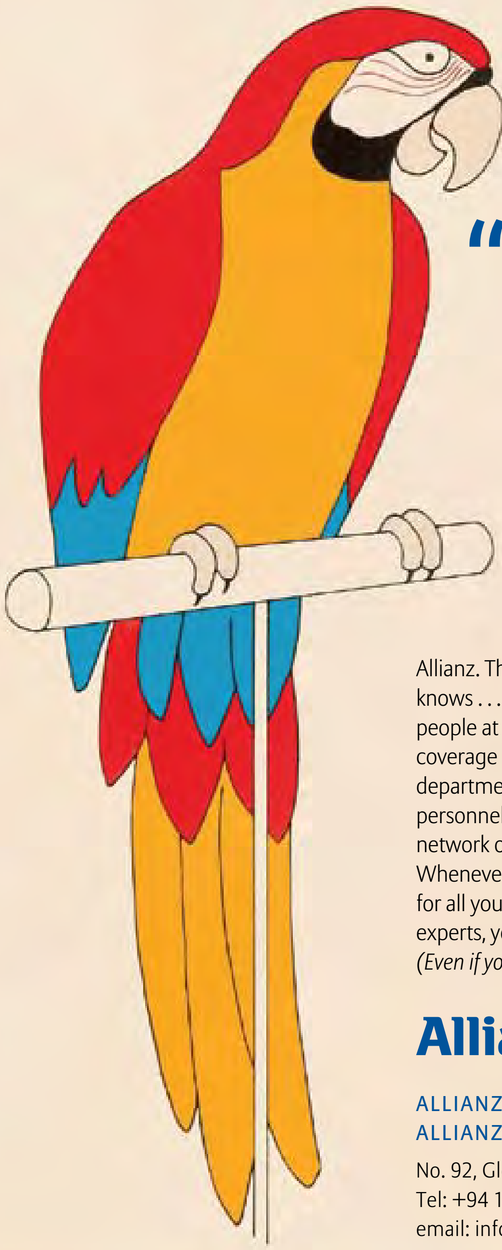
Allianz Lanka

125 years

Allianz Insurance Lanka Ltd. | Allianz Life Insurance Lanka Ltd.

Annual Report 2014

Allianz



Content

- 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

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

The customer is our most valuable asset and everything we do is aimed at either winning a customer or retaining a customer.

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 in which we carry out 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 Insurance Lanka Ltd. and Allianz Life Insurance Lanka Ltd., known together as Allianz Lanka, are fully-owned subsidiaries of Allianz SE, a world leader in integrated financial services, headquartered in Munich, Germany.

The Allianz Group has as its strategy, profitable and sustainable growth; a well-balanced and synergetic business portfolio; strong capitalisation; world-class investment management; and a state-of-the-art risk framework.

In business since 1890, Allianz has catered to the changing needs of our retail and corporate customers, as well as the societal frameworks in the different countries we do business in.

Allianz SE is among the world's largest asset managers, with third-party assets under management of over € 1.3 trillion as at end 2014. In insurance, Allianz SE is among the world's Top Ten insurance companies in terms of revenue, world leader in credit insurance, and Europe's largest insurer by way of market capitalisation. The Group has one of the world's strongest solvency ratios - 181% in 2014 - and boasts one of the world's best credit ratings among international insurers.

Allianz SE has been named the World's Most Ethical Insurer by the Ethisphere institute, the thinktank that recognises companies that promote ethical business standards and practices internally, exceed legal compliance minimums, and shape future industry standards by introducing best practices today.

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).

Today, more than 147,000 employees worldwide serve over 85 million retail and corporate customers in some 70 countries, who trust the knowledge, global presence, financial strength and solidity of Allianz to support them in their moment of truth.

Insurance Operations

As the global leader in Property-Casualty insurance, and ranked among the top five in Life/Health insurance, Allianz has, in its portfolio of insurance products, a wide range of Property-Casualty and Life/Health products for both private and corporate customers.

Allianz believes in prudent investments when it comes to ensuring the financial prosperity of our customers. We invest around € 500 billion for our insurance customers - roughly the same amount as the Dutch economy generates in one year. Most of these funds are invested in bonds, equities and real estate.

Allianz insures many of the world's largest and architecturally significant structures. In Asia alone, this includes 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.

About Allianz *(Contd.)*

Consolidating our leadership position

In the fiscal year 2014, Allianz ranked 78 among the World's Most Valuable Brands in the Forbes Lists and occupies the 27th position in the Global 2000 leading public companies. As of December 2014, market capitalisation stood at € 62.7 billion.

Allianz achieved an operating profit of € 10.4 billion - a growth of 3.3%, and total revenues of approximately € 122.3 billion - a growth of 10.4%, in 2014.

Allianz continues to maintain our stability and dominance in the market with excellent insurer financial strength ratings given by premier global rating agencies. In 2014, the Group's strong ratings were reinforced by premier ratings agencies: Standard & Poor's AA - Stable outlook, Moody's Aa3 - Stable outlook, A.M. Best A+ - Stable outlook.

The Allianz Brand

An exceptional package of global and local corporate social responsibility initiatives buys into the Allianz brand experience. At the annual "Best Global Brands" ranking for 2014, brand consultancy firm Interbrand set the Allianz brand value at US$7.7 billion, a 15% increase from 2013. This places Allianz 55th among the world's top 100 brands, up eight spots from last year's ranking. The momentum in growth that the Allianz brand is presently experiencing puts it on par with other top global brands such as Google, Samsung and Nike.

Sustainability

As a long-term risk manager and investor, sustainability for Allianz is an integral part of business. The excellence of our corporate social sustainability performance has been recognised since 2000 by RobecoSAM - which analyses a company's performance according to specific categories - with top ranking positions over the past years. This year, too, Allianz was named one of the sustainability leaders in the insurance sector, earning special recognition in the areas of Financial Inclusion, Risk Detection, Principles for Sustainable Insurance, Brand Management and Stakeholder Engagement. In the assessment of the 2014 Dow Jones Sustainability Index, RobecoSAM awarded Allianz with the Silver Class Sustainability Award 2015.

In step with the times

The success of Allianz down the ages is due to our power to innovate. Concerns about climate change and its implications have given rise to new, alternative asset classes. Allianz helps you protect the environment with more than 150 green solutions that cover all our business segments.

In 2005, Allianz Capital Partners added renewable energy investments to their portfolio. Allianz believes in involving itself in the issues of the times, and has made many innovative contributions towards climate change and reducing greenhouse gas emissions by investing in renewable energies, ensuring climate neutrality in business operations, and designing green products. Allianz owns 48 wind and 7 solar parks which produce enough energy to supply the requirements of a city the size of Milan, Italy. Allianz was also the world's first corporate to establish a ESG Board in 2012, a committee at board level tasked with ensuring that ecological and social issues are considered in decisions made throughout the organisation.

About Allianz *(Contd.)*

An increase in the frequency and severity of data breaches and IT glitches that pose threats to businesses prompted the launch of Allianz Cyber Protect, which enables companies to protect themselves against potential financial and reputational losses.

We are not able to influence the weather, but we can protect our clients against its negative consequences. ART (Allianz Risk Transfer) Weather Solutions proactively tackles the challenges of climate change. Adverse weather impacts like temperatures, precipitation, wind speed and sun hours can result in financial losses across different industries due to lowered sales or production. ART Weather solutions provides creative and tailor-made weather insurance solutions which offer favorable financing terms.

Whether it is an expedition to the North Pole or a flight through space, Allianz will be at your side when you explore new worlds. In 2014, Allianz SpaceCo insured 21 space launches which covered eight different types of launch vehicles from around the world.

Sponsorships

Allianz sponsors activities in areas which have a strong link with its business, like road safety and the Formula 1 grand prix, or helping people re-enter life after an accident through support of Paralympic sports. The Allianz Junior Football Camp, the Allianz Golf Camp and the Music Camp with pianist Lang Lang are projects designed to foster youth in developing countries and promote intercultural exchange.

As Official Global Partner of Formula 1 racing and insurer of over 50 million cars worldwide, Allianz uses the fusion of speed technology and performance of Formula 1 racing to drive its expertise in safety. The world's only insurer to have its own safety research centre, the Allianz Center for Technology translates the safety aspects and new technologies in Formula 1 racing into everyday road safety and accident prevention strategies to improve road safety worldwide.

This commitment to safety was taken into the sponsorship and financial partnership of the Allianz Arena in Munich, one of the most innovative and exclusive stadiums in the world. Allianz has now added four more Allianz stadiums to the family, with the opening of multi-purpose stadium 'Allianz Riviera' in Nice, France, in 2013, and the opening of the Allianz Parque in Sao Paulo, Brazil, in 2014, the Allianz Park rugby stadium in London, UK, and the Allianz Stadion, the new home of Rapid Vienna, a club from the Austrian Football Bundesliga, which will be completed in 2016.

Since 2006, Allianz SE has been a proud partner of the International Paralympic Committee (IPC) and since 2011, the first "International Partner" of the IPC. Through this strong partnership, Allianz supports the athletes' passion for what they do, their ambitions to achieve their goals and their remarkable ability to believe in themselves, which mirror the Company's own values.

Allianz Lanka

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. The Company received registration as an insurer from the Insurance Board of Sri Lanka in September 2004, to carry out General Insurance business. Underwriting operations commenced in January 2005.

Allianz Insurance Lanka has been one of the fastest growing insurers in Sri Lanka since inception, with its topline growing by more than twenty times in the past 9 years. Allianz Life Insurance Lanka Ltd., too, has grown by more than 80 times,

About Allianz *(Contd.)*

to become a leading Life insurance company in Sri Lanka in just six years of operations. The Company opened 18 branches in 2014, which brings its total branch tally to 54.

Allianz Lanka has achieved many 'firsts' that have re-defined industry benchmarks along the way. Among these, the company was:

- the first Non Life insurance company to achieve Rs. 1 billion in premium income within the first five years of operations
- the first Non Life insurance company to record an underwriting profit in the second year of operations
- the first Life insurance company to make Rs. 100 million gross written premium within the first year of operations
- the first and only insurance company to comply with the statutory requirement of having two separate legal entities for Life and Non Life business

Allianz Lanka insures some of the key infrastructure projects and buildings in Sri Lanka, including wind power projects, power plants, mega infrastructure road projects, water treatment plants and pipe laying projects, high-rise buildings and prime residential condominiums as well as resort construction projects in the Maldives.

The International Paralympic Committee (IPC) partnership was brought to Sri Lankan shores in 2013. Allianz Lanka partners the National Federation of Sports for the Disabled (NFSD), Sri Lanka, and supported Sri Lanka para athletes at the 2014 Asian Para Games. Allianz Lanka continues to actively popularise Paralympics in Sri Lanka in preparation for the 2016 Rio Paralympic Games.

During 2014, Allianz Lanka continued its annual sponsorship of teenage football enthusiasts from impoverished homes, to attend junior football camps in Munich, Germany, and Bangkok, Thailand, a sponsorship begun in 2013, which will continue annually.

Allianz celebrates 125 years in insurance in 2015. We are confident that we will continue to maintain our position as a top Fortune 500 company many more decade into the future, building on our core values of trust, integrity, reliability and professionalism.

To our valued customers, we pledge that, whatever the volatilities of nature, the adverse trends in financial markets, personal losses and emergencies faced in the course of daily life, we will stand by you to protect and support you in your moment of truth, and to partner you in your quest to be whatever you want to be.

Allianz Global Highlights

Top 10 global business risks for 2014

2014			2013	Rank	Trend
1	**Business interruption, supply chain risk**	43%	46%	(1)	—
2	**Natural catastrophes** (for example, storm, flood, quake)	33%	44%	(2)	—
3	**Fire, explosion**	24%	31%	(3)	—
4	**Changes in legislation and regulation**	21%	17%	(4)	—
5	**Market stagnation or decline**	19%	12%	(8)	↗
6	**Loss of reputation or brand value** (for example, from social media)	15%	10%	(10)	↗
7	**Intensified competition**	14%	17%	(5)	↘
8	**Cyber crime, IT failures, espionage**	12%	(-)	(-)	● NEW
9	**Theft, fraud, corruption**	10%	(-)	(-)	● NEW
10	**Quality deficiencies, serial defects**	10%	13%	(6)	↘

The third annual Allianz Risk Barometer survey was conducted among risk consultants, underwriters, senior managers and claims experts in the corporate insurance segment of both Allianz Global Corporate & Specialty (AGCS) and local Allianz entities. Figures represent the number of responses as a percentage of all survey responses (557)

Allianz Lanka at a Glance

	2014	Change from previous year	2013	Change from previous year	2012	Change from previous year	2011	Change from previous year	2010	Change from previous year	2009
NON LIFE INSURANCE											
Income Statement											
Gross written premium (Rs. '000)	2,923,611	39%	2,104,591	38%	1,521,463	1%	1,501,300	2%	1,469,533	25%	1,174,822
Underwriting profit/(loss) after expenses (Rs. '000)	(128,608)	-241%	90,931	-50%	183,401	4%	175,737	40%	125,926	101%	62,603
Profit/(Loss) before tax (Rs. '000)	13,518	-95%	249,228	-20%	310,899	11%	281,191	27%	221,305	40%	158,312
Balance Sheet											
Total assets (Rs. '000)	3,364,434	23%	2,727,215	38%	1,970,061	10%	1,793,914	11%	1,615,454	46%	1,105,444
Shareholders' equity (Rs. '000)	896,867	2%	875,510	12%	780,285	16%	671,743	8%	620,122	44%	431,946
Return on net assets (%)	2.41%	-89%	22.12%	-25%	29.41%	-16%	34.92%	29%	26.98%	-3%	27.7%
Earnings per share (Rs.)	0.74	-89%	7.75	-16%	9.18	-2%	9.38	40%	6.69	40%	4.79

	2014	Change from previous year	2013	Change from previous year	2012	Change from previous year	2011	Change from previous year	2010	Change from previous year	2009
LIFE INSURANCE											
Income Statement											
Gross written premium (Rs. '000)	838,326	1%	828,790	56%	532,141	51%	351,299	72%	204,814	101%	101,816
Loss for the period (Rs. '000)	71,053	-16%	39,527	-34%	59,587	1%	58,506	-53%	123,978	64%	75,716
Balance Sheet											
Total assets (Rs. '000)	1,467,970	36%	1,077,008	72%	626,712	29%	485,034	62%	299,797	10%	273,503
Investments (Rs. '000)	1,186,394	31%	908,592	73%	523,259	29%	393,807	78%	221,193	17%	189,150
Shareholders' equity (Rs. '000)	228,764	-13%	261,958	69%	155,104	-30%	221,480	40%	158,086	-4%	164,632

Directors' Profiles

Heinz Dollberg

Senior Advisor to the Board of Allianz SE, Asia, Middle East, North Africa division

Heinz Dollberg joined the Allianz Group in 1978. Since then he has gained experience in various positions with the Group, which include General Manager of the International Department, Vice President of the Overseas Division, Allianz Group, Munich, Chief Representative of the Allianz AG Tokyo office, Deputy Managing Director of Allianz Cornhill Insurance in Hong Kong, Regional Director of the Allianz Group in Munich, and promoted thereafter to Vice President of the Overseas Division, to name a few. He also held board memberships at Allianz Ayudhya Assurance Public Co. Ltd. (Thailand), Allianz China Life Insurance Co. Ltd. and Allianz China General Insurance Co. Ltd. (China), P.T. Asuransi Allianz Life Indo and P.T. Asuransi Allianz Utama (Indonesia) and Allianz companies in the Middle East.

He was subsequently appointed as Executive Vice President of Allianz with responsibility for the Allianz business in Asia, Middle East, and North Africa. In this capacity, he functioned as Chairman/ Director of various boards including Bajaj Allianz General Insurance Co., Ltd. (India), Bajaj Allianz Life Insurance Co. Ltd. (India), Allianz Insurance (Hong Kong) Ltd., and Allianz Fire and Marine Japan Ltd. Following his retirement in December 2010, Heinz was appointed Senior Advisor to the Board of the Allianz SE, Asia, Middle East and North Africa division.

He read for a degree in law from the University of Freiburg, Germany. He was appointed Honorary Professor by the Southwestern University of Chengdu, a premier university for finance and economics in China, in March 2006, and by the Tongji University of Shanghai in November 2006.

Surekha Alles

Chief Executive Officer Allianz Lanka

Surekha was appointed to the Board of Allianz Insurance Lanka Limited and Allianz Life Insurance Lanka Limited in June 2010. She joined Allianz Insurance Lanka Limited as Head of General Insurance Operations in 2005, and was appointed Chief Executive Officer one year later.

Surekha counts over 25 years in the insurance industry and has held various senior management positions in diverse areas of insurance. She is a Fellow of the Chartered Insurance Institute, London, a Chartered Insurer, and holds a MBA from the University of Western Sydney. She is also a Senior Associate member of the Australian New Zealand Institute of Insurance and Finance.

Directors' Profiles *(Contd.)*

Rangam Bir

Chief Executive Officer
Allianz Life Insurance
Malaysia Berhad

Rangam has 18 years of wide-ranging insurance experience spanning both Life and Non Life insurance across Europe, Middle East, Africa and Asia. He was appointed as the Chief Executive Officer of Allianz Life Insurance Malaysia Berhad in November 2014.

He joined Allianz in 1997 as an underwriter and moved in 2002 to Munich where he functioned as Head of Life & Health, Head of Sales & Marketing of the Central and Eastern European Markets; Country Manager of South Africa; and Regional Chief Business Officer of Allianz New Europe Management. While in Munich, Rangam was appointed to the Board of Directors of Allianz Insurance Company, Russia, Allianz ROSNO Life Insurance Company, Russia, Allianz ROSNO Asset Management Company, Russia and Allianz-Tiriac Asigurari S.A. Romania. He also served as Chairman of the Board of Directors of Allianz Direct New Europe Sp. z. o. o., Poland, from 2006 to 2010.

He was appointed Chief Executive Officer of Allianz Tiriac Asigurari S.A., Romania in May 2010, which position he held for over two years. During his tenure in Romania, he also functioned as Chairman of the Board of Directors in Allianz-Tiriac Pensii Private and as President of the Board of Directors of UNSAR, Romania's national association of insurance and reinsurance companies.

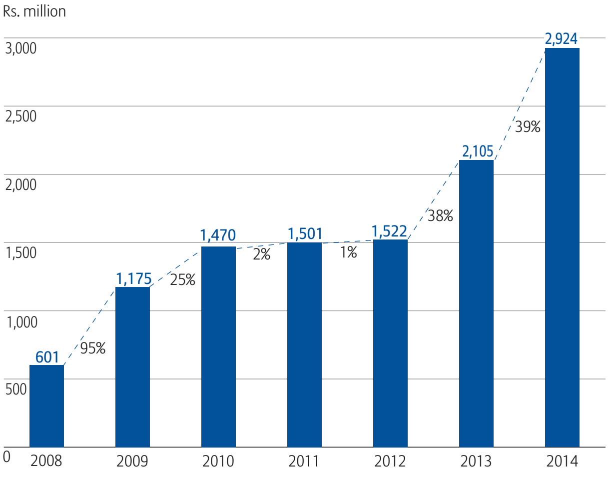
In August 2012, Rangam moved to Singapore as Regional General Manager of the Property and Casualty Division of the overall Asia Pacific region. From 2013, he headed the regional Life and Health business as well. While in Singapore, he was interim Chief Executive Officer of the general insurance business in China, and a member of the executive committee of the CPIC Allianz Health Insurance Company, in addition to holding chairmanship of the Board of Directors of Allianz Taiwan Life Insurance Company, Allianz C.P. General Insurance Public Co. Ltd., Allianz Lanka and Allianz General Laos.

He holds a MBA and is an electronics engineer by training.

Financial Overview

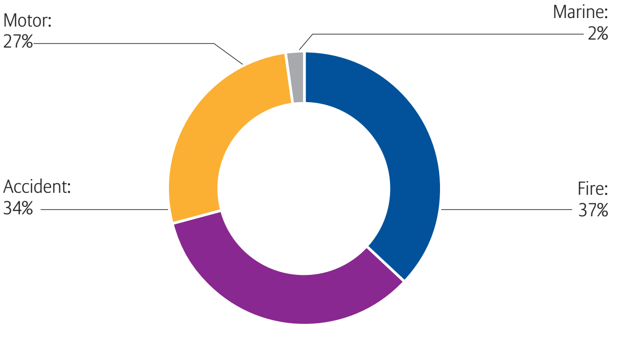
NON LIFE INSURANCE

Gross Written Premium (GWP)



The Company's GWP for the year grew by 39%, far exceeding the industry growth of 4%, YoY to Rs. 2,924 million. Rapid branch expansion and aggressive growth in the motor and accident businesses were the key growth drivers.

Premium by Classes

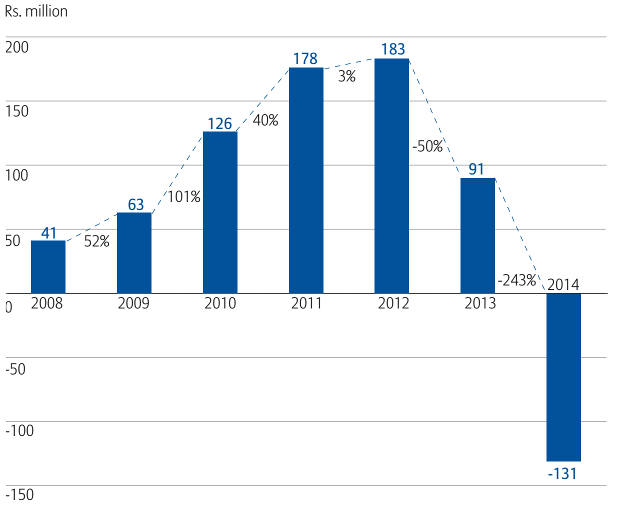


The non-motor business has always been the dominant contributor to the Company. This year, too, the contribution from non-motor business stood at 73% of total business and saw a growth of 33%.

The Company saw a robust growth of 56% in its motor business driven by expansion in retail business lines, and largely outperformed the industry growth of 5% during the period. The contribution to GWP from the motor class increased to 27%, from 24% in 2013 and 9% in 2012.

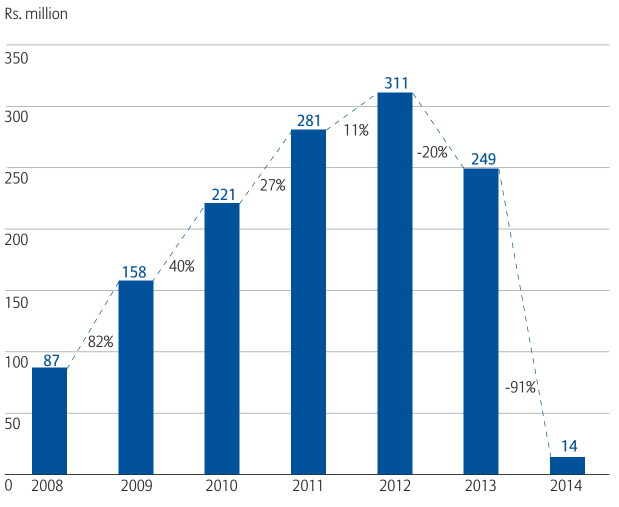
Financial Overview *(Contd.)*

Underwriting Results



Following the company strategy to grow retail business, heavy expenditure on expansion continued this year too. With the expansion of motor business, the motor loss ratio also increased significantly. The Company recorded an underwriting loss of Rs.131 million for 2014. However, the short-term impact on profitability is expected to be more than compensated for by the future paybacks from the investment in network expansion.

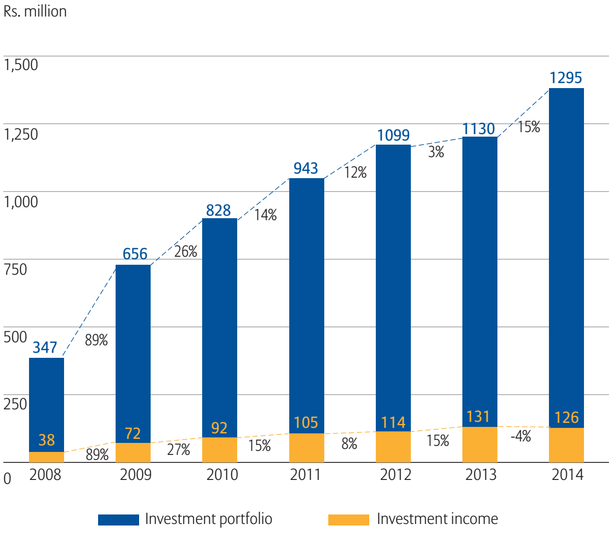
Profit Before Tax (PBT)



PBT dropped to Rs. 14 million as a result of underwiting loss, which has been compensated by investment income.

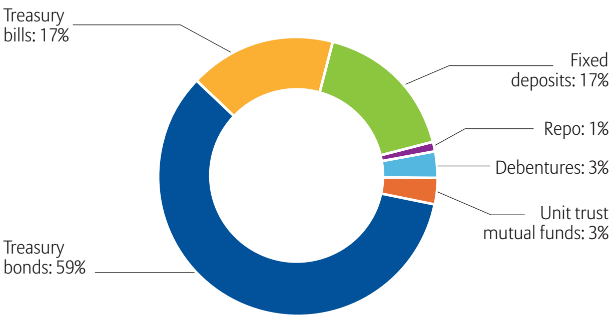
Financial Overview *(Contd.)*

Investment Portfolio



Despite the downward revision of policy rates, the Company managed to achieve an investment income of Rs. 126 million, a slight reduction of 3% YoY. The investment portfolio saw a healthy growth of 15% to Rs. 1,295 million during the year. A majority of the Company's portfolio is held in government securities and fixed deposits as entailed by the Company's prudent risk strategy.

Investment Portfolio - Asset Allocation

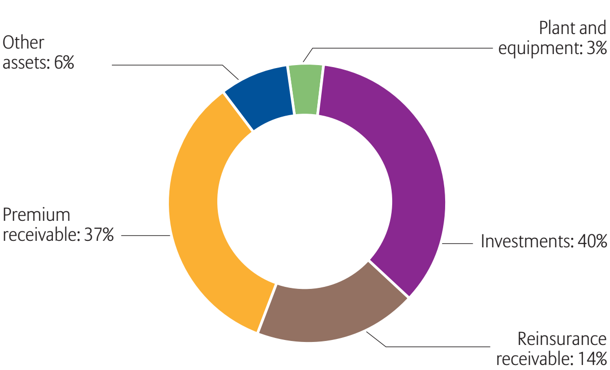


The Company's investment strategy is aligned with the guidelines set by the Allianz Group, which serves as the basis for investment decisions.

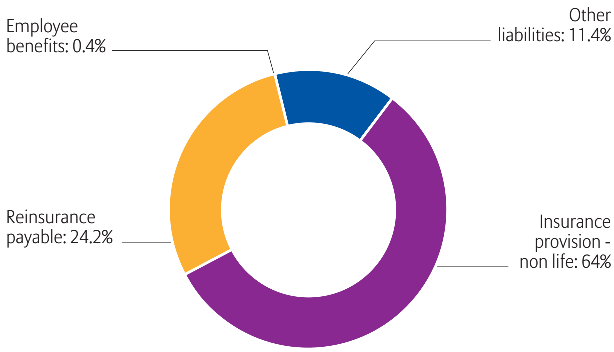
Given the nature of the size and frequency of liability claims in the Non Life insurance industry, the Company ensures that it maintains a highly liquid portfolio. Around 76% of the investments were held in government securities while most of the remaining 17% was invested in short-term fixed deposits.

Financial Overview *(Contd.)*

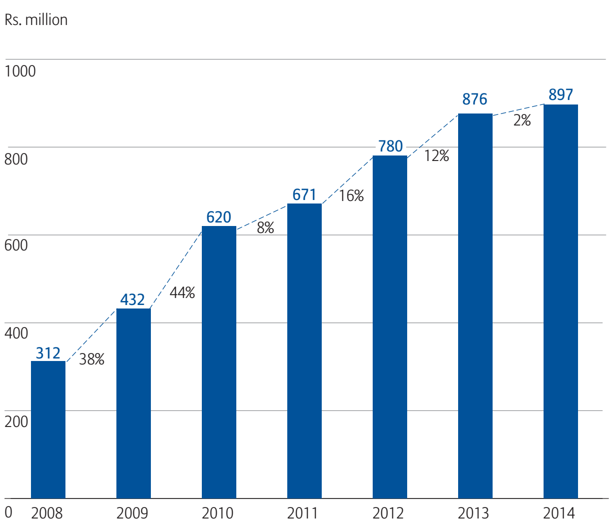
Asset Composition



Liability Composition



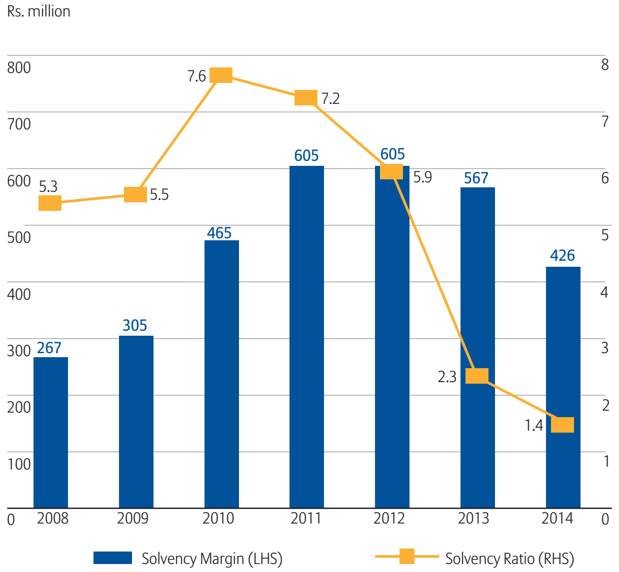
Net Assets



The net assets of the Company as of end 2014 stood at Rs. 897 million, which is a 2% growth despite its negative impact on underwriting results.

