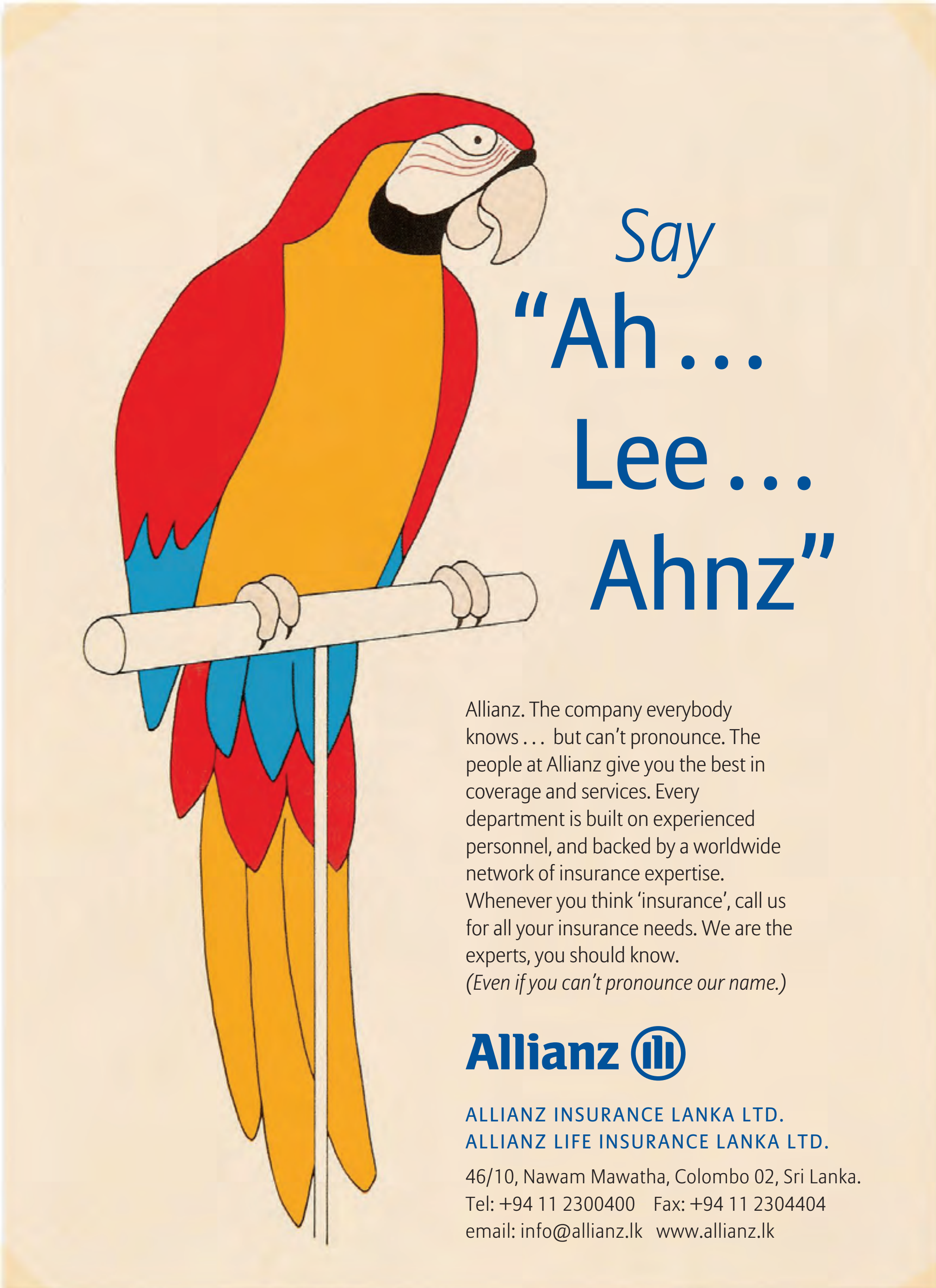
Allianz Lanka

125 years

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

Annual Report 2015

Allianz


Say
"Ah…
Lee…
Ahnz"
Allianz. The company everybody knows . . . but can't pronounce. The people at Allianz give you the best in coverage and services. Every department is built on experienced personnel, and backed by a worldwide network of insurance expertise. Whenever you think 'insurance', call us for all your insurance needs. We are the experts, you should know.
(Even if you can't pronounce our name.)
Allianz
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Content

Vision

- To be the first choice insurer for customers
- To be the preferred employer in the insurance industry
- To be the number one insurer for creating shareholder value

Mission

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

Guiding Principle

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

Core Values

We value the highest ethical standards

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

We value commitment to excellence

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

We value respect for individuals

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

Allianz SE is among the world's largest asset managers, with third-party assets under management of over euros 1,276 billion as at the fourth quarter of 2015. 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 - 200 percent in 2015 - 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.

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 142,000 employees worldwide serve over 85 million retail and corporate customers in 70 countries, who place their trust on the knowledge, global presence, financial strength and solidity of Allianz to support them in their moment of truth.

INSURANCE OPERATIONS

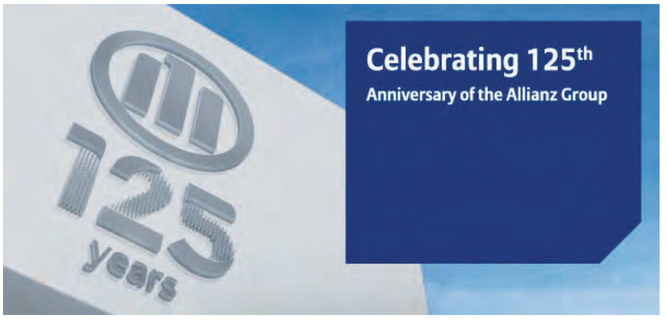
As the global leader in Property-Casualty insurance, and ranked among the Top Five in Life/Health insurance, Allianz has in its portfolio of insurance products, a wide range of Property-Casualty and Life/Health products for both private and corporate customers.

About Allianz *(Contd.)*

Allianz believes in prudent investments when it comes to ensuring the financial prosperity of our customers. We invest around 500 billion euros 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.

Celebrating 125 years



Allianz celebrated 125 years in business in 2015. A century-and-a-quarter of catering to the changing needs of our retail and corporate customers within shifting societal frameworks of the different countries we work in, has given us the experience and expertise to set concrete projections and priorities in performance as well as corporate social responsibility initiatives, well into the future.

The year 2015 was a successful one for Allianz. In step with the commemoration of its 125th anniversary, revenues reached 125.2 billion euros, the highest in its history, up 2.4 percent over the previous year's figures. Operating profit also increased, by 3.2 percent to 10.7 billion euros. Thanks to capital strength, diversification and global presence, Allianz has been extraordinarily resilient in the face of turbulence in the global economy, with an exceptionally strong solvency ratio at 200 percent as of 31 December 2015.

Allianz Lanka, too, delivered strong and steady results in increasingly challenging operating conditions. The Company's revenue reached Rs. 3,507 million, the highest in its history, up 20 percent over the previous year's figures. The Life company recorded Rs. 919 million in revenue, up 12 percent over the previous year's figures. Our business is healthy and well-diversified, which makes us confident that we will continue to deliver positive results.

About Allianz *(Contd.)*

CONSOLIDATING OUR LEADERSHIP POSITION IN 2015

The Allianz Brand

A strong brand is a valuable asset. It stands for quality, trust and resilience – attributes that remain just as relevant in the digital age as before. Allianz consolidated its position as the most valuable insurance brand in the 2015 Global 500 ranking for the second consecutive year, with intangible asset valuation consultancy Brand Finance, claiming 41st position with a brand value of $ 20,937.

Allianz also improved its position in international brand valuation firm Interbrand's yearly ranking of the world's 100 most valuable global brands as well, climbing up one notch to 54th position in 2015. This increased the global brand value of Allianz by 10 percent over its 2014 value, to $ 8.5 billion. Since Allianz entered the Interbrand ranking in 2007, it has made a huge leap from 80th to 54th position, and more than doubled its brand value from $ 4.0 billion to $ 8.5 billion. This growth momentum puts the Allianz brand on par with other industry greats like Google, Samsung and Nike.

Ratings on financial strength

Allianz continues to maintain its stability and dominance in the market with excellent financial strength ratings given by premier global rating agencies in 2015 as well. 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.

SUSTAINABILITY

As a long-term risk manager and investor, sustainability for Allianz is an integral part of business. The excellence of its corporate social sustainability performance has been recognised with top ranking positions since 2000 by RobecoSAM, which analyses a company's performance according to specific categories. 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.

About Allianz *(Contd.)*

The Dow Jones Sustainability Indices (DJSI) 2015 once again named Allianz as one of the sustainability leaders in the insurance industry. The Dow Jones Sustainability Assessment is one of the most important sustainability ratings and assesses a company's extra-financial performance in a wide range of areas from corporate governance, risk management, human rights, supply chain management, environmental footprint, human resources, to corporate citizenship and philanthropy. The DJSI exists since 1999. Allianz has been included with top ranking positions in the DJSI since 2000.

IN STEP WITH THE TIMES

The success of Allianz down the ages is due to its power to innovate. Concerns about climate change and its implications have given rise to new, alternative asset classes.

Climate action partnership

In April 2015, the Allianz outgoing CEO Michael Diekmann joined 42 CEOs from 20 economic sectors in Germany, to call on politicians to agree on an ambitious climate action programme. Allianz has integrated climate protection into its core business, and as a key move, is phasing out financing coal businesses and investing in alternate energy businesses instead.

Allianz also plans to offer greater protection from climate change to those at risk in developing countries. It is already a leading micro-insurer, offering very low cost insurance policies to 57 million people in developing countries.

Weather solutions

Allianz is also well-equipped to protect clients from the consequences of negative weather patterns. ART (Allianz Risk Transfer) Weather Solutions proactively tackles the challenges of adverse weather impacts like temperatures, precipitation, wind speed and sun hours, with creatively made weather insurance solutions that provide protection from financial losses across industries due to lowered sales or production resulting from adverse weather impacts.

Alternative energy

Alternative energy has become an international business involving major global players, and the need for reliable and comprehensive renewable energy sector insurance to support these projects is now more apparent than ever. Wind and solar power projects, in particular, are becoming larger in scale and are continuing to

About Allianz *(Contd.)*

grow, with risks keeping pace with this growth. Allianz has been one of the first global insurers to respond to this challenge, with customised renewable energy insurance solutions. 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.

In Sri Lanka, Allianz Lanka has become the industry leader in alternative energy projects, and insures over 55 percent of the wind power in the country. The Company is well positioned to understand the unique exposures for renewable energy projects, and partners with clients to identify, quantify and mitigate risk efficiently and as cost effectively as possible.

Cyber risk

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. Cyber risk is a major and fast-increasing threat to businesses, with cyber-crime alone costing the global economy approximately $445 billion a year. Allianz Global Corporate & Specialty (AGCS) examines the latest trends in cyber risk and emerging perils around the globe. Allianz published 'A Guide to Cyber Risk: Managing the Impact of Increasing Interconnectivity,' a comprehensive report that provides guidelines on managing cyber risk.

Exploring new worlds

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. Allianz SpaceCo insures 21 space launches which covers eight different types of launch vehicles from around the world.

SPONSORSHIPS

Formula 1

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 its support of Paralympic sports. The Allianz Junior Football Camp, the Allianz Golf Camp and the Junior Music Camp, in partnership with the Lang Lang

A GLOBAL PARTNER OF FORMULA 1™

About Allianz *(Contd.)*

International Music Foundation, are projects designed to foster youth in developing countries and promote inter-cultural 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, Allianz translates the safety aspects and new technologies in Formula 1 racing into everyday road safety and accident prevention strategies to improve road safety worldwide.

Allianz Arena

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, 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 to be completed in 2016.

Paralymics

Since 2006, Allianz SE has been a proud partner of the International Paralympic Committee (IPC) and from 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.

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, and in 2015, extended this partnership for a further two years to support the Para team in its preparation for the 2016 Rio Paralympic Games.

About Allianz *(Contd.)*

During 2015, Allianz Lanka continued our annual sponsorship of teenaged football enthusiasts from impoverished homes to attend junior football camps in Munich, Germany, a sponsorship begun in 2013 which will be continued annually.

'My Finance Coach'

'My Finance Coach' is another non-profit initiative founded in Munich, Germany, in 2010, which aims to improve the financial literacy of children and youth. Allianz works in partnership with over 60 companies which include Deutsche Börse AG, Deutsche Kredit Bank, KPMG, McKinsey, and Volkswagen Bank in this venture. The programme strives to instruct youth on smart money management and raises awareness about the real-life outcomes of financial decisions which will enable them to create a financially stable future for themselves. The area of financial literacy has been neglected by countries worldwide, and studies have confirmed that more and more youth struggle with debt in their daily lives.

'My Finance Coach' was brought to Sri Lankan shores in November 2013 and has since raised the financial literacy of nearly 5,000 youth in about 30 schools throughout the country. The prestigious National Chamber of Commerce (NCC) of Sri Lanka recognised Allianz Lanka for these efforts, with an award in the Best Sustainability Project category at its national awards ceremony in 2015.

As part of its commemoration of 125 in business, Allianz is increasing funding of the Allianz Environmental Foundation and the Allianz Cultural Foundation by a total of 12.5 million euros. These funds will be invested in hands-on projects in particular, with the aim of addressing inter-generational cooperation, the integration of marginal groups into society, as well as education and value-related issues.

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 on General Insurance business, underwriting operations commenced in January 2005.

Allianz Lanka has been one of the fastest growing insurers in Sri Lanka since inception, with its topline growing by more than 47% compound annual growth rate over the past 10 years. Allianz Life Insurance Lanka Ltd., too has grown by more than 44% compound annual growth rate over the seven years of operations.

About Allianz *(Contd.)*

We have achieved many 'firsts' that have redefined industry benchmarks along the way. Among these, Allianz Lanka was:

- the first Non Life insurance company to achieve Rs. 1,000,000,000 (Rs. one 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. 100,000,000 (Rs. one hundred million) gross written premium within the first year of operations

- the first and only insurance operation to comply with the statutory requirement of having two separate legal entities for Life and Non Life business

DIVERSE PRODUCTS

Engineering risks vary with diverse industries and construction projects. This specialist construction sector requires long-term partnerships and worldwide expertise for complex projects. Allianz develops high-performance solutions for the most complex and demanding industry risks, with an approach based on highly specialised engineering and construction expertise backed by the underwriting excellence of the Group. Allianz Lanka provides expertise to many high-profile heavy civil engineering projects, numerous solar power plants, wind power projects and electricity transmission infrastructure capacity enhancement projects, bridges and highways.





About Allianz *(Contd.)*

Another area of specialty is commercial property insurance, which is available for the simplest structure to the most complex high rise. Allianz Lanka also provides exceptional risk surveys that review exposure risk from natural as well as human catastrophes. We insure many of the local and multi-national companies as well as several apparel and fabric manufacturing companies. We also insure many upmarket condominiums, state-of-the-art high-rise buildings, international hotels and apartments. Our portfolio also includes banks. In the Maldives, Allianz Lanka insures luxury islands including the Velaa Private Island, Cheval Blanc Randheli.

MORE MILESTONES TO FOLLOW

2015 has been a milestone year, with Allianz commemorating 125 years in the insurance business. We are confident that Allianz Lanka, too will celebrate many more milestones into the future, as we continue to follow our parent company in the guiding principles of integrity, competence and resilience.

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.

125 years of history
through the evolution of the Allianz logo

A logo is a visual expression of a company's identity. The Allianz logo not only expresses what the Company stands for, but also traces the Company's evolution, from fledgling insurer in a domestic market to one of the largest financial services conglomerates in the world. The major corporate changes that have taken place over the years have a recorded significance in the Allianz logo, which was changed five times in the history of the company – in 1890, 1923, 1977, 1999 and 2006.

1890. The first Allianz logo came into being at the time the Company was founded, as Allianz Versicherungs-Aktien-Gesellschaft, by Carl Thieme, director of the Munich Reinsurance Company, and banker Wilhelm Finck. The logo forged a firm connection between the Company, it's country and cities of origin. It was designed as a complex court of arms and had the imperial eagle of the German Reich as its main image at the centre, holding in its right talon the Munich Kindl (meaning child, which is the symbol on the coat of arms of Munich city) and in its left talon, the Berlin bear (the symbol on the Berlin coat of arms). This illustrates the fact that Allianz was German by origin, founded in Munich and based in Belin. The calligraphic scripting of the company name at the centre identifies the logo with Allianz.

When Allianz offered fire protection for the first time, in 1906, the logo was inscribed on the fire insurance shield given to customers. The shield was placed at the fence or front of the insured's home to enable the fire brigade to identify the home in the event of a fire.

Allianz Fire Insurance shield

Some business highlights during the period. The first policies offered at inception were for accident and liability insurance and catered to the spread of mechanisation in the workplace, and the rising number of industrial and traffic accidents.

In 1895, Allianz stock was traded on the Berlin Stock exchange for the first time.

In 1900, the Company received the first German license, to sell plant insurance, and in 1911, the license to insure against mechanical breakdowns, a service available exclusively from Allianz until 1924. This early involvement is one reason for the Company's present undisputed position as market leader in engineering insurance.

By 1893, Allianz was exploring international markets and opened its London office that year. Offices were also opened in the Netherlands, Scandinavia, Italy, Belgium, France and the Baltic states by 1914. By the outbreak of World War 1, 20% of its premium income was from international operations.

125 years of history . . . *(Contd.)*

Birth of Allianz

After the war, like all German insurers, the Company was almost completely cut off from international markets. But just a few years later in a rise unparalleled in the history of German insurance, Allianz rose to dominate the German insurance industry and became a major global presence, expanding into all classes of insurance.

Key reasons for this success included many business innovations as well as far-sighted financial strategies introduced during the 1920s to broaden its scope. The accumulation of substantial foreign currency reserves well in advance saw to Allianz's stability and success amidst the chaos of hyperinflation in the 1920s. Allianz also introduced into the insurance business for the first time, the principles of scientific management, which increased productivity and reduced costs substantially. While other insurers still saw their role purely in terms of providing financial compensation for loss, Allianz built up an independent technical advice and loss-prevention service.

