses ratio. The combined ratio does not take account of investment income and other income.

Net Earned Premium
In the case of general insurance business, net earned premium is the proportion of written premiums (including where relevant those of prior accounting periods) attributable to the risks borne, net of premiums ceded to reinsurance.

Net Expense Ratio
A formula used by the Company to relate income to acquisition and administrative expenses excluding Nation Building Tax (NBT) (e.g. commission, staff, selling and operating expenses).

Formula:

$$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical}}{\text{Net earned premium}}$$

Net Loss Ratio
A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurance).

Formula:

$$\frac{\text{Net claims incurred}}{\text{Net earned premium}}$$

Non-Participating Business
Life insurance business where the policy holders are contractually entitled to share in the surplus of the relevant life fund.

Policy Loans
A loan from the insurer to a policy holder on the security of the surrender value of a life insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

Primary insurers
Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Reinsurance
An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance Commission
Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance Inwards
The acceptance of risks under a contract of reinsurance.

Reinsurance Outwards
The placing of risks under a contract of reinsurance.

Glossary of Insurance Terms (Contd.)

Reinsurance Profit Commission

Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retention

That part of the risk assumed which the insurer/reinsurer does not reinsure/retrocede, i.e. retained net for own account.

Solvency Margin - General

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on General insurance business as defined in Solvency Margin (General Insurance) rules 2004 made under section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

Solvency Margin - Life

The difference between the value of admissible assets and the value of liabilities, required to be maintained by the insurer who carries on Life insurance business as defined in Solvency Margin (Life Insurance) rules 2002 made under the section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

Surrender Value

The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in Life Lnsurance).

Underwriting Profit

The underwriting result generated by transacting general insurance business, without taking into account the investment income.

Written Premium – General Insurance Business

Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis of accounting, these are premiums on contracts entered into during the accounting period and adjustments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods.

Corporate Information

Company Name	-	Allianz Insurance Lanka Ltd.	Allianz Life Insurance Lanka Ltd.
Legal Form	-	A private limited liability Company incorporated in Sri Lanka on 22 May 2008, under the Companies Act No 7 of 2007.	A private limited liability Company incorporated in Sri Lanka on 24 March 2008, under the Companies Act No 7 of 2007.
Company Registration Number	-	PB 323	PB 3493
Tax Identification Number (TIN)	-	114011487	134034939
VAT Registration Number	-	114011487- 7000	
Directors	-	Heinz Dollberg Kamesh Goyal Don Tri Nguyen Dietmar Raich	Heinz Dollberg Kamesh Goyal Dietmar Raich
Auditors	-	KPMG Ford Rhodes, Thornton & Co. (Chartered Accountants), 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.	KPMG Ford Rhodes, Thornton & Co. (Chartered Accountants), 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.
Consultant Actuaries	-	Asha Joshi B607, Daffodils Apartments, 6/36 Dwarka, New Delhi, India.	Andrew Wakeling 3, Ellison Place, Pymble, NSW 2073, Australia.
Secretaries	-	EM &EN Agents and Secretaries (Pvt) Ltd. M & N Building, No. 2, Deal Place, Colombo 3.	EM &EN Agents and Secretaries (Pvt) Ltd. M & N Building, No. 2, Deal Place, Colombo 3.
Bankers	-	Citibank Hongkong & Shanghai Banking Corporation Bank of Ceylon	Deutsche Bank AG Standard Chartered Bank Commercial Bank PLC.
Registered Office of the Company	-	No. 92, Glennie Street, Colombo 2.	No. 92, Glennie Street, Colombo 2.

Branches

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E-mail galle@allianz.lk

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Kurunegala
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Fax: 037-2230535
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Negombo
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