Financial Overview *(Contd.)*

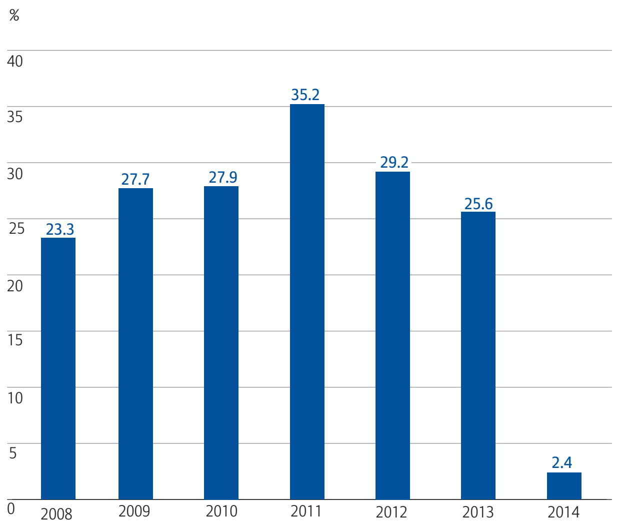
Solvency Margin



The solvency margin expresses an insurer's ability to pay insurance benefits and other payments, and is a vital measure of its financial stability.

The Company's solvency margin by end 2014 stood at 1.4, which is comfortably above the regulatory minimum.

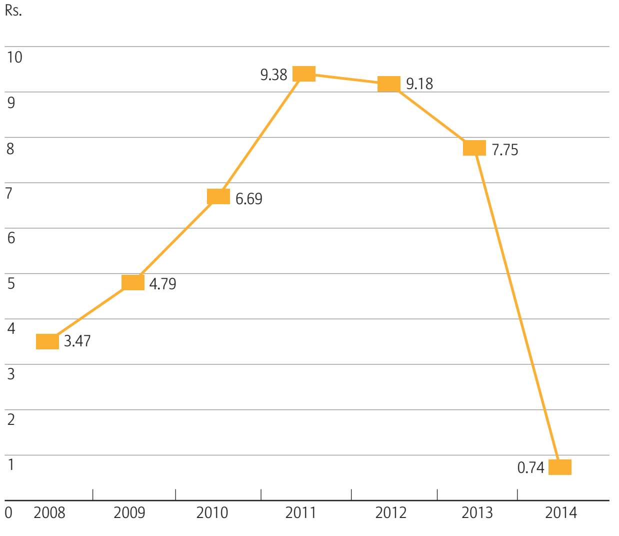
Return on Equity (ROE)



ROE dropped to 2.4% in 2014, compared to 25.6% in 2013, mainly due to the strain on profitability from the heavy expansion activities during the year. However, the Company expects the investment in growth to positively contribute to increase shareholders' value over the long term.

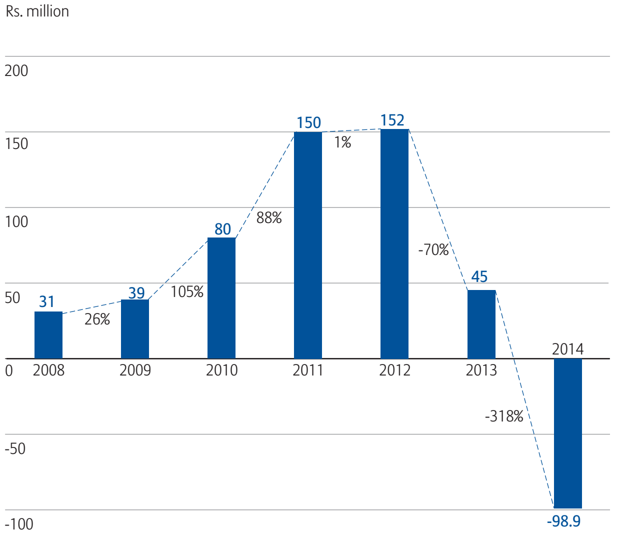
Financial Overview *(Contd.)*

Earnings per Share (EPS)



The EPS reduced from Rs. 7.75 in 2013 to Rs. 0.74 in 2014, due to the lower profitability.

Economic Value Added (EVA)



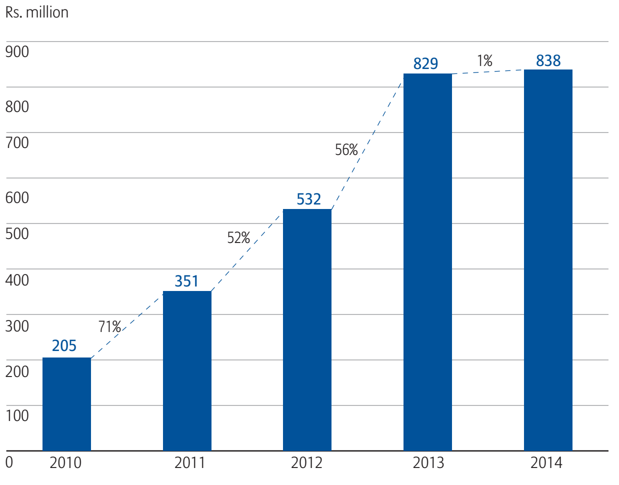
The Economic Value Added (EVA) measures the profitability of the Company after taking into account the cost of invested equity.

Due to the capital infusion during the latter part of the financial year and the low profit margin of the Company, economic value addition showed a negative figure of Rs. 98.9 million.

Financial Overview *(Contd.)*

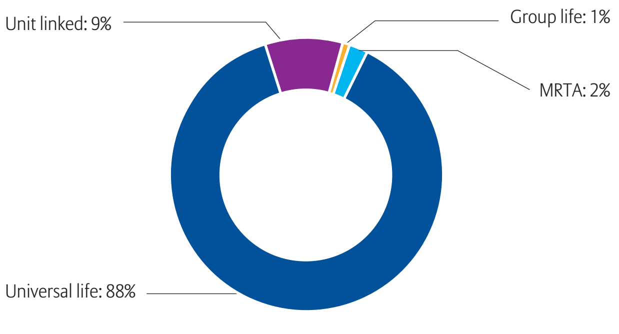
LIFE INSURANCE

Gross Written Premium (GWP)



The increase in Life insurance premiums this year was marginal, due to changes in the agency structure and changes in the product portfolio.

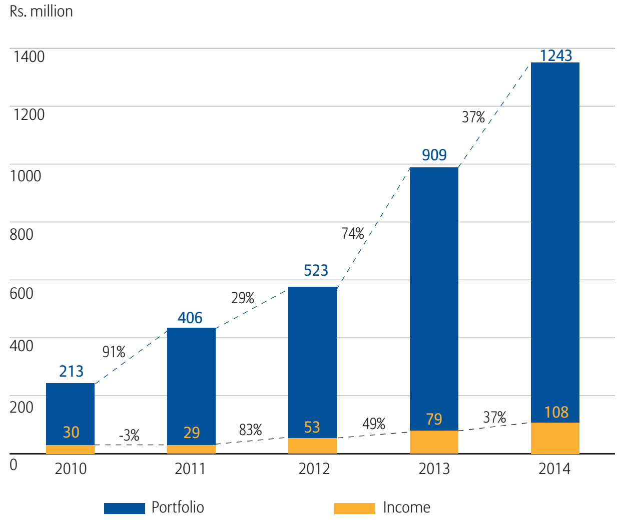
Gross Written Premium by Product



The dominant product is Universal Life, which accounted for 88% of the portfolio. Unit Linked, as a new product, shared 9% of the product portfolio.

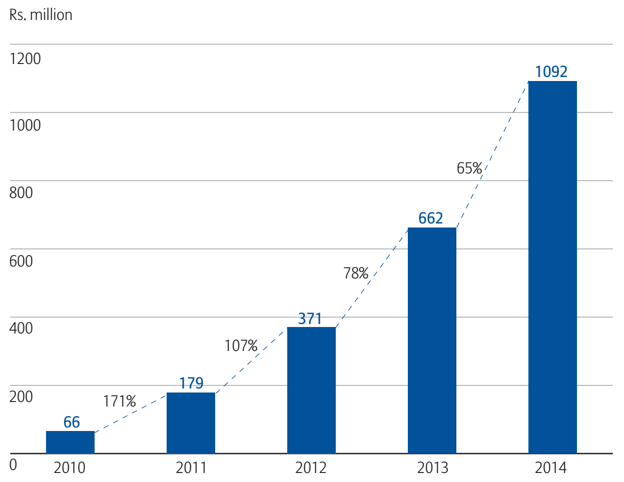
Financial Overview *(Contd.)*

Investments



The investment portfolio grew by 37% YoY, mainly due to new investments and mark-to-market gains. Despite the Central Bank reducing interest rates during the year, the Company was able to maintain growth in investment income from high- yield securities invested in the previous years. The majority of the Company's investments are in government securities.

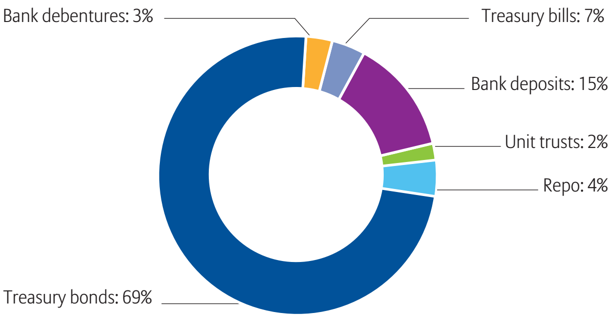
Life Fund Growth



The Life Fund increased by 65% during the year under review. The Life Fund has shown a compound annual growth rate of 102% over the last four years.

Financial Overview *(Contd.)*

Investment Portfolio - Asset Allocation

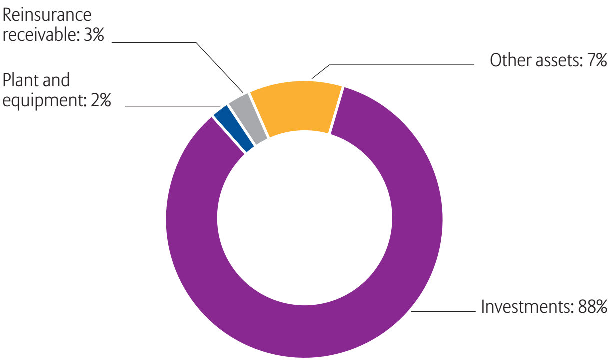


The Company's investment strategy is aligned with the guidelines set by the Allianz Group, which serve as the basis for investment decisions. The Company's objective is to contribute to the growth of surplus through capital appreciation, and to earn competitive risk- adjusted returns.

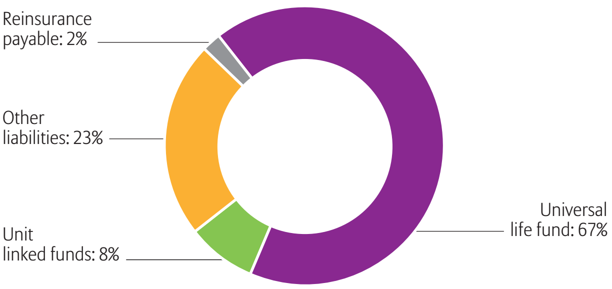
Long term treasury bonds continued to dominate investments and accounted for 69% of portfolio assets, while high quality fixed deposits accounted for 15%.

The strategic asset allocation has been set to ensure that duration mismatches between the Company's assets and liabilities are minimised, to reduce interest rate risk and liquidity risk.

Asset Composition



Liability Composition

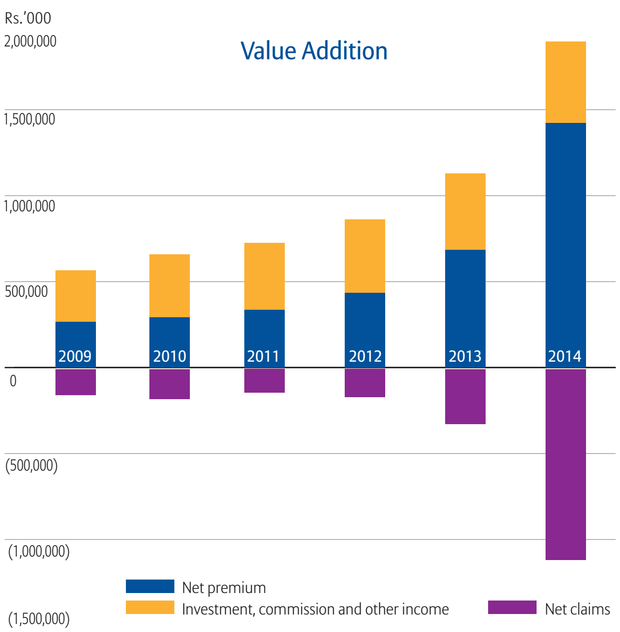


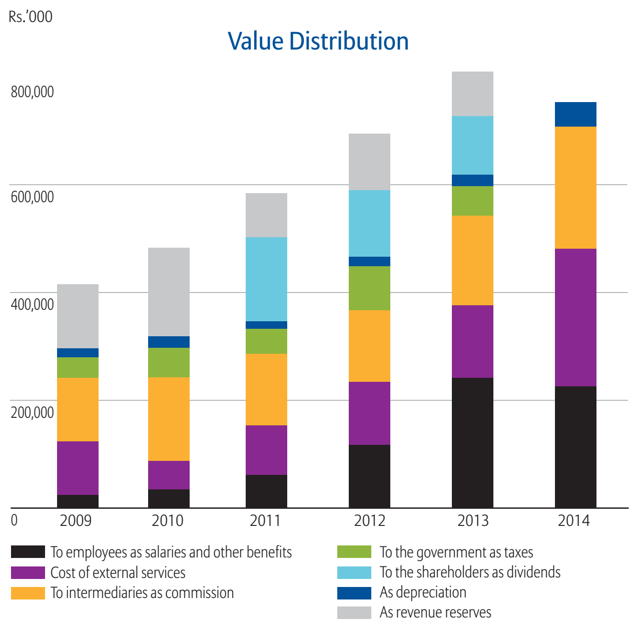
Statement of Value Added

NON LIFE INSURANCE

Value Addition	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000	2009 Rs.'000
Net premium	1,421,992	684,309	435,561	336,747	293,437	265,074
Investment, commission and other income	474,534	445,540	424,328	389,323	365,336	301,132
Net claims	(1,109,326)	(317,839)	(163,837)	(139,168)	(172,754)	(150,698)
Cost of external services	(274,238)	(134,664)	(116,399)	(91,867)	(53,152)	(99,454)
Total value added	**512,962**	**677,346**	**579,653**	**495,035**	**432,867**	**316,055**

Value Distribution	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
To employees as salaries and other benefits	207,365	42	241,366	36	117,508	20	61,575	12	34,534	8	24,245	8
To intermediaries as commissions	228,384	43	165,906	24	133,191	23	132,260	27	154,898	36	117,328	37
To the government as taxes	-	-	55,408	8	81,382	14	46,594	9	53,996	12	38,646	12
To the shareholders as dividends	-	-	111,250	16	125,000	22	158,333	32	-	-	-	-
Retained with the business - as depreciation	55,565	10	21,417	3	18,109	3	14,748	3	22,130	5	16,170	5
- as revenue reserves	21,648	4	81,999	12	104,463	18	81,525	16	167,309	39	119,666	38
Total value distributed	**512,962**	**100**	**677,346**	**100**	**579,653**	**100**	**495,035**	**100**	**432,867**	**100**	**316,055**	**100**



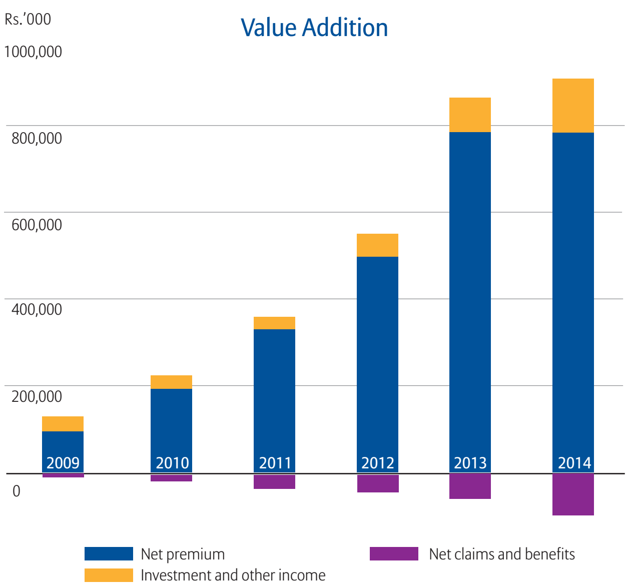


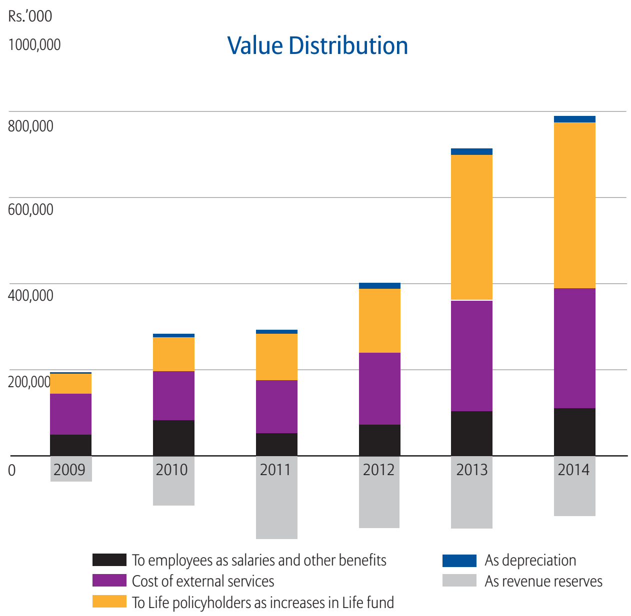
Statement of Value Added *(Contd.)*

LIFE INSURANCE

Value Addition	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000	2009 Rs.'000
Net premium	783,018	784,600	497,452	329,558	192,569	94,322
Investment and other income	125,236	78,931	52,753	31,087	30,092	33,819
Net claims and benefits	(38,562)	(23,316)	(15,877)	(12,612)	(5,715)	(3,283)
Cost of external services	(278,292)	(256,509)	(167,200)	(124,151)	(112,991)	(95,056)
Total value added	**591,400**	**583,706**	**367,129**	**223,882**	**103,954**	**29,802**

Value Distribution	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
To employees as salaries and other benefits	110,663	19	103,447	18	72,039	20	52,765	24	83,365	80	49,136	165
To intermediaries as commissions	150,816	26	167,881	29	150,136	41	108,782	49	78,926	76	45,781	154
To the government as taxes	-	-	-	-	-	-	-	-	-	-	-	-
To Life policyholders as increase in Life Fund	384,958	65	335,881	58	191,674	51	112,933	50	58,289	56	7,317	24
Retained with the business - as depreciation	16,016	3	16,024	3	12,867	4	10,015	4	7,352	7	3,284	11
- as revenue reserves	(71,053)	-12	(39,527)	-7	(59,587)	-16	(60,613)	-27	(123,978)	-119	(75,716)	-254
Total value distributed	591,400	100	583,706	100	367,129	100	223,882	100	103,954	100	29,802	100





Economic Overview

Sri Lankan Economy

The Sri Lankan economy grew by 7.4% in 2014, supported by an increase in domestic economic activity as well as strong growth in the external sector. Global economic conditions continued to improve especially in export destinations, which improved the trade balance deficit. The unemployment rate dropped to 4.3%, from 4.4% in 2013.

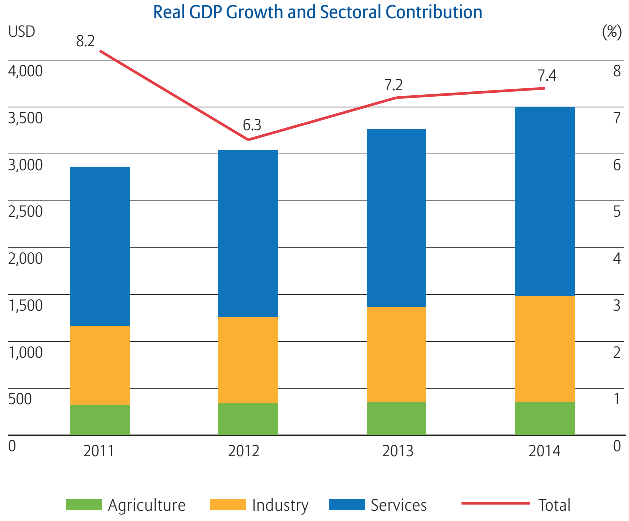
Annual average inflation declined to 3.3% in December 2014, from 6.9% in December 2013. The Central Bank maintained an eased monetary policy to stimulate further economic activity, and the lending rate was further reduced during the year under review.

The financial system remained stable throughout 2014. Domestic financial markets maintained liquidity, with the stock market and corporate debt markets gathering momentum.

National Output and Expenditure

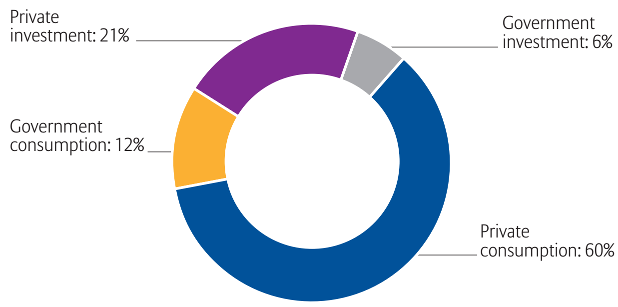
Real economic growth in 2014 was 7.4%, compared with 7.2% in 2013. This was driven by favourable macro-economic conditions supported by the relaxed monetary policy, and export growth supported by the recovery in global economies. GDP growth is mainly attributable to the expansion in the industrial sector supported by moderate growth in the services and agriculture sectors.

Real GDP Growth and Sectoral Contribution



Source: Annual Report 2014, Central Bank of Sri Lanka

Composition of Domestic Expenditure - 2014



Source: Annual Report 2014, Central Bank of Sri Lanka

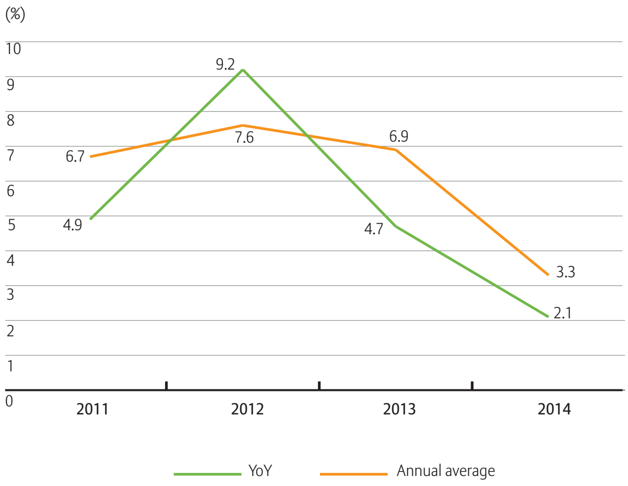
Consumption expenditure growth slowed down slightly, reflecting low inflationary expectations. Government consumption expenditure grew by 15.9%. Growth in 2014 investment expenditure is 13.5%, primarily due to the significant growth in construction. Foreign direct investments increased by 9.8% in comparison with 2013 figures. Domestic savings during the year is 21% of GDP.

Economic Overview *(Contd.)*

Inflation

Inflation was maintained in the low single digits during 2014. YoY inflation as measured by the change in Colombo Consumers' Price Index (CCPI, Base: 2006/07 = 100) came in at 2.1% in December 2014. Headline inflation was 3.3% on an average annual basis. Core YoY inflation was 3.2% as of December 2014, compared with 2.1% in 2013, with the average annual core inflation at 3.5%, against 4.4% at end-2013.

Inflation



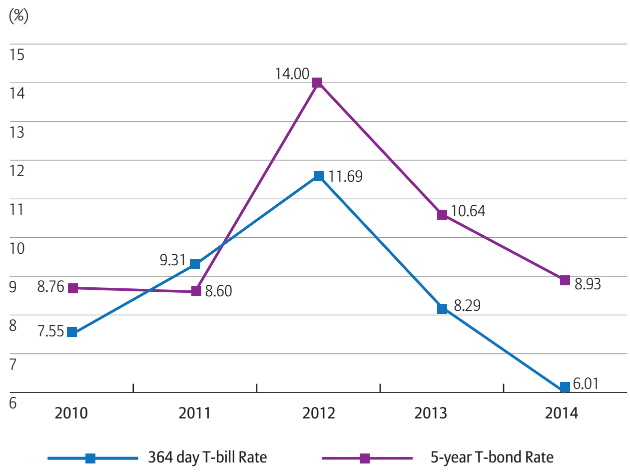
Source: Annual Report 2014, Central Bank of Sri Lanka

Interest Rates

Interest rates decreased to historically low levels in 2014, reflecting monetary policy easing. Yield rates on government securities also reached historically low levels during 2014, driven by excess liquidity in the domestic money market and low private sector demand for bank credit, Treasury bill and Treasury bond rates.

Yield on 364- day Treasury bills decreased to 6.01% by end-2014, from 8.29% at end-2013. Treasury bond yields in the secondary market decreased by around 211bps, to 303bps across the yield curve (2–10 years) by end-2014 compared to end-2013.

Treasury bill and Treasury bond Rates

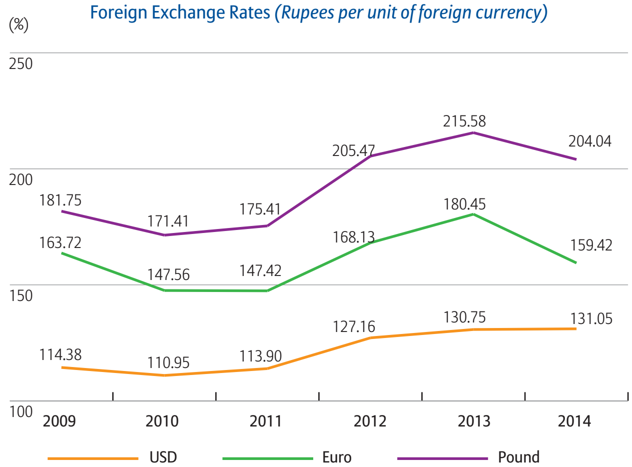


Source: Central Bank of Sri Lanka

Exchange Rates

The Sri Lankan rupee appreciated against the U.S. Dollar in the first three quarters of 2014 due to the inflow of foreign exchange by way of international bond issues, foreign investments, export earnings and worker remittances.

Foreign Exchange Rates *(Rupees per unit of foreign currency)*



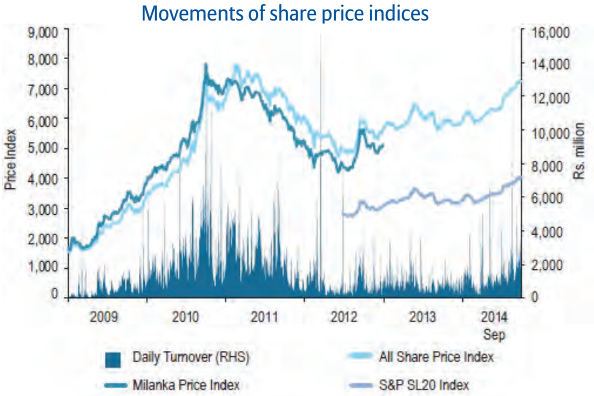
Source: Central Bank of Sri Lanka

Economic Overview *(Contd.)*

Financial Sector

The financial sector continued to expand, supporting the growth momentum of the economy. The stability of the sector improved in 2014 driven by adequate liquidity and capital levels coupled with enhanced regulatory, risk management and governance practices.

Movements of share price indices



Source: "Recent Economic Developments: Highlights of 2014 and prospects for 2015", Central Bank of Sri Lanka

Equity market performance improved in the first 9 months of 2014 supported by the downward trend in interest rates, foreign investor participation and expectations of better corporate earnings.

The All Share Price Index (ASPI) increased by 22.7%, surpassing the 7,000 mark during the first nine months of 2014, while the S&P SL20 index increased by 23.7%. Market liquidity improved, as indicated by the increase in average daily turnover.

There were four IPOs in the first 9 months of the year.

Insurance Industry

The insurance sector in Sri Lanka recorded a moderate increase in GWP of 5.14%, compared to 8.97% in 2013. The total GWP across Life and Non Life insurance sectors came in at Rs.100 billion in 2014, compared with Rs. 95 billion in 2013.

There are 21 insurance companies operating in the country, of which five companies offered only Non Life insurance while three companies offered only Life insurance.