Many companies decided to merge during this period in order to seek stability in the face of hyperinflation. Allianz's merger strategy was far-sighted. The Company absorbed only companies that would fill existing gaps in its own range of services and regions served, which contrasted with the mergers made by most other companies which resulted in a mere jumble of individual companies. Allianz achieved the highest turnover of all German insurers during this time, and welded all its companies into an organic whole to create a new overall structure.

In 1922, Allianz founded Allianz Lebensversicherungsbank-AG (Allianz Life-Assurance Bank AG), which by 1927, grew into the largest Life insurance company in Europe.

1923. Allianz now wanted to be perceived externally as a strong group while preserving the uniqueness of its individual companies within. The Company changed its corporate structure and name to the Allianz Group, and launched a new logo to reflect this significant corporate change. The elements that specified location were eliminated and the revised logo became much simpler and more globally relevant. While the design retained the original eagle, the eagle became more stylised to reflect the distinctive 'Allianz eagle'. Allianz now had ownership of its own distinctive eagle. The new logo showed a single mother eagle spreading its wings in protection of three eaglets, to symbolise the holding company protecting its 'fledgling' subsidiaries. Karl Schulpig, painter and commercial artist in Berlin, who was commissioned to design the logo, experimented with it for one year before the Board was satisfied.

125 years of history . . . *(Contd.)*

ALLIANZ IN SRI LANKA

It is a little known fact that Allianz was in Sri Lanka well over half a century before the Company began business in the country in 2005, long before other insurers thought of entering the market.

The picture was taken by Mr Ruperti, Head of the Foreign Department of Allianz, who visited Sri Lanka in 1932, and shows Mr Ruperti with the staff at the agency office in Jaffna. There were eight staff at the time, managed by Mr Gnanawathy, who was designated the Chief Inspector of Allianz and whom Mr Ruperti described as, "a pillar of Allianz, who had made Allianz the insurer with the largest turnover in the district.'

Some business highlights during the period. After the stabilisation of the currency in 1923-1924, Allianz set its sights on growth in volume. Although not a recorded fact, there is evidence that Allianz has a presence even as far as South Asia. For instance, a photograph confirms that Allianz had been in Sri Lanka as far back as 1932.

In 1927, the Group merged with Stuttgarter Verein Versicherungs-AG, market leader in accident and liability insurance, the largest merger in the history of German insurance.

In 1929, Frankfurter Allgemeine Versicherungs-AG, the second-largest insurance group in Germany, collapsed, and Allianz decided to meet all of that company's obligations to its clients. With Münchener Rückversicherungs-AG, Allianz founded Neue Frankfurter Allgemeine Versicherungs-AG and performed a rescue operation that saved the entire insurance industry from a loss of public confidence and from state intervention.

In 1932, Allianz set up its first materials-and equipment-testing installation, which swiftly became a highly-reputed centre for loss research.

1949 - World War II hit Allianz hard. The head office in Berlin was completely demolished, and the partition of Germany resulted in the loss of a large part of its marketing area and several of the most successful branch offices. The seat of central management was moved to Munich in 1949, where it remains to this day.

In the mid-1950s, Allianz introduced electronic data processing and in 1956, the Board used one of Europe's earliest computers. This is an example of one of the many innovations that the Company was usually the first in the industry to introduce. At this time, the Company rapidly expanded its overseas business network and regained its leading position in the German insurance market.

125 years of history . . . *(Contd.)*

During the 1950s and 1960s, Allianz concentrated almost exclusively on the home market, with emphasis on private insurance, due to high costs from steep wage rises throughout the German economy, added to a sharp increase in the accident rate which had taken the motor insurance sector into the red. At this time, Allianz created an advertising campaign printed on matchbox covers which sold over 10 million matchboxes and made Allianz a household name in Germany. This was the first time that the Company used humour and the amusing cartoon characters become so popular that in 1959 they starred in their own animated movie. In a recent survey in Germany, the matchbox advertising campaign's "...hopefully Allianz insured" slogan was among the top ten best known slogans. The matchboxes have since become collectors' items.

***The Allianz matchbox campaign** of the 1950s and 1960s was innovative and humorous, and successfully established the Company as a household name in its home country.*

1977. Allianz kept the logo design for over half a century. But structural and strategic transformations during the 1970s called for a change in image. The 1970s heralded a revolutionary period for the logo, as the idea of corporate design came into being in this decade. The very successful matchbox advertising had reinforced the Allianz name so the new logo could not differ too much from its predecessor. A logo design competition was held and the public was invited to send in their designs. Hansjorg Dorschel's design was chosen. He modified the Allianz eagles by giving it softer contours to create a clear uniform image that was both lasting and flexible for new initiatives of the company, and added an outer circle to contain the emblem. The new logo deviated as little as possible from its accustomed shape but included more modern and friendly details in the design. A design guideline was also introduced for the first time, to ensure uniformity of the Allianz logo across media and group companies. Also for the first time, colour was considered. The logo had been in black upto now. Colour psychologies were consulted and cited, and blue was chosen as the epitome of respectability, reliability, discretion, prudence, and elegance that characterise an insurance company. Allianz slipped into this easily because it had already been using the colour blue informally in several communications.

Some business highlights during the period. Allianz reacted promptly to the increasing internationalism of German industry with the development of West Germany in the 1970s. The Company realised early that dramatic changes were taking place in industry and that an insurer active only at a national level could no

125 years of history . . . *(Contd.)*

longer meet the needs of increasingly multinational enterprises. It transformed from being a domestically-focused business to an internationally oriented insurer, and also began offering clients insurance cover for their foreign investments.

During the first phase of its overseas activities, Allianz tried to gain a foothold in foreign markets mainly by setting up new companies. The Allianz International Insurance Company Ltd. began trading in London in 1975, and similar companies were established in Spain and the Netherlands. In France the Paris Board was enlarged. In 1977 the Company ventured into the U.S. market for the first time. Interests were acquired in Argentina, Spain, and Greece, and a new company was formed in Indonesia. In collaboration with local banks, Life insurance companies were set up in Spain and Greece.

This unprecedented expansion would not have been possible without group restructuring. In 1985, Allianz re-organised as Allianz AG Holding, to reflect its size and diversity. Direct German property insurance business was transferred to a fully- owned subsidiary, Allianz Insurance AG, while the interest in Allianz Life Assurance AG and the foreign subsidiaries remained under the holding company trading as Allianz AG. This reorganisation is seen as being one of the most significant events in Allianz's history.

The Allianz matchbox campaign

In 1986, Allianz established itself in the United Kingdom with the acquisition of the Cornhill Insurance Company. Cornhill's foreign interests afforded entry into the developing East Asian market.

In 1989, Allianz demonstrated its interest in the east European market with the acquisition of Hungary's former state insurance company, Hungária Biztosító.

The late 1990s was a period of further expansion. The Company set its sights on developing its insurance business in Asia. After the Asian economic crisis of 1997, many countries in the region were more receptive to foreign investment.

In 1997, Allianz entered the Chinese life insurance market with the establishment of a joint venture with Chinese insurer Dazhong.

Transformation of the financial services sector in the 1990s propelled Allianz in new directions. In 1998, Allianz introduced asset management and banking services through establishing Allianz Asset Management GmbH, which developed asset management as an independent area of operations.

1999. Poised on the threshold of the new millennium, Allianz realised it needed to update its public image and marketing strategy to keep pace with economic developments and the company's increasing internationalisation. The logo was further simplified. All elements except the most essential components that made the bird

125 years of history . . . *(Contd.)*

recognisable were discarded. The new logo stylised the eagle even further, and was designed to depict the three business areas – insurance, retirement planning and asset management - with three parallel lines.

The Allianz matchbox campaign

This logo change was to adapt the brand to international demands, in response to the Allianz eagle which in Asian culture was seen as being archaic, bureaucratic and rigid, and in Europe, perceived as being even more negative – in France the Netherlands and Spain, the eagle was associated with national socialism. The call was to move a step further into the abstract.

A professional design agency, Koch Corporate Communications, was commissioned to revamp the 20-year- old logo. The resulting modified eagle was placed alongside an international group logo which served as a subtitle for the independent logos of the subsidiaries, and the two logos were launched in March 1999 in the Company's first international campaign, 'Power on your side'. Now Allianz symbolised the global player it had become.

Some business highlights during the period. In 2001 Allianz acquired Dresdner Bank, Germany's third largest German bank, creating Allianz Global Investors.

Allianz

2006. The Allianz Group simplified its brand strategy and replaced the logo of 1999, which was primarily designed to appeal to the capital markets, with the word-picture logo. The company's aim was to strengthen its worldwide flagship brand and safeguard its high brand value. A logo that stakeholders and a good proportion of the general public would know and recognise, would create a direct and familiar link to business areas in all markets. The logo features a custom typeface which is known as the Allianz Sans font.

In 2007, the 'Moments' campaign was launched, which featured the word-picture logo and utilised strong powerful colours alongside the traditional blue. This signified the Group's new direction while combining a modern image with a successful corporate tradition.

Some business highlights during the period. In 2006, Allianz merged with RAS Holding S.p.A. to change its legal form to a European company, known as 'Societas Europaea' (SE).

In 2008, Allianz SE sold Dresdner Bank to Commerzbank.

Today, the Allianz logo is cited as a prime example of a highly iconic and visually distinctive corporate logo.

Allianz

1890 1923 1977 1999 2006

Allianz Lanka at a Glance

NON LIFE INSURANCE

	2015	Change from previous year	2014	Change from previous year	2013	Change from previous year	2012	Change from previous year	2011	Change from previous year	2010
Income Statement											
Gross written premium (Rs. '000)	3,506,621	20%	2,923,611	39%	2,104,591	38%	1,521,463	1%	1,501,300	2%	1,469,533
Underwriting profit/(loss) after expenses (Rs. '000)	14,421	89%	(131,056)	-241%	90,931	-50%	183,401	4%	175,737	40%	125,926
Profit/(Loss) before tax (Rs. '000)	159,055	1077%	13,518	-95%	249,228	-20%	310,899	11%	281,191	27%	221,305
Balance Sheet											
Total assets (Rs. '000)	4,106,848	22%	3,363,034	23%	2,814,013	37%	2,026,825	10%	1,838,732	11%	1,651,778
Shareholders' equity (Rs. '000)	986,717	10%	896,867	2%	875,510	12%	780,285	16%	671,743	8%	620,122
Return on net assets (%)	11.04%	357%	2.41%	-89%	22.12%	-25%	29.41%	-16%	34.92%	29%	26.98%
Earnings per share (Rs.)	2.18	403%	0.43	-94%	7.75	-16%	9.18	-2%	9.38	40%	6.69

LIFE INSURANCE

	2015	Change from previous year	2014	Change from previous year	2013	Change from previous year	2012	Change from previous year	2011	Change from previous year	2010
Income Statement											
Gross written premium (Rs. '000)	919,144	12%	823,456	-1%	828,790	56%	532,141	51%	351,299	72%	204,814
Loss for the period (Rs. '000)	71,358	0%	71,053	80%	39,527	-34%	59,587	1%	58,506	-53%	123,978
Balance Sheet											
Total assets (Rs. '000)	1,947,124	33%	1,467,970	37%	1,071,937	71%	626,172	29%	485,034	62%	299,797
Investments (Rs. '000)	1,569,538	32%	1,186,394	31%	908,592	73%	523,259	29%	393,807	78%	221,193
Shareholders' equity (Rs. '000)	214,407	-6%	228,764	-13%	261,958	69%	155,104	-30%	221,480	40%	158,086

Directors' Profiles

Heinz Dollberg

Heinz Dollberg currently functions as a consultant for Allianz, following retirement from his position as Director of the Asia, Middle East and North Africa Division of Allianz SE, Munich, held from 1998 to 2011. His responsibilities in that position involved overseeing the control, market research, and negotiations of M & A acquisitions.

He joined the Allianz Group in 1978 as a Manager in their headquarters at Stuttgart. Since then, he gained extensive experience in various positions within the Allianz Group which include General Manager, International Department, Vice President, Overseas Division, Allianz Group, Munich, to name a few.

Heinz still holds memberships on the boards of Allianz Ayudhya Assurance Public Co., Ltd. (Thailand), Allianz China Life Insurance Co. Ltd., Allianz China General Insurance Co. Ltd. (China), P.T. Asuransi Allianz Life Indo and P.T. Asuransi Allianz Utama (Indonesia) as well as in Allianz companies in the Middle East. In his capacity as the Executive Vice President of Allianz, he held directorships 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., Allianz Fire and Marine Japan Ltd.

He was appointed Honorary Professor by the Southwestern University of Chengdu, a premier university of finance and economics in China, in March 2006, and by the Tongji University of Shanghai in November of that year. He holds a degree in law from the University of Freiburg, Germany, is a German citizen, and was born in Oberndorf.

Surekha Alles

Chief Executive Officer
Allianz Lanka

Surekha joined Allianz Insurance Lanka Limited at its inception, as Head of General Insurance Operations in 2005, and was appointed Chief Executive Officer one year later, in 2006. She was appointed to the Board of Allianz Insurance Lanka Limited and Allianz Life Insurance Lanka Limited in June 2010.

Surekha has about three decades of experience in the insurance industry and has held senior management positions in various areas of insurance. She is a Chartered Insurer and Fellow of the Chartered Insurance Institute, London, 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.)*

Alan David Smee

Alan David Smee is an internationally experienced insurance professional and counts among his specialties, business strategy, P&C Insurance, health Insurance, pricing strategy, underwriting, consulting and management. He has been Regional Head of Property & Casualty Asia Pacific Allianz SE, Singapore, since January 2014, where he works with regional entities to improve business performance, and holds membership on several boards in Singapore.

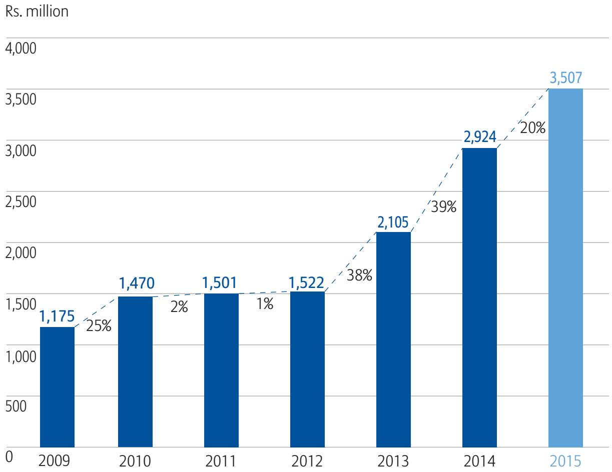
He joined Allianz in 1999 as Senior Manager, Personal Lines Research of Allianz Australia, and was with the company until 2003, after which he left Allianz for a three year stint with Ernst & Young as Director of their operation in Sydney, Australia. He rejoined Allianz in 2006 as Senior Actuary and Head of the actuarial department in the Centre of Competence (now Global P&C) Pricing & Underwriting, Allianz SE, and remained there until December 2008. He then went on to Allianz Turkey where he functioned first as Head of Retail, Non-life and later as Head of Technical from January 2009 to March 2011.

Alan has been a board member of Allianz China P&C since April 2015. He is a Fellow of the Actuaries Institute of Australia, and holds a Bachelor's degree in Economics, Actuarial Studies from Macquarie University, Australia, and a Master's degree in Applied Statistics from the same university.

Financial Overview

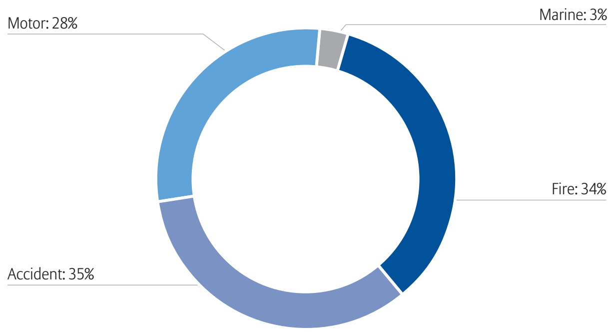
NON LIFE INSURANCE

Gross Written Premium (GWP)



The Company's GWP for the year grew by 20% to Rs. 3,507 million, which far exceeded the industry growth of 15%. Expansion in the retail business line and aggressive growth in the motor and health businesses were the key growth drivers.

Premium by Classes

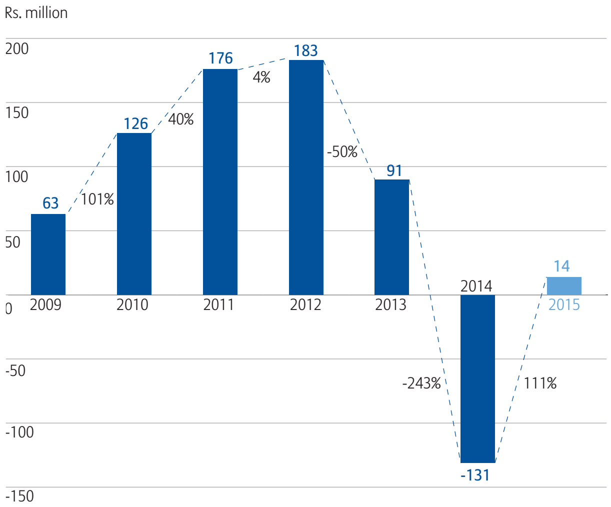


Non-motor business has always been the dominant contributor to the Company. This year, too, the contribution from non-motor business stood at 71% of total business and saw a growth of 17%.

The Company saw a moderate growth of 28% in motor business, driven by its expansion in retail business lines, and largely outperformed the industry growth of 19% during the period. The contribution to GWP from the motor class increased to 28%, from 27% in 2014 and 24% in 2013.