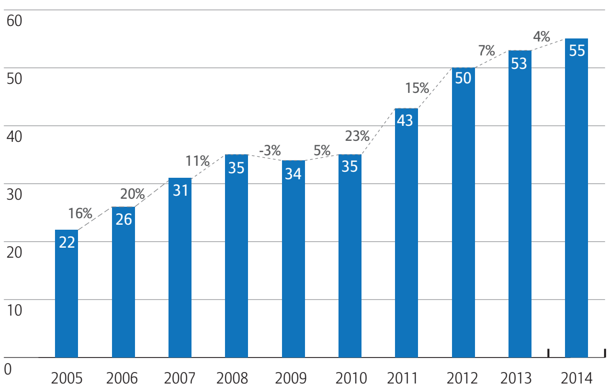
Life vs. Non Life

Source: Annual Report, Central Bank of Sri Lanka

Non Life Insurance

Non Life Insurance GWP increased by 4% in 2014 to Rs. 55 billion. This sector continues to be dominated by motor insurance, which accounted for 61% of GWP. Motor GWP recorded a YoY growth of 9% during the year.

Non Life Insurance Industry GWP



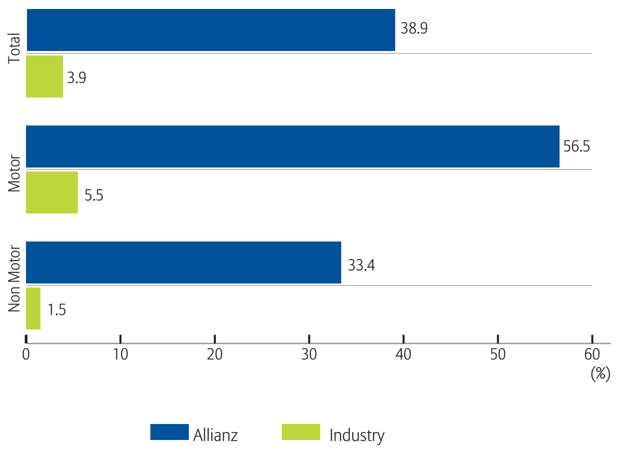
Source: IBSL Statistical Review

Allianz Insurance Lanka performed significantly better than the industry, in both non-motor and motor segments. The total Non Life GWP growth YoY was 39%, compared with the

Economic Overview *(Contd.)*

industry average of 4%. The Non-motor segment GWP growth was 33% while motor GWP growth came in at 56%.

Non Life GWP Growth

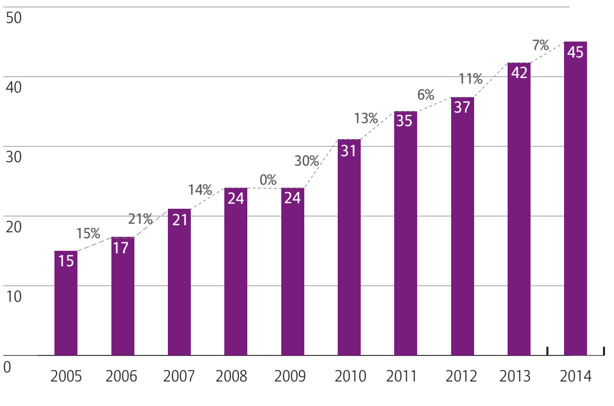


Source: Insurance Association of Sri Lanka

Life Insurance

Life insurance GWP grew by 9% to reach Rs. 44.6 billion in 2014, from Rs.40.9 billion in 2013, driven by growth in both first year premium and renewal premiums. Life insurance penetration as measured by the ratio of GWP to GDP remains low at 0.5%, indicating strong growth potential.

Life Insurance Industry GWP



Allianz Life Insurance Lanka recorded a growth of 42% in renewal premium GWP, significantly better than the industry growth of 8%. Total GWP growth came in low, driven by a decline in first year premium.

Regulatory Developments

The Insurance Board of Sri Lanka published a revised Risk Based Capital framework in October 2013, following four quarters of voluntary road test submissions, evaluation of the road test results and feedback from the industry. A parallel run is continuing from the first quarter of 2014 to December 2015, whereby all insurers are required to submit results on a quarterly basis using both rules.

As per the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, the minimum capital requirement for insurance companies would be increased by February 2015 with the objective of promoting their financial stability. Accordingly, all insurance companies registered on or before 30 June 2011 are required to increase their minimum paid up share capital to Rs. 500 million for each class of insurance business. Allianz Life Insurance Lanka Ltd. meets this requirement already.

In addition, composite insurance companies are required to separate Non Life and Life insurance businesses into two separate legal entities by February 2015. Allianz Insurance Lanka is already in compliance with this requirement.

Source: Insurance Board of Sri Lanka, Insurance Association of Sri Lanka, Central Bank of Sri Lanka

Risk Management

The Allianz Risk Management approach is designed to add value by focusing on both risk and return.

Risk management is an integral part of the management and control system, ensuring the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management, including the efficient allocation of capital and the optimisation of key performance measures through consistent consideration of risk-return implications.

The Company's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows the Company to detect potential deviations from predetermined risk tolerance levels at an early stage.

The following risk assessments and reporting are conducted on a periodic basis:

Top risk assessment: The key risks faced by the Company are reviewed on a quarterly basis along with the status of the mitigation plans. In addition, any new risks identified as a result of new product launches or changes in the business strategy will be evaluated and assessed. The risks and action plans are reported to the Allianz Asia Pacific (AZAP) Risk Management team.

Solvency assessment: Solvency is reviewed on a monthly basis whereby a detailed analysis is conducted to identify the reasons for periodic movements. The Capital-at-Risk methodology has been adopted to carry out the monthly solvency stress test in order to identify the most sensitive variables affecting solvency and to determine the internal threshold. Again, the AZAP Risk team receives a monthly report.

Qualitative Risk Assessment: Key risks, including main operational risks on risk governance and culture, capital and limits, reporting and model coverage, and internal control framework are evaluated. Status updates along with timelines are reviewed and reported to the regional team.

Loss Data Capture: The Company has pre-defined internal as well as Group reporting thresholds above which all operational loss events are reported to senior management and the region. Operational loss events including fraud, are flagged to the CRO by the respective department heads, with a quarterly sign-off obtained by the CRO to ensure that this has been adhered to.

Risk Management Committee (RiCo)

The RiCo held two meetings during the year, where the main item on the agenda was an update by the Chief Risk Officer (CRO) on the Company's top risks and the status of the mitigation plans. Potential risks that can arise from changes in the economic or regulatory environment, such as the implementation of the proposed Risk Based Capital (RBC) framework, was also deliberated.

The Capital-at-Risk methodology, which has been adopted to determine the internal threshold for the solvency margin, was another topic of interest, along with the new investment limits framework that was implemented.

Top Risks

Top risks to which the Company is exposed to have been identified and actions were taken to monitor, control and mitigate them. A brief description is provided below:

Interest Rate Risk

Interest Rate Risk is the risk of interest rate volatility adversely affecting the value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the market value of treasury bonds and bills, as well as trading corporate bonds which will adversely impact the solvency margin. The Company has devised and implemented a strategy to re-align its investment portfolio in order to reduce the sensitivity of the solvency margin to interest rate volatility.

Risk Management *(Contd.)*

Credit Risk

Credit Risk in the Company's context primarily includes counter-party default risk. This is the risk of failure of financial institutions with which the Company has placed deposits, to meet their obligations. In addition to strict limits on single counter-party exposure, the Company follows a prudent credit policy which limits its investments to high grade corporate credit in line with the Allianz Group policy, and above the regulatory minimum criteria. The Company's investment approach is also guided and monitored by Allianz Insurance Management, Singapore, as per Allianz Group policies on investment.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies, to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present or default on benefits that are under reinsurance treaties in force. The Company's exposure to reinsurance risk is minimal, as the majority of reinsurance is placed with Allianz Re and with reinsurers with strong credit ratings approved by the Group.

Currency Risk

Currency Risk is the risk of exchange rate movements adversely affecting profitability. Based on our foreign exchange management limit framework, currency risk is monitored and managed by the Investment and Risk Management functions. The Company is primarily exposed to movement in the USD-LKR as a portion of premium income as well, as a part of reinsurance payments are in USD.This risk is managed by way of a direct hedge whereby USD inflows are matched with outflows, and the excess converted at an exchange rate deemed favourable at the time.

Liquidity Risk

Liquidity Risk is the risk of the Company not being able to meet short-term or future payment obligations, and the risk that in the event of a liquidity crisis, re-financing is only possible at higher interest rates or by liquidating assets at a discount. The risk of this materialising is very low, as cash receipts and payments are monitored on a weekly basis with cashflow projections. In addition, pre-determined minimum buffers are maintained in terms of liquidity tiers, to ensure the availability of funding to meet unforeseen obligations.

Underwriting Risk – Non Life

The Non Life insurance businesses are exposed to premium risk related to the current year's new and renewed business as well as reserve risks related to the business in force. Changes in profitability over time are measured based on loss ratios and their fluctuations. We face the risk that underwriting profitability is lower than expected. The volatility of the underwriting profitability measured over one year defines our premium risk. Premium risk is subdivided into natural catastrophe risk, terror risk and non-catastrophe risk. The Allianz Insurance Lanka underwriting guidelines and procedure manual has clear underwriting limits in place that take into account our business environment. It is periodically reviewed and updated with changes in Group guidelines and requirements. Periodic training is conducted by the Chief Underwriting Officer for all staff in the technical team.In addition, risks are mitigated by external reinsurance agreements. All these measures contribute to the limitation of risk accumulation.

Underwriting Risk – Life

Underwriting risks of our Life/Health operations (biometric risks) include mortality, disability, morbidity and longevity risks.

- Mortality, disability, and morbidity risks are risks associatedwith the unexpected increase in the occurrence of death, disability or medical claims on our traditional products includingon our traditional life and health insurance products.

Risk Management *(Contd.)*

- Longevity risk is the risk that due to changing biometric assumptions, the reserves covering our portfolio might not be sufficient. Biometric assumptions such as life expectancy, play a significant role.

As profitability calculations are based on several parameters like historical loss information, assumptions on inflation or on mortality and morbidity, the realised parameters can differ from the ones used for the calculation. Periodic reviews of assumptions used to generate reserve requirements are carried out and assumptions are revised in line with experience to minimise the risk of reserve inadequacy. Premium rates are also reviewed periodically to ensure they adequately reflect risks covered based on past claims experience.

Sound practices governing product development that clearly defines roles and responsibilities and approval structures, are in place to mitigate underwriting risks at an early stage. This will be further strengthened by the adoption of the Allianz Asia Pacific Product Approval Framework in 2015.

Operational Risk

Operational Risk remains a top priority for the Allianz Group as well as the Company. Operational risks represent losses resulting from inadequate or failed internal processes, personnel and systems, or from external events such as the interruption of business operations due to a breakdown of electricity or a natural catastrophe, or damage caused by employee fraud or losses caused by court cases. Identification, assessment and quantification of operational risks through the risk and control self-assessment exercise were a key focus during the year. In addition, the Company monitors and records operational loss events through the Loss Data Capture process on a quarterly basis. These events are assessed, reviewed and mitigation actions put in place.

Reputation Risk

Reputation Risk is the risk of direct loss or loss in future business caused by a decline in the reputation of the Company among its stakeholders (i.e. shareholders, customers, staff, business partners or the general public). For example, every action, existing or new transaction or product can lead to losses in the value of the Company's reputation – either directly or indirectly – and can also result in losses in other risk categories.The Reputation Management Committee which comprises senior management from each key function meets on a periodic basis to address any reputational issues that have been brought to attention, or issues that might have potential reputational impact.

Annual Highlights

Customisation and implementation of the Investment Limits Framework was a key area of focus during the first quarter of 2014. Previously set thresholds on asset class and single counterparty exposure limits were reviewed and adjusted, if deemed necessary, to suit local requirements.

The Company, along with all other Asia Pacific operating entities, adopted the Capital-at-Risk methodology to set its internal solvency threshold. The Capital at Risk (CaR) measures the potential reduction of the net asset value (based on statutory values or fair values) over the next year. CaR is measured using a 90% confidence level (i.e. '1 in 10' stress scenario). For each major risk type it was required to calculate the value sensitivities based on the existing local solvency approach, applying the 90% confidence level. The risk appetite for CaR is measured against available capital and net asset value.

During 2014, the Company revised its Risk Policy in order to align it with the Allianz Group Risk policy. In addition, both Allianz Insurance Lanka Limited and Allianz Life Insurance Lanka Limited adopted the Group Capital Management Policy. The objective of the policy is to ensure an adequate capitalisation in line with regulatory requirements and the Company's risk appetite.

Risk Management *(Contd.)*

Audits of the external fund management process for the Unit-linked product is carried out on a quarterly basis to ensure the funds are being managed as per the guidelines and limits set forth in the agreement. Monthly reports are submitted to the local risk team by the investment officer.

Audits of the welcome call process for the Unit-linked product are conducted on a semi-annual basis in order to identify and minimise any mis-selling. A quarterly submission is sent by the underwriting department to local risk and compliance detailing the key observations.

The CRO attended the Allianz Asia Pacific CRO Conference in Singapore at which the priorities for 2015 were discussed and agreed on.

RISK MANAGEMENT - HIGHLIGHTS FOR 2014

1Q14	Adoption of Investment Limits framework
2Q14	Adoption of Capital-at-Risk methodology
	Annual review and update of Risk Strategy and Appetite
3Q14	Review and update Risk Policy
	Adoption of Capital Management Policy
4Q14	Allianz Asia Pacific CRO Conference
	Risk and Control Self Assessment

Priorities for 2015

The Company's primary objectives for the year ahead are:

- To continue to promote the risk management culture within the organisation
- To comfortably meet regulatory solvency targets and RBC parallel run submissions
- Adopt earnings-at-risk methodology to set internal thresholds on earnings volatility
- Compute and monitor economic solvency
- Adopt the Allianz Asia Pacific product approval governance framework
- Set up an asset-liability management working group to facilitate liability- driven investing
- Further strengthen internal risk governance processes with greater focus on model risk management
- Explore risk segmentation in motor pricing to balance underwriting risks with competitiveness
- Widen and strengthen the company-wide operational loss data capturing and reporting process

Compliance for Effectiveness and Efficiency

It is vital for an insurance provider to have an established reputation among its customers, shareholders, employees and the general public, based on the integrity of its performance at all times. Allianz rigorously conducts its business in accordance with all applicable laws, rules, and standards issued or endorsed by regulators, and emulates good market practices and fair dealing in all areas of business. Compliance plays a major role in building and maintaining a culture of integrity through all compliance programmes within the Allianz Group. Compliance is followed in establishing and maintaining dialogue between the compliance department, senior management and the workforce, and key governance functions recognise the compliance department as being a trusted advisor within the Group.

At Allianz Lanka, too, the compliance function plays a key role in the internal control system of the Company in supporting and monitoring compliance with applicable laws, regulations and administrative provisions to protect Allianz and its employees from regulatory and reputation risks. In building a culture of integrity and compliance, the following elements were strictly considered as essentials within Allianz Lanka;

- Trust - among employees and towards the compliance function
- Transparency - to create trust and avoid myths and rumors about compliance
- Accountability – a key item that shows the positive and negative consequences of employee behavior
- Speaking up – allows staff to raise concerns internally without fear of reprisal

Compliance highlights in 2014

Allianz Lanka was more focused on preparing for implementation of the new Group guidelines, and accommodating the new guidelines given by the Central Bank of Sri Lanka on anti-money laundering processes in the following areas:

Anti-Trust Guidelines

To promote free and fair competition for the benefit of customers, investors and employees, anti –trust minimum standards were rolled out by the Group. In situations where local laws on the restriction of competition and/or abuses of a dominant market position were not stringently adhered to, Allianz Lanka made every effort to conform with Group standards. In order to practice local laws in conformity with Group guidelines, all senior managers underwent on-line training conducted by the Allianz Group. Face to face training based on regional training guidelines was conducted for all those employees who could be exposed to situations of compliance in the course of their business dealings. Anti-trust risk assessment was carried out and the Sri Lanka regulatory impact was assessed before the statement of accountability was produced for the Group.

Data Privacy Policy

To protect the personally identifiable information of all Allianz employees, customers and business partners, commonly referred to as personal data, the Allianz Group rolled out the Allianz Standard for Data Protection and Privacy which clearly indicates the rules and principles applicable for data protection and privacy within the Group. Sri Lanka is currently addressing requirements of data privacy to implement Group standards. For this purpose, a data privacy steering committee was implemented and a gap analysis carried out on Sri Lanka practices/regulations that follow Group guidelines.

Compliance for Effectiveness and Efficiency *(Contd.)*

Economic Sanctions Related Procedures

Group guidelines on economic sanctions were circulated among exposed persons and the risk department and all new recruits advised and educated on carrying out business transactions to sanctioned countries

Solvency II Framework

Although Allianz Lanka is not within the regime of Solvency II, reporting thresholds are not applicable. To work in line with the Group, guidelines were followed and appropriate actions taken to prepare and implement the policies within the framework.

Anti-Money Laundering

To comply with the guidelines issued by the Central Bank of Sri Lanka (CBSL), the anti-money laundering policy was re-looked at to identify the gaps against the new guidelines issued. Training sessions conducted by CBSL were attended by the compliance department and minor changes were identified to implement the existing policy. The compliance department also participated in the survey conducted by CBSL on financial inclusion products in Sri Lanka. More training sessions were conducted to educate Life and Non Life operational staff, finance staff and other exposed staff including sales staff, on preventing money laundering and financing terrorism, and identifying and reporting suspicious transactions.

The routine compliance needs of the Company continued, and awareness was carried out on the anti-fraud and anti-corruption policies of the Company and refresher training was conducted for operational staff in the Head Office, and AFAC risk assessment was conducted to identify gaps and risks which were followed up with the respective departments. E-flyers were circulated on all policies and published in the e-magazine circulated by the human resources Department.

Compliance in 2015

The theme for Allianz Lanka compliance in 2015 is 'Sales Compliance'. Focus will be on training on sales compliance including mis-selling, red flags on recruitments, retail selling, sales code of conduct, anti- fraud and anti- corruption. Further, the agents' recruitment process, contract documents and customer complaint handling procedures will be reviewed and amendments or additions done if required. Compliance audits will be carried out at selected branches, and periodic reviews and audits will be continued on agent recruitment and training and sales agents' code of conduct. Underwriting documents and welcome calls will also be audited.

Implementing data privacy group guidelines will also be priorities. The Data Privacy Management System (DPMS) implementation process will be completed and the risk assessment prepared. Training for all staff on DPMS will be conducted, and all existing contracts including employment contracts will be reviewed.

In 2015, prominence will be given to the management's compliance responsibility, and emphasis will be placed on senior management's contribution towards compliance communication.

CEO's Review

Your Non Life Company once again recorded a remarkable year, achieving continuous growth well above industry norms. The Sri Lankan insurance industry *per se* showed a decline in its growth momentum in 2014. This was mostly seen in the Non Life sector of the industry, where the growth rate declined to 4%, from 9% in the previous year. The decline in the Non Life sector may be mainly due to customers not purchasing terrorism cover with the onset of peace in the country, low growth in vehicle imports, and to the fact that many large construction projects have been already accounted for in the previous year, as well as to new regulations that brought discipline to the market, where the risk shared by local insurers are to be accounted only for their share instead of accounting for the total risk.

The Non Life Company GWP grew by 39% YoY, once again recording the highest industry growth for the second consecutive year. The continuous growth is a result of the strategy we put in place in 2013, to expand our Non Life branch network and grow our retail business while further strengthening our corporate portfolio. To grow retail business, new retail product were introduced and some of the existing products were revamped. This brought us results in a challenging and shrinking market in which the contribution from the branches grew substantially, from 8% to 30%. The highest growth was contributed by the motor segment, a growth of 56% compared to the previous year. This was not a line of business on which the Company had focused very much in the past, but with the expansion of our branch network more emphasis was placed on developing this business line.

This expansion brought down our profitability from Rs. 193.6 million to Rs. 21.6 million. Yet, as a company that took an overt decision to expand our growth, we are happy with the

CEO's Review *(Contd.)*

results achieved. For the first time in the history of the Company, we were not able to make underwriting profits, and the combined ratio stood at 109%. This is mainly due to an increase in the number of claims in the motor and medical lines of business. The net assets of the Company grew only by 2.41%, mainly due to the decline in underwriting profits during the year. The investment income during the period stood at Rs. 125.8 million.

Your Life company, which, up to now had the highest growth in the industry, grew by only 1% this year as a result of a change in strategy and certain business processes. The Company took a strategic decision to change the highest contributing product, Universal Life, to provide much better benefits to all business partners. As our agency force took awhile to familiarise themselves with the change in product, new business growth declined in the third quarter of the year. **Allianz Lanka was the first to introduce the Universal Life concept to the local industry. The Life investment portfolio grew sharply by 31% to Rs. 1,186.4 million In 2014, while investment income during the period rose by 56% in a challenging investment environment. The assets of the Company grew by 37%, the Life Fund increased by 54% and amounted to Rs. 1,092 million.** The Company was able to declare a healthy dividend of 7.9% to our policyholders.

Both companies were able to meet the regulatory capital requirements. The capital of the Non Life Company was raised to Rs. 500 million to keep in line with the regulatory limit. Solvency in the Life Company is 227% and the Non Life company, 144%, which is well above regulatory requirements. Both Companies are fully equipped to meet the risk-based capital market model (RBC) and look forward to its early adoption.

Expansion of business digitalisation took a prominent place in our business this year. Technology was used to enhance efficiency and productivity throughout both companies. The mobile application quotation model was developed to enable any sales person to obtain motor quotations 24/7, 365 days of the year, wherever they are, without coming into office. Many process improvements were introduced to support the volume increase in motor claims. Allianz Advisor Arena was launched and all agents were able to view their daily production, company performance, and product information at their fingertips. Electronic point-of-sales were further developed to improve speed of response.

With the increase in the numbers of staff recruited to cater to the expansion of business, more emphasis was placed on training and development. In addition to in-house and local training, 6% staff followed foreign training programmes to develop their technical skills and competencies which will enable them to stand shoulder-to-shoulder with their international counterparts. This is one of our key areas of focus. Most of our staff are given the opportunity to learn and share their expertise in international markets. This has increased their knowledge and technical expertise and fine-tuned our focus as a customer-centric organisation.

We continued to carry out identified key social responsibility programmes such as educating school children on how to manage their finances from a young age, supporting Paralympic sport in Sri Lanka - a much overlooked area in this country - with an emphasis on preparing them for the Paralympics in 2016 in Rio, and providing young football-loving teenagers with a once-in-a-lifetime opportunity to be trained by Bayern Munich coaching staff in Munich, Germany.

CEO's Review *(Contd.)*

Going forward, we continue to place great emphasis not merely on growth, but on sustainable growth, in each channel and class of business. Our plans to take the Company forward in a modern, digitalised and fast-moving environment have borne fruition and provided immense value for our stakeholders as well as kept us competitive. We believe that digitalisation should come by default in order to keep us competitive. Many projects will be launched to drive digitalisation throughout the Company. This will enhance speed of response to customers and ease of doing business with Allianz for our business partners.

We remain highly committed to quality and professionalism. Allianz strongly believes in service as our main differentiator, as the main reason for being our customers' insurer of first choice. We were able to build our brand in Sri Lanka not by high advertising spend but by word of mouth, because we meet the expectations of our customers as a trusted partner who honours our commitments in their hour of need.

For the future, your Company will look at making changes within. We will re-look at our organisational structure, and take suitable measures to keep us sleek and even more competitive. More emphasis will be placed on a performance culture. These initiatives will, I can confidently say, equip our people to deliver a service that exceeds customer expectations.

Having concluded another successful year, I express my deep appreciation to our many stakeholders who have partnered with us over the past years. I also wish to thank my Board of Directors whose direction and support have been invaluable. To our valued customers and other business partners who have been the cornerstone of our success, I convey my sincere thanks.

To my staff I say a warm 'thank you' for being a true inspiration. I look to you to stand with me as we take the Company forward to meet the challenges and opportunities of the future.

Surekha Alles
Chief Executive Officer
Allianz Insurance Lanka Ltd.
Allianz Life Insurance Lanka Ltd.
30 April 2015

Allianz Moments

The trusted partner in Paralympics

Workshop held for Para players

On the invitation of Allianz Lanka, George Schlachtenberger, Chief Operating Officer of the International Paralympic Committee, conducted a two- day interactive workshop at Ranaviru Sevana, Ragama, in February 2014. Over 30 members of the National Paralympic Committee of Sri Lanka, coaches, athletes, physiotherapists and medical practitioners participated.

Para sponsorship in 2014

Allianz Lanka supported the National Federation of Sports for the Disabled (NFSD), Sri Lanka, for the Asian Para Games 2014, held in South Korea in October 2014. An additional Rs. 1 million in cash and sports utility items were provided to the Sri Lanka team.

Allianz campaign to generate public support

Allianz Lanka campaigned for the Para players to gain more public involvement with the game for the Rio Paralympics in 2016, by developing relationships between the public and the Paralympics players.

Allianz Moments *(Contd.)*

Sales force are given a digital boost

Allianz Lanka rewarded 68 of its best sales performers with company-sponsored digital Tabs to improve productivity and strengthen the service to customers.

Celebrating excellence at Allianz Awards 2014

The sales awards are Allianz Lanka's annual celebration of excellence, and reward powerful individual performances, strong team effort and effective partnerships.

Attendees at the gala evening this year were Allianz Regional Chief Executive Officer, Asia Pacific, George Sartorel who graced the occasion as chief guest, guest of honour, Allianz Lanka Chief Executive Officer, Surekha Alles, the company's senior management, Life and Non Life sales staff, and spouses of the winners.

The ceremony was themed around the Formula 1 championship which Allianz partners as a global sponsor: parallels were drawn with the challenging world of financial services in which the drive to succeed is just as long, difficult and exacting as a Formula 1 race. The qualities of passion, perseverance, ethical sportsmanship and dynamic teamwork that are the hallmarks of the Formula 1 grand prix are also the core values of good Allianz salesmanship.

Allianz Moments *(Contd.)*

Top awards of the evening were the Allianz Best Sales Person 2013 award, carried off by Chamil Wasantha of the Negombo region. Chamil was also accepted to the MDRT (Million Dollar Round Table hall of fame and adjudged a winner of the Super Achiever's Platinum Award for the highest annualised new business premium (ANBP). The Allianz Best Branch 2013 award went to the Thirunelveli branch. Vinayagamoorthi Nitharsan of the Jaffna branch was applauded as the year's Best Business Distribution Manager, and the Allianz Best Field Manager 2013 was K.G. Herath Banda of the Kandy branch.

Leel Ariyasinghe Asurakkody of the motor department was the proud recipient of the much coveted Director's Award, for his exceptional commitment and hard work in developing an innovative software that enhances customer service. The award recognises his initiative, which was above and beyond the requirements of his job.

To celebrate the strategic shift in business focus from corporate to retail last year which was a key driver of success, several new Non Life awards were introduced. Rajitha Perera from Corporate Sales was recognised as the Best Motor Achiever, and Shaveen Kasthuriarachchi received the Best Non Motor Achiever's award.

In his address to the gathering, George Sartorel instilled a sense of pride in the sales team, "Allianz services approximately 83 million customers in over 70 countries worldwide. Whether life and health insurance, property and casualty insurance or asset management, Allianz is among the global leaders," he said.

Surekha Alles in her welcome address said, "Ever since Allianz entered the Sri Lankan market in 2005, we have seen tremendous growth. Starting off with just five people, we have now 490 employees and an additional 852 active Life insurance agents. Given the still-low insurance penetration in Sri Lanka of only 13%, there is huge potential for us to go even further.' She a cautioned her staff that, despite the pressure to excel, they should follow ethical practices at all times.

Town hall meeting with Regional CEO

An interactive town hall meeting was held with Regional CEO, Asia Pacific, George Sartorel. Staff were given the opportunity to share their views and ask questions of the Regional CEO. Sartorel outlined the Allianz goals in the Asia Pacific, at the event.

Allianz Moments *(Contd.)*

Two outstanding young footballers represent Sri Lanka at global football coaching camp

Two lucky teenagers, Y.U.A. Sanka Jayamina Vidanaarachchi from Kingswood College, Kandy, and Ganeswaran Antony Raj from St. Henry's College, Jaffna, joined 75 other young players from 28 countries at the annual Allianz Junior Football camp in August 2014 held in Munich, Germany. They trained alongside top-class professionals from premier German football club, FC Bayern Munchen and, watched private training sessions of the FC Bayern München football team at their training facility on Säbener Strasse, trained with the club's coaches and mingled with these football celebrities.

The two teenages were selected in an islandwide talent hunt for two outstanding young footballers keen to develop their game and sharpen their leadership and team-building skills in a globally renowned football facility.

The Allianz Junior Football Camp was first organised in 2009 for 34 teenagers from nine countries. This is the second consecutive year that Sri Lankan teenagers participated at the camp.

Allianz Lanka insures 'Super Fighter'

Allianz Lanka was appointed official insurance provider for Super Fighter, a talent search programme organised by garment manufacturer MAS Holdings and MBC/MTV radio and television networks, to discover talented young boxers in the country. The Sri Lankan team will be selected from this pool to represent the country in the 2020 Olympics.

Allianz Lanka moves Head Office to corporate hub

Allianz Lanka is now located in the hub of commerce at its new premises in Nawam Mawatha, which borders the scenic Beira Lake. The Company is flanked by leading local and international financial institutions and corporates.

Allianz Moments *(Contd.)*

Branch openings

Allianz Lanka opened 18 branches during 2014

The first was in Jaffna Metro - the third Allianz branch in the Jaffna peninsula.

Badulla - in Wellassa, the second branch opened in the Uva province.

Lunugamvehera - to further strengthen operation in the Southern Province.

Ahangama - to reinforce our distribution network in the Southern Province.

Gampola - yet another branch for the Central Province.

At new premises in Kilinochchi - to provide our customers with an even more efficient service.

Allianz Moments *(Contd.)*

To reinforce the peripheries of the western province - a new branch in Seethawakapura, Avissawella.

We are now in the driving seat of motor insurance in Werahara.

Ambalantota - to consolidate our presence in the Southern Province.

A branch in Chunnakam brings our branch tally in the flourishing Jaffna peninsula to four.

We added our might to the Uva province with a branch in Wellassa, Monaragala.

Kahawatte - our 11th branch in the Sabaragamuwa province.

Allianz Moments *(Contd.)*

We moved to more modern premises to serve our fast-growing customers base in Wennappuwa.

CEO designate visits Allianz Lanka

Chief Executive Officer (CEO) designate of the Allianz Group, Oliver Bäte, visited Sri Lanka and conducted a town hall meeting with staff. The Sri Lanka office is the first regional office visited by Bate, following the announcement of his new appointment.

Oliver Bäte has been a member of the Board of Management of Allianz SE, with responsability for Insurance Western & Southern Europe since January 2008. He succeeds Michael Diekmann as CEO of Allianz and Chairman of the Board on May 7, 2015.

Allianz Moments *(Contd.)*

My Finance Coach trains students islandwide

Allianz Lanka conducted the 'My finance coach' programme in 18 schools this year, and trained over 1,800 students islandwide.

'My finance coach' is for students in grades 5 to 9. It teaches business and finance in a way that is relevant to their everyday lives.

The programme is being continuously expanded in all areas and has as its core aims, sparking interest; imparting knowledge; boosting skills.

Global Health Insurance for Standard Chartered Bank customers

Allianz Lanka organised an event for the regional managers of Standard Chartered Bank to create awareness and help them share their knowledge of the Allianz global health insurance scheme provided to the Bank. Allianz Global Healthcare is a hospitalisation insurance scheme which has a wide range of benefits.

Fast-increasing healthcare expenses have become a huge concern to Standard Chartered Bank customers, especially in the event of healthcare support needed at international healthcare facilities.

Allianz Moments *(Contd.)*

The annual Christmas get-together

This was another occasion at which staff met and enjoyed closer fellowship outside the demands of their jobs. Over 250 staff participated in the get-together and carol singing competition, and an enjoyable time was had by all. The life technical department won the carol competition, and the miscellaneous department and the human resources and administration department were the first and second runners-up respectively.

Christmas décor competition

This was an event to celebrate the season, and was organised on a floor-wise basis. The third floor won, with the second floor following close on its heels at second place. Creativeness, maximum usage of resources, teamwork and cost- effectiveness were the winning criteria. Teams created innovative, eye-catching decorations using re-cyclable raw material, which demonstrated their creative flair.

Sustainability Report

This report focuses on the sustainability challenges and issues that matter to the communities in which Allianz Lanka works and lives.

As a responsible corporate citizen, the Company provides insurance solutions to the community, which help create security and economic growth, and share benefits by providing jobs, developing skills and supporting communities with investment programmes. This helps build trust.

As a good neighbor, Allianz Lanka works with communities to address their concerns and strive to meet their needs. Global development programmes from parent company Allianz SE are tailored to local needs, and local programmes are designed for the specific needs of the people and culture of Sri Lanka.

'My Finance Coach' increases in popularity among schools

One of the most significant projects that Allianz has ventured into is 'My finance coach.' In today's global village, it is imperative that young people are equipped with a knowledge of business and finance. 'My finance coach' goes beyond merely providing information on business and finance, and teaches youth the skills essential for an informed and responsible approach to money matters. The programme is for students in grades 5 to 9, and increases their financial literacy through classroom visits, training of teachers, and extra-curricular activities.

The programme is based on the German education system and uses interactive practical examples and exercises to teach business and finance in a way that is relevant to their everyday lives. Teaching materials in line with the curriculum have been prepared by education experts in cooperation with German school book publishers Klett MINT and Universum. It also works with the Akademie für Lehrerfortbildung und Personalführung (ALP) in Dillingen, Germany, to offer teachers a range of continuous professional development opportunities in the areas of business and finance.

This non-profit initiative is supported by over 60 partner and supporter companies globally, including Allianz, Deutsche Kredit Bank, Giesecke & Devrient, Grey, KPMG, McKinsey and Volkswagen Bank. Especially trained employees from these partner companies are sent to schools as finance coaches to train the students on the practical aspects of finance. Allianz Lanka's coaching team comprises seven members of which four are expert coaches who have trained over of 50 students.

Allianz Lanka launched the programme in Sri Lanka in November 2013, and by the end of 2014, the programme had spread to 18 schools in all districts of Sri Lanka, and coached over 1,775 students including more than 500 students from the North and East of the country. Over 700 students were trained in a leading girls' school in Kandy, the largest number trained to date in a single session. The programme was also introduced to undergraduate students at the CINEC Campus in Malabe.

Students and teachers have praised this contribution towards educating young people on finance, one of the most crucial areas of livelihood development. They appreciated Allianz Lanka's industry in addressing an area not covered by the school syllabus. There have also been requests from parents and teachers to provide this training to elders as well.

The programme is being expanded in all areas and has as its core aims, sparking interest, imparting knowledge and boosting skills.

Sustainability Report *(Contd.)*

Insurance provider for 'Super Fighter'

Allianz was appointed official insurance provider for 'Super Fighter', a search to discover talented young boxers in the country, initiated by garment manufacturer MAS Holdings. The programme seeks to develop a pool of players to Olympic standards of play by providing them with all training facilities. The Sri Lankan team to represent the country in the 2020, Olympics will be selected from this pool.

Two outstanding young Sri Lanka footballers attend Allianz global football coaching camp

The Allianz Junior Football Camp is part of the global Allianz "Football for Life" sustainability initiative that offers participants a rare opportunity to improve their techniques and skills, apart from experiencing the exciting world of professional football.

Allianz Lanka sponsored Y.U.A. Sanka Jayamina Vidanaarachchi from Kingswood College, Kandy, and Ganeswaran Antony Raj from St. Henry's College, Jaffna, to join 75 other young players from 28 countries at the annual Allianz Junior Football camp, in August 2014. They trained alongside top-class professionals from premier German football club, FC Bayern Munchen and watched private training sessions of the world renowned FC Bayern München football team at their training facility on Säbener Strasse, and mingled shoulder-to-shoulder with these football celebrities.

This year's hunt for young Sri Lankan footballers was carried out through a countrywide appeal for applications in partnership with mainstream media. Allianz Lanka staff in 50 branch locations also sourced passionate youth footballers for this once- in-a-life-time opportunity. Fifty candidates were shortlisted by a selection panel comprising senior Allianz officials. The candidates were selected on the basis of their passion for the game, ambition, character and sports achievements.

This six-day football adventure aims to connect football fans from around the world to experience and respect different cultures, develop social and leadership skills, as well as build personality and teamwork. Football plays an important role in the lives of millions of youngsters around the world. With Germany winning the 2014 FIFA World Cup, this year's coaching camp became even more significant and memorable.

The Allianz Junior Football Camp was first organised in 2009 for 34 teenagers from nine countries. This is the second consecutive year that Sri Lankan teenagers participated in the camp.

Trusted partner in the Para games

Allianz Lanka continued partnership of the Para games in 2014, and extended sponsorship of the National Paralympic Committee of Sri Lanka (NFSD) for a further two years. Among the initiatives organised was a two-day interactive workshop to establish a strategic road map for the 2016 Rio Paralympics. On the invitation of Allianz Lanka, Chief Operating Officer of the International Paralympic Committee, George Schlachtenberger, conducted a workshop at Ranaviru Sevana, Ragama, in February 2014. Over 30 members of NFSD coaches, athletes, physiotherapists and medical practitioners participated.

The Allianz Group sponsored the activities of the National Federation of Sports for the Disabled, Sri Lanka, (NFSD) with a cash donation of €14,000, which was further extended by Allianz Lanka by an additional Rs. 1 million in cash and sports utility items for the Sri Lanka team who participated in the Asian Para Games 2014 held in South Korea in October 2014 .

The Company also initiated a campaign to generate public support and more public involvement with the sport, for the Rio Paralympics in 2016. This was done through developing relationships between the public and the Paralympics players. Public awareness was increased through advertising, hoardings and press articles.

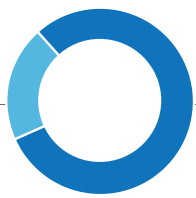
Human Capital

Since inception, Allianz Lanka has dramatically increased its human talent to keep pace with growth. In 2014, a total of 77 employees were recruited to strengthen the service and technical areas. As at end December 2014, the staff strength was a total of 490 employees which includes 390 in the Non Life company and 100 in the Life company. In filling its cadre, the Company was conscious of the need to provide a better customer service to its expanding customer base.

Company-wise distribution

Staff-wise distribution

Gender-wise distribution



Visit by regional Allianz Chief Human Resources Officer

Sabine Goesch, Chief Human Resources Officer, Allianz Asia Pacific, paid Allianz Lanka a long-awaited visit. She met with staff in the HR department as well as with several other senior Allianz staff, and conducted a training programme on interviewing skills and group expectations.

Training session conducted by Sabine Goesch

Staff Suggestion Scheme

The Company pays great attention to staff engagement. With this in mind, we launched the Staff Suggestions Scheme that enables all employees to contribute to the betterment of the company. The annual Directors Award presented to the best employee (non sales) is also an event that provides an opportunity for staff engagement. Selections are made by a committee of senior managers, from recommendations received from all staff. Leel Asurakkody, Assessor of the motor department, was adjudged recipient of the Directors Award in 2014. Prizes were also awarded to three runners-up.

Human Capital *(Contd.)*

Director's Awards 2014

1st place: Leel Asurakkody (Motor Assessor)

2nd place: Manik Gunasekara (Administration Executive)

New Year celebrations 2014

Allianz places great emphasis on fostering diversity in race, religion or gender, and as such, all communities find representation in the Company. An annual event held at the dawn of the New Year was the religious ceremony, at which clergy from all four denominations of the country, viz. Buddhist, Hindu, Christian and Muslim faiths gathered to bless Allianz Lanka and its business. The event concluded with a fellowship hour during which staff met and wished each other peace and prosperity at a meal of traditional sweetmeats.

Clergy of many religions join Allianz Lanka at the dawn of the New Year.

Annual Employee Survey - 2014

The Annual Employee Survey was conducted in September 2014. Overall, 92% employees participated. This year introduced new areas to the survey, apart from work-life balance and management effectiveness.

Feedback will be discussed with employees, and the management will follow up on the action needed to address the areas that have come up as concerns.

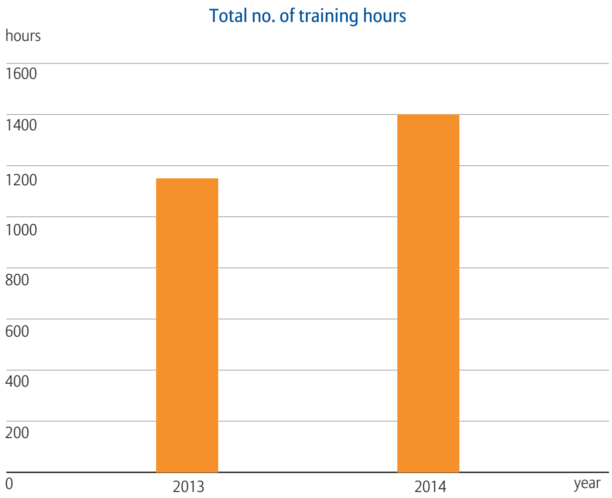
Training & Development

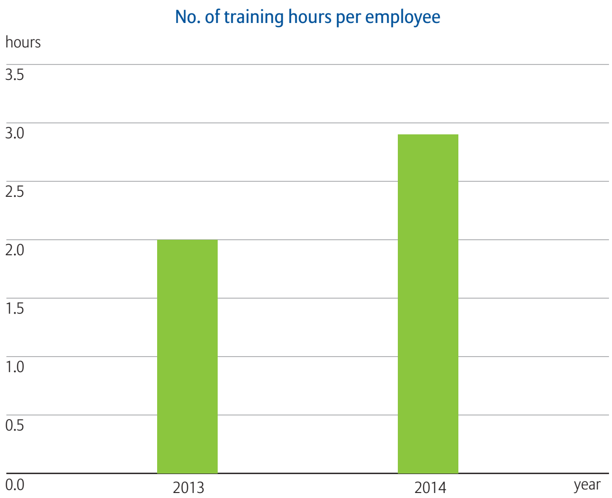
The year saw a great thrust in training and development. With a training manager overseeing company training and development needs, many training needs of staff were provided. A large part of the training was focused on technical skills, which was a dire need of the company with the expansion of business.

Over Rs. 7.5 million was incurred last year on training, and the *per capita* cost amounted to over Rs. 15,800 per employee.

During the year, the total training hours were 1,408, an increase of 21% over the total of 1,160 training hours in 2013.

Human Capital *(Contd.)*





All training needs were extracted from the individual staff appraisals that were collated and the training planned. There were also programmes on soft skills, mainly honing in on customer relations.

All new staff continued to receive the two-day induction training that took them through the main priorities of the Company. Areas like the code of conduct of employees, Allianz values and what the Company stands for, are covered. Priority is given to ethical standards and the need for honesty while doing business.

A training pass book which records details of training followed was distributed to each employee. Description of training, the number of hours trained and key learning areas were included. This passbook will be a tool of reference when assessing staff for future development opportunities.

Foreign training has been one of the greatest advantages enjoyed by Allianz staff. The global standing of parent company Allianz SE and its 125 year history has provided Allianz with a wealth of knowledge and expertise to draw from. This experience is also shared among Allianz overseas entities. The year 2014 saw 28 staff following foreign training.

Leadership Training

The year ended with a training programme, "Lead to Succeed" conducted by Bill Roy of BRC, UK, for senior managers, to equip them with the managerial skills required to execute and achieved the Company's plans in 2015. The two-day workshop was successful and provided the managers with vital inputs.

Participants and trainer Bill Roy

Human Capital *(Contd.)*

Supporting staff

Dry rations were distributed in Batticaloa

The Chilaw branch donated an artificial limb to the spouse of an Allianz Lanka agent. Staff was also quick to respond to the staff and agents who had been severely affected by the massive floods in the Batticaloa and Jaffna districts during November and December.

Content

Allianz Insurance Lanka Ltd.

Financial Information

Allianz

Directors' Report

The Board of Directors of Allianz Insurance Lanka Limited have pleasure in presenting the Annual Report on the affairs of the Company, together with the Audited Financial Statements and the Auditor's Report for the financial year ended 31 December 2014.

The Audited Financial Statements were approved by the Board of Directors on 30 April 2014.

Principle Activities

The Company underwrites Non Life insurance business. Income is derived from underwriting, underwriting management and investment income.

Shareholding

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

Review of Business performance and Future Developments

The Business Review, which includes details of the Company's development and performance, is set out in the Financial Overview on Pages 12 to 17. The future developments of the Company are presented on the CEO's Review on pages 33 to 35. These reports, together with the Audited Financial Statements, reflect the state of affairs of the Company.

Corporate Governance

The Board of Directors is committed to maintain an effective corporate governance structure and process and best practices on corporate governance. The systems and procedures are in place to ensure that corporate governance is adequately and practically dealt with. The Company has complied with all applicable laws and regulations in conducting its business.

The Management reports regularly and comprehensively to the Board of Directors on business development, the financial position and earnings, budgeting and achievement of objectives, compliance issues, and on the strategy and existing risk exposure.

Compliance with Laws and Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activity contravening the existing laws and regulations of the country.

The sustained success of the Company is based on trust, respect and the responsible, integrity-enriched behavior of all employees. All employees are governed by the code of conduct; we support and follow the guidelines and standards for rules-compliant and valued-based corporate leadership.

Risk Management and Internal Control Systems

The Board considers that risk management and internal controls are integral to the management of the Company and business processes.

The Allianz Group has put in place a comprehensive framework that ensures risks are properly identified, analysed and evaluated. The continuous review of risks that are faced by the Company is done by the Risk Management Committee (RiCo) which is chaired by the Company's designated Chief Risk Officer. Details of the Company's comprehensive risk management framework are given in the Risk Management Report on pages 27 to 30.

The Board is satisfied with the effectiveness of the system of internal controls and risk management that were in place during the year under review and up to the date of approval of the Annual Report and Financial Statements.

Financial Statements

The Company's Financial Statements duly signed by the Directors, together with the accounting policies and notes

Directors' Report *(Contd.)*

thereto of the Company, are provided on pages 60 to 100, and the Auditors' Report on the Financial Statements is provided on page 59 of the Annual Report.

These Financial Statements and notes give a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the year ended on that date, and comply with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.

Earnings Summary

For the year ended 31 December	2014 Rs.'000	2013 Rs.'000
Gross Written Premium (GWP)		
Accident	985,284	751,060
Fire	1,086,997	769,686
Marine	62,933	9,918
Motor	788,397	503,927
Total GWP	2,923,611	2,104,591
Net earned premium	1,421,992	684,309
Underwriting profit / (loss)	(128,608)	90,362
Profit before taxation	13,518	249,228
Taxation	8,130	(55,567)
Profit after taxation	21,648	193,661
Profit brought forward from previous year	616,707	534,706
Dividend paid	0	(111,250)
Profit available for appropriation	638,355	616,707

Operating Results

GWP grew significantly by 39 % to Rs.2,924 million, from Rs. 2,105 million in 2013.

The Company has recorded Rs.14 million operating profit which decreased by Rs. 235 million mainly due to an increase in claims cost.

Financial Results

The Company recorded a net profit of Rs. 22 million (2013: Rs. 194 million).

Investments

The details of investments held by the Company are disclosed in Note 7 to the Financial Statements. The strategic assets allocation is derived in accordance with its associated risks and returns. The investments are closely monitored and reviewed by the Finance and Investment Committee (FiCo).

Asset allocation by class

As at 31 December	2014 Rs.'000	%	2013 Rs.'000	%
Sri Lanka government securities	993,396	77	803,410	71
Fixed deposits	225,916	17	272,114	24
Corporate debentures	34,503	3	34,055	3
Unit trusts	40,820	3	20,000	2
Total	1,294,635	100	1,129,579	100

Property and Equipment

Details of property and equipment are given in Note 6 to the Financial Statements.

Solvency

The Statement of Solvency for Non Life Insurance has been prepared in accordance with the Solvency Margin (Non Life Insurance) Rules 2004 amended by the Extraordinary Gazette No 1697/27 of March 18, 2011 and is disclosed below.

The Company is well capitalised and is comfortably meeting its internal and regulatory solvency targets as at 31 December 2014.

For the year ended 31 December	2014 Rs.'000	2013 Rs.'000
Value of admissible assets	2,354,782	1,975,504
Total liability including technical reserves	1,914,908	1,395,429
Net admissible assets	439,874	580,075
Required solvency margin	305,505	249,549
Excess over required solvency margin	1.44	2.32

Directors' Report *(Contd.)*

Dividends and Bonus Issue

There is no dividend declaration other than the bonus issue during the financial year. The Company has issued Rs.250 million worth of bonus shares during the year. The Board of Directors is satisfied with the solvency test in terms of the provisions of the Companies Act, No. 7 of 2007 immediately after issuance of the bonus shares. A solvency certificate was obtained from the Auditors Messrs. KPMG Ford, Rhodes, Thornton & Co.

Employment Policy

As a people business, our principal asset is intellectual capital, and our highly motivated and skilled employees are critical to our success. Our employees' exceptional commitment and dedication to providing excellent service to our customers is crucial to us and we place great emphasis on fostering leadership, talent and continuous personal development. Only by unlocking our employees' potential and enhancing our services can we achieve our primary goal of being a reliable partner to our customers. We encourage equal opportunity, which 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.

We acknowledge top performance and reward it appropriately. Our compensation and benefit plans are designed to motivate our employees to successfully implement our strategies and business plans.

Allianz employees continued to receive global training opportunities in the Allianz Group, on current trends and developments in insurance worldwide. This 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.

Stated Capital and Shareholders' Funds

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The stated capital of the Company as at 31 December 2014 was Rs. 500 million (2013: Rs. 250 million). The increase of stated capital is due to the issue of bonus shares.

The total equity of the Company as at 31 December 2014 amounted to Rs. 897 million (2013: Rs. 876 million). The movement of equity is shown in the Statement of Changes in Equity on page 62.

Directorate

The Board consist of three members, and the information on the Directors of the Company is available in the Directors profile on pages 10 to 11.

There were no new appointments made to the Board and no resignation during the financial year ended 31 December 2014.

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

- Heinz Dollberg
- Surekha Alles
- Rangam Bir

Directors' Remuneration and Other Benefits

The CEO/Director's remuneration is decided by the Board, considering individual and Company performance. Due attention is also paid to industry standards, inflationary factors, future plans and Group policy when deciding the remuneration package to the CEO/Director. No remuneration is paid to Non-Executive Directors.

Directors' Report *(Contd.)*

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 23b to the Financial Statements.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to employees, have been made on time.

Environment

The Company's activities can have direct or indirect effects on the environment. It is the policy of the Company to minimise any adverse effects by recycling resources as much as possible and creating awareness among its staff on current global environment threats. The Company does its best to comply with the relevant environmental laws and regulations.

Going Concern

The Board of Directors made necessary review of the financial position and corporate plans for the ensuing years and are 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.

Events after the Reporting Date

There were no material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements, other than those disclosed in Note 26 to the Financial Statements in page 89.

Auditors

The Financial Statements for the year ended 31 December 2014 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Company (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 upon.

Details of their remuneration are given in Note 23b to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with the Company. Neither do the Auditors have any interest in contracts with the Company.

Heinz Dollberg
Director

Surekha Alles
Director

Secretaries to the Company

EM & EN Agents and Secretaries (Pvt) Limited
30 April 2015

Certification of Incurred But Not Reported (IBNR) Reserve

30 April 2015

To the shareholders of Allianz Insurance Lanka Ltd

Allianz Insurance Lanka Ltd 31 December 2014 Net IBNR and LAT Certification

We hereby certify that the IBNR provision of Rs.46,692,650 is adequate in relation to the Claim Liability of Allianz Insurance Lanka Ltd as at 31 December 2014, net of reinsurance on a Central Estimate basis. This IBNR provision, together with the Case Reserve held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claim obligations as at 31 December 2014, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). We hereby certify that the UPR provision of Rs.971,469,916 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Allianz Insurance Lanka Ltd as at 31 December 2014, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

Our results have been determined in accordance with internationally accepted actuarial principles.

We have relied upon information and data provided by the management of the Company and we have not independently verified the data supplied, beyond applying checks to satisfy ourselves as to the reasonability of the data.

Matthew Maguire (FIAA)
Fellow of the Institute of
Actuaries of Australia

Yuen Leng Chin (FIA)
Fellow of the Institute and
Faculty of Actuaries

For and on behalf of NMG Consulting
Dated 30 April 2015

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Independent Auditors' Report

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(Chartered Accountants)
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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, ("the Company"), which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

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

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

As required by section 47(2) of the regulation of Insurance Industry Act, No 43 of 2000, the accounting records of the company have been maintained in the manner required by the rules issued by IBSL and give a true and fair view of the financial position.

Chartered Accountants
Colombo
30 APRIL 2015

Statement of Financial Position

As at 31 December	Notes	2014 Rs.'000	2013 Rs.'000
Assets			
Intangible assets	5	48,150	46,884
Property, plant and equipment	6	100,924	63,563
Financial investments	7	1,294,635	1,129,579
Reinsurance receivable on outstanding claims		236,784	120,569
Reinsurance receivable on settled claims		235,862	342,595
Premium receivable	8	1,202,145	897,033
Other assets	9	81,516	60,187
Deferred tax assets	22b	19,553	8,906
Cash and cash equivalents	10	44,865	57,899
Total assets		**3,264,434**	**2,727,215**
Equity and liabilities			
Equity			
Stated capital	11	500,000	250,000
Revenue reserves	12	390,118	616,707
Other components of equity	13	6,749	8,803
		896,867	**875,510**
Liabilities			
Insurance liabilities	14	1,515,195	1,130,653
Employee benefits	15	8,573	8,169
Reinsurance creditors		574,178	451,752
Other liabilities	16	216,202	198,155
Bank overdraft		53,419	62,976
Total liabilities		**2,367,567**	**1,851,705**
Total equity and liabilities		**3,264,434**	**2,727,215**

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements on pages 65 to 100.

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.

Heinz Dollberg
Director

Surekha Alles
Director

Colombo
30 April 2015

Statement of Income and Other Comprehensive Income

For the year ended 31 December	Notes	2014	2013
		Rs.'000	Rs.'000
Gross written premium	17a	2,923,611	2,104,591
Premiums ceded to reinsurers		(1,209,786)	(717,163)
Compulsory cession to NITF		(186,298)	(139,684)
Net written premium	**17b**	**1,527,527**	**1,247,744**
Net change in reserve for unearned premium		(105,535)	(563,435)
Net earned premium		**1,421,992**	**684,309**
Other revenue			
Investment income	18	125,845	131,113
Realised gains		7,943	13,026
Other operating revenue		10,786	14,158
		144,574	**158,297**
Net income		**1,566,566**	**842,606**
Gross benefits and claims paid		(1,204,045)	(533,928)
Claims ceded to reinsurers		107,547	231,384
Gross change in contract liabilities		(241,849)	(92,968)
Change in contract liabilities ceded to reinsurers		229,021	77,673
Net benefits and claims	**19**	**(1,109,326)**	**(317,839)**
Underwriting and net acquisition costs	20	101,576	121,337
Other operating and administrative expenses	21	(541,380)	(394,809)
Finance costs		(3,918)	(2,067)
Other expenses		**(443,722)**	**(275,539)**
Profit before tax		13,518	249,228
Income tax expense	22	8,130	(55,567)
Profit for the year		**21,648**	**193,661**
Other comprehensive income			
Net gain/loss on available for sale and assets		2,934	13,224
Realised gains/(losses) on AFS assets transferred to profit or (loss)		(1,948)	-
Actuarial gains/(losses) on defined benefit plan	15	2,449	(570)
Tax on other comprehensive income	22d	(3,726)	160
		(291)	**12,814**
Total comprehensive income for the year, net of tax		**21,357**	**206,475**

The above Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements on pages 65 to 100.

Statement of Changes in Equity

For the year ended 31 December 2014

	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Available-for-sale Reserves Rs.'000	Total Rs.'000
Balance as at 1 January 2013	**250,000**	**534,706**	**(4,421)**	**780,285**
Net profit for the year	-	193,661	-	193,661
Other comprehensive income, net of tax				
- Net change in fair value	-	-	13,224	13,224
- Net amount transferred to profit or loss	-	-	-	-
- Actuarial gains / (losses)	-	(410)	-	(410)
Total comprehensive income	**-**	**193,251**	**13,224**	**206,475**
Dividend paid	-	(111,250)	-	(111,250)
Balance as at 31 December 2013	**250,000**	**616,707**	**8,803**	**875,510**
Net profit for the year	-	21,648	-	21,648
Other comprehensive income, net of tax				
- Net change in fair value	-	-	2,934	2,934
- Net amount transferred to profit or loss	-	-	(1,948)	(1,948)
- Actuarial gains / (losses)	-	2,449	-	2,449
- Deferred tax on actuarial gain/(losses)	-	(686)	-	(686)
- Deferred tax on change in fair value	-	-	(3,040)	(3,040)
Total comprehensive income	**-**	**23,411**	**(2,054)**	**21,357**
Dividend paid	-	-	-	-
Capitalisation of reserves	250,000	(250,000)	-	-
Balance as at 31 December 2014	**500,000**	**390,118**	**6,749**	**896,867**

The above Statement of Changes in Equity is to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 65 to 100.

Statement of Cash Flows

For the year ended 31 December	2014 Rs. '000	2013 Rs. '000
Cash flows from operating activities		
Premium received from customers	2,618,499	1,659,214
Reinsurance premium paid	(1,265,739)	(598,982)
Claims paid	(1,182,780)	(534,964)
Reinsurance receipts in respects of claims	314,348	93,602
Cash paid to and behalf of employees	(203,608)	(143,637)
Operating cash payments	(146,883)	(334,394)
Cash inflow/ (out flow) from operating activities (note a)	**133,837**	**140,839**
Employees benefit paid	(905)	(210)
Tax paid	(6,402)	(97,016)
Net cash from operating activities	**126,530**	**43,613**
Cash flows from investing activities		
Purchase of investments	(8,609,426)	(8,638,293)
Proceeds on sale of investment	8,436,721	8,639,112
Purchase of intangible assets	(27,885)	(41,039)
Purchase of property, plant and equipment	(66,307)	(49,981)
Interest income received	134,479	112,494
Proceeds on sale of property, plant and equipment	2,411	-
Net cash from investing activities	**(130,007)**	**22,293**
Net cash flow before financing activities	**(3,477)**	**65,906**
Cash flows from financing activities		
Dividend paid	-	(111,250)
Net cash from financing activities	-	(111,250)
Net increase / (decrease) in cash and cash equivalents (note b)	**(3,477)**	**(45,344)**

Statement of Cash Flows *(Contd.)*

For the year ended 31 December	2014 Rs. '000	2013 Rs. '000
A. Reconciliation of operating profit with cash flow from operating activities		
Profit before taxation	13,518	249,228
Depreciation charge	28,947	21,417
Profit on sale of property, plant and equipment	(2,411)	-
Provision for employee benefits	3,758	1,919
Amortisation of intangible assets	26,619	19,025
Interest and other income	(125,845)	(131,114)
Increase in debtors	(335,923)	(672,609)
Increase in unearned premiums and deferred acquisition costs	121,428	508,843
Increase / (decrease) in claims provisions	263,114	91,932
Increase/ (decrease) in creditors and accruals	140,632	52,198
Cash inflow / (outflow) from operating activities	**133,837**	**140,839**
Employee benefit paid	(905)	(210)
Tax paid	(6,402)	(97,016)
Net cash inflow / (outflow) from operating activities	**126,530**	**43,613**
B. Net increase / (decrease) in cash and cash equivalents		
Cash in hand and at bank	44,865	57,899
Bank overdraft	(53,419)	(62,976)
Net cash and cash equivalents closing balance	(8,554)	(5,077)
Net cash and cash equivalents opening balance	(5,077)	40,267
Net increase / (decrease) in cash and cash equivalents	**(3,477)**	**(45,344)**

The above Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements on pages 65 to 100.