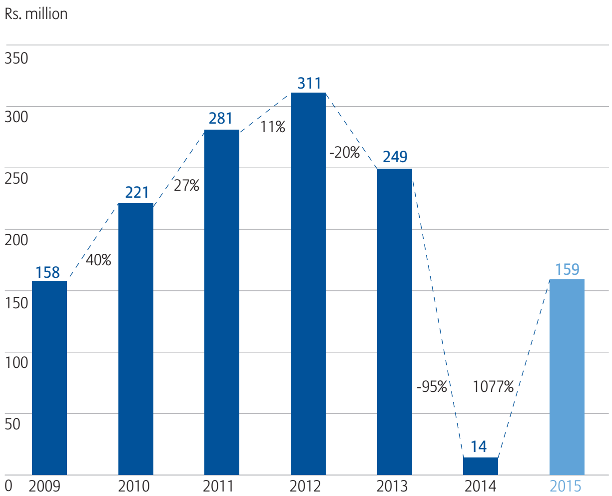
Financial Overview *(Contd.)*

Underwriting Results



The continuous growth and above industry growth in GWP resulted in a turnaround of the underwriting loss of Rs. 131 million in 2014 to an underwriting profit of Rs. 14 million in 2015, a growth of 111% when compared with 2014.

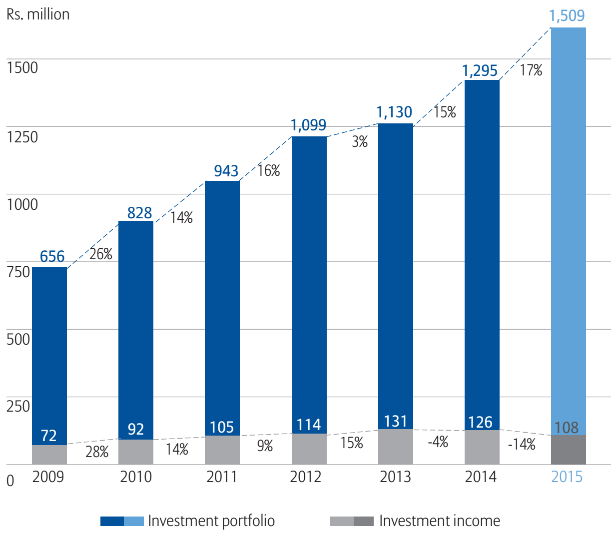
Profit Before Tax (PBT)



The Company recorded significant growth in profit before tax amounting to Rs. 159 million during the year, which is a growth of 1077% over 2014.

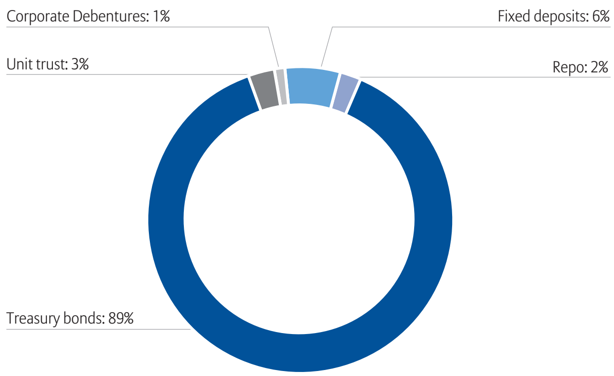
Financial Overview *(Contd.)*

Investment Portfolio



Downward revision of policy rates resulted in a reduction in investment income. The amount of investment income for 2015 is Rs. 108 million, a reduction of 14% YoY. The investment portfolio saw a healthy growth of 17% to Rs. 1,509 million in 2015. The majority of the Company's portfolio is held in government securities and fixed deposits as dictated by the Company's prudent risk strategy.

Investment Portfolio - Asset Allocation

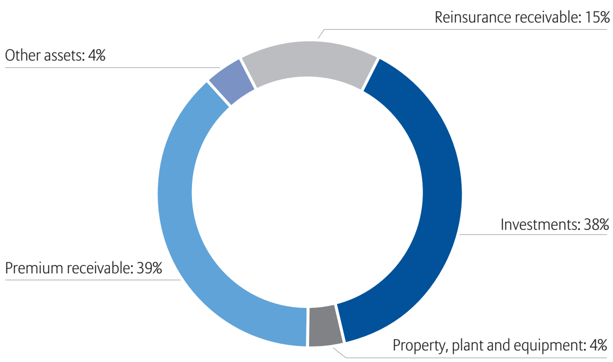


The Company's investment strategy is aligned with the guidelines set by the Allianz Group, which serve as the basis for investment decisions.

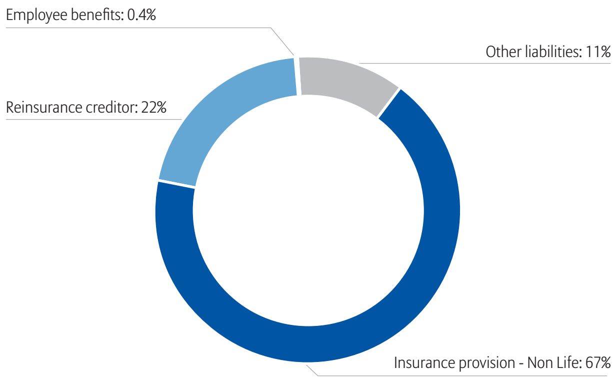
Given the unpredictable nature of the size and frequency of liability claims in the Non Life insurance industry, the Company ensures that it maintains a highly liquid portfolio. About 89% of investments are held in government securities, while most of the remaining 11% was invested in short-term fixed deposits.

Financial Overview *(Contd.)*

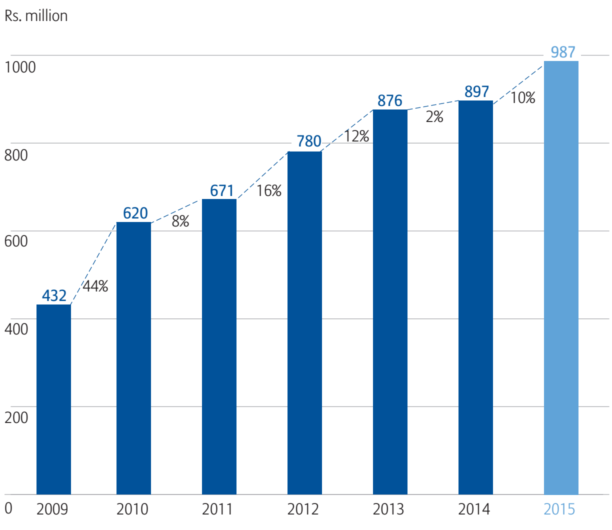
Asset Composition



Liability Composition



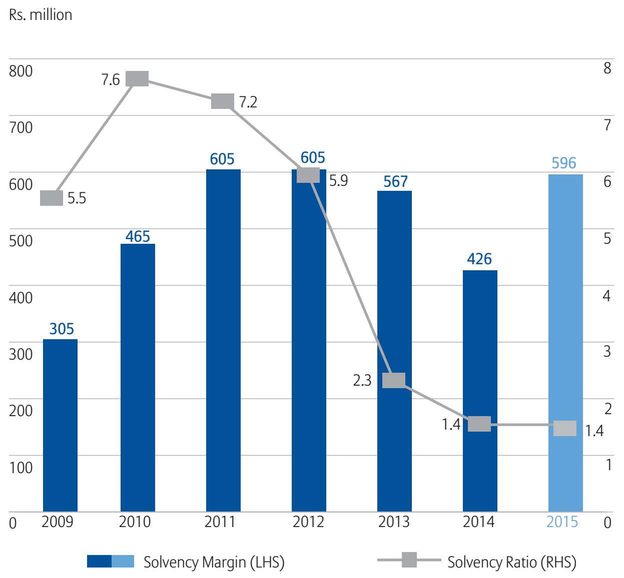
Net Assets



The net assets of the Company as at end- 2015 increased to Rs. 987 million, from Rs. 897 million in 2014, which is a growth of 10% YoY and reflected positively on underwriting results.

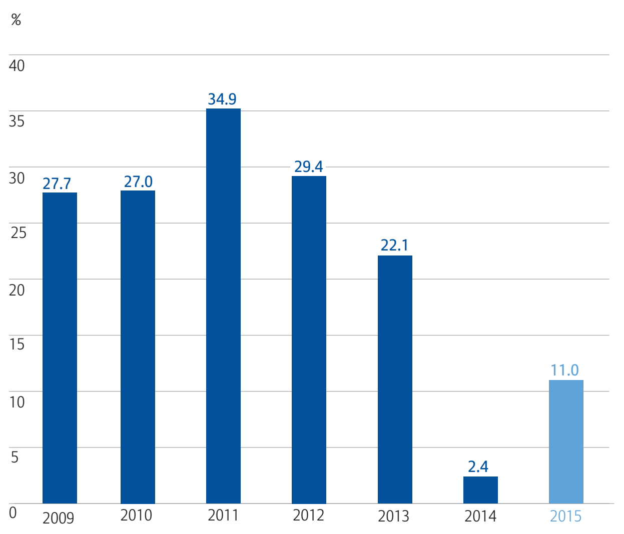
Financial Overview *(Contd.)*

Solvency Margin



The solvency margin expresses an insurer's ability to pay insurance benefits and make other payments, and is a vital measure of its financial stability. The Company's solvency margin by end - 2015 stood at 1.4, which is comfortably above the regulatory minimum.

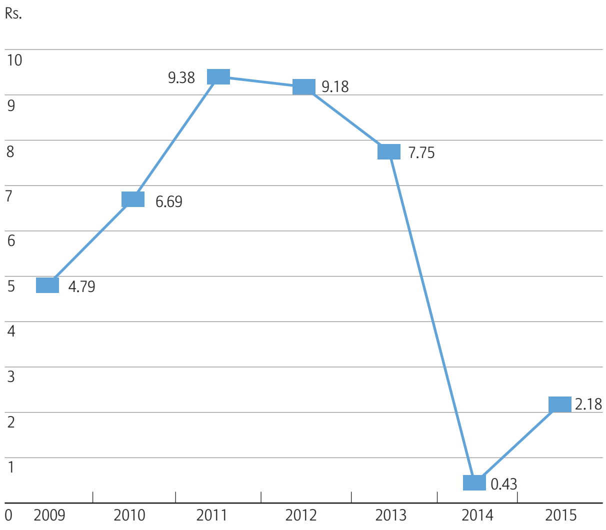
Return on Equity (ROE)



The Company's expansion activities carried out during 2013 and 2014 contributed to increases in ROE from 2.4% in 2014 to 11% in 2015. The Company expects a growth in investments which could positively contribute towards increasing share-holders' value in the long term.

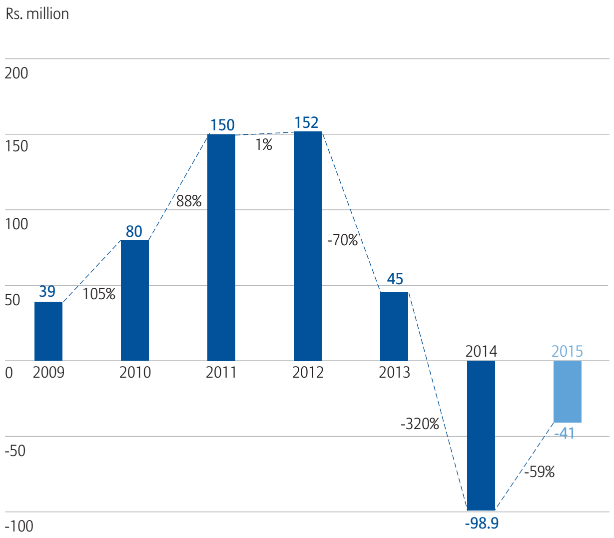
Financial Overview *(Contd.)*

Earnings per Share (EPS)



EPS increased to Rs. 2.18 in 2015, from Rs. 0.43 in 2014, due to the increase in profitability that arose from positive underwriting results.

Economic Value Added (EVA)



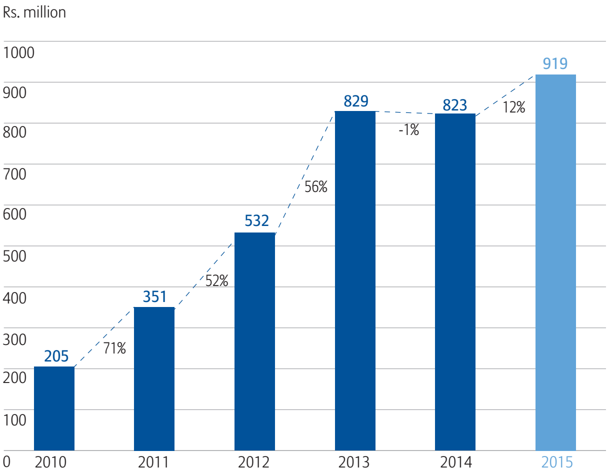
Economic Value Added (EVA) measures the profitability of the Company after taking into account the cost of invested equity. EVA improved from the negative figure of Rs. 99 million in 2014 to the negative figure of Rs. 41 million in 2015, with a lower profit margin when compared with shareholder equity.

Financial Overview *(Contd.)*

LIFE INSURANCE

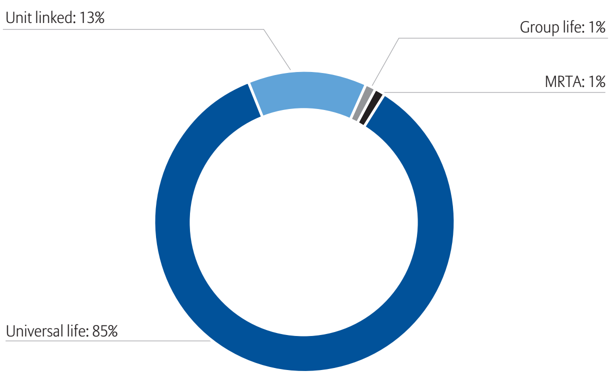
During its journey of the past eight years, the Company has grown in size and expanded its branch network while improving its financial strength. Results of the current year recorded a significant growth of 12%, which confirms the success of the strategies adopted. Furthermore, the Company has built a strong foundation to meet the future challenges of the economy and the industry. Allianz Lanka recorded a 32% growth in its Investment portfolio, 29% growth in investment income and 46% growth in the Life Fund which reached a milestone of Rs. 1.5 billion. The Company was further strengthened during the year with the infusion of Rs. 147 million in shareholder capital. The following information indicates the Company's financial stability and its potential for future growth.

Gross Written Premium (GWP)



Life Insurance premium growth in 2015 recorded 12% as a result of the strategies adopted during the last year. This is a 35% compound growth rate over the last five years.

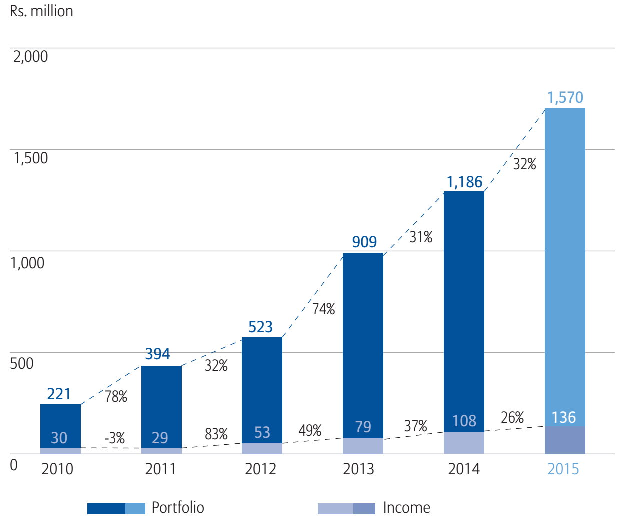
Gross Written Premium by Product



Universal Life represents 85% of the total GWP, while Unit Link grew by 47% when compared with last year's figures, which represents 13% of total GWP.

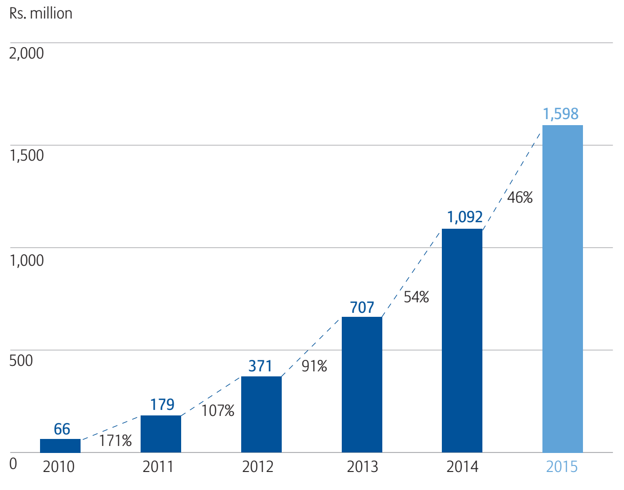
Financial Overview *(Contd.)*

Investments



The investment portfolio grew by 32% over the last two years. The Company mainly sourced funds from the capital infusion and from GWP growth. During the year, the Company was able to grow its interest income by 26%.. The Company is maximizing it's financial investments in order to increase interest income, and uses the best maturity mix with the majority of investments in government securities.

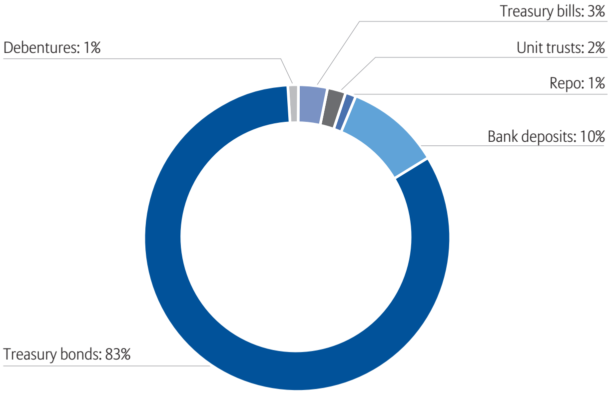
Life Fund Growth



In 2015, the Company's Life Fund reached Rs. 1.5 billion, which is a growth of 46% compared to the last year and an annual compound growth rate of 89% over the last five years. The rapid growth of the Life Fund over the years is an indicator of its strength, and the ability of the Company to fulfil its obligations to its policyholders.

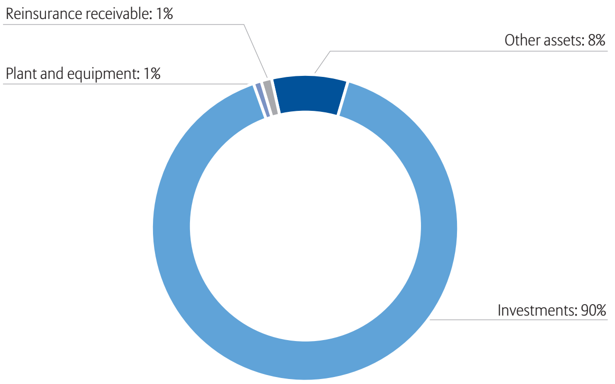
Financial Overview *(Contd.)*

Investment Portfolio - Asset Allocation

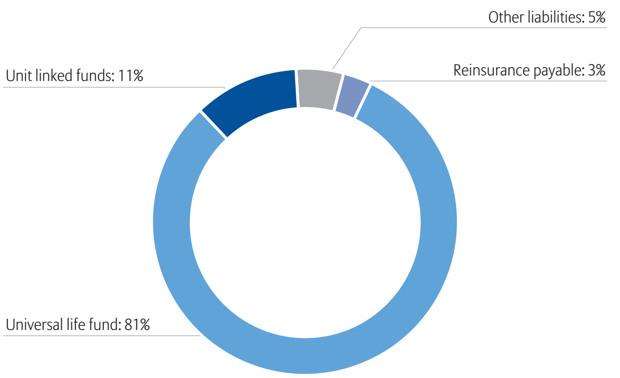


The Company's investment strategy is aligned to the guidelines of the Allianz Group, which serve as the basis for all investment decisions. The Company's objective is to maximise returns and maintain risk at optimum levels. Investment in treasury bonds is 83% of the total investment portfolio, while the second highest investment of 10% is in fixed deposits. The Company decided on the best mix of investments that would maximize returns while meeting its liquidity requirements.

Asset Composition



Liability Composition

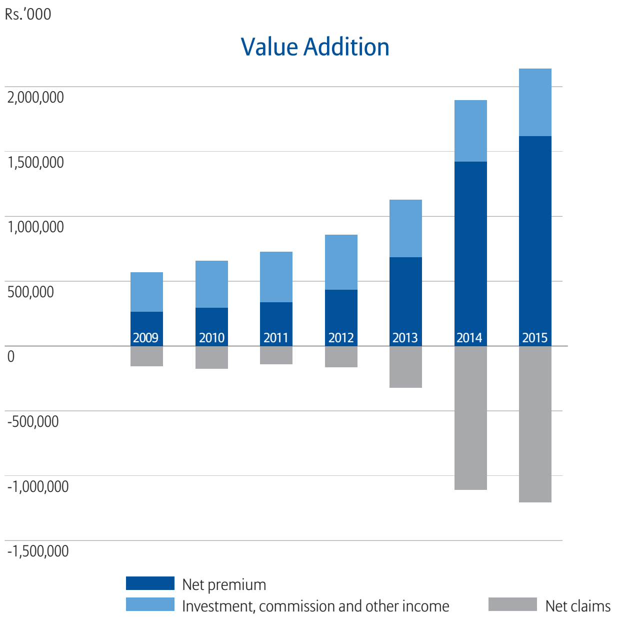


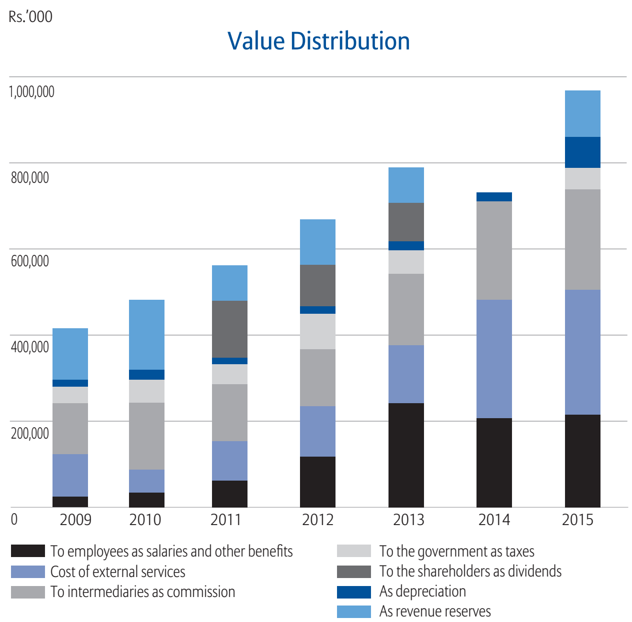
Statement of Value Added

NON LIFE INSURANCE

Value Addition	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000
Net premium	1,617,388	1,421,992	684,309	435,561	336,747	293,437
Investment, commission and other income	521,156	474,534	445,540	424,328	389,323	365,336
Net claims	(1,169,854)	(1,109,326)	(317,839)	(163,837)	(139,168)	(172,754)
Cost of external services	(290,053)	(274,238)	(134,664)	(116,399)	(91,867)	(53,152)
Total value added	**678,637**	**512,962**	**677,346**	**579,653**	**495,035**	**432,867**

Value Distribution	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
To employees as salaries and other benefits	214,845	32	207,365	40	241,366	36	117,508	20	61,575	12	34,534	8
To intermediaries as commissions	233,012	34	228,384	45	165,906	24	133,191	23	132,260	27	154,898	36
To the government as taxes	50,122	7	-	-	55,408	8	81,382	14	46,594	9	53,996	12
To the shareholders as dividends	-	-	-	-	111,250	16	125,000	22	158,333	32	-	-
Retained with the business - as depreciation	71,726	11	55,565	11	21,417	3	18,109	3	14,748	3	22,130	5
- as revenue reserves	108,931	16	21,648	4	81,999	12	104,463	18	81,525	16	167,309	39
Total value distributed	**678,637**	**100**	**512,962**	**100**	**677,346**	**100**	**579,653**	**100**	**495,035**	**100**	**432,867**	**100**



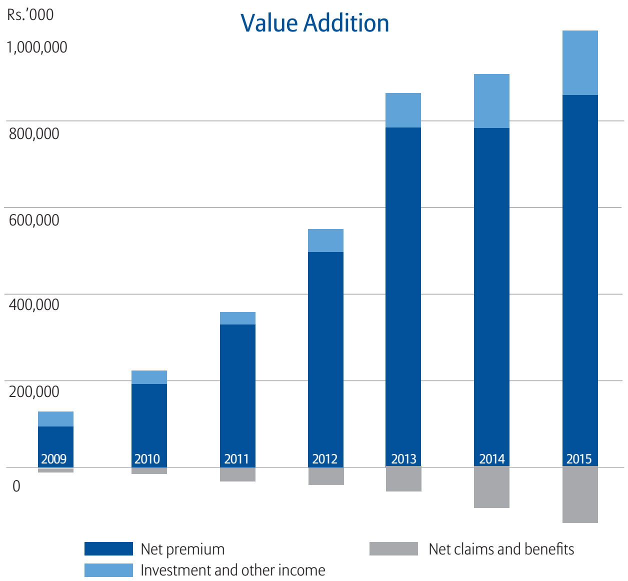


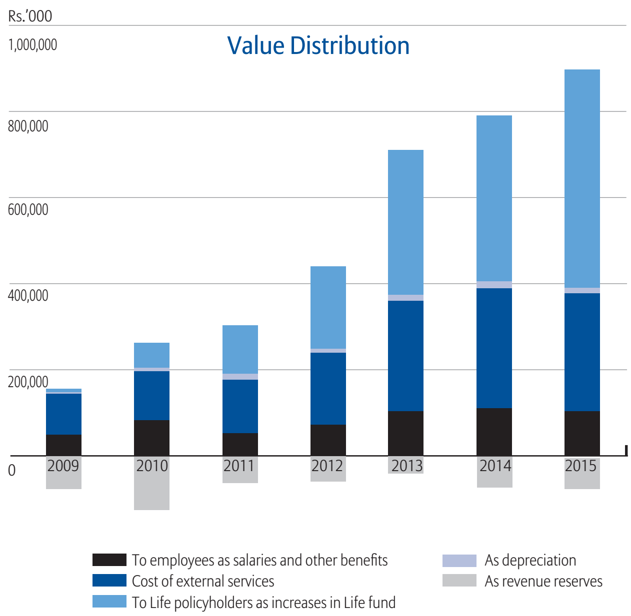
Statement of Value Added *(Contd.)*

LIFE INSURANCE

Value Addition	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000
Net premium	859,835	768,148	784,600	497,452	329,558	192,569
Investment and other income	148,000	107,950	78,931	52,753	31,087	30,092
Net claims and benefits	(52,493)	(38,562)	(23,316)	(15,877)	(12,612)	(5,715)
Cost of external services	(273,353)	(246,136)	(256,509)	(167,200)	(124,151)	(112,991)
Total value added	**681,989**	**591,400**	**583,706**	**367,128**	**223,882**	**103,955**

Value Distribution	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
To employees as salaries and other benefits	104,142	15	110,663	19	103,447	18	72,039	20	52,765	24	83,365	80
To intermediaries as commissions	129,688	19	150,816	26	167,881	29	150,136	41	108,782	49	78,926	76
To the government as taxes	-	-	-	-	-	-	-	-	-	-	-	-
To the policyholders as increases in Life Fund	506,222	74	384,958	65	335,881	58	191,674	51	112,933	50	58,289	56
Retained with the business												
- as depreciation	13,294	2	16,016	3	16,024	3	12,867	4	10,015	4	7,352	7
- as revenue reserves	(71,358)	(10)	(71,053)	(12)	(39,527)	(7)	(59,587)	(16)	(60,613)	(27)	(123,978)	(119)
Total value distributed	**681,989**	**100**	**591,400**	**100**	**583,706**	**100**	**367,129**	**100**	**223,882**	**100**	**103,954**	**100**





Economic Overview

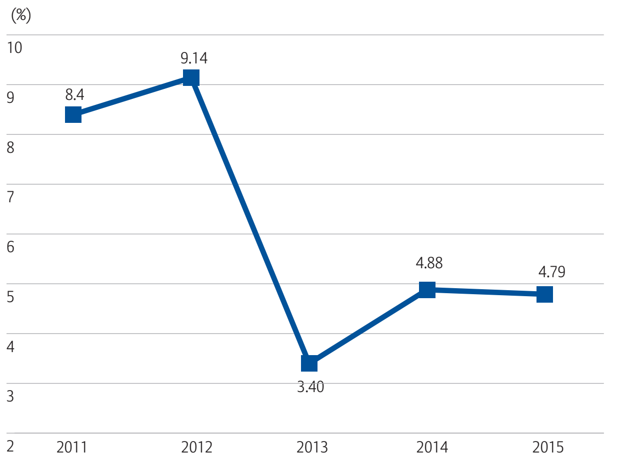
The Sri Lankan Economy

The Sri Lankan economy grew by 4.8% during 2015, compared to 4.9% GDP growth in 2014. The growth in 2015 was mainly driven by agriculture (which grew by 5.5%) and services (a growth of 5.3%). Growth in industry was weaker, at 3%. The two elections held during the year, the Presidential in January and the Parliamentary in August, reduced economic activity, as investors adopted a 'wait and see' attitude. Global economic conditions showed signs of weakening in the latter half of 2015, especially in China. The continued weakness in the Eurozone which is a main export destination, hurt the trade balance deficit. The unemployment rate moved marginally down to 4.3% as at end 2015, compared to 4.4% at end- 2014. Average annual inflation declined to 0.9% in December 2015, from 3.3% in December 2014.

The main drivers of the 5.5% growth in the agriculture sector were vegetable cultivation and rice cultivation which grew by 25% and 23% respectively. However, tea cultivation and marine fishing suffered declines of 3% and 2% respectively during the year.

The main contribution for the 3% growth in the industrial sector came from electricity, gas and air conditioning supply which grew by 8% while the manufacture of furniture and of foods, beverages and tobacco grew by 7% and 6% respectively. The mining and quarrying and construction sub sectors declined by 1% each during the year.

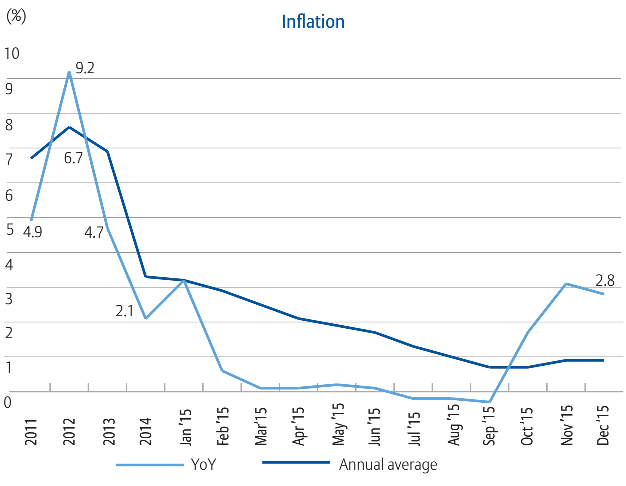
The services sector, the largest contributor to GDP, accounting for 57%, grew by 5.3% in 2015. The sub activities of IT programming and financial services grew by 21% and 16% respectively during the year. Activity in the financial and insurance activities sub sector grew by 15% during 2015.



Source: Central Bank, Department of Census and Statistics

Inflation Rate

Inflation, as measured by the Colombo Consumer Price Index (CCPI, Base: 2006/07= 100), was maintained in the low single digits during 2015 and turned negative for a few months. Headline YoY inflation came in at 2.8% in December 2015, compared with 2.1% at end- 2014. On a 12 month moving average basis, inflation was 0.9% at end - 2015 compared with 3.3% at end 2014.



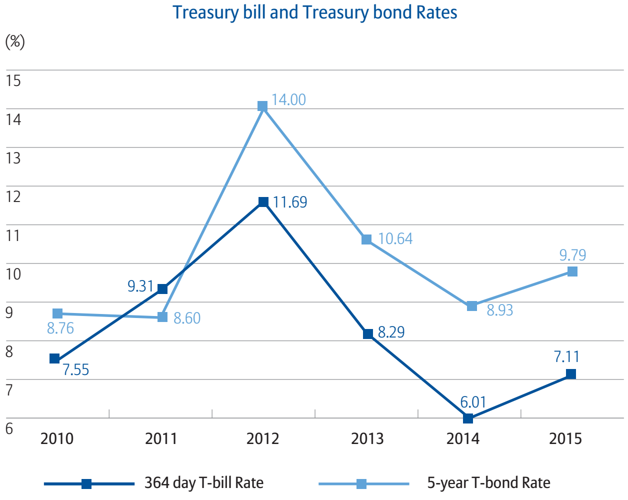
Source: Department of Census and Statistics

Economic Overview *(Contd.)*

Core YoY inflation was 4.5% at end December 2015, compared with 3.2% at end- 2014. On a 12 month moving average basis, core inflation stood at 3.1% at end- 2015, compared with 3.5% at end- 2014.

Interest Rates

After declining to historically low levels in 2014, interest rates edged back up, driven by increased private sector demand for bank credit as well as increased public sector bank borrowings. Yield on 364-day treasury bills increased to 7.11% at end- 2015, from 6.00% at end- 2014. Treasury bond yields (5 year) increased by 86bps to 9.79% at end 2015, compared to end 2014.

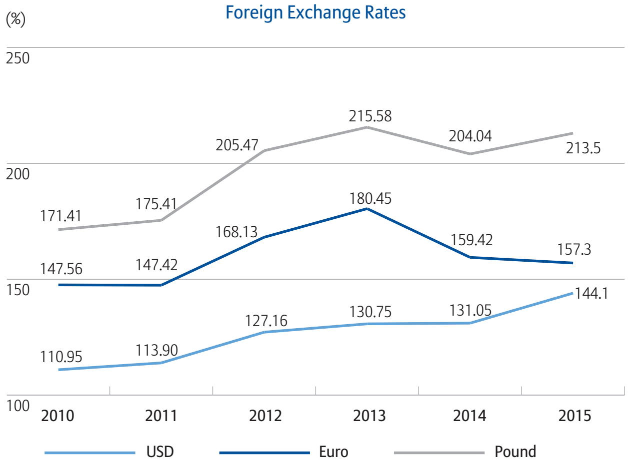


Source: Central Bank

Exchange Rate

The LKR depreciated against the USD during the latter half of 2015 after the Central Bank took a decision in September to allow the Rupee to float without quoting a specific level in the market. The LKR depreciated by approximately 9% against the USD to end the year at 144.1, compared to 131.9 at end- 2014.

The LKR depreciated by approximately 4% against the Sterling Pound but appreciated by 2% against the Euro during the year.



Source: Central Bank

Equity Market

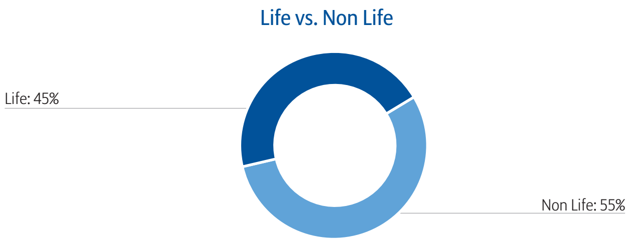
The All Share Price index declined by -5.5% during the year. Market sentiments were muted during the year since the two elections that took place during the year prompted investors to watch and wait for the outcomes. During the year, a net foreign outflow of Rs. 5.4 billion was registered. By the end of 2015, market capitalisation amounted to Rs. 2,938 billion.

Insurance Industry

The insurance industry recorded an increase in GWP of 19.6% during the first nine months of the year. The total GWP for both the Life and Non-Life sectors came in at Rs. 87 billion during the first nine months of 2015, compared with Rs. 73 billion in the first nine months of 2014.