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 are located at No. 46/10, Nawam Mawatha, Colombo 02, Sri Lanka.

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

The Company was incorporated on 20 January 2004 and commenced Non Life insurance business in January 2005.

1.2. Principal activity and nature of operations

The Company is engaged in the business of underwriting Non Life Insurance. There were no significant changes in the nature of principal activities in the Company during the financial year under review.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Financial Statements of the Company which comprise the statement of financial position, statement of Income and other comprehensive income, statement of changes in equity, Statement of cash flows and notes thereto have been prepared in accordance with these Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

Date of authorisation of issue

The Financial Statements of Allianz Insurance Lanka Ltd for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2015.

2.2. Basis of measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

- Available-for-sale financial assets are measured at fair value
- Long term insurance fund has been measured at actuarial determined values
- Liability for defined benefit obligation is recognised at the present value of the defined benefit obligation

2.3. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional currency rounded to the nearest thousand, unless otherwise stated.

2.4. Use of estimates and judgements

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes.

Notes to the Financial Statements *(Contd.)*

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Unearned Premium	14a	83
Deferred Acquisition Cost	14b	83
Provision for Gross Outstanding Claims	14c	84
Provision for IBNR/IBNER	14d	84
Employee Benefits	15	84
Deferred Taxation	22c	87

2.4.1. Insurance contract liabilities - Non Life Insurance

Non - Life Insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

2.5. Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.6. Foreign currency transactions

All foreign exchange transactions are converted to the functional 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 functional currency at the rates of exchange prevailing at the time of underwriting and Revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

3.1. Insurance contracts

As permitted by SLFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS.

Product classification

SLFRS 4 requires contracts written by insurers to be classified as either “insurance contracts” or “investment contracts” depending on the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the balances sheet date.

3.2. Financial instruments

The Company classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

3.2.1 Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

3.2.2 Non-derivative financial assets - Measurement

Loans and receivable

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash and cash equivalents, fixed deposits with banks, reinsurance receivable, staff loans, reinsurance receivables, premium receivables and related party receivables.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise of investments in treasury bills and bonds, debt securities and unit trusts.

Reinsurance

The Company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements.

Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any is recorded in profit or loss.

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

Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Premium Receivable

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.2.3 Non-derivative financial liabilities – Measurement

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

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Company has the following non-derivative financial liabilities: bank overdrafts, reinsurance payables and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.2.4 Fair Value Measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following

1. the particular asset or liability that is the subject of the measurement

2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).

3. the principal (or most advantageous) market for the asset or liability.

4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same-to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3.2.5 Determination of Fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices);and

Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.2.6 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2.7 Re-classification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

Financial assets are transferred out of the available for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

3.3 Impairment

3.3.1 Non-derivative financial assets

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

Objective evidence that financial assets once impairment includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, the disappearance of an active market for a security; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level.

All individually significant assets are individually assessed for impairment.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through statement of profit or loss; otherwise, it is reversed through other comprehensive income.

3.3.2 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Property plant and equipment

3.4.1. Intangible assets

Software

a) Basis of recognition

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Software acquired by the Company is stated 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 profit or loss and other comprehensive income as incurred.

c) Amortisation

Amortisation is recognised in the statement of income and other comprehensive income on a straight line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d) De-recognition

An Intangible Asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such Intangible Assets is included in the Statement of profit or loss and other comprehensive income when the item is derecognized.

3.4.2. Property plant and equipment

a) Basis of recognition

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

b) Measurement

An item of Property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

c) Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income/other expenses" in the Statement of profit or loss and other comprehensive income.

d) Subsequent costs

The cost of replacing a part of an item of plant and equipment is recognized 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 cost of day-to-day servicing of property, plant and equipment is charged to the Statement of profit or loss and other comprehensive income as incurred.

e) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in statement of income and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if

Notes to the Financial Statements *(Contd.)*

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

	2014	2013
Office equipment	3 years	3 years
Computer equipment	3 years	3 years
Furniture and Fittings	5 years	5 years
Motor vehicle	5 years	5 years

f) De-recognition

The carrying amount of an item of property, plant and equipment are de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising on de-recognition of an item of property, plant and equipment are included in the Statement of profit or loss and other comprehensive income when the item is de-recognised.

3.4.3 Leased assets – Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

3.4.4. Operating Leases

Leases where the Company does not assume substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Where an option to terminate the lease at the option of lessee is available in the agreement, the payments are accounted on an accrual basis.

3.5 Stated capital

Ordinary share capital

Ordinary Shares are classified as equity.

3.6 Liabilities and provisions

3.6.1 Insurance contract liabilities

3.6.1.1 Non Life insurance contract liabilities

Non Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities, known as the Policy Liability provisions include the Premium and Claim Liabilities. The Premium Liabilities relate to policies for which the premium has been received but the exposure has not fully expired, while the Claim Liabilities relate to claims that have been incurred but not yet settled.

The provision for Unearned Premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. If these calculations show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of profit or loss and other comprehensive income by setting up a provision for liability adequacy.

The Claim Liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, with a reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

3.6.1.2 Liability Adequacy Test

At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income and other comprehensive income by setting up a provision for liability adequacy.

3.6.2 Employee benefits

3.6.2.1 Short term benefits

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

3.6.2.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in statement of income and other comprehensive income when incurred.

Employee Provident Fund

All employees of the Company are member of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF.

Employees Trust Fund

All employees of the Company are members of the Employees' Trust

Fund (ETF). The Company contributes 3% of the salary of each employee to ETF.

3.6.2.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit (PUC) method as recommended by LKAS 19 – Employee Benefits.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 15 to the Financial Statements.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on completion of five years of continued service with the Company. The provision is not externally funded.

The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in personnel expenses in statement of income and other comprehensive income.

3.6.3 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.6.4 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

3.7 Revenue recognition

3.7.1 Gross premiums

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 the 365 basis except for marine business, which is computed on a 60-40 basis.

3.7.2 Reinsurance premiums

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.

3.7.3 Unearned premium reserve

The 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 basis except for marine business, which is computed on a 60-40 basis.

3.7.4 Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.7.5 Realised gains and losses

Realised gains and losses recorded in Statement of profit or loss and other comprehensive income on investments include gains and losses on financial Assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the Original or amortized cost and are recorded on occurrence of the sale transaction.

3.7.6 Other income

Other income is recognised on an accrual basis.

3.8 Benefits, claims and expenses recognition

3.8.1 Gross benefits and claims

Gross benefits and claims for non life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

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 adjustment 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.

3.8.2 Reinsurance claims

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

3.8.3 Acquisition cost

All acquisition cost are recognised as an expense when incurred.

3.9 Expenditure recognition

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

b) For the purpose of presentation of the statement of income and other comprehensive 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.

3.10 Income tax

3.10.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and the amendments thereto.

3.10.2 Deferred taxation

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

Notes to the Financial Statements *(Contd.)*

3.11 Events after the reporting date

All material subsequent events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.12 Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

3.13 Statement cash flow

The statement cash flow has been prepared using the direct method. Interest received, interest paid and dividend received are classified as operating cash flows while dividends paid is classified as financing cash flow.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

3.14 New accounting standards issued but not effective as at the reporting date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

3.14.1 Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments Classification and Measurement"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1 January 2018 with early adoption permitted.

3.14.2 Standard issued but not yet adopted which may not have significant impact

SLFRS 15 Revenue from contracts with customers – effective from 1 January 2017.

3.14.3 Standards Issued but not yet adopted which is not expected to have an impact

The following new or amended standards are not expected to have an impact of the Company's consolidated financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective from 1 January 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 1 January 2016

4 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational 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, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Management has the overall responsibility for the establishment and oversight of the company's risk management framework.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is counter-party default risk, and includes the risk of failure of financial institutions with which the Company has placed deposits/investments to meet obligations, and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivable, and failure of employees to meet loans provided by the company.

In addition to strict limits on single counter-party exposure, the Company follows a prudent credit policy which limits its investments to high grade corporate credit in line with the Allianz Group policy, and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis by the CRO, and any deviations require special approval. The Company's investment approach is also guided and monitored by Allianz Insurance Management Singapore as per Allianz Group policies on investment.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present or default on benefits that are under reinsurance treaties in-force. The Company's exposure to reinsurance risk is minimal, as majority of the reinsurance is placed with Allianz Re, and with reinsurers with strong credit ratings approved by the Group.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The table below summarises the maturity profile of the financial assets of the company based on their market value. The Company maintains a portfolio of highly marketable securities that can be easily liquidated in the event of an unforseen interruption of cash flow. Some of the specific actions by the Company to mitigate the liquidity risk are shown below;

- Cash outflows identified in advance are matched through short term deposits.
- The company maintains a foreign currency deposit which can be liquidated in the event of unexpected cash outflows.

Market risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors, including interest rates, foreign exchange rates and equity prices. The current uncertainties in the local and international markets and investment climate have increased degree of the impact of market risk to the Company.

Market risk is an aggregation of,

a. Interest rate risk

b. Currency risk

a. Interest Rate Risk

Interest rate risk is the risk of interest rate volatility adversely affecting the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The company monitors its interest rate risk on a monthly basis by analyzing the movement in the interest rate-sensitive asset duration, the allocation to interest-rate sensitive assets, and the sensitivity of interest rate movements on the Solvency Margin. The report is reviewed by the local CRO and the Allianz Asia Pacific Risk Team.

b. Currency Risk

The risk of fluctuation of fair values or future cash flows of a financial instrument due to a change in exchange rates, is referred to as currency risk.

The Company's principal transactions are carried out in Sri Lankan Rupees and hence, its exposure to foreign exchange risk arises primarily with respect to the US Dollar and Euro denominated assets maintained in order to honor liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business. However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

Operational risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks. Company's Risk Management team assesses all foreseeable risks involved in its operations and they develop and implement action plan to control those identified operational risks. These action plans recommended by the team is to manage the operational risks in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is cost effective.

Further analysis of financial risk management is given in note 28 to the financial statements.

Notes to the Financial Statements *(Contd.)*

5 Intangible Assets

	2014 Rs.'000	2013 Rs.'000
Acquisition cost		
Balance as at 1 January	98,682	57,643
Additions	27,885	41,039
Balance as at 31 December	**126,567**	**98,682**
Amortisation		
Balance as at 1 January	51,798	32,773
Amortisation charge for the year	26,619	19,025
Balance as at 31 December	**78,417**	**51,798**
Carrying amount as at 31 December	**48,150**	**46,884**

6. Property, 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 2014	23,854	39,890	65,827	20,047	149,618
Additions during the year	15,605	33,546	17,156	-	66,307
Disposals	-	-	-	(9,990)	(9,990)
Balance as at 31 December 2014	**39,459**	**73,436**	**82,983**	**10,057**	**205,935**
Depreciation					
Balance as at 1 January 2014	10,758	16,007	48,869	10,421	86,055
Depreciation charge for the year	6,998	7,291	12,647	2,011	28,947
Disposals	-	-	-	(9,990)	(9,990)
Balance as at 31 December 2014	**17,756**	**23,298**	**61,516**	**2,442**	**105,012**
Carrying amount					
Balance as at 31 December 2014	**21,703**	**50,138**	**21,467**	**7,615**	**100,924**
Balance as at 31 December 2013	**13,096**	**23,883**	**16,958**	**9,626**	**63,563**

7 Financial Investments

	2014		2013	
	Cost of investment Rs.'000	Carrying value Rs.'000	Cost of investment Rs.'000	Carrying value Rs.'000
Available for sale investments (7a)	1,008,488	1,052,957	761,540	801,911
Loans and receivables (7b)	226,951	241,678	290,554	327,668
	1,235,439	1,294,635	1,052,094	1,129,579

Notes to the Financial Statements *(Contd.)*

7a Available for sale investments

	2014		2013	
	Cost of investment	Carrying value	Cost of investment	Carrying value
Sri Lanka government securities	935,488	977,634	708,540	747,856
Unit trust	40,000	40,820	20,000	20,000
Corporate debentures	33,000	34,503	33,000	34,055
	1,008,488	**1,052,957**	**761,540**	**801,911**

7b Loans and receivables

	2014		2013	
	Cost of investment	Carrying value	Cost of investment	Carrying value
Fixed deposit	211,189	225,916	235,000	272,114
Repo	15,762	15,762	55,554	55,554
	226,951	**241,678**	**290,554**	**327,668**

8 Premium receivable

	2014 Rs.'000	2013 Rs.'000
Premium receivable	1,227,011	924,833
Provision for bad debts	(24,866)	(27,800)
Premium receivable net of provision	**1,202,145**	**897,033**

9 Other assets

	2014 Rs.'000	2013 Rs.'000
Other debtors and receivables	73,573	54,788
Staff loans and advances	328	138
Amounts due from Allianz Life Insurance Lanka Ltd.	7,615	5,261
	81,516	**60,187**

10 Cash and cash equivalents

	2014 Rs.'000	2013 Rs.'000
Cash in hand	1,571	4,608
Cash at bank	43,294	53,291
	44,865	**57,899**

11 Stated capital

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	250,000	250,000
Issued during the year	250,000	-
50,000,000 fully paid ordinary shares	**500,000**	**250,000**

Notes to the Financial Statements *(Contd.)*

12 Revenue Reserves

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	616,707	534,706
Profit for the year	21,648	193,661
Actuarial gains/(losses) on retirement benefits	2,449	(410)
Deferred tax impact on OCI	(686)	-
Dividend paid	-	(111,250)
Capitalisation of reserves	(250,000)	-
Balance as at 31 December	**390,118**	**616,707**

13 Other components of equity

	2014 Rs.'000	2013 Rs.'000
Balance as at 1st January	8,803	(4,421)
Net gain/(loss) on AFS assets during the year (Net of tax) (13.a)	(106)	13,224
Realised gains / (losses) transferred to statement of profit or loss	(1,948)	-
Balance as at 31 December	**6,749**	**8,803**

13a Net gain/(loss) on AFS during the year (Net of tax)

	2014 Rs.'000	2013 Rs.'000
Mark-to-market gains/(losses) on AFS investments during the year	2,934	13,224
Tax impact on AFS reserves	(3,040)	-
Net gain/(loss) on available for sales assets during the year	**(106)**	**13,224**

14 Insurance liabilities

	2014 Rs.'000	2013 Rs.'000
Reserve for net unearned premium (14a)	971,470	865,937
Reserve for net deferred acquisition cost (14b)	66,796	50,901
Reserve for gross outstanding claims (14c)	418,770	180,862
Reserve for IBNR (14d)	58,159	32,953
	1,515,195	**1,130,653**

14a Reserve for net unearned premium

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	865,937	302,502
Transfers during the year	105,533	563,435
Balance as at 31 December	**971,470**	**865,937**

14b Reserve for net deferred acquisition cost

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	50,901	105,493
Transfers during the year	15,895	(54,592)
Balance as at 31 December	**66,796**	**50,901**

Notes to the Financial Statements *(Contd.)*

14c Reserve for gross claims outstanding

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	180,862	100,743
Transfers during the year	1,683,802	707,015
Claims approved during the year	(1,445,894)	(626,896)
Balance as at 31 December	**418,770**	**180,862**

14d Reserve for IBNR

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	32,953	21,140
Transfers during the year	25,206	11,813
Balance as at 31 December	**58,159**	**32,953**

14e Reconciliation between insurance provision and technical reserve

	2014 Rs.'000	2013 Rs.'000
General insurance provision	1,515,195	1,130,653
Reinsurance receivables on claims outstanding	(236,784)	(120,569)
Technical reserve	**1,278,411**	**1,010,084**

The General insurance technical reserve of Rs. 1,278 million as at 31 December 2014 includes the provision of IBNR claims of Rs. 58 million (including claim handling expenses) that has been certified by independent consultants actuaries, NMG Consulting Singapore. According to the actuaries certificate dated 30 April 2015 the IBNR reserve as at 31 December 2014 is Rs. 58 million.

15 Employee benefits

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	8,169	5,890
Current service cost	2,941	1,472
Interest cost	817	447
Actuarial (gain)/losses on defined benefit plan	(2,449)	570
Payments during the year	(905)	(210)
Balance as at 31 December	**8,573**	**8,169**

As at 31 December 2014, the gratuity liability was actuarially valued under the Projected Unit Credit(PUC) by M/S.K.A.Pandit Consultants & Actuaries (ISO 9001;2008 Certified).The actuarial valuation will be performed on an annual basis .

15a Movement in the present value of the defined benefit obligations

	2014 Rs.'000	2013 Rs.'000
Opening net liability	8,169	5,890
Expense recognised in statement of income	3,758	1,919
Expense/(income) recognised in the other comprehensive income	(2,449)	570
Benefit paid	(905)	(210)
Closing net liability	**8,573**	**8,169**

Notes to the Financial Statements *(Contd.)*

15b Actuarial assumptions	2014	2013
Principal acturial assumptions as at the reporting date expressed as weighted averages were		
Discount rate per annum	10%	10%
Future salary increment rate per annum	10%	12%
Normal retirement age	55 Years	55 Years
Attrition rate	For 0 Yrs to 4 Yrs 25% and 5 Yrs and above 2%	For 0 Yrs to 4 Yrs 25% and 5 Yrs and above 2%
Mortality table	Indian Assured lives Mortality (2006-2008) Ultimate	Indian Assured lives Mortality (2006-2008) Ultimate

15c Sensitivity of assumptions employed in actuarial valuation

The sensitivity to reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement is as follows.

		2014	
Increase / (Decrease) in Discount rate	Increase / (Decrease) in Salary increment	Effect on Employee defined benefit obligation	Employee defined benefit liability
+ 1%	-	(717)	7,855
- 1%	-	843	9,415
-	+ 1%	834	9,407
-	- 1%	(723)	7,849

16 Other liabilities	2014 Rs.'000	2013 Rs.'000
Agency commission payable	103,672	101,012
Government levies	90,979	58,224
Tax payable	2,394	16,785
Other creditors and accrued expenses	19,157	22,134
	216,202	**198,155**

17 Gross premiums on insurance contracts

17a Gross written premium	2014 Rs.'000	2013 Rs.'000
Accident	985,284	751,060
Fire	1,086,997	769,686
Marine	62,933	79,918
Motor	788,397	503,927
	2,923,611	**2,104,591**
Premium ceded to reinsurers	(1,209,786)	(717,163)
Compulsory cession to NITF	(186,298)	(139,684)
17b Net written premium	**1,527,527**	**1,247,744**

18 Income from investments	2014 Rs.'000	2013 Rs.'000
Interest income	125,845	131,113

Notes to the Financial Statements *(Contd.)*

19 Net insurance claims and benefits

	2014 Rs.'000	2013 Rs.'000
Gross benefits and claims paid		
Accident	597,159	171,216
Fire	319,101	269,795
Marine	24,141	34,492
Motor	505,493	151,395
	1,445,894	626,898
Reinsurance recoveries	(336,568)	(309,059)
	1,109,326	**317,839**

20 Underwriting and net acquisition cost

	2014 Rs.'000	2013 Rs.'000
Net policy acquisition cost	117,471	66,744
Increase/(decrease) in deferred acquisition expenses	(15,895)	54,593
	101,576	**121,337**

21 Operating and administration expenses

	2014 Rs.'000	2013 Rs.'000
Staff Expenses (21a)	207,365	241,366
Administration and establishment expenses	224,681	68,161
Selling expenses	46,470	39,667
Depreciation	28,947	21,417
Amortisation	26,619	19,025
Nation building tax	7,299	5,173
	541,381	**394,809**

21a Staff expenses

	2014 Rs.'000	2013 Rs.'000
Wages and salaries	137,064	100,074
EPF and ETF (21b)	18,557	13,868
Provision for employee benefits (15)	3,758	1,919
Staff welfare	6,846	4,168
Training expenses	3,261	1,637
Other costs	37,879	119,700
	207,365	**241,366**

21b Contributions made to the provident and trust funds

	2014 Rs.'000	2013 Rs.'000
Provident fund	14,841	11,094
Trust fund	3,716	2,774
	18,557	**13,868**

21c Number of employees

As at the end of the financial year	390	476

Notes to the Financial Statements *(Contd.)*

22 Income tax	2014 Rs.'000	2013 Rs.'000
Current tax		
Current period (22a)	-	56,698
Over provision in respect of previous years	(159)	-
Deemed dividend tax provision/(reversal)	6,402	-
Deferred tax expense		
Reversal and origination of temporary differences (22c)	(14,373)	(1,131)
Total income tax provision/(reversal)	(8,130)	55,567

22a Current income tax expense	2014 Rs.'000	2013 Rs.'000
Accounting profit	13,518	249,228
Aggregate disallowed items	49,248	42,582
Aggregate allowable expenses	(63,804)	(41,978)
Aggregate exempt income	(62,901)	(47,340)
Taxable profit/(loss)	(63,939)	202,492
Statutory tax rate	28%	28%
Current income tax expense	-	56,698

22b Reconciliation of effective tax rate	2014 Rs.'000	2014 Rs.'000	2013 Rs.'000	2013 Rs.'000
Profit before tax		13,518		249,228
Income tax using the domestic tax rate		-	28%	69,784
Disallowed expenses		13,789	5%	11,923
Deductible expenses		(17,865)	-5%	(11,754)
Disallowed income		-	0%	-
Tax exempt income		(17,612)	-5%	(13,255)
Tax losses from prior years claimed		-	0%	-
Under provision in respect of prior year		(159)	0%	-
Current tax on profit for the year	*	**(21,847)**	**23%**	**56,698**

* Loss incurred during the year

22c Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Property, plant and equipment	-	-	(3,846)	(1,165)	(3,846)	(1,165)
Employee benefits	2,400	2,287	-	-	2,400	2,287
Bad debt provision	6,962	7,784	-	-	6,962	7,784
Available for sale reserve	-	-	(3,040)	-	(3,040)	-
Taxable loss Y/A 2014/15	17,077	-	-	-	17,077	-
Net tax (assets) / liabilities	**26,439**	**10,071**	**(6,886)**	**(1,165)**	**19,553**	**8,906**
Reversal / (origination) of temporary differences					**(10,647)**	**(1,290)**

Notes to the Financial Statements *(Contd.)*

22d Analysis of deferred tax assets / (liabilities)

	2014		2014	
	Temporary Difference	Tax	Temporary Difference	Tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	(13,735)	(3,846)	(4,159)	(1,165)
Employee benefits	8,573	2,400	8,169	2,287
Bad debt provision	24,866	6,962	27,800	7,784
AFS reserve	(10,857)	(3,040)	-	-
Taxable loss Y/A 2014/15	60,989	17,077	-	-
	69,836	19,553	31,810	8,906

Movement in deferred tax balance during the year	Balance 1-Jan 2013	Recognised in profit or loss	Recognised in OCI	Balance 31-Dec 2013	Recognised in profit or loss	Recognised in OCI	Balance 31-Dec 2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	1,388	(2,553)	-	(1,165)	(2,681)	-	(3,846)
Employee benefits	1,649	479	160	2,287	799	(686)	2,400
Bad debt provision	4,579	3,205	-	7,784	(822)	-	6,962
AFS reserve	-	-	-	-	-	(3,040)	(3,040)
Taxable loss Y/A 2014/15	-	-	-	-	17,077	-	17,077
	7,616	1,131	160	8,906	14,373	(3,726)	19,553

23 Related party disclosures

23a Transactions with group companies

Company	Relationship	Nature of Transaction	2014	2013
			Rs.'000	Rs.'000
Allianz SE	Group Company	Reinsurance arrangement	486,461	19,644
		Dividend Paid	-	111,250
Allianz Life Insurance Lanka Ltd	Group Company	Reimbursable Expenses (net)	4,050	5,246

23b Transactions with key management personnel

Key management personnel includes the board of directors. The chief executive officer is also a director and such remuneration is not disclosed as this is a 100% held subsidiary of Allianz SE of Munich, Germany and the shareholders approved the said remuneration for the role of chief executive officer and no director's fees are paid to key management personal, There were no other transactions with key management personnel for the year ended 31 December 2014.

24 Capital commitments

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

25 Contingent liabilities

In the opinion of the Directors and in consultation with the Company lawyers, litigation as currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company.

Notes to the Financial Statements *(Contd.)*

26 Events after the reporting date

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

27 Comparative information

27a.Re-classification

The following comparative figures have been reclassified in the financial statements for the year ended 31st December 2014 in order to provide a better presentation. Comparative information in the financial statements have been reclassified as follows;

	2013
Quoted debentures has been re-classified as follows;	**Rs. '000**
Loans and receivables previously reported	306,169
Transferred to Available-for-sale (Quoted debentures)	(34,055)
Transferred from Available-for-sale (Repo)	55,554
Re-classified balance	327,668
Available-for-sale previously reported	**823,410**
Transferred from Loans and receivables (Quoted debentures)	34,055
Transferred to Available-for-sale (Repo)	(55,554)
Re-classified balance	801,911

Quoted debentures (measured at fair value as at 31 December 2013) were erroneously presented as Loans and receivables. This has been re-classified as Available-for-sale in the current year. The changes to opening balances are not disclosed as not considered to be material.

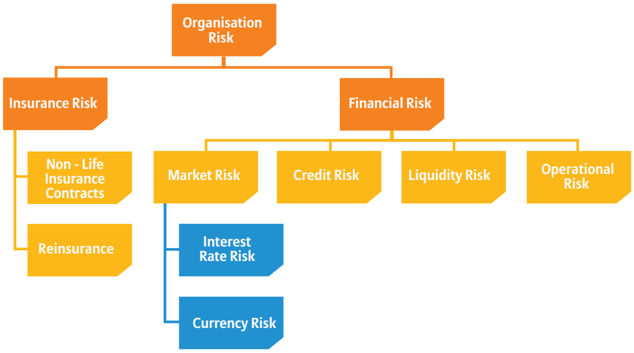
Repos (Measured at amortised cost as at 31 December 2013) were erroneously presented as Available-for-sale investments. This has been re-classified as Loans and receivables in the current year. The changes to opening balances are not disclosed as not considered to be material.

Notes to the Financial Statements *(Contd.)*

28.Risk management

Introduction and Overview

As an insurer, the Company is exposed to multiple risks and the following chart shows all those risks.



This note presents information about Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks, and the manner in which the Company manages its capital.

Risk Management

Being an insurance company, acceptance and active management of risks are core competencies of Allianz. This implies that the major mission for risk management is adequate risk steering, as opposed to mere risk avoidance or minimization. Risk management therefore is an integral part of the management and control system, ensuring the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management, including the efficient allocation of capital and the optimization of key performance measures through consistent consideration of risk-return implications.

Risk management framework

The key elements of the risk management framework are:

- Promotion of a strong risk management culture supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the company to protect the capital base and to support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

The Company's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows the Company to detect potential deviations from the predetermined risk tolerance level at an early stage.

The four primary components of the Risk Management framework include:

Risk underwriting and identification:

A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, and strategic or tactical asset allocation. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Risk reporting and monitoring:

A comprehensive qualitative and quantitative risk reporting and monitoring framework provides transparency and risk indicators to senior management on the overall risk profile and whether it falls within delegated limits and authorities.

Risk Strategy and Risk Appetite:

The risk strategy clearly defines the Company's risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within the risk tolerance.

Communication and transparency:

A transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial objectives, including failure to exploit opportunities. The management has the overall responsibility for the establishment and oversight of the Company's risk management framework and thus, their approval is necessary for the risk management strategy and risk policies pertaining to all activities of the Company.

The Company has a Risk Management Team and the members are proposed by the Company's CEO. Its existence is a requirement of the Allianz Group Risk Policy. The main responsibilities of the RiCo include:

- Promoting the Allianz risk culture and developing risk management talent for the Company.
- Pre-approving the Company's risk management policy, risk strategy/appetite and carrying out reviews to ensure alignment with local regulatory and Allianz Group requirements.
- Monitoring the approved risk tolerance and exposures to individual risks.
- Determine management actions for non-compliance of risk owners to limits or the risk policy.
- Request, follow-up and assess contingency and action plans in case of (imminent) limit breaches. Review the risk management function's effectiveness and development in the context of regulatory and Allianz Group requirements.
- Report to the Allianz Asia Pacific Risk Management team on a quarterly basis and escalate material issues to the Board of Directors.

During the year 2014, the RiCo held two meetings with the main item on the agenda being an update by the Chief Risk Officer (CRO) on the Company's Top Risks and the status of the mitigation plans. In addition, any identified new risks faced by the Company as a result of new product launches and changes in the economic or regulatory environment, such as the implementation of the proposed Risk Based Capital (RBC) framework were also addressed.

a. Capital management objectives, policies and approach

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

- Meet regulatory solvency requirements and the internal threshold set by Allianz Asia Pacific, thereby providing a degree of security to policyholders.
- Efficient allocation of capital to support business development by ensuring that returns on capital employed meet the requirements of shareholder and policyholders.
- Financial flexibility by maintaining a strong liquidity position.
- Alignment of asset and liability profiles by minimizing asset-liability duration mismatches.
- Maintain financial strength to support business growth and to satisfy the requirements of the policyholders, regulators and other stakeholders.