There were 21 insurance companies operating in the country, of which six companies offered only Non Life insurance and three companies offered only Life insurance.

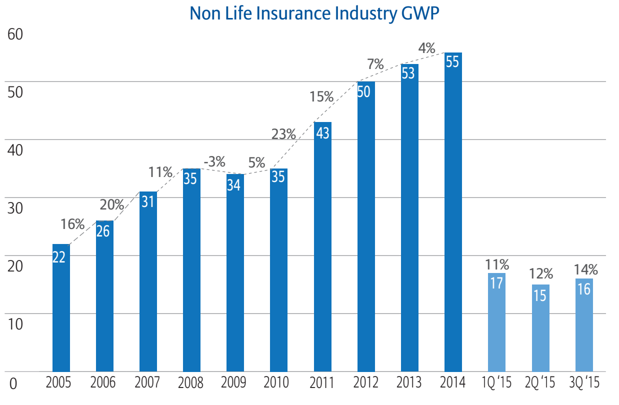
Economic Overview *(Contd.)*



Source: Insurance Board of Sri Lanka

Non Life Insurance

During the first nine months of 2015, Non Life insurance GWP grew by 12.4% to Rs. 48 billion, compared to Rs. 43 billion in the period one year ago. This sector continues to be dominated by motor insurance, which accounted for 66% of GWP during the first nine months of 2015. GWP in the motor insurance segment recorded a YoY growth of 17% during the first nine months of 2015.

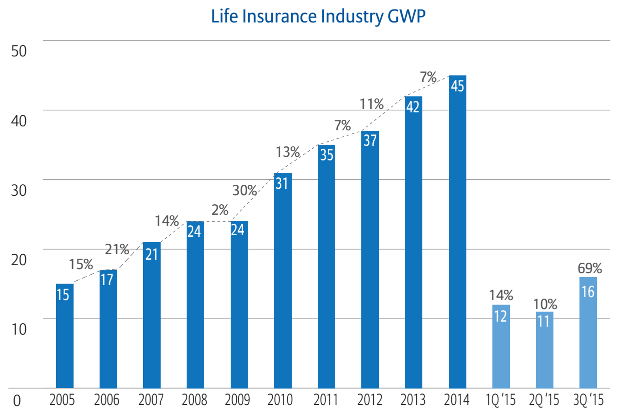


Source: Insurance Board of Sri Lanka

Note: IBSL data excludes premium related to SRCC (Strike, Riot and Civil Commotion)

Life Insurance

During the first nine months of 2015, Life insurance GWP grew by 30% to Rs. 39 billion, compared to Rs. 30 billion in the same period one year ago. Life insurance penetration as measured by the ratio of GWP to GDP remains low at 0.46%, indicating strong growth potential.



Source: Insurance Board of Sri Lank

Regulatory Developments

The Insurance Board of Sri Lanka (IBSL) published a revised Risk Based Capital (RBC) 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 was conducted from the first quarter of 2014 to the fourth quarter of 2015, where all insurers were required to submit results on a quarterly basis using both rules. The industry will move towards submitting results using the RBC framework from the first quarter of 2016.

The minimum capital requirement for an insurance company seeking registration was increased from Rs. 100 million to Rs. 500 million during the year. All insurance companies registered on or before 30 June 2011 were required to increase their minimum paid up capital to Rs. 500 million for each class of insurance business by February 2015. Allianz Lanka met this requirement well ahead of the regulatory deadline.

In addition, composite insurance companies were required to separate Non Life and Life insurance businesses into two legal entities by February 2015. Here too, Allianz Lanka met this requirement ahead of the regulatory deadline.

Risk Management

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

The acceptance and active management of risks have always been a core competency of Allianz. The main focus for risk management is adequate risk steering, as opposed to mere risk avoidance or minimisation. Risk management is an integral part of the management and control system, and ensures 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 the pre-determined risk tolerance level at an early stage.

The following risk assessments and reporting are conducted periodically:

Top risk assessment: The key risks faced by the Company are identified annually and reviewed on a quarterly basis along with the status of the mitigation plans. In addition, any new risks exposure due to new product launches, competitor action, or changes in strategy or the business environment, 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 and a detailed analysis is conducted to identify the reasons for monthly movements. The Capital-at-Risk methodology is used to carry out the monthly solvency stress test in order to identify the most sensitive variables affecting solvency, and to determine internal thresholds. Again, the AZAP Risk Management team receives a monthly report.

Qualitative risk assessment: Key risks, including main operational risks on governance and culture, capital and limits, reporting and model coverage, and the internal control framework, are evaluated. Status updates along with mitigation plans and 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 Chief Risk Officer (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 main responsibilities of the RiCo include:

- 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 exposure to individual risks.
- Determining management actions for non-compliance of risk owners to limits of the risk policy.
- Requesting, following-up and assessing contingency and action plans in case of (imminent) limit breaches.
- Reviewing the risk management function's effectiveness and development in the context of regulatory and Allianz Group requirements.

Risk Management *(Contd.)*

- Reporting to the Allianz Asia Pacific Risk Management team on a quarterly basis and escalating material issues to the Board of Directors.

- Promoting the Allianz risk culture and developing risk management talent for the Company.

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

Top Risks

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

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 corporate bonds which will adversely impact the solvency margin. The Company has devised and implemented a strategy to realign its investment portfolio in order to reduce the sensitivity of the solvency margin to interest rate volatility.

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 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 in accordance with the Allianz Group policies on investment.

Credit risk to external reinsurers materialises 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 to the 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 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 movements in the USD-LKR rate since a portion of premium income as well as part of the 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 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 receipts and payments are monitored on a monthly basis with cash-flow 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 business is exposed to premium risk related to the current year's new and renewed business as well as reserve risks related to

Risk Management *(Contd.)*

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 sub-divided 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 associated with the unexpected increase in the occurrence of death, disability or medical claims on our traditional products, including our traditional Life and Health insurance products.

- **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 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 define roles and responsibilities and approval structures are in place to mitigate underwriting risks at an early stage. This will be underpinned by the adoption of the Allianz Asia Pacific product approval governance framework for new Life insurance products in 2016.

Operational Risk remains a top priority for the Allianz Group as well as for 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 in electricity, a natural catastrophe, damage caused by employee fraud, or losses arising from litigation and court cases. Identification, assessment and quantification of operational risks through the quarterly Risk and Control Self-Assessment exercise continues to be a key focus. In addition, the Company monitors and records operational loss events through the Loss Data Capture process, also on a quarterly basis. These events are assessed, reviewed and mitigation actions put in place.

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 periodically to address any reputational issues that have been brought to attention, or issues that may have a potential reputational impact.

Risk Management *(Contd.)*

Annual Highlights

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

The Company, along with other Asia Pacific operating entities, fully adopted the Capital-at-Risk (CaR) methodology to set its internal solvency threshold. Capital at Risk 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 is 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 using available capital and net asset value.

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 in order to identify and minimise mis-selling are conducted on a semi-annual basis. 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 2016 were discussed and agreed on.

Priorities for 2016

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 under the RBC framework
- To complete the adoption of the earnings-at-risk methodology to set internal thresholds on earnings volatility
- To further strengthen internal control systems with greater focus on model risk management
- To adopt the Allianz Asia Pacific product approval governance framework for new Life insurance products
- To widen and strengthen the company-wide operational loss data capturing and reporting process

Compliance for Effectiveness and Efficiency

Ensuring corporate sustainability through efficiency and transparency in financial processes has been a challenge for the Insurance industry. However, many companies are now aiming at integrated approaches to manage transparency of financial processes, not only in terms of efficiency but also for strategic advantages through governance, risk and compliance.

Allianz as a group has accomplished this objective and written a sustained success story well ahead of its global competitors, based on the responsible behavior of all Group employees, who embody trust, respect and integrity.

Allianz Lanka, as a fully- owned subsidiary of Allianz SE, follows the global compliance programme coordinated by the Central Compliance department which embeds internationally and nationally recognised guidelines and standards for rules-compliant and value-based corporate governance. By ensuring effective implementation and monitoring of these guidelines, Allianz Lanka aims to avoid risks that might arise from potential compliance infringements.

Compliance in 2015

In addition to many other day-to-day routine tasks, Compliance at Allianz Lanka concentrated on the following areas during the year:

Sales compliance

Allianz Lanka's main concentration was on sales compliance. Focus was on trainings in relation to sales compliance, including mis-selling, red flags on recruitments, retail selling, sales code of conduct, anti- fraud and anti-corruption. Trainings were conducted throughout the year for the sales force of the Non Life and Life companies and for the Life agency force in Jaffna, Kandy, Colombo and Tissamaharama.

Reviews and audits

Compliance reviews and audits were carried out in the Human Resources, Life Underwriting and Life Sales and Administration departments, and observations and suggestions were made by the Compliance department for improvements and appropriate follow up in order to achieve better service standards. The sales agents' recruitment process as well as contract documents were also reviewed and evaluated by the Compliance department.

Service enhancement

Allianz Lanka customer complaint handling procedures were reviewed and evaluated and a more practical and simplified customer handling process was implemented in line with regulatory requirements. The entire branch management was educated and trained on the new handling process.

The pre- underwriting call verifications and welcome call system was also effectively implemented for Life customers, and many customer concerns were addressed through this process as well as through monitoring and following up on customer concerns by a team formed from among representatives of the Life Underwriting, Life Sales Administration and Compliance departments. This move proved effective, and demonstrable improvements have now been made to provide a healthy and satisfying customer service through building good rapport with customers.

Anti-money laundering process

The Financial Intelligence Unit of Sri Lanka with the assistance of a team from the Asia Pacific Group (APG) on Money Laundering, visited Sri Lanka in December 2014 to assess the levels of compliance in anti- money laundering in the country, and a Mutual Evaluation Report was submitted for 2015. Based on this, more prominence was given for strict adher-

Compliance for Effectiveness and Efficiency *(Contd.)*

ence to the laws of anti- money laundering within Sri Lanka. Allianz Lanka adhered to the suggestions and recommendations made by the regulatory authorities, and noted that most of these recommendations and suggestions were already implemented within the Company. Despite this fact, the anti-money laundering processes were re- looked at and Policy V2 was introduced to keep in line with local regulatory requirements and Group guidelines. Refresher training programmes were then conducted for the entire senior management, employees exposed to compliance issues, the Life Sales agency force, as well as all new recruits.

Starting at the top

During the past year, significance was given to the senior management's compliance responsibility and contribution towards compliance communication. All senior management participated in the compliance training refresher course and many suggestions were made to improve the compliance programme at Allianz Lanka. A compliance questionnaire was provided to all senior management and middle management staff. Of these, 95% of the senior management and all middle management staff responded with answers, and passed on the message of the importance of compliance to their subordinates. These suggestions were accepted and implemented to enhance the compliance culture at Allianz Lanka.

Solvency II governance

To give more importance to the Allianz Group's Solvency II framework and standard guidelines, Allianz Lanka implemented the Governance and Control Policy, Compliance Policy V2, Audit Policy, Financial and Reporting Policy, Fit and Proper Policy and Outsourcing framework, effective from 1 January 2016. Allianz Lanka's Risk Policy and Capital Management Policy has been implemented since the fourth quarter of 2014.

Compliance focus in 2016

In the fourth quarter of 2015, the Allianz Group launched the Renewal Agenda designed to reinforce the Allianz leadership position for years to come, and to delivering visible results subsequently. This will be executed with five levers, namely, True Customer Centricity, Digital by Default, Technical Excellence, Growth Engines and Inclusive Meritocracy.

Over the past 125 years, the Allianz Group has marked reputation and sustainable success based on the trust placed by its customers, shareholders, regulators and the general public. The foundation of this trust is the integrity of the Group which is vital for an Inclusive Meritocracy. Aiming at better enabling the managers to deal with integrity challenges, the Allianz Group's Legal and Compliance department has developed an integrity campaign to be launched group- wide. Allianz Lanka's priority will be to organise and facilitate the training of managers in order to launch the Integrity campaign within the Company in 2016.

Focusing on better governance, membership in the fraud committee was re-arranged and responsibilities of the committee members were re-aligned. Allianz Lanka will conduct classroom trainings and learnings in line with the Group Anti-Trust e-learning programme, and will ensure that all managers and employees exposed to compliance risk take part in the sessions.

Anti-money laundering process improvements, and more focus on training and awareness for those employees and managers exposed to compliance issues, will be added to the compliance plans for 2016.

Compliance audits, reviews and spot checks were conducted in departments, divisions and branches in addition to the day- to - day compliance functions carried out by the Compliance department.

CEO's Review

Your Non Life company continued its growth momentum at 20%, which is well above the industry growth of 15%. We are gratified that the strategy put in place in 2013 to grow our retail business is giving us the expected results, and are happy to note that we were able to reach Rs. 1 billion in GWP in our motor portfolio with a 28% growth, against the industry motor growth of 19%, despite a drastic decline in vehicle imports as a result of the increase in import taxes in the last quarter of the year. For Allianz, non motor business has always been the dominant contributor to company GWP and this year too, 71% of the GWP contribution is from non-motor business - fire, engineering, marine, and miscellaneous classes. Also in the Non Life segment, our technical expertise and reinsurance support helped us capture many large infrastructure projects and expand our corporate customer base.

Although we grew our retail portfolio and many investments were made on people and branch expansion, we are pleased that our prudent underwriting capabilities and technical expertise helped us make underwriting profits that most players in the industry were unable to achieve. Your company made a profit before tax of Rs.159 million, which is a growth of over 1077% over last year's figures. The net assets of the company grew by 10% to Rs. 987 million.

The Company introduced and relaunched many products to meet growing market demand, and of these the international medical product was particularly well received by the public as it helped meet the need for an affordable international medical product in the local market. Our expertise helped us develop and introduce a variety of other products to meet the needs of online communications in the areas of cyber risk and computer crime.

CEO's Review *(Contd.)*

Your Life Company's GWP grew by 12%, which is significant when compared to its decline of 1% in 2014. Many changes were made in the Life company over the past year to accelerate growth, and we are already seeing their positive results. We revisited our product portfolio and revised our main product, Universal Life Plan, in the last quarter of 2014, and also introduced Universal Life Protector. It took a while for our sales team to capture the market, and this affected our new business growth. However, we were able to increase our sales in the Unit Linked portfolio, which grew by 47% and contributed 13% to our total product portfolio.

Our Life fund grew by 46% to Rs. 1.5 billion. The Life company, too, maintains a very prudent investment strategy and 86% of our portfolio is invested in government securities, which increased our investment portfolio by 32% to Rs. 1.57 billion. Total assets grew by 33% and reached Rs. 1.95 billion. The solvency margin of the Company stood at 127%, which is comfortably above the regulatory threshold. The solvency margin is a key indicator for an insurer because it shows the company's ability to meet obligations arising from the policies it has sold. Our successful performance and prudent investment strategy enabled us to declare a healthy dividend of 8% to our valued policyholders.

Allianz expended considerable effort in streamlining processes and enhancing customer service during the year, and digitalisation was one of the main tools used. Digitalisation enhanced customer confidence, reduced response time, and played an invaluable role in helping our Life and Non Life salesforce provide complete digital quotation modules to customers and obtain up-to-the-minute quotations for all Life and motor products, as well as access the head office system for a complete customer solution. It has helped us forge strong alliances with existing as well as new customers.

The Company recruited more people to keep pace with the new growth that followed our business expansion strategy in 2014. Although the main focus was on developing and promoting in-house talent, some key recruitments were made from outside the Company to fill gaps. Growing and developing our staff has remained a key priority for us. Allianz Lanka staff continue to enjoy global knowledge- sharing and training opportunities that give the Company the edge over our competition.

For the future, we are keen to grow the business even further, sustainably, both organically as well as inorganically. We are looking at more opportunities to strengthen existing channels and explore new and more profitable channels. Whatever the strategy we adopt, we will always concentrate on growing sustainably, with customer focus at the centre of our strategy. We believe that if we cannot make a quantum leap in terms of customer orientation, we cannot achieve sustainable growth.

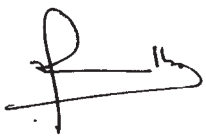
The Allianz group has come up with a renewed agenda in the wake of our newly appointed CEO Oliver Bate. It is the vision of our new CEO that we must grow our business with customer centricity in mind, and that digitalisation of our business processes would be key to the way forward if we are to continue to maintain

CEO's Review *(Contd.)*

our leadership in the market. As we speak, project teams are being appointed at various levels to focus on much more measurable ways to enhance new processes and innovations that will make us even more competitive in the market place. Our ambition is to deliver growth, innovation and outstanding value for our stakeholders, together with the best people and technology.

It has been a good year, but we could not have achieved it without the continued support of our many partners. We are privileged to have you to support, guide and strengthen us.

I make my special thanks to my Board of Directors without whose invaluable wisdom and guidance I would not have been equipped to meet the challenges and recognise the opportunities of the past year. To our customers and other business partners, my deep appreciation for standing with us during the rough as well as the smooth. Please be assured that we will continue to surprise and delight you with new growth and innovations. To my own dearly valued staff, I thank you for standing with me every step of the way. I could not have done it without you, and am deeply appreciative that I can continue to rely on your sincerity and support as we move forward to a new era in insurance in Sri Lanka, which ushers in more accountability, more transparency and a much more stable and recognised industry into the future.



Surekha Alles
Chief Executive Officer
Allianz Insurance Lanka Ltd.
Allianz Life Insurance Lanka Ltd.
19 February 2016

Allianz Moments

Allianz Lanka recognised at NCC awards for contribution to financial literacy

Allianz Lanka was recognised at the prestigious National Chamber of Commerce (NCC) awards for the Company's innovative CSR project, 'My Finance Coach' which has increased the financial literacy of nearly 5,000 youth in about 30 schools throughout Sri Lanka.

Allianz Lanka received a Merit award in the Best Sustainability Project category. This is the first time ever that a project of this nature was introduced to Sri Lankan youth, and also the first time that the project was put forward for recognition by the Company. Financial literacy is an area that has been neglected by countries worldwide, and more and more youth struggle with debt on a daily basis.