The operations of the Company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. Solvency Margin, Approved Assets Requirements of IBSL) to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as they arise.

The Company has been in compliance with all these regulatory requirements throughout the financial year to the best of our knowledge.

The Company maintains its capital well above the minimum regulatory requirements of the IBSL. (The Company has a Stated Capital of Rs.500 million whereas the current minimum capital requirement is only Rs. 100 million.)

b. Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. The capital requirements are routinely forecasted on a periodic basis by the management. The solvency margins are calculated on a monthly basis and shared with the management.

During the year company increased capital by Rs.250 million by utilising the revenue reserves.

c. Regulatory framework

The insurance regulator of the Country, the Insurance Board of Sri Lanka (IBSL) is primarily interested in protecting the rights of policyholders and monitors the Company closely to ensure that it is satisfactorily managing affairs for the benefit of policyholders. At the same time, they are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks, natural disasters, etc.

Thus, the operations of the Company are subject to regulatory requirements of the IBSL as well as various other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue etc. The Company is also regulated by the Companies Act No. 07 of 2007.

The Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 requires insurance companies carrying on the business of both long term insurance business and general insurance business to segregate themselves into two separate companies by the year 2015. Company has already adhered to the upcoming major regulatory requirement by IBSL.

In addition IBSL has decided to implement a Risk Based Capital (RBC) framework in Sri Lanka to monitor insurance companies in the country, replacing the existing solvency regime. The deadline given by the IBSL for implementation of RBC is January 2016. It is believed that the Company has made considerable progress towards RBC implementation over the last two years and the compulsory parallel run has been commenced from the year 2014 onwards. Moreover, it is strongly believed that the Company can implement RBC requirements without any significant concerns, by the due date.

28.1 Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company considers insurance risk to be a combination of the following components of risks:

- Product design risk;
- Underwriting and expense overrun risk;
- Claims risk

a. Product design risk;

The Company principally issues the following types of Non-Life Insurance contracts.

- Motor
- Fire
- Marine
- Miscellaneous
- Workmen's Compensation

The significant risks arising under the Non-Life Insurance portfolio emanates from changes in the climate leading to natural disasters, behavioral trends of people due to changing life styles and the steady escalation of costs in respect of spares in the auto industry. A long tail claim which takes time to finally settle is also exposed to risk of inflation.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes, flood damage, etc).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes. The Company uses its own risk management framework to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these assessments could fail or that claims arising from an un-assessed event is greater than those arising from an assessed event.

Some of the specific actions by the Company to mitigate Non-Life Insurance Risks are shown below.

b. Underwriting and expense over-run risk

The Company's underwriting process is governed by the by the internal Underwriting procedure manual/ Allianz Standard of Underwriting. Some of the actions undertaken to mitigate underwriting risks are detailed below:

- Investments are made on the training and development of underwriting and claims management staff, including those attached to the distribution network.

- Strict controls are maintained on the issue of temporary cover notes and also limiting them to 60 days validity period.
- Application of Four-Eye principle on underwriting process.
- Pre-underwriting inspections are made on new business over a predetermined threshold to evaluate risk prior to acceptance.
- Post-underwriting reviews are conducted to ensure that set guidelines have been observed.
- Adequate reinsurance arrangements are in place and reviews are undertaken to ensure the adequacy of these covers.
- Financial Authority limits are in place clearly prescribing the limits in respect of each underwriter based on the sum assured.

c. Claims Risk

Some of the actions undertaken to mitigate claims risks is detailed below:

- Claims are governed by the internal Claims Manual.
- Motor and medical claims intimation are carried out through a 24 hour fully-fledged Call Centre.
- Assessments are carried out by in-house as well as independent assessors/loss adjustors working throughout the island on a 24 hour basis.
- Claims are assessed immediately and reserved accordingly.
- The Service of a qualified independent Actuary is obtained annually to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims.
- Financial Authority limits are set, providing maximum limit to the CEO, Assistant General Manager - Technical and Chief Finance Officer. Financial Authority limits are reviewed annually and a quarterly audit is conducted to ensure compliance.

The table below sets out the concentration of Non-Life Insurance contract liabilities by type of contracts. This includes Unearned Premium, Insurance Contracts - Deferred Acquisition, Claims outstanding and IBNR / IBNER Reserves.

Refer note 14c & 14d to the financial statements, which shows the gross claim liability and the reinsurance component.

Following table summarizes the outstanding Claims position as at 31st December,

	31 December 2014			31 December 2013		
Non-life Insurance Claims Reserve.	Gross claims	Reinsurance	Net	Gross claims	Reinsurance	Net Rs. '000
Claims Outstanding	418,770	(236,784)	181,986	180,862	(120,566)	60,296
IBNR/IBNER Reserve	174,349	(104,562)	69,787	358,807	(325,854)	32,953
Total	593,119	(341,346)	251,773	539,669	(446,420)	93,249

Key Assumptions for valuation of liabilities

i) Loss Development factors – is based on weighted averages except where,

- the weighted average is contrary to a trend in the recent years
- payments in particular years clearly out of lines relative to those in other years

ii) Claim settlement rates – 'speed of

Notes to the Financial Statements *(Contd.)*

settlement' is derived by dividing the cumulative claim paid to date for each accident year by the corresponding projected ultimate loss.

iii) Weightings – Having used a variety of valuation methodologies, applied different weights to each method across accident years as appropriate.

iv) Ultimate Loss Ratios – The final Ultimate Loss Ratios for various accident years have been computed by applying credibility weightings to the results from various methodologies.

v) Expense rate - Case reserves and IBNR claim reserves include an allowance for claim handling expenses.

vi) Discounting – A risk free interest rate curve is applied for discounting liability cash flows.

vii) Net to Gross – Comparison has been made for Net-to-Gross ratios for earned premium, claim paid, claim reported and claim outstanding

viii) Risk Margin – Based on the Stochastic Ladder approach, computed risk merging to achieve a 75% confidence level on the claim liability based on the observed relationship between an accident year's ultimate loss ration with trended ultimate loss ratios to achieve a 75% confidence level on the Unexpired Risk Reserve.

ix) Large Claims – Where it is considered appropriate, implicit allowance was made for large claims by selecting appropriately adjusted link ratios.

x) Reinsurance and recoveries – There is no significant change in the reinsurance arrangement for the latest financial year.

28.1.2 Reinsurance Risk

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. A proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance programmes, which are primarily excess–of–loss reinsurance arrangements, are designed to mitigate the Company's net exposure to large single and catastrophic losses. Retention limits on the excess–of–loss reinsurance programmes vary by product line.

Premium ceded to the reinsurers is in accordance with the terms of the programmes already agreed based on the risks written by the insurance companies. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company. Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

The Company uses Allianz SE and NITF as its reinsurance provider.

The following table shows the credit ratings of the reinsurance companies with whom the Company has arrangements.

Reinsurer	Rating	Rating Agency
Allianz Se Reinsurance Branch Asia Pacific	AA	Standard & Poor
National Insurance Trust Fund	No Rating	Sri Lanka Government owned Company

Notes to the Financial Statements *(Contd.)*

28.3. Financial Risks

The Company is exposed to a range of financial risks through its;

- Financial assets
- Financial liabilities
- Reinsurance receivables and
- Insurance liabilities

In particular, the key financial risk is investment proceeds not being sufficient to fund the obligations arising from insurance contracts. The key risk categories are;

- Market risk
- Credit risk
- Liquidity risk and
- Operational risk

28.3.1.Market Risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors, including interest rates, foreign exchange rates and equity prices. As the Company does not hold any equity securities in its portfolio, it does not have any exposure to equity price risk.

a. Interest Rate Risk

Interest rate risk is the risk of interest rate volatility adversely affecting the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The company monitors its interest rate risk on a monthly basis by analyzing the movement in the interest rate-sensitive asset duration, the allocation to interest-rate sensitive assets, and the sensitivity of interest rate movements on the Solvency Margin. The report is reviewed by the local CRO and the Allianz Asia Pacific Risk Team.

The Company is not exposed to any material interest rate risks on financial assets and liabilities.

b. Currency Risk

The risk of fluctuation of fair values or future cash flows of a financial instrument due to a change in exchange rates, is referred to as currency risk.

The Company's principal transactions are carried out in Sri Lankan Rupees and hence, its exposure to foreign exchange risk arises primarily with respect to the US Dollar and Euro denominated assets maintained in order to honour liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business. However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

The table below summarises the Company's total exposure and sensitivity to currency risk.

	31 December 2014		31 December 2013	
	Amount in Foreign Currency '000	LKR Amount '000	Amount in Foreign Currency '000	LKR Amount '000
USD Assets	287.9	37,862	1,771	228,975
EURO Assets	33.2	5,240	201	35,484
SGD Assets	0.2	19	23	2,324
MVR Assets	-	-	784	6,673
Total Foreign currency denominated assets		43,121	2,779	273,456
Impact on PBT				
5% strengthening of rupee*		40,965		259,783
5% weakening of rupee *		45,277		(287,129)
+/- % impact of PBT		15.95%		(10.97%)

28.3.2.Credit Risk

Credit risk is counter-party default risk, and includes the risk of failure of financial institutions with which the Company has placed deposits/investments to meet obligations, and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivable, and failure of employees to meet loans provided by the company.

In addition to strict limits on single counter-party exposure, the Company follows a prudent credit policy which limits its investments to high grade corporate credit in line with the Allianz Group policy, and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis by the CRO, and any deviations require special approval. The Company's investment approach is also guided and monitored by Allianz Insurance Management Singapore as per Allianz Group policies on investment.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present or default on benefits that are under reinsurance treaties in-force. The Company's exposure to reinsurance risk is minimal, as majority of the reinsurance is placed with Allianz Re, and with reinsurers with strong credit ratings approved by the Group.

Credit Risk Exposure on Assets

31 December 2014

Financial Instruments	Government Guaranteed	AAA	AA+	AA	AA-	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Available for Sale						
Government securities	977,634	-		-		977,634
Unit Trust	40,821	-		-	-	40,821
Debenture	-	-	19,000	-	15,502	34,502
Loans and Receivables						
Fixed Deposit	42,257	-	46,269	42,396	94,994	225,916
REPO	15,762	-	-	-	-	15,762
Total	**1,076,474**	**-**	**65,269**	**42,396**	**110,496**	**1,294,635**

31st December 2013

Financial Instruments	Government Guaranteed	AAA	AA+	AA	AA-	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Available for Sale						
Government securities	747,856	-	-	-	-	747,856
Unit Trust	20,000	-	-	-	-	20,000
Debenture	-	-	19,360	-	14,695	34,055
Loans and Receivables						
Fixed Deposit	-	113,716	62,838	-	95,560	272,114
REPO	55,554	-	-	-	-	55,554
Total	**823,410**	**113,716**	**82,198**	**-**	**110,255**	**1,129,579**

**Ratings represent the local ratings given by Fitch Ratings Lanka Limited and/ or RAM Ratings Lanka Limited.

Notes to the Financial Statements *(Contd.)*

The table below provides information regarding the credit risk exposure on other Financial Assets of the Company as at 31st December by classifying assets according to their due period.

31 December 2014	< 180 days	180 to 365 days	365 < days	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Reinsurance receivable				
- Non Life	213,348	17,400	5,114	235,862
Premium receivables				
- Non Life	1,029,989	157,193	14,963	1,202,145
Total	1,243,337	174,593	20,077	1,438,007
% Distribution	86%	13%	1%	

31st December 2013	< 180 days	180 to 365 days	365 < days	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Reinsurance receivable				
- Non Life	291,240	49,177	2,177	342,594
Premium receivables				
- Non Life	882,490	9,442	5,101	897,033
Total	1,173,730	58,619	7,278	1,239,627
% Distribution	94.68%	4.72%	0.60%	

28.3.3.Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated liabilities due to lack of funds or having to meet these obligations at excessive cost.

The table below summarises the maturity profile of the financial assets of the company based on their market value. The Company maintains a portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. Some of the specific actions by the Company to mitigate the liquidity risk are shown below;

- Assets are categorised into different tiers based on liquidity and a minimum allocation to each tier has been specified in the Company's Investment Policy Statement.
- Cash outflows identified in advance are matched through short term deposits.
- The company maintains a foreign currency deposit which can be liquidated in the event of unexpected cash outflows.

Maturity Analysis of Financial Assets and Liabilities 2014

	Less than 1 year Rs'000	1-3 years Rs'000	More than 3 years Rs'000	No Maturity	Carrying Value Rs'000
Available for Sale	**577,611**	**356,652**	**77,874**	**40,820**	**1,052,957**
Treasury bonds	345,087	356,652	62,372	-	764,111
Treasury bills	213,524	-	-	-	213,524
Debentures	19,000	-	15,502	-	34,502
Unit Trust	-	-	-	40,820	40,820
Loans & Receivables	**241,678**	**-**	**-**	**-**	**241,678**
Fixed deposits	225,916	-	-	-	225,916
REPO	15,762	-	-	-	15,762
Liabilities	**992,948**	**-**	**-**	**-**	**992,948**
Claims Outstanding	418,770	-	-	-	418,770
Reinsurance creditors	574,178	-	-	-	574,178
Total	**819,289**	**356,652**	**77,874**	**40,820**	**1,294,635**

Maturity Analysis of Financial Assets and Liabilities 2013

	Less than 1 year Rs'000	1-3 years Rs'000	More than 3 years Rs'000	No Maturity	Carrying Value Rs'000
Available for Sale	**485,047**	**282,169**	**14,695**	**20,000**	**801,911**
Treasury bonds	464,838	262,809	-	-	727,647
Treasury bills	20,209	-	-	-	20,209
Debentures	-	19,360	14,695	-	34,055
Unit Trust	-	-	-	20,000	20,000
Loans & Receivables	**327,668**	**-**	**-**	**-**	**327,668**
Fixed deposits	272,114	-	-	-	272,114
REPO	55,554	-	-	-	55,554
Total	**812,715**	**282,169**	**14,695**	**20,000**	**1,129,579**
Liabilities	**632,614**	**-**	**-**	**-**	**632,614**
Claims Outstanding	180,862	-	-	-	180,862
Reinsurance creditors	451,752	-	-	-	451,752
Total	**632,614**	**-**	**-**	**-**	**632,614**

28.3.4 Operational Risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Company's Risk Management team assesses all foreseeable risk involved in its operation and they develop and implement action plan to control those identified operational risk. These action plans recommended by the team is to manage the operational risk in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- Risk mitigation, including insurance where this is cost effective.

Compliance with recommended action plans are supported by periodic reviews undertaken by Senior Manager Risk & Control and the Compliance Officer. The results of internal reviews are discussed frequently and necessary actions are taken.

Moreover, business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

28.4. Financial Assets and liabilities

28.4.1 Fair value Hierarchy for Assets Carried at fair value.

The different levels have been defined as follows:

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

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

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

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

As at 31 December 2014	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available for Sale				
- Treasury Bonds	764,111	-	-	764,111
- Treasury Bills	213,524	-	-	213,524
- Debentures	34,502	-	-	34,502
- Unit Trust	-	-	40,820	40,820
Total	**1,012,137**	**-**	**40,820**	**1,052,957**

As at 31st December 2013	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available for Sale				
- Treasury Bonds	727,647	-	-	727,647
- Treasury Biils	20,209	-	-	20,209
- Debentures	34,055	-	-	34,055
- Unit Trust	-	-	20,000	20,000
Total	**781,911**	**-**	**20,000**	**801,911**

Content

Allianz Life Insurance Lanka Ltd.

Financial Information

Allianz

Directors' Report

The Board of Directors of Allianz Life Insurance Lanka Limited have pleasure in presenting their Annual Report on the affairs of the Company, together with the Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2014.

The Audited Financial Statements were approved by the Board of Directors on 30 April 2015.

Principal Activity

The principal activity of the Company is Life Insurance,which remained unchanged during the year under review. The Company has not engaged in any activities which contravene the laws and regulation of the country.

The Income of the Company is derived from underwriting, and investment activities.

Vision, Mission and Corporate conduct

The Company's vision and mission are provided on page 2. In achieving its vision and mission all Directors and employees conduct their activities to the highest level of ethical standards and with integrity, as set out in the Code of Conduct.

Shareholding

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

Review of Business and Future Developments

The Business Review, which includes details of the Company's development and performance, is set out in the Financial Overview on pages18 to 20. The future developments of the Company are presented in the CEO's Review on pages 33 to 35.These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Financial Statements

The Company's Financial Statements duly signed by the Directors, together with accounting policies and the notes thereto of the Company, are provided on pages 108 to143, and the Auditors' Report on the Financial Statements is provided on page 107 of the Annual Report.

These Financial Statements and notes thereto give a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the year ended on that date, and comply with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of these Financial Statements are presented in Note 3 to the Financial Statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

Going Concern

The Board has conducted the necessary reviews and inquiries to assess the Company's ability to apply the assumption of going concern in the preparation of these Financial Statements. These included a review of the Company's budget and corporate plan for the ensuing years, future prospects and risks, capital expenditure requirements and cash flows. Following such reviews, the Board is satisfied that the Company possesses adequate resources to continue its operations into the foreseeable future, and hence endorses the continuous adoption of the assumption of going concern.

Corporate Governance

The Board of Directors is committed to maintaining an effective corporate governance structure and process and best practices on corporate governance. Systems and procedures are in place to ensure that corporate governance is adequately and practically practiced. The Company has complied with all applicable laws and regulations in conducting its business.

The management reports regularly and comprehensively to the Board of Directors on business development, financial position and earnings, budgeting and achievement of objectives, compliance issues, and on the strategy and existing risk exposure.

Compliance with Laws and Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activity contravening the existing laws and regulations of the country.

The sustained success of the Company is based on trust, respect and the responsible, integrity-enriched behavior of its employees. All employees are governed by the code of conduct; we support and follow the guidelines and standards for rules-compliant and valued-based corporate leadership.

Risk Management and Internal Control System

The Board considers risk management and internal controls as being integral to management of the Company and business processes.

The Allianz Group has put in place a comprehensive framework that ensures risks are properly identified, analysed and evaluated. A continuous review of the risks faced by the Company is done by the Risk Management Committee (RiCo) which is chaired by the Company's designated Chief Risk Officer. Details of the Company's comprehensive risk management framework are given in the Risk Management Report on pages 27 to 30.

The Board is satisfied with the effectiveness of the system of internal controls and risk management that were in place during the year under review,up to the date of approval of the Annual Report and the Financial Statements.

Turnover

The total turnover of the Company is identified as grosswritten premium which was Rs. 838 million for 2014, and Rs. 829 million for 2013.

The detailed analysis of the gross written premium of the Company was disclosed in Note 16 on Page 132 of the Financial Statement.

Investments

Details of investments held by the Company are disclosed in Note 4 on page 128 to the Financial Statements.

Plant and Equipment

Details of plant and equipment are given in Note 5 on page 128 to the Financial Statements.

Solvency

The Statement of Solvency for Life Insurance has been prepared in accordance with the Solvency Margin (Long-term Insurance) Rule 2002 amended by Extraordinary Gazette No 1697/27 of March 18, 2011 and is disclosed below:

The Company is well capitalised and is comfortably meeting its internal and regulatory solvency targets as of December 31, 2014.

for the year ended 31 December	2014 Rs. '000	2013 Rs. '000
Value of admissible assets	1,202,025	926,529
Total liability including policy liability	1,090,592	749,330
Net admissible assets	111,433	177,199
Required solvency margin (RSM)	49,040	33,106
Excess over required solvency margin	62,393	140,093

Directors' Report *(Contd.)*

Employment Policy

As a people business, our principal asset is intellectual capital and our highly motivated and skilled employees are critical to our success. Our employees' exceptional commitment and dedication to providing excellent service to our customers is crucial to our success, and the Company places great emphasis on fostering leadership, talent and continuous personal development. Only by unlocking our employees' potential and enhancing our services can the Company achieve our primary goal of being a reliable partner to our customers.

The Company encourages 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.

The Company acknowledges top performance and rewards it appropriately. Our compensation and benefits plans are designed to motivate our employees to successfully implement our strategies and business plans.

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

Stated Capital and Shareholders funds

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The stated capital of the Company as at 31 December 2014 was Rs.592.6 million. There was no change to the stated capital of the Company during the year.

Directorate

The Board consists of three members and the information on the Directors of the Company is available in the Directors Profile on pages 10 to 11.

There were no new appointments made to the Board and no resignations during the financial year ended 31 December2014.

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

- Heinz Dollberg
- Surekha Alles
- RangamBir

Director' Remuneration and Other Benefits

The CEO/Director's remuneration is decided upon by the Board considering individual and Company performance. Due attention is also paid to industry standards, inflationary factors, future plans and Group policy when deciding the remuneration package to the CEO/Director. No remuneration is paid to Non-Executive Directors.

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 "Notes to the Financial Statements" in Note 24 on page 135.

Events after the Reporting Date

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 27 to the Financial Statements on page 135.

Directors' Report *(Contd.)*

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the government, other regulatory institutions, and in relation to employees, have been made on time.

Environment

The Company's activities can have direct or indirect effects on the environment. It is the policy of the Company to minimise any adverse effects by recycling resources as much as possible and creating awareness among its staff on current global environment threats. The Company does its best to comply with the relevant environmental laws and regulations and has not engaged in any activity that is harmful or hazardous to the environment.

Auditors

The Financial Statements for the year ended 31 December 2014 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Company (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 upon.

As far as the Directors are aware, the Auditors do not have any other relationship with the Company. Nor do the Auditors have any interest in contracts with the Company.

This Annual Report is signed for and on behalf of the board

Heinz Dollberg
Director

Surekha Alles
Director

Secretaries to the Company

EM & EN Agents and Secretaries (Pvt) Limited
30 April 2015

Actuary's Report - Life

To the shareholders of Allianz Life Insurance Lanka Limited.

I have conducted a liability valuation for the business as at 31 December 2014. Liability valuation has been determined in accordance with internationally accepted actuarial principles.

I hereby certify that, in my opinion,

1. The assumptions for the liability valuation are in accordance with the guidelines and norms, if any issue by the insurance Board of Sri Lanka and the guidance notes issued by the institute of actuaries.

2. Appropriate value of liabilities has been provided, for all liabilities in respect of the long term insurance fund, taking into account all current and contingent liabilities as at that date.

3. The company has credited appropriate investment income to the policyholder.

4. The long term insurance fund as included in the audited accounts exceed the required actuarial reserves at 31 December 2014 by Rs. 206 million.

5. The company is capable of meeting all liabilities to policyholders, as well as meeting the statutory solvency margin with a considerable buffer.

Catalin Jumanca
Fellow of the Institute of Actuaries
30th April 2015

Independent Auditors' Report

KPMG
KPMG
(Chartered Accountants)
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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 LankaLimited,("the Company"), which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity andstatement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

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

b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Companyandthe financial statements of the Company, comply with the requirements of section 151 of the Companies Act. However, it should be noted that the Company's net assets are less than half of the stated capital which results in a serious loss of capital situation in terms of Section 220 of the same Act.

As required by section 47(2) of the regulation of Insurance Industry Act, No 43 of 2000, the accounting records of the company have been maintained in the manner required by the rules issued by IBSL and give a true and fair view of the financial position.

KPMG

Chartered Accountants
Colombo
30 APRIL 2015

Statement of Financial Position

As at 31 December	Note	2014 Rs. '000	2013 Rs. '000
Assets			
Investments	04	1,186,394	908,592
Property, plant and equipment	05	24,045	25,637
Intangible assets	06	1,209	1,653
Unit linked investments	07	111,449	44,587
Reinsurance receivable		37,680	15,988
Other assets	08	82,220	59,335
Cash and cash equivalents	09	24,973	16,145
Total Assets		**1,467,970**	**1,071,937**
Equity and liabilities			
Equity			
Stated capital	10	592,624	592,624
Revenue reserves	11	(428,897)	(358,122)
Other components of equity	12	65,037	27,456
Total equity		**228,764**	**261,958**
Liabilities			
Insurance provision - Life	13	1,091,736	706,778
Reinsurance creditors		43,868	22,646
Other liabilities	14	99,622	77,237
Employee benefit obligation	15	3,980	3,318
Total liabilities		**1,239,206**	**809,979**
Total equity and liabilities		**1,467,970**	**1,071,937**

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements on pages 113 to 143.
These Financial Statements have been prepared in accordance with Companies Act No. 07 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.

Heinz Dollberg
Director

Surekha Alles
Director

30 April 2015

Statement of Income and Other Comprehensive Income

For the year ended 31 December	Note	2014	2013
		Rs.000	Rs.000
Gross written premium	16	838,326	828,790
Premium ceded to reinsurers		(55,308)	(44,190)
Net written premium		**783,018**	**784,600**
Other revenue			
Income from investments	17	122,257	78,139
Other income	18	2,979	792
		125,236	**78,931**
Net income		**908,254**	**863,531**
Benefits, losses and expenses			
Gross claims and benefits paid	19	(67,468)	(40,976)
Claims ceded to reinsurers		28,906	17,660
Total benefits, losses and expenses		**(38,562)**	**(23,316)**
Net income less benefits, losses & expenses		869,692	840,215
Expenses			
Net acquisition costs	20	(154,947)	(170,131)
Other operating, and administrative expenses	21	(425,363)	(373,730)
Total expenses		**(580,310)**	**(543,861)**
Increase in life insurance provision - Life	13a	(384,958)	(335,881)
Loss before taxation		**(95,576)**	**(39,527)**
Income tax	22	24,523	-
Net loss for the year		**(71,053)**	**(39,527)**
Other comprehensive income			
Net gain/(loss) on available for sale assets		38,766	46,719
Realised gains/(losses) on AFS assets transferred to profit or loss		(1,185)	-
Actuarial gains / (losses) on defined benefit plan		278	(463)
Total comprehensive income for the year, net of tax		**(33,194)**	**6,729**

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes to the Financial Statements on pages 113 to 143.

Statement of Changes in Equity

for the year ended 31 December 2014

	Stated Capital Rs.000	Revenue Reserves Rs.000	Available for Sale Reserves Rs.000	Total Rs.000
Balance as at 1 January 2013	**492,499**	**(318,132)**	**(19,263)**	**155,104**
Net loss for the year	-	(39,527)	-	(39,527)
Other comprehensive income, net of tax				
- Net change in fair value	-	-	46,719	46,719
- Net amount transferred to profit or loss	-	-	-	-
- Actuarial gains / (losses)	-	(463)	-	(463)
Total comprehensive income	**-**	**(39,990)**	**46,719**	**6,729**
New share issue	100,125	-	-	100,125
Balance as at 31 December 2013	**592,624**	**(358,122)**	**27,456**	**261,958**
Net loss for the year	-	(71,053)	-	(71,053)
Other comprehensive income, net of tax				
- Net change in fair value	-	-	38,766	38,766
- Net amount transferred to profit or loss	-	-	(1,185)	(1,185)
- Actuarial gains / (losses)	-	278	-	278
Total comprehensive income	-	(70,775)	37,581	(33,194)
Balance as at 31 December 2014	**592,624**	**(428,897)**	**65,037**	**228,764**

The above Statement of Changes in Equity is to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 113 to 143.

Statement of Cash Flows

For the year ended 31 December	Note	2014	2013
		Rs.000	Rs.000
Cash flows from operating activities			
Premium received from customers		816,096	828,790
Reinsurance premium paid		(26,650)	(24,757)
Claims paid		(70,606)	(40,152)
Cash paid to and on behalf of employees		(110,663)	(103,910)
Other operating cash flows		(430,833)	(443,733)
Cash flow from operating activities (Note A)		**177,344**	**216,238**
Tax paid		-	-
Net cash from operating activities		**177,344**	**216,238**
Cash flows from investing activities			
Purchase of liquid investments (other than cash equivalents)		(519,719)	(1,158,382)
Proceeds on maturity investment (other than cash equivalents)		308,927	790,776
Interest received		53,748	63,334
Proceeds from sale of tangible assets		3,150	-
Purchase of intangible assets		(1,181)	(188)
Purchase of tangible assets		(13,440)	(14,363)
Net cash from investing activities		**(168,515)**	**(318,823)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	100,125
Net cash from financing activities		**-**	**100,125**
Increase/ (decrease) in cash and cash equivalents		**8,828**	**(2,460)**

Statement of Cash Flows *(Contd.)*

A. Reconciliation of operating profit with cash flows from operating activities

Loss before tax		(95,576)	(39,990)
Depreciation charge		16,016	16,024
Interest income		(125,236)	(78,931)
Increase in other assets		(44,577)	(24,212)
Increase in Life insurance provision		384,958	335,881
Gain on disposal of tangible assets		(2,508)	-
Increase in creditors		44,267	7,466
Cash flows from operating activities		**177,344**	**216,238**
B. Increase in cash and cash equivalents			
Net cash and cash equvalents at the end of the year	09	24,973	16,145
Net cash and cash equivalents at the beginning of the year		16,145	18,605
Increase / (decrease) in cash and cash equivalents		**8,828**	**(2,460)**

The above Statement of Cash Flows is to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 113 to 143.

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 are located at 3A/B, Valiant Towers, 46/7, Nawam Mawatha, Colombo 02. The immediate and ultimate holding Company is Allianz SE of Munich, Germany.

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

1.2. Principal activities and nature of operations

The Company is engaged in the business of Life Insurance. There were no significant changes in the nature of principal activities in the Company during the financial year under review.

2. BASIS OF PREPARATION

2.1. Basis of measurement

The Financial Statements of the Company which comprise the Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

2.2. Date of authorisation of issue

The Financial Statements of Allianz Life Insurance Lanka Limited, for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2015.

2.3. Functional and presentation currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional currency except as indicated. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless otherwise stated.

2.4. Use of estimates and judgments

The preparation of Financial Statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes;

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Insurance provision - Life	13	130
Employee benefit obligation	15	131
Deferred Taxation - Utilisation of Losses	22	133

2.4.1. Insurance contract liabilities - Life insurance

The valuation of the Long term insurance business as at 31 December 2014 was carried out by the appointed actuary based on the assumptions set out in Note No. 13 to the Financial Statements.

2.5. Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.6. Foreign currency transactions

All foreign exchange transactions are converted to the functional currency at the rates of exchange prevailing at the time the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recongnised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Insurance Contracts

As permitted by SLFRS 4 – Insurance contracts, the Company continues to apply the existing accounting policies for insurance contracts that were applied prior to the adoption of SLFRS.

3.1.1. Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either “insurance contracts” or “investment contracts” depending on the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and have no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

3.1.2. Unit linked contracts

Unit-linked contracts are that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-Linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investments backing those contracts at the reporting date together with Rights to future management fees.

3.2. Assets and liabilities and the basis of their valuation

3.2.1. Intangible assets

Software

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

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 profit or loss and other comprehensive income as incurred.

Amortisation

Amortisation is recognised in the Statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three (03) years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

De-recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such intangible assets is included in the Statement of profit or loss and other comprehensive income when the item is de-recognised.

3.2.2. Property, plant and equipment

Basis of recognition

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used during more than one year. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure directly attributable to the acquisition of the asset and the cost subsequently incurred to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income/ other expenses” in the Statement of profit or loss and other comprehensive Income.

Subsequent costs

The cost of replacing a 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 cost of day-to-day servicing of property, plant and equipment is charged to the Statement of profit or loss and other comprehensive income as incurred.

Depreciation

Depreciation is charged on property, plant and equipment on the straight-line basis to write off the cost over the estimated useful lives as follows;

Office equipment	3 Years
Computer equipment	3 Years
Furniture and Fittings	5 Years
Motor Vehicles	5 Years

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the Statement of profit or loss and other comprehensive income when the item is de-recognised.

3.2.3. Leased assets – Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Where an option to terminate the lease at the option of lessee is available in the agreement, the payments are accounted on an accrual basis.

3.2.4. Financial Instruments

3.2.4.1 Non-derivative financial assets

a) Initial recognition and subsequent measurement

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

The Company has the following non-derivative financial assets;

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise of investments in fixed deposits with banks, repos', reinsurance receivables and premium receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for- sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in other comprehensive income and presented in the Available-for-sale reserve in equity. When an investment is de-recognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise of investments in debt securities and unit trusts.

3.2.4.2. Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Company has the following non-derivative financial liabilities: reinsurance payables and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

3.2.4.3. Fair value measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following;

the particular asset or liability that is the subject of the measurement

for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).

the principal (or most advantageous) market for the asset or liability.

the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price).

Notes to the Financial Statements *(Contd.)*

In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Determination of Fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices);and

Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.2.4.4. Impairment

a) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment,

the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of profit or loss and other comprehensive income.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in used, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuous use that is largely independent on the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

Notes to the Financial Statements *(Contd.)*

3.3. Reinsurance

The Company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the Statement of profit or loss and other comprehensive income.

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

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

3.4. Premium receivable

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

3.5. Other receivables

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

3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.7. Liabilities and Provisions

3.7.1. Insurance contract liabilities

3.7.1.1. Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

Long duration contract liabilities included in the insurance fund reserving for in-force and lapsed policies, non-fund (sterling) reserves, interest credit reserves, unearned premium reserves, reserves for guarantees, reserves for premium on deposits and contingency reserves resulting primarily from non-participating Universal Life insurance products.

Short duration contract liabilities are primarily group term insurance products, where reserving was done on an unearned premium reserve basis. The liabilities are de-recognised when the contract expires, is discharged or cancelled.

3.7.1.2. Liability Adequacy Test

At each reporting date, an assessment is made on whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. To the extent that the test involves discounting of cash flows, the interest rate applied is based on management's prudent expectation of current market interest rates.

Fund value plus non-fund sterling reserves valuation methodology have been used with prudent assumptions considering all expenses. Hence, actuarial valuation has concluded that a liability adequacy test is not required for the Company.

3.7.2. Defined Benefit Plan

3.7.2.1. Defined Benefit Plan – Gratuity

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, under the Payment of Gratuity Act, No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability is not externally funded nor actuarially valued. The gratuity liability is discounted to the present value as required by LKAS 19, Employee Benefits, using actuarial assumptions.

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

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the provident fund under the Provident Fund Act No. 15 of 1958 as amended and Trust Fund under the Trust Fund Act No. 46 of 1980 covering all employees, are recognised as an employee benefit expense in profit and loss when they are due.

The Company contributes 12% and 3% of gross emoluments of employees as provident fund and trust fund contributions respectively.

3.7.3. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8. Revenue recognition

3.8.1. Gross premiums

Gross recurring premiums on Life insurance contracts are recognised as revenue when payable by the policyholder. Any premiums received in advance are not recorded as revenue and are recorded as a liability until the premium is due. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For single premium business, revenue is recognised on the date on which the policy is effective.

3.8.2. Reinsurance premiums

Gross reinsurance premiums on Life and investment contracts are recognised as an expense when the date on which the policy is effective.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepted in prior Accounting periods.

3.8.3. Investment income

Interest income is recognised in the Statement of profit or loss and other comprehensive income as it accrues, and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

3.8.4. Realised gains and losses

Realised gains and losses recorded in the Statement of profit or loss and other comprehensive income on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the occurrence of the sale transaction.

3.8.5. Other income

Other income is recognised on an accrual basis.

3.9. Benefits, claims and expenses recognition

3.9.1. Gross benefits and claims

Gross benefits and claims for Life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement. Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. Claims outstanding are assessed by review of individual claim files and estimation of changes in the ultimate cost of settling claims.

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 the adjustment to the amounts provided. Such amounts are reflected in the Financial Statement for that period. The methods used and the estimates made are reviewed regularly.

3.9.2. Reinsurance claims

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

Notes to the Financial Statements *(Contd.)*

3.10. Expenditure recognition

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

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

3.11. Taxation

3.11.1Current taxes

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

3.11.2 Deferred taxation

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

3.12. Stated capital

The Company's Stated capital comprises of ordinary shares which are classified as equity.

3.13. Cash flow statements

The Cash Flow Statement has been prepared using the direct method. Interest received, interest paid and dividend received are classified as operating cash flows while dividends paid is classified as financing cash flow. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

3.14. Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be concerned only with the occurrence or nonoccurrence of uncertain future events, which are beyond the Company's control. Contingent liabilities are disclosed in Note No. 26 to the Financial Statements. Commitments are disclosed in Note No. 25 to the Financial Statements.

3.15. Events occurring after the reporting date

All material post - Balance Sheet events have been considered and where appropriate, adjustments or

Notes to the Financial Statements *(Contd.)*

disclosures have been made in Note No. 27 to the Financial Statements.

3.16. Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation. The details of such re-classifications have been provided in Note No. 29.

3.17. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments;

- Credit risk
- Liquidity risk
- Market risk
- Operational 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, and the Company's management of capital. Further quantitative disclosures are included in the Note 30 to the financial statements.

Risk management framework

The management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is counter-party default risk and includes the risk of failure of financial institutions with which the Company has placed deposits/ investments to meet obligations, and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivable and the failure of employees to meet loans provided by the Company.

In addition to strict limits on single counter-party exposure, the Company follows a prudent credit policy which limits its investments to high grade corporate credit in line with the Allianz Group policy and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis by the CRO and any deviations require special approval. The Company's investment approach is also guided and monitored by Allianz Insurance Management, Singapore, as per Allianz Group policies on investment.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to the non-recoverability of reinsurance receivables already present, or default on benefits that are under reinsurance treaties in force. The Company's exposure to reinsurance risk is minimal as the majority of reinsurance is placed with Allianz Re and with reinsurers with strong credit ratings approved by the Group.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Company maintains a portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. Some of the specific actions by the Company to mitigate the liquidity risk are shown below;

- Cash outflows identified in advance are matched through short-term deposits
- The Company maintains a foreign currency deposit which can be liquidated in the event of

unexpected cash outflows.

Market risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors including interest rates, foreign exchange rates and equity prices. The current uncertainties in the local and international markets and investment climate have increased the degree of impact of market risk to the Company.

Market risk is an aggregation of,

a. Interest rate risk

b. Currency risk

a. Interest rate risk

Interest rate risk is the risk of interest rate volatility adversely affecting the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The Company monitors its interest rate risk on a monthly basis by analysing the movement in the interest rate-sensitive asset duration, the allocation to interest-rate sensitive assets, and the sensitivity of interest rate movements on the solvency margin. The report is reviewed by the local CRO and the Allianz Asia Pacific Risk Team.

b. Currency risk

The risk of fluctuation of fair values or future cash flows of a financial instrument due to a change in exchange rates, is referred to as currency risk.

The Company's principal transactions are carried out in Sri Lanka Rupees and Reinsurance Payments also made on the basis of Sri Lanka Rupee values. Hence, its exposure to foreign exchange risk is minimal.

Operational risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in direct consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

The Company's Risk Management Team assesses all foreseeable risks involved in its operations and develop and implement action plan to control those identified operational risks. These action plans recommended by the team are to manage operational risks in the following areas:

- requirements for having appropriate segregation of duties including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational

losses and proposed remedial action;

- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation including insurance where this is cost effective.

3.18. New accounting standards issued but not effective as at the reporting date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

3.18.1 Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments Classification and Measurement"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

3.18.2 Standards issued but not yet adopted which may not have significant impact

SLFRS 15 Revenue from contracts with customers – effective from 1st January 2017.

3.18.3 Standards Issued but not yet adopted which is not expected to have an impact

The following new or amended standards are not expected to have an impact of the Company's financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective from 01st January 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 01st January 2016

Notes to the Financial Statements *(Contd.)*

4. Financial investments

	2014			2013		
	Face value Rs. '000	Cost of investment Rs. '000	Carrying value Rs. '000	Face value Rs. '000	Cost of investment Rs. '000	Carrying value Rs. '000
Available-for-sale investments (4a)	909,364	828,050	960,809	719,391	621,701	660,538
Loans and receivables (4b)	199,018	199,018	225,585	237,000	237,000	248,054
	1,108,382	**1,027,067**	**1,186,394**	**956,391**	**858,701**	**908,592**

4a. Available-for-sale investment

Treasury bonds	773,573	697,973	823,551	648,986	552,803	590,160
Treasury bills	80,000	75,186	78,066	30,613	30,008	30,881
Quoted debentures	27,792	26,890	30,468	19,792	18,890	19,497
Unit trusts	28,000	28,000	28,724	20,000	20,000	20,000
	909,364	**828,050**	**960,809**	**719,391**	**621,701**	**660,538**

4b. Loans and Receivable

Repo	51,500	51,500	51,500	53,000	53,000	53,000
Term deposits	147,518	147,518	174,085	184,000	184,000	195,054
	199,018	199,018	225,585	237,000	237,000	248,054

5 Property, Plant and Equipment

	Computer Equipment Rs.'000	Office Equipment Rs.'000	Motor Vehicle Rs.'000	Furniture and Fittings Rs.'000	Total Rs.'000
Cost					
Balance as at 1 January 2014	16,070	20,312	5,500	30,710	72,591
Additions during the year	4,398	4,061	-	4,981	13,440
Disposals during the year	-	-	(5,500)	-	(5,500)
Balance as at 31st December 2014	**20,468**	**24,372**	**-**	**35,691**	**80,531**
Accumulated depreciation					
Balance as at 1 January 2014	11,424	10,893	4,217	20,420	46,954
Charge for the year	3,216	5,495	642	5,038	14,391
Disposals	-	-	(4,858)	-	(4,858)
Balance as at 31st December 2014	**14,640**	**16,388**	**-**	**25,458**	**56,487**
Carrying amount					
Balance as at 31 December 2014	5,828	7,984	-	10,233	24,045
Balance as at 31 December 2013	4,646	9,418	1,283	10,290	25,637

Notes to the Financial Statements *(Contd.)*

6. Intangible assets

	2014 Rs.'000	2013 Rs.'000
Acquisition cost		
Balance as at 1st January	5,137	4,949
Additions during the year	1,181	188
Balance as at 31st December	**6,318**	**5,137**
Accumulated amortisation		
Balance as at 1st January	3,484	1,821
Amortisation charge for the year	1,625	1,663
Balance as at 31st December	**5,109**	**3,484**
Carrying amount as at 31st December	**1,209**	**1,653**

7. Unit linked investments

	2014		2013	
		Rs.'000		Rs.'000
	No. of units	Net asset value	No. of units	Net asset value
Growth fund	3,688,617	49,263	1,834,625	18,960
Balanced fund	3,048,369	40,982	1,507,387	15,696
Bond fund	1,886,150	21,204	955,083	9,931
	8,623,136	**111,449**	**4,297,095**	**44,587**

This is the Investment portion of the Unit linked products as per SLFRS-4 insurance contracts, which was introduced for the first time by the Company in 2013. Unit linked investments are measured at fair value and gains/(losses) are recognised under investment income in the Statement of profit or loss and other comprehensive income.

8. Other assets

	2014 Rs.'000	2013 Rs.'000
Other debtors and receivables	67,164	51,640
Receivable from policy holders (8a)	15,056	7,695
	82,220	**59,335**

8a. Receivable from policy holders

	2014 Rs.'000	2013 Rs.'000
Receivables from policy holders	80,021	57,791
Provision for impairment	(64,965)	(50,096)
	15,056	**7,695**

9. Cash and cash equivalents

	2014 Rs.'000	2013 Rs.'000
Cash at bank	11,888	11,476
Cash in hand	13,085	4,669
	24,973	**16,145**

10. Stated Capital

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	592,624	492,499
Issued during the year	-	100,125
59,262,350 fully paid ordinary shares	**592,624**	**592,624**

11. Revenue reserve

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	(358,122)	(318,132)
Net loss for the year	(71,053)	(39,527)
Actuarial Gains / (losses) on retirement benefits	278	(463)
Balance as at 31 December	**(428,897)**	**(358,122)**

12. Other components of equity

	2014 Rs.'000	2013 Rs.'000
Balance as at 1st January	27,456	(19,263)
Net gain on AFS assets during the year (Net of tax) (12.a)	38,766	46,719
Realised (losses) transferred to statement of profit or loss	(1,185)	-
Balance as at 31 December	**65,037**	**27,456**

12a.Net gain/(loss) on AFS during the year (Net of tax)

	2014 Rs.'000	2013 Rs.'000
Mark-to-market gains/(losses) on AFS investments during the year	63,289	46,719
Tax impact on AFS reserves	(24,523)	-
Net gain/(loss) on available for sales assets during the year	**38,766**	**46,719**

13. Insurance provision - Life

The valuation of the long term insurance business as at 31st December 2014, was made by Mr.Catalin Jumanca, a Fellow of the Institute of Actuaries, for and on behalf of Allianz Life Insurance Lanka Ltd. In accordance with the consultant actuary's report, the reserve for the year amounted to Rs. 1,092 million. In the opinion of the actuary, the reserve is adequate to cover the liabilities pertaining to the Life Business.

Actuarial assumptions

Mortality table used	A67/70	A67/70
Interest rate	5.00%	5.00%
Final crediting rate	7.87%	8.00%

13a.Movement in insurance provision - Life

	2014 Rs.'000	2013 Rs.'000
Conventional life insurance		
Balance as at 1 January	662,191	370,897
Increase in the life fund	318,112	291,294
Balance as at 31 December	980,303	662,191
Unit-linked life insurance contracts		
Balance as at 1 January	44,587	-
Increase in the life fund	66,846	44,587
Balance as at 31 December	**111,433**	**44,587**
	1,091,736	**706,778**
Expenses recognised in profit or loss	384,938	335,887

Notes to the Financial Statements *(Contd.)*

14. Other Liabilities

	2014 Rs.'000	2013 Rs.'000
Commission payable	4,320	4,047
Claims payable (14a)	10,667	13,121
Premium in deposit	44,872	35,673
Others creditors and accrued expenses	32,163	19,150
Amount due to Allianz Insurance Lanka Ltd	7,600	5,246
	99,622	77,237

14a. Movement of Claims Payable

	2014 Rs.'000	2013 Rs.'000
Balance as at 1 January	13,121	12,297
Claims approved during the year	68,152	40,976
Claims paid during the year	(61,633)	(39,417)
Surrenders due to clients	(8,972)	(735)
Balance as at 31 December	**10,667**	**13,121**

15. Employee benefit obligation

	2014 Rs.'000	2013 Rs.'000
Defined benefit obligation as at 1 January	3,318	1,602
Current service cost	1,531	1,158
Interest for the year	219	95
Actuarial (gains) / losses	(278)	463
Benefits paid by the plan during the year	(810)	-
Defined benefit obligation as at 31 December	**3,980**	**3,318**
Number of employees as at 31 December	100	65
Expense recognised in profit or loss		
Current service cost	1,531	1,158
Interest for the year	219	95
	1,750	**1,253**
Amounts recognised in other comprehensive income		
Actuarial (gain)/loss	(278)	463

The retirement benefit plan entitles a retired employee to receive payment equal to 1/2 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 years of continued service.

15a. Principal Assumptions as at the reporting date

	2014	2013
Discount rate	10.00%	8.29%
Future salary increase	10.00%	10.00%

Notes to the Financial Statements *(Contd.)*

15b. Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of profit or loss and other comprehensive income and Statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	Effect on charge to the Statement of profit or loss and other comprehensive income		Effect on employee benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (change by 1%)	100	(103)	100	(103)
Salary increment rate (change by 1%)	(102)	101	(102)	101

16. Gross written premium

	2014 Rs.'000	2013 Rs.'000
Variable universal life	739,644	735,545
Unit linked	77,961	65,825
Decreasing term assurance	11,118	9,817
Group life	9,604	17,603
	838,326	**828,790**

17. Income from investments

	2014 Rs.'000	2013 Rs.'000
Available-for-sale financial assets (17a)	82,644	63,756
Loans and receivables (17b)	22,327	14,383
Gains/(losses) on unit linked investments	17,286	-
	122,257	**78,139**

17a. Available-for-sale financial assets

	2014 Rs.'000	2013 Rs.'000
Treasury bonds	71,480	58,981
Treasury bills	7,528	2,776
Quoted debentures	2,522	1,999
Unit trust	1,114	-
	82,644	**63,756**

17b. Loans and receivables

	2014 Rs.'000	2013 Rs.'000
Term deposits	21,501	14,107
Repo	826	276
	22,327	**14,383**

18. Other income

	2014 Rs.'000	2013 Rs.'000
Profit on disposal of property, plant & equipment	2,508	-
Interest from Loan to staff and agent	163	28
Other income	308	764
	2,979	**792**

Notes to the Financial Statements *(Contd.)*

19. Insurance claims and benefits (net)

	2014 Rs.'000	2013 Rs.'000
Life insurance claims death, disabilities and hospitalisation (19a)	67,468	40,976
Reinsurance recoveries	(28,906)	(17,660)
	38,562	23,316

19a. Life insurance claims death, disabilities and hospitalisation

	2014 Rs.'000	2013 Rs.'000
Death, disability and hospitalisation	58,513	40,241
Surrenders	8,867	735
Annuity payments	-	-
Policy maturities	88	-
	67,468	40,976

20. Underwriting and net acquisition costs

	2014 Rs.'000	2013 Rs.'000
Policy acquisition cost	150,816	167,881
Other insurance related cost	4,131	2,250
	154,947	170,131

21. Operating and administration expenses

	2014 Rs.'000	2013 Rs.'000
Staff expenses (21a)	110,663	103,447
Administration and establishment expenses	188,518	131,615
Selling expenses	110,166	122,644
Depreciation and amortisation (5)	16,016	16,024
	425,363	373,730

21a. Staff expenses

	2014 Rs.'000	2013 Rs.'000
Staff Salaries	54,733	55,879
EPF and ETF (21b)	6,879	5,508
Provision for employee benefits (15)	1,750	1,253
Staff welfare	5,291	3,942
Training expenses	2,586	1,697
Other Costs	39,424	35,168
	110,663	103,447

21b. Contributions made to the Provident and Trust Funds

	2014 Rs.'000	2013 Rs.'000
Employee Provident Fund	5,580	4,406
Employee Trust Fund	1,299	1,102
	6,879	5,508

22. Income tax

The Company is liable for income tax at 28% of its taxable profit. However, no provision is made in view of the tax loss. The tax loss carried forward as at 31 December 2014 is Rs.1,793,310,897 (2013- Rs.1,392,567,562).

Notes to the Financial Statements *(Contd.)*

22a.Current income tax expense

	2014 Rs.'000	2013 Rs.'000
Accounting loss	(95,576)	(39,527)
Aggregate disallowed items	16,342	68,638
Aggregate exempt income	(321,509)	(450,927)
Taxable loss	**(400,743)**	**(421,816)**
Tax loss brought forward	(1,392,567)	(970,751)
Statutory tax rate	28%	28%
Current income tax expense	Nil	Nil

22b.Analysis of deferred tax assets and liabilities

	2014		2013	
	Temporary Difference	Tax effect	Temporary Difference	Tax effect
Deferred tax liability				
Available-for-sale reserves	87,584	24,523	-	-
Deferred Tax Asset				
Un-utilised tax losses	1,793,310	502,127	1,392,567	389,919
Retirement benefit obligation	3,980	1,114	3,318	929
Net Deferred tax assets	(1,709,706)	(478,719)	(1,395,885)	(390,848)

22c.Movement in deferred tax balance during the year

	Balance 1/12/2013	Recognised in P&L	Recognised in OCI	Balance 31/12/2013	Recognised in P&L	Recognised in OCI	Balance 31/12/2014
Available-for-sale reserve	-	-	-	-	24,523	(24,523)	-
	-	-	-	-	**24,523**	**(24,523)**	-

Net deferred tax (assets) / liabilities

The Company has recognised deferred tax assets to the extent of the deferred tax liability accruing to the company from available-for-sale reserves. Accordingly a deferred tax asset of Rs. 24,523,469 has been recognised in the Statement of profit or loss and a deferred tax liability of the same amount has been recognised in other comprehensive income. The Company has not recognised Deferred Tax Asset amounting to Rs. 483 million (2013 - 391 million) as it not probable that the future taxable profits will be adequate to utilise the available tax losses in the foreseeable future.

22d.The Company is entitled to the following notional tax credit in case of a future tax liability

	2014 Rs.'000	2013 Rs.'000
Notional tax credit	27,303	20,369

23.Related party transactions

The Company considers its Board of Directors as the Key Management Personnel of the Company. During the year there were no transactions with Key Management Personnel and their close family members which require disclosure as per LKAS 24- Related Party disclosures other than those disclosed below:

The Company has a related party relationship with its parent company and group companies. The following transactions were carried out with related parties during the year ended 31 December 2014.

Company	Relationship	Nature of transaction	Transaction value	Balance as at 31 December 2014
Allianz SE	Parent	Reinsurance Agreement	19,545	5,239
Allianz Insurance Lanka Ltd	Group company of Allianz SE	Reimbursable expenses (net)	4,050	7,600

Notes to the Financial Statements *(Contd.)*

24. Transactions with key management personnel

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 2014.

25. Capital commitments

There were no capital commitments outstanding as at the reporting date.

26. Contingent liabilities

There were no contingent liabilities outstanding as at the reporting date.

27. Events after the reporting date

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

28. Litigations and claims

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

29. Comparative information

29a. Re-classification

The following comparative figures have been reclassified in the financial statements for the year ended 31st December 2014 in order to provide a better presentation. Comparative information in the financial statements have been reclassified as follows;

Quoted debentures has been re-classified as follows;	2013 Rs '000
Loans and receivables previously reported	214,551
Transferred to available-for-sale (quoted debentures)	(19,497)
Transferred from available-for-sale (repo)	53,000
Re-classified balance	**248,054**
Available-for-sale previously reported	694,041
Transferred from Loans and receivables (auoted debentures)	19,497
Transferred to available-for-sale (repo)	(53,000)
Re-classified balance	**660,538**

Quoted debentures (Measured at Fair value as at 31 December 2013) were erroneously presented as Loans and receivables. This has been re-classified as Available-for-sale in the current year. The changes to opening balances are not disclosed as not considered to be material.

Repos (Measured at cost as at 31 December 2013) were erroneously presented as Available-for-sale investments. This has been re-classified as Loans and receivables in the current year. The changes to opening balances are not disclosed as not considered to be material.

Bank overdraft has been re-classified as follows;

Bank overdraft previously reported	5,071
Transferred to Cash and cash equivalents	(5,071)
Re-classified balance	-
Cash and cash equivalents previously reported	21,216
Transferred from Bank overdraft	(5,071)
Re-classified balance	**16,145**

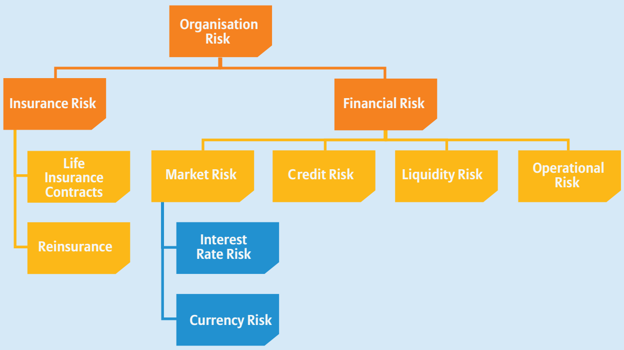
A book overdraft had been previously reported as a liability in the Statement of Financial Position. However, the amount has been re-classified as cash and cash equivalents considering the nature and substance.

Notes to the Financial Statements *(Contd.)*

30.Risk management

Introduction and Overview

As an insurer, the Company is exposed to multiple risks and the following chart shows all those risks.



This note presents information about Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks, and the manner in which the Company manages its capital.

Risk Management

As an insurance company, acceptance and active management of risks are core competencies of Allianz. This implies that the major mission for risk management is adequate risk steering, as opposed to mere risk avoidance or minimization. Risk management therefore is an integral part of the management and control system, ensuring the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management, including the efficient allocation of capital and the optimisation of key performance measures through consistent consideration of risk-return implications.

Risk management framework

The key elements of the risk management framework are:

- Promotion of a strong risk management culture supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the company to protect the capital base and to support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

The Company's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows the Company to detect potential deviations from the predetermined risk tolerance level at an early stage.

The four primary components of the Risk Management framework include:

Risk underwriting and identification:

A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, and strategic or tactical asset allocation. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Risk reporting and monitoring:

A comprehensive qualitative and quantitative risk reporting and monitoring framework provides transparency and risk indicators to senior management on the overall risk profile and whether it falls within delegated limits and authorities.

Risk Strategy and risk Appetite:

The risk strategy clearly defines the Company's risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within the risk tolerance.

Notes to the Financial Statements *(Contd.)*

Communication and transparency:

A transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial objectives, including failure to exploit opportunities. The management has the overall responsibility for the establishment and oversight of the Company's risk management framework and thus, their approval is necessary for the risk management strategy and risk policies pertaining to all activities of the Company.

The Company has a Risk Management Team and the members are proposed by the Company's CEO. Its existence is a requirement of the Allianz Group Risk Policy. The main responsibilities of the Risk Management Committee include:

- Promoting the Allianz risk culture and developing risk management talent for the Company.
- Pre-approving the Company's risk management policy, risk strategy/appetite and carrying out reviews to ensure alignment with local regulatory and Allianz Group requirements.
- Monitoring the approved risk tolerance and exposures to individual risks.
- Determine management actions for non-compliance of risk owners to limits or the risk policy.
- Request, follow-up and assess contingency and action plans in case of (imminent) limit breaches. Review the risk management function's effectiveness and development in the context of regulatory and Allianz Group requirements.
- Report to the Allianz Asia Pacific Risk Management team on a quarterly basis and escalate material issues to the Board of Directors.

During the year 2014, the RiCo held three meetings with the main item on the agenda being an update by the Chief Risk Officer (CRO) on the Company's Top Risks and the status of the mitigation plans. In addition, any identified new risks faced by the Company as a result of new product launches and changes in the economic or regulatory environment, such as the implementation of the proposed Risk Based Capital (RBC) framework were also addressed.

a. Capital management objectives, policies and approach

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

- Meet regulatory solvency requirements and the internal threshold set by Allianz Asia Pacific, thereby providing a degree of security to policyholders.
- Efficient allocation of capital to support business development by ensuring that returns on capital employed meet the requirements of shareholder and policyholders.
- Financial flexibility by maintaining a strong liquidity position.
- Alignment of asset and liability profiles by minimizing asset-liability duration mismatches.
- Maintain financial strength to support business growth and to satisfy the requirements of the policyholders, regulators and other stakeholders.

The operations of the Company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. Solvency Margin, Approved Assets Requirements of IBSL) to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as they arise.

The Company has been in compliance with all these regulatory requirements throughout the financial year to the best of our knowledge.