The programme arms youth between the ages of 15 and 17 years with the tools needed to be financially competent citizens to create a financially stable future for themselves. The lessons are interactive and use practical examples and easy- to -understand and remember exercises to retain information in their young minds. Feedback received is that the project is very popular with schoolchildren, teachers and parents. Allianz Lanka receives many commendations and requests to introduce the project to more schools.

'My Finance Coach' was first introduced in Germany by Allianz Lanka's parent company Allian SE, and brought to Sri Lankan shores in November 2013. The Company is now working with the Ministry of Education to take this project forward, and aims to have the project included in the syllabus of schools in the future.

MY FINANCE COACH

Allianz Moments *(Contd.)*

Allianz Lanka extends Para partnership by a further two years

Partnership with the National Paralympic Committee in Sri Lanka was extended by another two years in 2015. Allianz Lanka CEO Surekha Alles signed the sponsorship agreement with Brigadier Rajitha Ampemohotti, President, National Paralympic Committee, on 20 March.

CEO Allianz Lanka- Surekha Alles, hands the sponsorship agreement to Brigadier Rajitha Ampemohotti. Also present are Sri Lanka Paralympic committee Treasurer Priyantha Peiris (seated) and in the last row, the Allianz Lanka team: Manager Marketing Management - Dharshana Maldeniya, GM Finance - Dineth Ediriweera, AGM Non Life – Anura Perera, and GM Non Life - Dennis Hewagama.

Allianz Lanka has partnered the Sri Lanka Paralympics movement since 2013, with financial support and technical assistance provided to the para athletes. The Company sponsored the Para team for the Asian Para games in Incheon, South Korea, in 2014, a partnership that proved auspicious as the Para team won fourteen medals for Sri Lanka including a gold.

Allianz Lanka's extended partnership with the National Paralympic Committee supports the Para athletes preparation for the 2016 Rio games in Brazil. The Company is confident that the partnership for the Rio Games will prove propitious once again, and bring fame and honour to the country.

Allianz Awards 2014

Allianz Lanka's annual celebration of excellence was held on 1 June 2015 at the Galadari Hotel. Themed around 'Heritage', the event focused on the long heritage of parent company Allianz which celebrated 125 years of business excellence during the year, and Allianz Lanka's own milestone achievement of 10 years of business in Sri Lanka. The stage backdrop image of the front façade of the Allianz head office building in Munich, reinforced the theme.

Allianz Moments *(Contd.)*

Over 220 field sales and non sales staff attended the much awaited event. Allianz Lanka CEO Surekha Alles was chief guest. Top awards of the evening went to Saliya Bandara Dissanayake from the Negombo branch, who carried off the coveted Super Achiever's Award, the Best Non-Motor Award which went to Rasara Premathilaka, Assistant Sales Manager, and the Best Branch award which went to the Wennappuwa branch and was claimed by branch manager Nissanka Ranasinghe.

Two other categories of awards were also presented. The Company felicitated 18 staff who had been with Allianz Lanka for over five years, with the Service Award. The proud recipient of the Directors Award 2014 was Channa Liyanage of the Motor Underwriting department, Prashanthi Chandrasena and Dilanga Wimansha were adjudged First Runner Up and Second Runner Up respectively. They were recognised and rewarded for their innovative suggestions to improve work areas and processes, and received their awards from CEO Surekha Alles.

Allianz Moments *(Contd.)*

Surekha Alles, in her keynote address, commended the winners, wished them every success in their future endeavours, and traced the landmark achievements of Allianz Lanka during its decade of business success, from the Company's inception as a green field operation with no collaboration with local companies. She shared with her staff the secret formula for success that had stood Allianz in good stead over the past years, and extolled them to 'study the market dynamics', 'think out of the box' and 'stand tall against all odds' in order to meet the challenges that the future years would bring.

Motivational speaker Rohan Pallewatta gave an inspiring speech in which he outlined practical methods for achieving success undeterred by obstacles along the way, basing his advice on his own life experiences.

The Allianz Awards are held to promote the strong performance culture that Allianz fosters in its companies globally and rewards individual successes, outstanding team effort and effective partnerships.

Allianz get-together 2015

This much-anticipated annual event was held at Chaya Tranz, Hikkaduwa, with more than 300 staff and their families having a rollicking time at the star class hotel. There was something for everybody – games on the lawn and beach, swimming, splashing, playing in the pool, and a variety of entertainment that promoted camaraderie among the many departments and branches. Feedback received was that staff and their families had a good time. ***"It was a wonderful outing and I had the time of my life! It was wonderfully organized and I was happy to be a part of it", said Sameer Madusanka (Life Dept). "Had a great time with all colleges around the country with their families. Thank you Allianz!"*** said Dilanga Wimansha (Non-Life Sales Administration Dept.)

Allianz Moments *(Contd.)*

Inter-department / inter-branch cricket match Tournament

This enjoyable event was organised by the non sales staff and held on 9 May at the Koggala Police Grounds with about 300 employees from all branches and departments attending to support their favourite team. Twelve teams played for the Challenge Trophy, with the Balangoda branch winning the much- coveted award.

"This was the most memorable event I have ever attended at Allianz Lanka, and the first of its kind for the Company. I was very encouraged to see the enthusiasm of our staff as they prepared to win the challenge trophy. Everybody felt it was a job well done, and we had a great time" said Anushi Udalamatta- (Non-Life Sales Administration), a member of the organising committee.

Life Six-a-side Cricket Carnival

The Life company organised a six-a-side cricket carnival on13 June at the Major Raj Ground, Kurana. All 55 Allianz branches were grouped into eight teams based on their geographical area, and every team had five males and one female player.

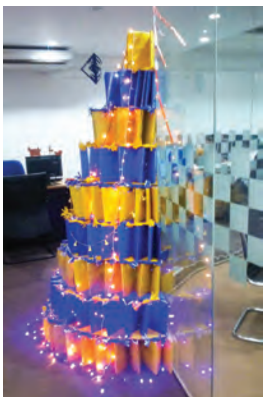
Allianz Moments *(Contd.)*

The teams were from Chilaw, Colombo, Jaffna, the South, Kandy, Kurunegala, Trincomalee and Uva. Over 600 staff including the Life field staff, were present to cheer their teams to victory. The Chilaw team won the match.

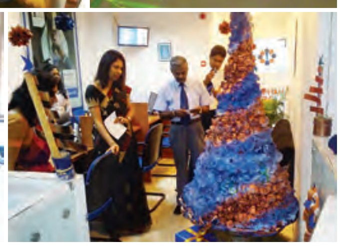
Celebrating the Christmas Spirit

The Company held three enjoyable Christmas events that highlighted the Season's activities, namely, 'Secret Santa'; the floor décor competition; 'Allianz Night'. More than 150 head office staff shared 'Secret Santa' gifts, which were distributed by Santa on 22 December.

The annual floor decor competition was held in the head office, conducted floor- wise Judging was on the creativity of the Christmas decoration, innovative use of the theme color – blue and copper, as well as the



Allianz Moments *(Contd.)*

ability of the décor to evoke the Christmas spirit. Recyclable material had to be used, and the decorations had to be done within a specified budget. The winners were the ground floor (Motor Claims), and Life Technical came in second.

Allianz Night 2015

This annual event, which signals the end of another successful year of business, was held on 18 Dec 2015 for all staff at Janaki Hotel, Colombo. It was an evening of fun and togetherness, with prizes and surprises that livened the night. Attendance was high, and an enjoyable time was had by all. The grand prize was a ticket

to Bangkok. Here's what the lucky winner had to say, ***"I won a prize! It was the first time I won anything, ever! I was thrilled to collect my prize from the General Manager. My Branch manager also congratulated me warmly. I was very happy as I went home to show my prize to my parents."*** - Janaka Ayasmantha, Nugegoda Branch.

Allianz Lanka goes digital on field

For a premier insurance company like Allianz, underwriting skill and product innovation are core brand values, and progress is made each year to stay ahead of the game in these areas. This year's focus was on digitalisation, widely known as the new buzz-word in the marketplace, which has already generated new revenue and value-producing opportunities for the Company. To pass on these benefits to customers, Allianz Lanka's sales force was provided with digital access to financial data, which assures speedy and efficient customer service response.

Sustainability Report

Managing our triple bottomline, better known as working with the impacts of profits, people and planet, is an integral part of who we are and what we do.

Allianz is committed to the principle of sustainable development which, as defined by the World Council for Economic Development (WCED), "meets the needs of the present without compromising the ability of future generations to meet their own needs." Accordingly, we follow best practices that address key issues like social equity (addressing poverty, community issues and health), economic efficiency (promoting innovation, prosperity and productivity in all aspects of our operations), as well as support the well-being of the environment (introducing climate change initiatives).

Being in the business of managing risk has helped us understand how practicing sustainability in all aspects of our business operations can mitigate financial and reputation risk, make us more innovative, and enable us to adapt to our environment. We are also aware that sustainable practices help us attract and retain employees.

A key area of focus in our corporate social responsibility initiatives is to address social equity which we believe is the need of the hour in a developing country like Sri Lanka. We continue to follow in the footsteps of our august parent, Allianz SE, by contributing towards developing the communities in which we live and work. We identify and fill gaps that are vital to enabling the people of our land embrace knowledge, enhance skills, and empower themselves, and have introduced many innovative corporate social responsibility (CSR) programmes over the years to enhance their quality of life.

One such innovative sustainable development initiative introduced is the programme to **improve the financial literacy of our Sri Lankan youth.**

'My Finance Coach' was first introduced in Germany by our parent company Allianz SE, and was brought to Sri Lankan shores in November 2013. Since then, the programme has increased the financial literacy of nearly 5,000 youth in about 30 schools through the length and breadth of Sri Lanka. Feedback received confirms that the project is very popular not only among schoolchildren, but with teachers and parents as well.

For this initiative, the National Chamber of Commerce recognised Allianz Lanka with a Merit award in the Best Sustainability Project category. This is the first time ever that a project of this nature was introduced to Sri Lankan youth, and also the first time that the project was put forward for recognition.

The programme arms youth with the tools necessary for being financially competent citizens. It is for students aged between 15 and 17 years who are taught business and finance in a way relevant to their everyday lives, with interactive practical examples and exercises that are easy to understand and remember. Teaching youth smart money management raises their awareness of the consequences of their financial decisions. This knowledge helps them create a financially stable future for themselves.

Sustainability Report *(Contd.)*

Allianz Lanka has received many commendations and requests to introduce the project to more schools. We are now working with the Ministry of Education to have the project included in the syllabi of schools in the future.

The area of financial literacy has been neglected by most countries, and according to studies, more and more people struggle with debt in their daily lives. Statistics confirm that Sri Lanka is no exception: we, too, are becoming increasingly in debt to banks and financial institutions due to a lack of awareness of how to balance needs and wants. Allianz Lanka believes that this situation could be mitigated to some extent in the future if teenagers on the threshold of adulthood are educated on financial literacy.

Another popular initiative for the sporting youth of the country, is the sponsorship of **young football enthusiasts to attend the annual Allianz Junior Football Camp**, and to train alongside the world renowned FC Bayern football team.

Two young Sri Lankan football players, Dimukthi Charuka of Nalanda National College, Minuwangoda and Upendra Ihalagedara of Maliyadeva College, Kurunegala, represented Allianz Insurance Lanka this year, too, at the Allianz Junior Football Camp in Munich, Germany, held from 13 to 18 August. Allianz SE are the organisers of the camp, which has been held annually since 2009. This is the third consecutive year in which Allianz Lanka sent young participants from Sri Lanka.

The two young footballers were chosen from among young football enthusiasts around the island, in an extremely difficult selection process since many applicants were of a high standard. Fifty young hopefuls were shortlisted and invited to a screening test based on their knowledge of, and passion for, the game, as well as for their leadership qualities and attitude.

Sustainability Report *(Contd.)*

The young Sri Lankan players experienced many memorable moments at the Junior Football Camp as they joined seventy three other players from 27 countries in which Allianz operates. This year, boys and girls trained in mixed teams, which included two deaf girls from the Netherlands. The training helped the youth improve football skills such as dribbling, passing and ball control, they also learned fair play and to trust each other and improve their mental strength as a team.

While training, they met and mingled with many of the star FC Bayern players, among them Manuel Neuer, who spent time inspiring the 12 girls and 63 boys to pursue their goals with courage and perseverance. ***"For me, the Allianz Junior Football Camp is about the young talent,"*** said Neuer, ***"their enthusiasm and passion reminds me of myself at their age, and my own feverish excitement whenever I watched my role models play. The youth demonstrate impressively what really matters in football. Despite the language barriers and cultural differences they were able to build a functional team in a short time – and not only on the pitch."***

The young footballers also watched a match played by FC Bayern Munich at the Allianz Arena Stadium in Munich. A tour of the ancient city of Munich completed the memorable experience.

The Camp creates strong ties among the teenagers, many of whom remain friends after they return home. ***"This was my dream and I achieved it. I never expected to get this wonderful opportunity. The experience at FC Bayern Munich will help develop my football career as well as my future,"*** said Dimukthi. ***"It was an uplifting experience. I thank Allianz Lanka for giving me this opportunity to develop my football skills at FC Bayern Munich, one of the most recognised clubs in the world. Being trained under them is the greatest achievement of my football career,"*** said Upendra.

The young footballers are shown the finer points of the game by midfielder of the FC Bayern Munich team, Xabi Alonso. On his right are Sri Lanka's Dimukthi Charuka and Upendra Ihalagedara.

Sustainability Report *(Contd.)*

Extending our partnership with the Para athletes for a further two years

Following once again in the footsteps of our august parent, we committed to improving the quality of life of differently-abled para-athletes by partnering them in their dreams to win and compete in international sporting events. This year we extended the partnership for a further two years. This extended partnership supports our para player to prepare to excel at the 2016 Rio games in Brazil. We sponsored our team for the Asian Para games in Incheon, South Korea in 2014, which won for us fourteen medals including one Gold Medal.

Allianz Lanka has partnered the movement since 2013, and has since contributed to uplift para sports in the country and create awareness of its importance, with both financial support and technical assistance. Para sports are not given the same attention received by other sports in Sri Lanka.

There is a strong link that ties Allianz to the Paralympics. The topics of health, rehabilitation and re-integration into society after a casualty are part of our daily business. Our partnership also provides a meaningful link between Paralympics and the concerns of our employees and customers. The athletes' passion for the sport, their ability to believe in themselves, and their ambition to strive for excellence in achieving their goals, mirrors the Allianz work ethic.

Allianz became the first international partner of the International Paralympic Committee (IPC) in 2011 because of a shared commitment to the core values of the Paralympics: courage, determination, inspiration, and equality. By joining forces, both our organisations are able to expand their interest in disability sports for people with impairments, increase opportunities for para athletes, and raise awareness about the important contributions of differently-abled people to society.

CEO Allianz Lanka - Surekha Alles, discusses the way forward with Brigadier Rajitha Ampemohotti following the signing of the MOU. Also present are Sri Lanka Paralympic committee Treasurer Priyantha Peiris and the Allianz Lanka team.

Sustainability Report *(Contd.)*

Celebrating 125 years with a long-term commitment to fifth-graders

To commemorate 125 years in business of our parent company, Allianz SE, we launched a programme that extends our relationship with the community beyond Insurance, and supports and fosters the nation's talent. ***Sisudiriya*** is a scholarship programme for those children of our Life Insurance policyholders who excelled at the Grade 5 scholarship examination. The scholarship will provide them with financial assistance and, unlike most scholarships which award a one – off payment, with ***Sisudiriya***, Allianz Lanka forges a long – term commitment to education. Payments made monthly support the scholarship holder throughout secondary education, from Grade 5 upto completion of (the first attempt at) the G.C.E Advanced Level examination.

The first recipient of the scholarship was Oshanee Hashinika Gayashani from Sri Dhammananda Maha Vidyalaya, who achieved the highest rank in the Kurunegala district and the second highest marks in the island.

Oshanee Hashinika Gayashani, the proud winner of the first Allianz Sisudiriya scholarship receives her award from Allianz Lanka CEO Surekha Alles at the Allianz Annual Life Convention held to launch the Company's business for 2016.

Human Capital

The HR mandate for Allianz Lanka is people excellence, which underscores the Company's aim to achieve sustainable success though performance that exceeds stakeholder expectations. This level of performance identifies people who are skilled, competent, and committed.

Allianz Lanka's HR department partners its internal customers to achieve personal and professional success, with HR solutions that combine customer focus with business know-how.

Allianz promotes a diversity-based gender sensitive performance culture that assures the technical and leadership skills of the future. The Company believes that diversity and gender are critical to performance, as diverse ideas from varied backgrounds feed individualism and inspire the power to innovate.

As the Company celebrates 10 years of business in Sri Lanka, this report shows what it means to be a member of the Allianz Lanka team.

The various approaches used by Allianz HR that support management and staff to create their own success, can be broadly incorporated in three strategic areas: Leadership. Talent. Teamwork.

Leadership

Allianz Lanka HR develops leaders at all levels of the organisation, who share enthusiasm, a sense of purpose and direction, and reflect its corporate values. Allianz Lanka managers are trained professionals who support their staff throughout their professional development by providing them with goals and expected outcomes that are clearly defined.

Talent

As the employer of choice, both in terms of attracting top talent as well as retaining the talent already with the Company, Allianz Lanka has a track record for identifying, developing, and harnessing the different aptitudes of staff at all levels. The Company ensures that every employee has the scope to reach their full potential of being innovative, successful and ready for future challenges.

Team

Allianz Lanka is fully committed to being a 'great place to work', and HR strategy is geared towards creating a success-driven environment of high performers who forge a long term commitment with the Company. Career paths and opportunities for skills development are designed to hone in on strengths and mitigate weaknesses. Incentives-based performance, benefits and compensation are addressed, and global remuneration structures are followed.

Human Capital *(Contd.)*

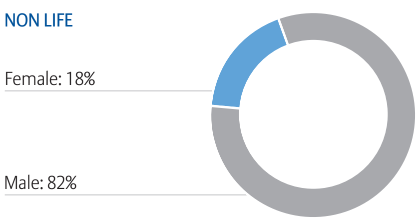
The professional, responsive and committed team now in place proves the efficacy of these carefully thought through strategies.