The Company maintains its capital well above the minimum regulatory requirements of the IBSL. (The Company has a Stated Capital of Rs. 592.6 million whereas the current minimum capital requirement is only Rs. 100 million).

b. Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. The capital requirements are routinely forecasted on a periodic basis by the management. The solvency margins are calculated on a monthly basis and shared with the management.

c. Regulatory framework

The insurance regulator of the Country, the Insurance Board of Sri Lanka (IBSL) is primarily interested in protecting the rights of policyholders and monitors the Company closely to ensure that it is satisfactorily managing affairs for the benefit of policyholders. At the same time, they are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks, natural disasters, etc.

Thus, the operations of the Company are subject to regulatory requirements of the IBSL as well as various other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue etc. The Company is also regulated by the Companies Act No. 07 of 2007.

The Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 requires insurance companies carrying on the business of both long term insurance business and general insurance business to segregate themselves into two separate companies by the year 2015. Company has already adhered to the upcoming major regulatory requirement by IBSL.

In addition IBSL has decided to implement a Risk Based Capital (RBC) framework in Sri Lanka to monitor insurance companies in the country, replacing the existing solvency regime. The deadline given by the IBSL for implementation of RBC is January 2016. It is believed that the Company has made considerable progress towards RBC implementation over the last two years and the compulsory parallel run has been commenced from the year 2014 onwards. Moreover, it is strongly believed that the Company can implement RBC requirements without any significant concerns, by the due date.

30.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–

term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

30.1.1 Life insurance contract

a. Product design risk

Life Insurance contracts offered by the Company include Universal Life, Unit Linked, MRTA and group plans. Under universal life and Unit linked plan, the Company offers single and regular products. Universal Life plan and Unit Link plan products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. The Universal Life and Unit Linked Plan acquire a surrender value upon completion of three years. The Company also had single premium product (MRTA) to protect the family from the burden of the payment of the loan in case of death of loanee.

Unit linked products have been designed in order to reduce much of the market and credit risks associated with traditional products. Under unit linked contracts those risks are largely passed on to the policyholder, although a portion of the Company's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease. Unit linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are mitigated by explicit mortality and morbidity charges.

The main risks that the Company is exposed to under product design risk are as follows:

Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected
Investment return risk	Risk of loss arising from actual returns being different from expected
Expense risk	Risk of loss arising from the expense experience being different from expected
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

b. Underwriting and expense over-run risk

The Company's underwriting strategy focuses on ensuring risk diversification with regard to type of risks and level of insured benefits. The following measures are in place to mitigate underwriting risks;

- A Customer Need Analysis is conducted and a Risk Assessment is in place (for unit-linked product) to ensure the most appropriate policy is sold.
- Input on terms and conditions and product pricing is obtained from in-house Actuarial Team, Appointed Actuary, Allianz Asia Pacific Actuarial team, Chief Risk Officer and Local Compliance Officer to ensure new products are adequately priced.
- In-house Actuarial Team provides periodic management information to review Life insurance products to facilitate decision-making.
- Only registered laboratories are used to obtain medical reports.
- Focused product and sales training is provided in English, Sinhala and Tamil by the in-house training department to Insurance advisors.
- Financial Authority limits are in place and have been incorporated in the core insurance system.

c. Claims risk

This risk arises due to the frequency of claims from life insurance contracts exceeding the level incorporated in pricing the products. The following measures are in place to mitigate claims risk;

- In-house Actuarial team carries out valuation of Life liabilities on an annual basis, which is approved by Appointed Actuary.
- In-house Actuarial team reviews reserving on a monthly basis and provides information and guidance to management.
- Claims are reserved immediately at initiation or on the availability of information of the death or injury of an insured.
- Financial authority limits are set based on the Claims limits with the maximum limits provided to the CEO, Senior Manager – Life and Chief Financial Officer. Financial limits are reviewed on an annual basis and quarterly audits are conducted to ensure compliance.

Valuation of liabilities for the Long term business is predominantly based on Fund reserve, sterling reserves, reserves for claims incurred but not reported and unearned premium reserves.

- The sterling reserves are the non-fund related liabilities and is calculated based on the A67-70 mortality table.
- The unearned premium reserves are derived based on the monthly risk premiums received before the valuation date in order to provide the insurance coverage after the valuation date.
- Reserves for claims incurred but not reported as of the valuation date is calculated based on the analysis on the claims payment patterns in the past (speed of settlement).
- Discounting – discounting rate is derived based on the IBSL guidelines provided under regulation of insurance industry act no.43 of 2000 as amended by act no. 27 of 2007 & act no. 03 of 2011 for long term insurance business.
- Additional contingency reserves are set

aside in order to allow for operational risks and for any data omissions & errors.

30.1.2 Reinsurance risk

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both Quota Share and surplus programmes which is taken out to reduce the overall exposure of the Company to certain classes of business.

Premium ceded to the reinsurers is in accordance with the terms on the programmes already agreed based on the risks written by the insurance companies. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company.

Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.The Company uses Allianz SE and Munich Re as its reinsurance providers. The following table shows the credit ratings of the reinsurance companies with whom the Company has arrangements;

Reinsurer	Rating		Rating Agency
	2014	2013	
Allianz SE	AA	AA	Standard &Poor's
Munich Re	AA-	AA-	Standard &Poor's

30.2. Financial risk

30.2.1 Credit risk

The tables below set out information about the credit quality of financial investments.

As at 31st December 2014

Financial Instruments	Government Guaranteed Rs'000	AAA Rs'000	AA+ Rs'000	AA- Rs'000	Unrated Rs'000	TOTAL Rs'000
Available for Sale						
Government securities	901,617	-	-	-	-	901,617
Unit trust	-	-	-	-	28,724	28,724
Debentures			11,035	19,433	-	30,468
Loans and receivables						
Fixed deposits	-	76,723	33,324	64,038	-	174,085
Repo	51,500	-	-	-	-	51,500
Total	**953,117**	**76,723**	**44,359**	**83,471**	**28,724**	**1,186,394**

As at 31st December 2013

Financial Instruments	Government Guaranteed Rs'000	AAA Rs'000	AA+ Rs'000	AA- Rs'000	unrated Rs'000	TOTAL Rs'000
Available-for-sale						
Government securities	621,041	-	-	-	-	621,041
Unit trust	-	-	-	-	20,000	20,000
Debentures	-	-	9,618	9,879	-	19,497
Loans and receivables						
Fixed deposits	-	111,134	22,444	61,476	-	195,054
Repo	53,000	-	-	-	-	53,000
Total	**674,041**	**111,134**	**32,062**	**71,355**	**20,000**	**908,592**

**Ratings represent the local ratings given by Fitch Ratings Lanka Limited and/or Lanka Rating Agency Limited.

The table below set out information regarding the credit risk exposure on other financial assets of the Company as at 31st December by classifying assets according to their due period.

31st December 2014	< 180 days Rs.000	180 to 365 days Rs.000	365 < days Rs.000	Total Rs.000
Reinsurance receivable	37,680	-	-	37,680
Premium receivables	15,056	-	-	15,056
Total	52,736	-	-	52,736
% Distribution	100%			

31st December 2013	< 180 days Rs.000	180 to 365 days Rs.000	365 < days Rs.000	Total Rs.000
Reinsurance receivable	15,988	-	-	15,988
Premium receivables	7,695	-	-	7,695
Total	23,683	-	-	23,683
% Distribution	100%			

30.2.2.Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The table below summarises the maturity profile of the financial assets of the Company based on their market value. The Company maintains a portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. Some of the specific actions by the Company to mitigate the liquidity risk include;

- assets are categorised into different tiers based on liquidity and a minimum allocation to each tier has been specified in the Company's Investment Policy Statement.
- cash outflows identified in advance are matched through short term deposits.

Maturity analysis of financial assets – 2014

	Less than 1 year Rs. '000	1-3 years Rs. '000	More than 3 years Rs. '000	Carrying value Rs. '000
Available-for-sale				
Treasury bonds	19,547	123,551	680,453	823,551
Treasury bills	78,066	-	-	78,066
Unit Trust	-	-	28,724	28,724
Debentures	11,035	-	19,433	30,468
Loans and receivables				
Fixed deposits	99,018	-	75,067	174,085
Repo	51,500	-	-	51,500
Total	**259,166**	**123,551**	**803,677**	**1,186,394**

Maturity analysis of financial assets – 2013

	Less than 1 year Rs. '000	1-3 years Rs. '000	More than 3 years Rs. '000	Carrying value Rs. '000
Available-for-sale				
Treasury bonds	-	169,981	420,179	590,160
Treasury bills	30,881	-	-	30,881
Unit Trust	-	20,000	-	20,000
Debentures	-	9,618	9,879	19,497
Loans and receivables				
Fixed deposits	-	122,865	72,189	195,054
Repo	53,000	-	-	53,000
Total	**80,881**	**322,464**	**502,247**	**908,592**

The maturity analysis of financial liabilities is not disclosed due to non-availability of maturity data.

Operational risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Company's risk management team assesses all foreseeable risk involved in its operation and they develop and implement action plan to control those identified operational risk. These action plans recommended by the team is to manage the operational risk in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorisation of transactions;

- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- Risk mitigation, including insurance where this is cost effective.

Compliance with recommended action plans are supported by a periodic reviews undertaken by Senior Manager Risk & Control and Compliance Officer. The results of internal reviews are discussed frequently and necessary actions are taken.

Moreover, business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

30.3. Financial assets and liabilities

30.3.1 Fair value hierarchy for assets carried at fair value.

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

As at 31st December 2014	Level 1	Level 2	Level 3	Total market value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available-for-sale				
- Treasury bonds	823,551	-	-	823,551
- Treasury bills	78,066	-	-	78,066
- Debentures	30,468	-	-	30,468
- Unit trust	-	-	28,724	28,724
Total	**932,085**	**-**	**28,724**	**960,809**
As at 31st December 2013	Level 1	Level 2	Level 3	Total market value
Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Available-for-sale				
- Treasury bonds	590,160	-	-	590,160
- Treasury bills	30,881	-	-	30,881
- Debentures	19,497	-	-	19,497
- Unit trusts	-	-	20,000	20,000
Total	**640,538**	**-**	**20,000**	**660,538**

30.3.2 Assets / liabilities not carried at fair value

The Company does not anticipate the fair value of the below to be significantly different to their carrying values and considers the impact as not material for the disclosure.

Carrying value (Rs. '000)	2014	2013
Loans & receivables		
Fixed deposit	174,085	195,054
Repo	51,500	53,000
Premium receivable	15,056	7,695
Reinsurance receivable	37,680	15,988
Total	**278,321**	**271,737**
Liabilities	43,868	22,646
Reinsurance liability	**43,868**	**22,646**

Ten Year Summary

ALLIANZ INSURANCE LANKA LTD

Statement of Income	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000
Gross Written Premium	2,923,611	2,104,591	1,521,463	1,501,300	1,469,538	1,174,822	601,103	414,017	300,949	75,402
Net Earned Premium	1,421,993	684,309	435,561	336,747	293,436	265,074	115,236	52,771	24,922	6,775
Income from Investments and Other Income	144,574	158,297	127,498	105,454	95,379	95,709	45,640	21,199	11,394	3,996
Insurance Claims and Benefits (net)	(1,109,326)	(317,839)	(163,837)	(139,168)	(172,754)	(150,698)	(59,178)	(33,219)	(18,239)	(7,503)
Underwriting and Net Acquisition										
Cost/Income (Including Reinsurance)	101,576	121,337	163,639	151,610	115,060	88,096	66,090	50,006	19,293	4,340
Expenses	(545,298)	(396,876)	(251,962)	(173,452)	(109,816)	(139,869)	(80,854)	(37,549)	(22,503)	(16,508)
Profit Before taxation	13,518	249,228	310,899	281,191	221,305	158,312	86,934	53,207	14,867	(8,900)
Income Tax Expenses	8,130	(55,567)	(81,382)	(46,594)	(53,996)	(38,646)	(14,190)	(3,669)	(2,105)	-
Net Profit For The Year	21,648	193,661	229,592	234,597	167,309	119,666	72,744	49,538	12,762	(8,900)
Balance Sheet										
Assets										
Investments	1,294,635	1,129,579	1,098,551	943,206	828,458	656,207	347,368	151,914	93,338	55,618
Property, Plant and Equipment	100,924	63,563	34,999	19,020	26,330	31,988	22,963	2,287	3,708	4,773
Intangible Assets	48,150	46,884	24,870	10,122	11,233	19,453	9,802	-	-	-
Reinsurance Receivables	472,646	463,164	261,048	341,143	296,505	125,480	133,939	104,561	75,308	12,948
Premium Receivables	1,202,145	897,033	451,657	379,805	334,602	130,678	104,593	76,520	57,937	24,939
Other Assets	81,516	60,187	55,070	77,072	95,316	111,342	23,680	4,022	2,148	2,485
Deferred Tax assets	19,553	8,906	7,616	5,060	3,183	7,124	2,884	3,273	-	-
Cash and Cash Equivalents	44,865	57,899	56,250	18,485	19,827	23,172	54,804	43,618	31,000	7,861
Total Assets	3,264,434	2,727,215	1,970,061	1,793,914	1,615,454	1,105,444	700,033	386,195	263,488	108,624
Liabilities and Shareholders' Equity										
Liabilities										
Insurance Provision-General	1,515,196	1,130,653	529,878	468,653	520,252	315,105	238,503	146,349	112,811	24,587
Reinsurance Creditors	574,178	451,752	469,908	535,829	336,200	240,657	86,537	88,505	56,121	19,734
Employee Benefits	8,573	8,169	5,890	4,112	4,899	2,856	966	567	355	126
Other Liabilities	216,202	198,155	168,117	91,037	105,524	107,535	46,881	28,954	19,043	15,575
Bank Overdraft	53,419	62,976	15,983	22,540	28,457	7,345	14,866	3,409	6,285	-
Total Liabilities	2,367567	1,851,705	1,189,776	1,122,171	995,332	673,498	387,753	267,784	194,615	60,022
Shareholders' Equity										
Stated Capital	500,000	250,000	250,000	250,000	250,000	250,000	188,635	67,510	67,510	60,001
Revenue Reserves	390,118	616,707	534,706	430,243	349,446	181,946	123,645	50,901	1,363	(11,399)
Fair Value Reserve	6,749	8,803	(4,421)	(8,500)	20,676	-	-	-	-	-
Total Shareholders' Equity	396,867	875,510	780,285	671,743	620,122	431,946	312,280	118,411	68,873	48,602
Total Liabilities and Shareholders' Equity	3,264,434	2,727,215	1,970,061	1,793,914	1,615,454	1,105,444	700,033	386,195	263,488	108,624

Seven Year Summary

ALLIANZ LIFE INSURANCE LANKA LTD

Statement of Income	2014	2013	2012	2011	2010	2009	2008
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Gross Written Premium	838,326	828,790	532,141	351,299	204,814	101,816	4,013
Net Earned Premium	783,018	784,600	497,452	329,558	192,569	94,322	3,840
Income from Investments and Other Income	125,236	78,931	52,753	31,087	30,092	33,819	22,331
Insurance Claims and Benefits (net)	(38,562)	(23,316)	(15,877)	(12,612)	(5,715)	(3,283)	-
Net Acquisition Cost	(154,947)	(170,131)	(152,276)	(111,814)	(81,149)	(48,014)	(1,849)
Increase in Life Insurance Provision	(384,958)	(335,881)	(191,674)	(112,933)	(58,289)	(7,317)	(684)
Expenses	(425,363)	(373,730)	(249,964)	(181,792)	(201,486)	(145,243)	(33,289)
Profit before Taxation	(95,576)	(39,527)	(59,587)	(58,506)	(123,978)	(75,716)	(9,651)
Income Tax Expenses	24,523	-	-	-	-	-	-
Net Profit for the Year	(71,053)	(39,527)	(59,587)	(58,506)	(123,978)	(75,716)	(9,651)
Balance Sheet							
Assets							
Investments Non Unit Linked	1,186,394	908,592	523,259	393,807	221,193	189,150	231,775
Investments Unit Linked	111,449	44,587	-	-	-	-	-
Property, Plant and Equipment	24,045	25,637	25,635	25,065	23,787	18,147	6,210
Intangible Assets	1,209	1,653	3,128	4,738	-	-	-
Reinsurance Receivables	37,680	15,988	13,389	10,710	3,108	2,376	-
Other Assets	82,220	59,335	37,722	34,936	43,358	57,981	19,238
Cash & Cash Equivalents	24,973	16,145	23,039	15,778	8,351	5,849	2,522
Total Assets	1,467,970	1,071,937	626,172	485,034	299,797	273,503	259,745
Liabilities and Shareholders' Equity							
Liabilities							
Insurance Provision-Non Unit Linked	980,303	662,191	370,897	179,223	66,290	8,001	684
Insurance Provision-Unit Linked	111,433	44,587	-	-	-	-	-
Reinsurance Creditors	43,868	22,646	18,277	10,645	7,252	5,098	937
Other Liabilities	99,622	77,237	75,856	69,803	65,481	93,179	17,776
Employee Benefits	3,980	3,318	1,602	1,254	820	508	-
Bank Overdraft	-	-	4,436	2,629	1,865	2,085	-
Total Liabilities	1,239,206	809,979	471,068	263,554	141,711	108,871	19,397
Shareholders' Equity							
Stated Capital	592,624	592,624	492,499	492,499	349,999	249,999	249,999
Revenue Reserves	(428,897)	(358,121)	(318,132)	(258,935)	(200,429)	(85,367)	(9,651)
Fair Value Reserve	65,037	27,456	(19,263)	(12,084)			
Total Shareholders' Equity	228,764	261,958	155,105	221,480	158,086	164,632	240,348
Total Liabilities and Shareholders' Equity	1,467,970	1,071,937	626,172	485,034	(299,797)	273,503	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 certain annuities, where payments depend on the survival of an annuitant. A Life annuity is a contract that provides a regular payment, typically monthly, during the 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 policyholder 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 that have occurred by the balance sheet date but have not been reported to the insurer at that date.

Claims outstanding – Non Life Insurance Business
The amount provided to cover the estimated ultimate cost of settling claims arising out of events that 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 that 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.

Glossary of Insurance Terms *(Contd.)*

Crediting Rate
This is the interest rate declared to the policyholder by the company at the end of every year, based on the investment performance of the policyholder's fund.

Deferred Acquisition Costs – Non Life 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 that are carried forward from one accounting period to subsequent accounting periods.

Non Life Insurance Business
Insurance (including reinsurance) business falling within the classes of insurance specified as Non Life 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 the claims payments will fall due.

Insurance Provision – Non Life
This usually relates to the proportion of net written premiums relating to periods of risk after the accounting date, that 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 Asset Value
The value of all tangible and intangible assets of a company minus its liabilities. It reflects a company's fundamental value.

Net Combined Ratio – Non Life 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 Non Life 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 policyholder is not entitled to a share of the company's profits and surplus, but entitled to receive benefits based on the contractual agreement.

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

Glossary of Insurance Terms *(Contd.)*

insurance policy (private individual, firm or organisation).

Proportional Reinsurance
A form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer, and the reinsurer is allocated a corresponding share of the premiums and claims.

Provision for Outstanding Claims
Provision for claims that have already been incurred at the balance sheet date but have either not yet been reported or not yet been fully settled.

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.

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 - Non Life
The difference between the value of assets and value of liabilities required to be maintained by the insurer who carries on Non Life 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 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 Insurance).

Technical Provisions
Uncertain liabilities directly connected with insurance business, made to ensure that obligations under insurance contracts can always be met.

Underwriter
A member of an insurance company who acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk transfer solutions and their job is to develop products that best reflect the characteristics of the risks and clients' needs.

Underwriting Profit
The underwriting result generated by transacting Non Life insurance business without taking into account the investment income.

Ultimate Loss
As calculated at the end of the calendar year under consideration, the ultimate loss for an accident year indicates the estimated aggregate claims expenditure that will have to be paid to finally settle the claim(s). It comprises the claims payments already made for the accident year in question and the remaining claims reserve posted for payments in future years. Since claims reserves are based on estimates, the ultimate loss changes from one calendar year to the next. Reference may therefore also be made to the ultimate loss position or the ultimate loss estimate.

Written Premium – Non Life Insurance Business
Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis

Glossary of Insurance Terms *(Contd.)*

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.

Unexpired Risk Reserve

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

Unit-Linked Life Insurance

A type of Life insurance with a savings component where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

Written Premium - Life Insurance Business

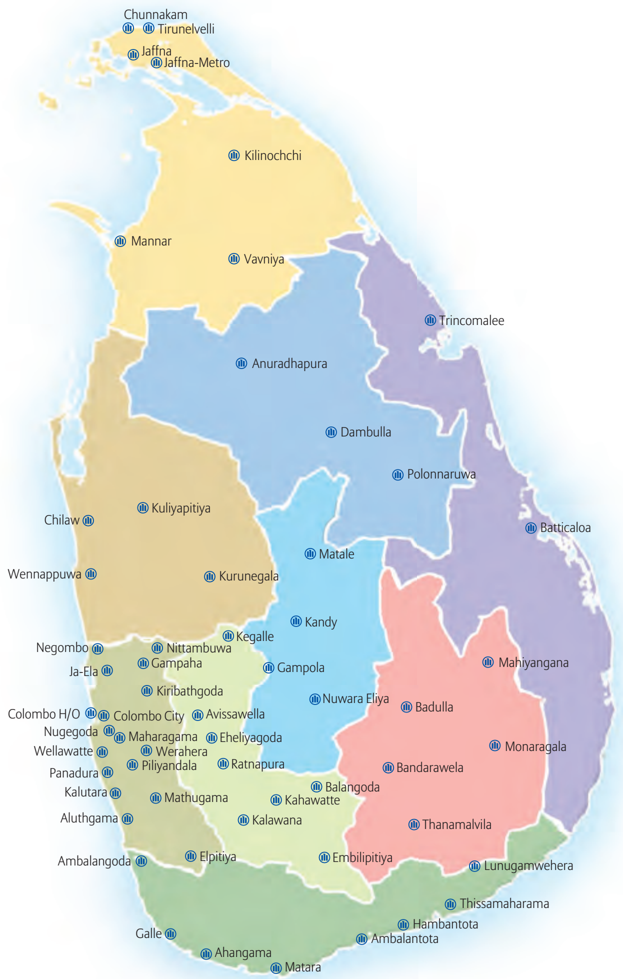
Premiums to which the insurer is contractually entitled, and received in the accounting period.

Corporate Information

		Allianz Insurance Lanka Ltd.	Allianz Life Insurance Lanka Ltd.
Company Name	-	**Allianz Insurance Lanka Ltd.**	**Allianz Life Insurance Lanka Ltd.**
Legal Form	-	A public limited liability company incorporated as Allianz Insurance Company Lanka ltd., on 20 January 2004 under the Companies Act No. 17 of 1982 in Sri Lanka. The company was re-registered as Allianz Insurance Lanka Ltd., under the Companies Act No. 7 of 2007.	A public 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	-
Board of Directors	-	Heinz Dollberg Surekha Alles Rangam Bir	Heinz Dollberg Surekha Alles Rangam Bir
Auditors	-	KPMG (Chartered Accountants), 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.	KPMG (Chartered Accountants), 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.
Consultant Actuaries	-	NMG Consulting 65 Chulia Street, #37-07/08, OCBC Centre, 049513 Singapore.	Catalin Jumanca Allianz SE, GLH Acturial, Konuginstr 28 Germany
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 Sampath Bank PLC Commercial bank of Ceylon PLC Nations Trust Bank Peoples Bank Nations Development Bank Seylan Bank	Deutsche Bank AG Standard Chartered Bank Commercial Bank of Ceylon PLC. Sampath Bank PLC National Development Bank PLC Bank Of Ceylon Hatton National Bank Nations Trust Bank
Registered Office	-	No. 46/10 Navam Mawatha, Colombo 2.	3A/B, Valiant Towers, 46/7, Nawam Mawatha, Colombo 02.

Corporate Information *(Contd.)*

Branches



Ahangama
57/3, Matara Road, Piyadigama,
Ahangama.
Tel: 091-2282698

Aluthgama
168, Galle Road, Kaluwa Modara,
Aluthgama.
Tel: 034-2270418

Ambalangoda
21/1/1, New Road, Ambalangoda.
Tel: 091-2255895

Ambalantota
155/1, Tissa Road, Ambalantota.
Tel: 047-2225561

Anuradhapura
523/3, 1st Floor,
Maithreepala Senanayake Mw.,
Anuradhapura.
Tel: 025-2234899

Avissawella
162, 1/1, Colombo Road, Avissawella.
Tel: 036-2231840

Badulla
07, Lower King Street, Badulla.
Tel: 055-2228698

Balangoda
143/1, Barns Ratwatte Mw., Balangoda.
Tel: 045-2289422

Bandarawela
35/2, Police Kanda Road, Bandarawela.
Tel: 057-2231214

Batticaloa
140, 3/1,
Trinco Road, Batticaloa.
Tel: 065- 2228224

Chilaw
105/01/02, Colombo Road, Chilaw.
Tel: 032-2224831

Chunnakkam
133, K K S Road Chunnakam.
Tel: 032-2224831

City Office - Life
Valiant Towers Level 3A/B, 46/7,
Nawam Mawatha, Colombo 02.
Tel: 011-2303171

City Office - Non-Life
92, Glennie Street, Colombo 2.
Tel: 011-2317900

Dambulla
659 1/1, Anuradhapura Road,
Dambulla.
Tel: 066-2283088

Eheliyagoda
326, Main Street, Eheliyagoda.
Tel: 036-2257135

Elpitiya
45/1 A, Pituwala Road, Elpitiya.
Tel: 091-2290812

Embilipitiya
127/C, New Town
Embilipitiya.
Tel: 047-2261773

Galle
141, 1/1,
Colombo Road, Kaluwella, Galle.
Tel: 091-2227392

Gampaha
6/2/2/1,
Siri Kurusa Road, Gampaha.
Tel: 033-2234995

Gampola
73/1/1/2, Nuwaraeliya Road, Gampola.
Tel: 081-2351002

Ja Ela
1/17, Old Negombo Road, Ja-Ela.
Tel: 011-2240238

Jaffna
100,
Manipay Road, Jaffna.
Tel: 021-2221761

Corporate Information *(Contd.)*

Jaffna - Metro
88, Navalar Road, Jaffna.
Tel: 021-2217284

Kahawatta
173/B, Main Street, Kahawatta.
Tel: 045-2270431

Kalawana
39, Matugama Main Road,
Kalawana.
Tel: 045-2255010

Kalutara
302, Galle Road,
Kalutara.
Tel: 034-2221318

Kandy
27/3/1,
HSBC Building,
Cross Street, Kandy.
Tel: 081-2205152

Kegalle
245, Colombo Road, Kegalle.
Tel: 035-2230157

Kilinochchi
17/3, Kandy Road, Kilinochchi .
Tel: 021-2285441

Kiribathgoda
182/B, Kandy Road, Kiribathgoda.
Tel: 011-2907825

Kuliyapitiya
262,1/1 The Finance Building,
Madampe Road, Kuliyapitiya.
Tel: 037-2283470

Kurunegala
174, Negombo
Road, Kurunegala.
Tel: 037- 2230505

Lunugamvehera
7, New Town, Lunugamvehera.
Tel: 044-72238085

Maharagama
237/1, Highlevel Road,
Maharagama.
Tel: 011-2088732

Mahiyanganaya
25, Super Market, Mahiyanganaya.
Tel: 055-2258519

Mannar
07, Hospital Road, Mannar.
Tel: 023-2251630

Matale
17/1/1, Kandy Road, Matale.
Tel: 066-2230140

Matara
31/1, Anagarika Dharmapala Mw.,
Matara.
Tel: 041- 2234583

Mathugama
121, Agalawatta Road,
Mathugama.
Tel: 034-2248432

Monaragala
238, Wellawaya Road, Monaragala.
Tel: 055-2055449

Negombo
51, Galison Road, Negombo.
Tel: 031-2228455

Nittambuwa
0087/1/B,
Kandy Road, Nittambuwa.
Tel: 033-2246142

Nugegoda
331 A,
Highlevel Road, Nugegoda.
Tel: 011-2819519

Nuwara Eliya
28, Kandy Road, Nuwara Eliya.
Tel: 052-2224018

Panadura
229 1/2, Galle Road, Panadura.
Tel: 038-2244288

Piliyandala
60A, Wewakumbura Road,
Saranapala Mw., Piliyandala.
Tel: 011-2615820

Polonnaruwa
120, Batticaloa Road,
Polonnaruwa.
Tel: 027-2224100

Rathnapura
144, Bandaranayaka Mw.,
Rathnapura.
Tel: 045-2230520

Thanamalwila
176, Thanamalwila.
Tel: 047-2285311

Thirunelvelli
28, Palaly Road, Thirunelvelli.
Tel: 021-2212380

Tissamaharama
142/1, Hambantota Road,
Tissamaharama.
Tel: 047-2239591

Trincomalee
447/2, Dockyard Road,
Trincomalee.
Tel: 026-2226255

Vavuniya
45, 2nd Cross Street, Vavuniya.
Tel: 024- 2225473

Wellawatte
527, Galle Road, Wellawatte.
Tel: 011-2363148

Wennappuwa
28/A, Chilaw Road, Wennappuwa.
Tel: 031-2256261

Werahera
61/2, Katuwawala, Boralesgamuwa
Tel: 011-2150930

Head Office
46/10, Nawam Mawatha,
Colombo 02
Tel 011-2300400
Fax 011-2304404

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No. 46/10, Nawam Mawatha, Colombo 2, Sri Lanka. | Tel: +94 11 2300400 | Fax: +94 11 2304404 | email: info@allianz.lk | www.allianz.lk