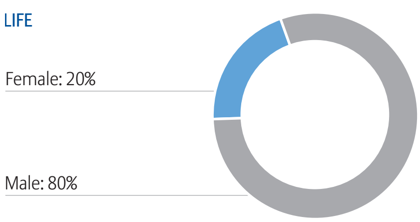
STAFF COMPOSITION AND MOVEMENTS

Allianz Lanka had 413 employees in its Non Life company and 87 employees in its Life company as at 31 December 2015.

Male / female distribution

	Non Life	Life	Total
Male	339	70	409
Female	74	17	91
Total	413	87	500





Average Age & Average Tenure Age of Non Life & Life

	Non Life	Life
Average Age	32.81	37.50
Average Tenure Age	1.96	2.49

Human Capital *(Contd.)*

Age Analysis of the **Non Life Company**

Age Group	Non Life	
	Male	Female
<25	60	21
25-29	71	14
30-34	88	14
35-39	59	5
40-44	33	6
45-49	18	1
50-54	6	7
55-59	2	4
60-64	1	2
65>	1	-
Total	339	74

Age analysis of the **Life company**

Age Group	Life	
	Male	Female
<25	2	-
25-29	5	7
30-34	17	3
35-39	13	2
40-44	19	4
45-49	7	0
50-54	4	1
55-59	2	-
60-64	1	-
65>	-	-
Total	70	17

Professionalism

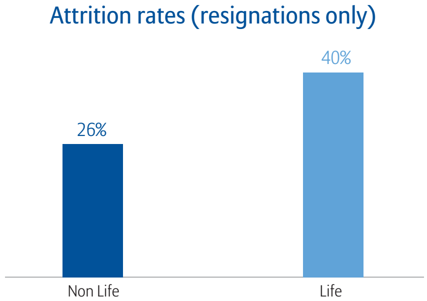
Allianz Lanka is proud to state that as many as 12% of its permanent cadre are professionals, who have the knowledge and skills to provide quality leadership within the Company. The department-wise breakdown is as follows:

Department	End -Staff	No of Professionals
Actuarial	2	2
Administration	5	1
Bancassuarance	5	0
Broker	3	0
CEO Office	1	1
Finance - Non Life	10	4
Finance - Investment	1	1
Finance - Life	4	1
Fire and Miscellaneous	27	1
HR	7	5
Information Technology	10	9
Legal	3	3
Life -Technical	9	4
Marine	4	2
Market Management	0	0
Motor Claims	34	3
Motor Underwriting	13	3
Re-Insurance	3	2
Sales Administration - Life	16	0
Sales Administration - Non Life	18	1
Sales & Marketing - Life	49	2
Sales and Marketing - Non Life	270	5
Title	2	1
Travel	1	0
Training & Development - Life	3	2
Total	**500**	**59**

Human Capital *(Contd.)*

Attrition rates

	Non Life	Life
Average Staff	402	89
Resignations only	104	36
	26%	40%



Strengthening the Team

To increase competitiveness and enhance performance, the Company took a closer look at its structure and strengthened several areas of operations. The Life company was strengthened, with more members added to the team. The sales and distribution team received greater focus with a new head of distribution. The Finance department was segregated into Life and Non Life sections to improve control processes and efficiency. The IT department was also divided, and a head for digitalisation development in the Life company was recruited to the team, to keep pace with the many new initiatives on digitalisation introduced during the year.

STAFF DEVELOPMENT

Training

Allianz Insurance Management training programme held in Indonesia

A key benefit of working in the multi-national cross- cultural environment that Allianz Lanka affords, is the vast potential for knowledge- sharing through local and overseas training and the wide industry experience the Company brings in. As such, the training provided by Allianz is not just job specific, but extends beyond to areas like leadership and talent development.

Human Capital *(Contd.)*

Allianz Lanka continually has on board established training professionals who have competently developed the agency force by fine-tuning their skills and abilities. A department head was recruited during the year to strengthen Life sales training.

As part of its commitment to develop staff, Allianz Lanka also finances professional examinations relevant to the employee's area of job responsibility.

<u>Training hours during the year</u>

Total number of training hours	11,500
No. of training hours per employee	15 hours

<u>Training cost (Rs.)</u>

Foreign Training Cost	2,763,690
Local Training Cost	3,081,820
Total training cost	**5,845,510**

Foundation course in Insurance Practices for Technical Excellence – (FCIP)

A special foundation course on the technical aspects of Insurance was designed and conducted by an in-house panel to fine-tune the skills of Allianz Lanka technical staff. Twenty nine technical staff participated in the nine- month course which covered modules such as 'the principals of insurance, 'an overview of re-insurance', 'underwriting', 'product knowledge'. Those who passed the written examination were awarded with certificates.

Sanjaya Rupasinghe from the Motor Underwriting department, who received the highest marks on the course commented, ***"the training enhanced my on-the-job knowledge and I also learnt about other areas of insurance. I think I learnt so much because of the dedication of the lecturers, and my own determination to learn".***

Human Capital *(Contd.)*

APPRECIATING STAFF

Rewarding and recognising staff comes high on the agenda, and many strategies are geared to this.

Service recognition

Eighteen staff who completed over five years of service at Allianz Lanka, were presented with awards in appreciation of their loyal service.

"Allianz Lanka is a company that any person would like to work in. It has a very strong global image and is financially strong. The company is also well known for its CSR projects. When I joined Allianz I was asked to handle marine underwriting as well as marine claims, which gave me great exposure to excel in my field," *said Selvakumar Rajathurai (Marine Department).*

"The exposure I got at Allianz was the turning point in my Life. I joined Allianz as the first Branch Manager – Non Life, in Kurunegala, the first branch opened by Allianz Lanka. Today, I am a Regional Manager, and it is Allianz Lanka who equipped me to succeed," *said Jeewani Rathnayaka (Kurunegala branch)*

STAFF BENEFITS AND INCENTIVES

Allianz cares and responds to the needs of staff. Several new benefits and incentives designed to enhance their quality of life were introduced during the year.

Human Capital *(Contd.)*

Extension of retirement age

According to World Bank projections, more than 20% of Sri Lankans will be over 6o years of age by 2020. In response to this emerging demographic trend, Allianz Lanka extended the retirement age of staff from 55 years to 58 years from January 2015.

Paternity leave

New dads at Allianz Lanka can now take two full days of paid leave following the birth of a child. This benefit has helped forge family togetherness during this momentous life event, and enabled fathers to spend quality time with their new-borns.

Flexible hours

Flexitime was introduced to give staff more leeway to manage their personal schedules. Allianz Lanka employees can now come in half an hour late, and make up the lost time at the end of the day.

STAFF WELLNESS

Ensuring the health and well-being of its people is a priority for Allianz Lanka, and several programmes were organised with this in mind.

Health check

A health camp, attended by about 150 head office staff, was held on 6 July. Routine health concerns such as cholesterol, blood sugar and blood pressure were checked free of charge. Staff were also shown an educational presentation on how to practice good health habits, which was well received.

Improving knowledge skills

Allianz Lanka is committed to creating a learning environment and building team spirit within the organisation. Staff were invited to step out of their insurance mind-set to enhance their knowledge of world events, in a keenly contested quiz held at the SLII auditorium on 23 October. Subject areas covered were history, geography, insurance, art, music, literature and IQ. Ten cross- department teams of five members each

vied keenly with each other for the quiz trophy. The winning team that bore away the quiz trophy with great pride was a combined team that comprised HR, Market Management and Legal & Compliance. All participants received certificates of participation. Contestants and onlookers agreed that it was a fun way of learning and sharing knowledge.

"Winning the first-ever quiz at Allianz was a truly special achievement. It was very interesting and extremely competitive. As a team, we planned how to tackle each question, and little by little, our nervousness lessened and our team spirit and confidence were boosted. We felt we were back in school, and competed with all our hearts," *said Hasanthika Wijenayake, leader of the winning team.*

Keeping fit

In a bid to enhance their work-life balance, staff were provided with gym facilities at the Fitness Kingdom this year too. Mainly employees who live and work in the Colombo and greater Colombo areas utilise this facility, since the branches of the gym are located in the city and suburbs.

ENGAGING STAFF

Allianz Lanka firmly believes that its employees have invaluable insights into improving areas of business because of their hands-on involvement. Staff, in turn, feel a personal commitment and emotional bond with the company when their contributions and suggestions are listened to, considered and recognised.

Human Capital *(Contd.)*

Coffee with the CEO

Staff with a good performance record and positive work attitude were invited to a relaxed and informal chat with the CEO, over refreshments. This innovative programme has proved immensely popular, and was introduced during the year to communicate ideas, bottom- up, for improving and progressing the Company.

Employee engagement was a key area addressed in the 2014 employee survey. It recorded substantial improvement in 2015, indicating that staff was happy with the improvements introduced.

Staff Suggestion Scheme

Directors' Award for outstanding practicable suggestions

The Company believes that its people are the source of creativity, innovation and improvement, and that harnessing this talent is crucial to its growth and success. Increased competition and the demand for enhanced customer service means that the onus is on Allianz to use its resources to meet these rising demands. It's employees are the Company's most valuable and intelligent resource, and employees are also in the best possible position to suggest ways in which to improve the business because they are hands on, and have their ears to the ground. The Company also believes that by asking its employees to put forward their own ideas for changes in working methods or practices, they feel more involved and more in step with the Company.

The Directors' Award was introduced this year too, to recognise and reward the most outstanding contribution made by a member of staff, which significantly improved the functions of that particular area of business. The guidelines for the Directors' Award stipulate that the contribution should be 'over and beyond work expectations'.

Human Capital *(Contd.)*

The selection committee received several nominations for the award in 2014, of which nine were short-listed. It was a difficult task to select the winners since several employees made noteworthy suggestions to improve workplace productivity. Having carefully considered all aspects, the committee selected Channa Liyanage of the Motor Underwriting department as winner of the 2014 Directors Award, which was presented in 2015.

Channa Liyanage receives the Directors award from Allianz Lanka CEO Surekha Alles, at the Allianz Awards nigh held on June 1. Prashanthi Chandrasena and Dilanga Wimansha receive their awards as First Runner Up and Second Runner Up respectively.

Channa was awarded first place for his suggestion to introduce a fully-fledged software system to improve service quality and efficiency. He received a fully paid tour to Bangkok, a cash award, and a certificate from CEO Surekha Alles. First Runner Up was Prashanthi Chandrasena – Manager, Motor Claims, for her efforts in improving motor claim services. In the early days of the motor department, some of the work, particularly on claims processing, was in disarray. Prashanthi brought system and efficiency to the department.

The winner of the Second Runner-up award was Dilanga Wimansha – Manager, Sales Administration. Dilanga was recognised for his dedication and excellent work ethic that has improved the efficiency of the Sales Administration - Non Life Sales Department, which has the largest number of staff in the Company.

PREPARING FOR THE FUTURE

Allianz Lanka has several carefully planned strategies to ensure a secure and stable future. In the area of employee relations, the following two programmes are key.

Succession Plan

The employee development plan based on future succession is now in place. Fifty high performers were identified to participate in the programme that is designed to build strong leadership, help the business survive changes in the marketplace, and enable executives to review and restructure the Company's goals.

Global Inclusive meritocracy

This programme identifies outstanding performance, not just on the job but also in terms of exceptional attitudes, behaviour, and entrepreneurial mind-set. Those identified will be groomed to be top performers in the future. The programme's special aim is to develop more people with the right attitude and approach to life and work.

Contents

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 2015.

The Audited Financial Statements were approved by the Board of Directors on 19 February 2016.

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 22 to 30. The future developments of the Company are presented on the CEO's Review on pages 42 to 44. 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. 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 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 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 36 to 39.

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 upto 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 thereto of the Company, are provided on pages 76 to 121, and the Auditors' Report on the Financial Statements is provided on page 74 of the Annual Report.

Directors' Report *(Contd.)*

These Financial Statements and notes give a true and fair view of the Company's financial position as at 31 December 2015 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	2015 Rs. '000	2014 Rs. '000
Gross Written Premium (GWP)		
Accident	1,218,182	985,284
Fire	1,185,325	1,086,997
Marine	94,962	62,933
Motor	1,008,152	788,397
Total GWP	3,506,621	2,923,611
Net Earned Premium	1,617,388	1,421,992
Underwriting Profit / (Loss)	14,421	(128,608)
Profit Before Taxation	159,055	13,518
Taxation	(50,122)	8,130
Profit After Taxation	108,933	21,648
Profit brought forward from previous year	390,118	616,707
Dividend Paid	-	-
Profit available for appropriation	499,051	638,355

Operating Results

GWP grew significantly by 20 % to Rs. 3,506 million, from Rs. 2,923 million in 2014. The Company has recorded Rs. 159 million in operating profit which increased by Rs. 146 million, mainly due to an increase in underwriting profit.

Financial Results

The Company recorded a net profit of Rs. 109 million (2014: Rs. 22 million).

Investments

The details of investments held by the Company are disclosed in Note 5 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	2015 Rs. '000	%	2014 Rs. '000	%
Sri Lanka government securities	1,364,163	90	951,250	77
Fixed deposits	85,585	6	211,189	17
Corporate debentures	17,850	1	33,000	3
Unit trusts	41,065	3	40,000	3
Total	1,508,663	100	1,235,439	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 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 2015.

For the year ended 31 December	2015 Rs.'000	2014 Rs.'000
Value of admissible assets	2,951,368	2,354,782
Total liability including technical reserves	2,355,363	1,914,908
Net admissible assets	596,005	439,874
Required solvency margin	414,133	305,505
Excess over required solvency margin	1.44	1.44

Dividends and Bonus Issue

There is no dividend or bonus issue during the financial year.

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 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 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 2015 was Rs. 500 million (2014: Rs. 500 million).

The total equity of the Company as at 31 December 2015 amounted to Rs. 987 million (2014: Rs. 897 million). The movement of equity is shown in the Statement of Changes in Equity on page 78.

Directorate

The Board consist of three members, and the information on the Directors of the Company is available in the Directors profile on pages 20 to 21.

Alan Smee was appointed to the Board with effect from 6 July 2015 and Rangam Bir resigned from the Board with effect from 7 July 2015.

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

- Heinz Dollberg
- Surekha Alles
- Alan Smee

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' 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 28.1 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.

Directors' Report *(Contd.)*

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 31 to the Financial Statements in page 111.

Auditors

The Financial Statements for the year ended 31 December 2015 have been audited by Messrs. KPMG (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 28.2 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
19 February 2016

Certification of Incurred But Not Reported (IBNR) Reserve

19 February 2016

To the shareholders of Allianz Insurance Lanka Ltd

Allianz Insurance Lanka Ltd 31 December 2015 Net IBNR and LAT Certification

We hereby certify that the IBNR provision of LKR44,066,504 is adequate in relation to the Claim Liability of Allianz Insurance Lanka Ltd as at 31 December 2015, 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 2015, 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 LKR1,424,746,591 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Allianz Insurance Lanka Ltd as at 31 December 2015, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The 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 19 February 2016

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Independent Auditors' Report

KPMG
(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, which comprise the statement of financial position as at 31 December 2015, 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 controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors consider 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.

Independent Auditors' Report *(Contd.)*

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the financial statements of the Company give a true and fair view of the financial position as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

KPMG

Chartered Accountants

19th February 2016

Colombo

Statement of Financial Position

As at 31 December	Notes	2015 Rs.'000	2014 Rs.'000
Assets			
Financial investments	5	1,508,663	1,294,635
Property, plant and equipment	6	106,540	100,924
Intangible assets	7	37,978	48,150
Reinsurance receivables	8	609,392	472,646
Premium receivables	9	1,537,905	1,202,145
Other receivables	10	93,767	73,901
Amounts due from related parties	11	-	7,615
Insurance contract - deferred expenses	12	163,756	98,600
Deferred tax assets	26.2	8,792	19,553
Cash and cash equivalents	13	40,054	44,865
Total assets		**4,106,848**	**3,363,034**
Equity and liabilities			
Equity			
Stated capital	14	500,000	500,000
Other reserves	15	(12,926)	6,749
Retained earnings	16	499,643	390,118
Total equity		**986,716**	**896,867**
Liabilities			
Insurance contract liabilities	17	2,086,079	1,613,794
Reinsurance payables		674,046	574,178
Employee benefit obligations	18	12,490	8,573
Other payables	19	301,265	216,202
Bank overdraft		46,250	53,420
Total liabilities		3,120,131	2,466,166
Total equity and liabilities		**4,106,848**	**3,363,034**

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements on pages 81 to 121.

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
19 February 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Notes	2015	2014
		Rs.'000	Rs.'000
Gross written premium	20.1	3,506,621	2,923,611
Premiums ceded to reinsurers		(1,192,709)	(1,209,786)
Compulsory cession to NITF		(243,247)	(186,298)
Net written premium	20.2	2,070,665	1,527,527
Net change in reserve for unearned premium		(453,277)	(105,535)
Net earned premium		1,617,388	1,421,992
Other revenue			
Investment income	21	107,873	125,845
Realized gains/(losses)		24,204	7,943
Other operating revenue		13,378	10,786
		145,455	144,574
Total net revenue		1,762,843	1,566,566
Net insurance benefits and claims paid	22	(1,373,897)	(1,096,498)
Gross change in contract liabilities		30,080	(241,849)
Change in contract liabilities ceded to reinsurers		173,963	229,021
Net benefits and claims		(1,169,854)	(1,109,326)
Underwriting and net acquisition costs	23	142,690	101,576
Other operating and administrative expenses	25	(576,624)	(545,298)
Other expenses		(433,934)	(443,722)
Profit before tax		159,055	13,518
Income tax expense	26	(50,122)	8,130
Profit for the year		108,933	21,648
Other comprehensive income			
Items that are or maybe reclassified to profit or loss			
Net change in fair value of available for sales financial assets		(8,934)	2,934
Net change in fair value of available for sales financial assets reclassified to profit or loss		(18,808)	(1,948)
Items that will not be reclassified to profit or loss			
Actuarial gain / (losses) on defined benefit obligations	18.1	822	2,449
Tax on other comprehensive income	26.3	7,837	(3,726)
Total other comprehensive income		(19,083)	(291)
Total comprehensive income for the year net of income tax		89,849	21,357
Earning per share			
- Basic	27	2.18	0.43

The above Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements on pages 81 to 121.

Statement of Changes in Equity

For the year ended 31 December 2015

	Stated Capital Rs.'000	Available for sale Reserves Rs.'000	Retained Reserves Rs.'000	Total Rs.'000
Balance as at 1 January 2014	250,000	8,803	616,707	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 reclassified 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	250,000	6,749	640,118	896,867
Capitalisation of reserves	250,000	-	(250,000)	-
Balance as at 31 December 2014	500,000	6,749	390,118	896,867
Net profit for the year	-	-	108,933	108,933
Other comprehensive income, net of tax				
- Net change in fair value	-	(8,934)	-	(8,934)
- Net amount reclassified to profit or loss	-	(18,808)	-	(18,808)
- Actuarial gains / (losses)	-	-	822	822
- Deferred tax on actuarial gain/(losses)	-	-	(230)	(230)
- Deferred tax on change in fair value	-	8,067	-	8,067
Total comprehensive income	500,000	(12,926)	499,643	986,716
Balance as at 31 December 2015	500,000	(12,926)	499,643	986,716

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 81 to 121.

Statement of Cash Flows

For the year ended 31 December	2015 Rs. '000	2014 Rs.'000
Cash flow from operating activities		
Premium received from customers	3,175,726	2,618,499
Reinsurance premium paid	(1,472,839)	(1,265,739)
Claims paid	(1,535,576)	(1,182,780)
Reinsurance receipts in respects of claims	351,399	314,348
Cash paid to and behalf of employees	(210,009)	(203,608)
Operating cash payments	(105,179)	(146,883)
Cash inflow/ (out flow) from operating activities (note a)	203,522	133,837
Employees benefit paid	(96)	(905)
Tax paid	-	(6,402)
Net cash flow from operating activities	203,426	126,530
Cash flow from investing activities		
Purchase of investments	(9,242,203)	(8,609,426)
Proceeds on sale of investment	8,983,790	8,436,721
Purchase of intangible assets	(21,419)	(27,885)
Purchase of property and equipment	(45,753)	(66,307)
Interest income received	124,514	134,479
Proceeds on sale of property and equipment	-	2,411
Net cash flow from investing activities	(201,070)	(130,007)
Net cash flow before financing activities	2,358	(3,477)
Cash flow from financing activities		
Dividend paid	-	-
Net cash flow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents (note b)	2,358	(3,477)

Notes to the Statement of Cash Flows *(Contd.)*

For the year ended 31 December	2015 Rs. '000	2014 Rs. '000
A. Reconciliation of operating profit with cash flow from operating activities		
Profit before taxation	159,055	13,518
Depreciation charge	40,136	28,947
Profit on sale of property and equipment	-	(2,411)
Provision for employee benefits	4,835	3,758
Amortization of intangible assets	31,590	26,619
Interest and other income	(107,873)	(125,845)
Provision for premium receivable	(4,866)	-
Increase in debtors	(545,048)	(335,923)
Increase in unearned premiums and deferred acquisition costs	495,178	121,428
Increase / (decrease) in claims provisions	(22,893)	263,114
Increase/ (decrease) in creditors and accruals	153,406	140,632
Cash inflow / (outflow) from operating activities	203,522	133,837
Employee benefit paid	(96)	(905)
Tax paid	-	(6,402)
Net cash inflow /(outflow) from operating activities	203,426	126,530

B. Net increase / (decrease) in cash and cash equivalents		
Cash in hand and at bank	40,054	44,865
Bank overdraft	(46,250)	(53,419)
Net cash and cash equivalents closing balance	(6,196)	(8,554)
Net cash and cash equivalents opening balance	(8,554)	(5,077)
Net increase / (decrease) in cash and cash equivalents	2,358	(3,477)

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 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 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 2015 was authorised for issue in accordance with a resolution of the Board of Directors on 19 February 2016.

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 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.

Notes to the Financial Statements *(Contd.)*

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Unearned Premium	17.1	104
Deferred Acquisition Cost	12 & 17.2	103 & 104
Provision for Gross Outstanding Claims	17.3	105
Provision for IBNR/IBNER	17.4	105
Employee Benefits	18	105
Deferred Taxation	26.3	110

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 (IBNR), at the reporting date. 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.

2.4.2. Defined benefit obligation

The defined benefit obligation liability of the Company is based on the actuarial valuations carried out by independent actuarial specialist. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in the estimates are contained in Note 18.2 to the financial statements.

2.4.3. Deferred tax assets/liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimate based on the tax laws and interpretations.

The Company has utilized such tax losses to recognise deferred tax asset and in the statement of financial position. The deferred tax asset is recognised in the financial statements as it is probable that the future taxable profits will be adequate to utilise the available tax losses fully in the foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits.

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. Going concern

The Directors have made assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern.

Notes to the Financial Statements *(Contd.)*

2.7. 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. Intangible assets

3.2.1. Computer Software

3.2.2. 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

Notes to the Financial Statements *(Contd.)*

Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

3.2.3. Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.2.4. Amortisation

Amortisation is recognised in statement of 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.

3.2.5. 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 the de-recognition of such Intangible Assets is included in the Statement of Comprehensive Income.

3.3. Property, Plant and Equipment

3.3.1. 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.

3.3.2. 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 labor, 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.

3.3.3. 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.

3.3.4. Repairs and maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.3.4. Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

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

Office equipment	3 years
Computer equipment	3 years
Furniture & Fittings	5 years
Motor vehicle	5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

3.3.5. De-recognition

The carrying amount of an item of property, plant and equipment is derecognised 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 Comprehensive Income when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognized.

3.4. Leased assets

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.

3.4.1. Finance Leases

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance cost in the statement of Profit or loss and comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.4.2. Operating leases

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

3.5. Impairment of 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Impairment losses are recognised in statement of comprehensive income.

3.6. Financial assets and financial liabilities

3.6.1. Non-derivative financial assets

3.6.1.1 Initial recognition and measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

At inception a financial asset is classified into one of the following categories:

1. Available-for-sale (AFS);

2. Loans and receivables (L&R), as appropriate.

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Company's ability. Financial assets are classified as at fair value through profit or loss where the Company's investment strategy is to manage financial investments on a fair value basis. The available-for sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date, i.e., the date that the Company receives/settles money for the sale/purchase of the financial asset.

However, when it comes to investment in quoted equities and corporate debt, the transaction date (i.e. trade date) is used to recognise/derecognise the asset. The Company's existing types of financial assets and their classifications are shown in the table below.

3.6.1.2. Financial Asset Category

Financial Asset	Category
Treasury Bonds	Available for Sale
Treasury Bills	Available for Sale
Unit Trusts	Available for Sale
Listed Debentures	Available for Sale
Corporate Debt	Available for Sale
Term Deposits	Loans and Receivables

3.6.1.3. Subsequent measurement

3.6.1.3.1. Available-for-sale financial assets (AFS)

Available-for-sale financial investments include equity and debt securities (Government Securities and Corporate Debt). Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in Other Comprehensive Income (OCI) in the available-for-sale reserve.

Interest earned whilst holding available-for-sale investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the statement of comprehensive income as 'Investment Income' when the right of the payment has been established. When the asset is derecognised, the cumulative gain or loss is recognised in the Investment Income. If the asset is determined to be impaired, the cumulative loss is recognised in the statement of comprehensive income in the 'Investment Income' and removed from the available-for sale reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset that is reclassified out of the available for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to statement of comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of comprehensive income.

3.6.1.3.2. Loans and receivables - (L & R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company also decided to classify quoted Corporate Debt under this category since there is no active market for these instruments even if such instruments are listed.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment Income' in the statement of comprehensive income. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

3.6.2. Non-derivative financial liabilities

The Company initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Company becomes a party to the contractual provisions of the instrument. 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.

3.6.2.1. De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in statement of comprehensive income.

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

3.6.2.2. Offsetting

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 set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under SLASs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.6.3. 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.

3.6.4. Fair value measurement

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).

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

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 statement of comprehensive income 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.

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Repos/Overnight Repos	Carrying Value (Cost + Accrued Interest)	Level 2
Units Trusts		
Listed Units Trusts	Published Market Prices (VWA)	Level 1
Debentures		
Listed Debentures	Valued using the market yield	Level 1
Corporate Debt		
Listed instrument (Security)	Published Market Prices	Level 1
Fixed and Term Deposits		
Deposit < 1year	Cost plus interest	Level 2
Forex Deposits	Cost plus interest	Level 3

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in statement of comprehensive income immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

3.6.5. Identification and measurement of impairment

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.6.6. Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as a part of investment income in the statement of comprehensive income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

If a future write-off is later recovered, the recovery is credited to the 'Investment Income' in the statement of comprehensive income.

The Company has not experienced any indication of impairment and thus no impairment losses were recognised during the financial year.

3.6.7. Available-for-sale financial investments (AFS)

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of debt instruments classified as available-for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Investment Income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

3.7. Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to Non-Life Insurance Contracts. In line with the available regulatory guide-lines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 365 days basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income. No such indication of impairment was experienced during the year. DAC is derecognised when the related contracts are either settled or disposed-off.

3.8. 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 the statement of comprehensive income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.9. Premium receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Board of Sri Lanka (IBSL), all Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled except some selected customers where company has allowed extra period for settlements .

3.10. Cash and cash equivalents

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

3.11. Stated capital

3.11.1. Ordinary share capital

Ordinary Shares are classified as equity.

3.12. Liabilities and provisions

3.12. Insurance contract liabilities

3.12.1 Insurance provision - Non-life insurance

Non-Life Insurance contract liabilities include the outstanding claims provision including IBNR/IBNER and provision for unearned premiums.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

Notes to the Financial Statements *(Contd.)*

Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The valuation of Unearned Premium Reserve is measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 365 days basis). The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve are actuarially computed. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

As required by the SLFRS 4- Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Non-Life Insurance contract liabilities with the assistance of the external actuary.

3.13. Employee benefits

3.13.1 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.

3.13.2 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 profit and loss when incurred.

Employee Provident Fund (EPF)

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 (ETF)

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.

3.13.3. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

3.13.4. Actuarial gains and losses

All Actuarial gains or losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements *(Contd.)*

3.14. 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.

3.15. Trade and other payable

Trade and other payables including related party payables are stated at their cost.

3.16. Revenue recognition

3.16.1 Insurance Premiums

3.16.1.2. Non - Life insurance business

Gross written premiums - Non-Life Insurance comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognised is 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.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000.

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. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

3.16.2 Reinsurance premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000).

3.16.3 Fees and commission income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due.

3.17. Interests

Interest income and expenses are recognised in statement of comprehensive income 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.

3.18. Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment.

3.19. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

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

3.20. Profit / Loss on Sale of Property, Plant and Equipment

Profit / loss on Sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

3.21. Benefits, claims and expenses

1. Gross benefits and claims

3.21.1.1. Non - Life insurance business

Non-Life insurance claims include all claims occurring during the year, whether reported or not together with 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 outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of Claims Incurred but Not Reported (IBNR) and Claims Incurred but Not Enough Reported (IBNER) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on a semi-annual basis. Whilst the Directors consider that the provisions for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

2. Reinsurance claims

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

3.22. Net deferred acquisition expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

Notes to the Financial Statements *(Contd.)*

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.23. Other expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to the statement of comprehensive income.

3.24. Income tax expense

Income tax expense comprises current tax expense and deferred tax. Current tax expense and deferred taxes are recognised in statement of comprehensive income.

3.24.1. 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. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of comprehensive income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

3.24.2. Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the statement of financial position, the Company has deferred tax liabilities arising from property plan and equipment only.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be fully utilised. Deferred tax assets, if any, 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recog-nised outside statement of comprehen-sive income, if any is recognised outside statement of comprehensive income. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.24.3. Premium income (GWP) and other sundry sales related taxes

Revenue, expenses and assets are recognised net of the amount of sales taxes and premium taxes except where the premium or sales tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as a part of the cost of acquisition of the asset or as a part of the expense item, as applicable.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority are included as a part of receivables or payables in the statement of financial position.

3.24.4 Economic service charge (ESC)

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

3.25. Capital 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.

3.26. Events occurring after the reporting date

All material post Statement of Financial Position events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

3.27. Earnings per share (EPS)

The Company presents basic earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the statement of comprehensive income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in accordance with Sri Lanka Accounting Standard (LKAS 33), Earnings per share.

3.28. Cash flow statement

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

3.29. 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.

Notes to the Financial Statements *(Contd.)*

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.

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

The following new standards are not expected to have an impact on the Company's financial statements.

- SLFRS 14 Regulatory Deferral Accounts - effective from 01 January 2016
- SLFRS 15 Revenue from contracts with customers - effective from 1 January 2018.

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.

4.1.1. 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.

4.1.1.1. 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.

Notes to the Financial Statements *(Contd.)*

4.1.1.2. 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 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.

4.1.1.3. 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 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 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.

4.1.1.4. 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 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 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.

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

Notes to the Financial Statements *(Contd.)*

5 Financial investments

	Note	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
Available for sale investments	5.1	1,389,228	1,399,882	1,008,488	1,052,957
Loans and receivables	5.2	104,196	108,781	226,951	241,678
Total financial investments		**1,493,424**	**1,508,663**	**1,235,439**	**1,294,635**

5.1 Available for sale investments

	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
At fair value				
Treasury Bonds	1,336,228	1,340,967	631,460	764,110
Treasury Bills	-	-	304,027	213,524
Unit trust	40,000	41,065	40,000	40,820
Corporate debentures	13,000	17,850	33,000	34,503
	1,389,228	1,399,882	1,008,487	1,052,957

5.2 Loans and receivables

	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
Fixed deposit	81,000	85,585	211,189	225,916
Repo	23,196	23,196	15,762	15,762
	104,196	108,781	226,951	241,678

6 Property , plant and equipment (PPE)

	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 2015	39,459	73,436	82,983	10,057	205,935
Additions during the year	4,769	4,863	36,121	-	45,753
Balance as at 31 December 2015	**44,228**	**78,299**	**119,104**	**10,057**	**251,688**
Depreciation and impairment losses					
Balance as at 1 January 2015	17,756	23,298	61,516	2,442	105,012
Depreciation charge for the year	10,550	12,901	14,674	2,011	40,136
Balance as at 31 December 2015	**28,306**	**36,199**	**76,190**	**4,453**	**145,148**
Carrying amount					
- As at 31 December 2015	15,923	42,099	42,914	5,604	106,540
- As at 31 December 2014	21,703	50,138	21,467	7,615	100,924

Notes to the Financial Statements *(Contd.)*

6.1 Acquisition of PPE during the year

During the year 2015, the Company had acquired PPE to the aggregate value of Rs. 45.7 million (2014: 66.3 million).

6.2 Fully depreciated PPE in use

As at 31 December 2015 Company has fully depreciated assets amounting to Rs. 83 million.

6.3 PPE pledge as security

None of the PPE have been pledged as securities as at the reporting date.

6.4 Permanent fall in value of PPE

There has been no permanent fall in the value of PPE which require a provision for impairment in the financial statements.

6.5 Title restriction on PPE

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

7 Intangible assets

	2015 Rs. '000	2014 Rs. '000
Computer software		
Costs		
Balance as at 1 January	126,567	98,682
Acquisition during the year	21,419	27,885
Balance as at 31 December	147,986	126,567
Amortisation		
Balance as at 1 January	78,417	51,798
Amortisation for the year	31,591	26,619
Balance as at 31 December	110,008	78,417
Carrying amount as at 31 December	37,978	48,150

7.1 During financial year, The Company acquired intangible assets (Computer software) to the aggregate value of 21.4 million (2014 - 27.9 million)

8 Reinsurance receivables

	2015 Rs. '000	2014 Rs. '000
Reinsurance receivable on outstanding claims (Note 8.1)	200,330	236,784
Reinsurance receivables on settled claims (Note 8.1)	409,062	235,862
	609,392	472,646

8.1 The above analyses the amounts due from reinsurers between receivables on account of outstanding claims (i.e. claims which have been reserved, but not paid to policyholders) and receivables on account of claims which have already been paid.

9 Premium receivables

	2015 Rs. '000	2014 Rs. '000
Premium receivables	1,557,905	1,227,011
Less: Impairment on premium receivables	(20,000)	(24,866)
Premium receivable net of provision	1,537,905	1,202,145

Notes to the Financial Statements *(Contd.)*

9.1 Impairment losses on premium receivables

The Board of Directors has assessed potential impairment loss of premium receivables as at 31 December 2015. Based on the assessment, adequate impairment provisions have been made in the financial statements as at the reporting date in respect of premium receivable.

10 Other receivables

	2015 Rs. '000	2014 Rs. '000
Other debtors and receivables	92,613	73,573
Staff loans and advances	1,154	328
	93,767	73,901

11 Amount due from related parties

	2015 Rs. '000	2014 Rs. '000
Allianz Life Insurance Lanka Ltd.	-	7,615
	-	7,615

12 Insurance contract - deferred expenses

	2015 Rs. '000	2014 Rs. '000
Reserve for deferred acquisition cost		
Balance as at 1 January	98,600	86,797
Transferred during the year - Commission expenses	46,903	11,803
Transferred during the year - Leasing commission	18,253	-
Balance as at 31 December	163,756	98,600

13 Cash and cash equivalents

	2015 Rs. '000	2014 Rs. '000
Cash in hand	4,536	1,571
Cash at bank	35,518	43,294
	40,054	44,865

14 Stated capital

	No of shares outstanding	Amount Rs. '000
Issued and fully paid as at 1 January	50,000,000	500,000
Issue of shares	-	-
Balance as at 31 December	**50,000,000**	**500,000**

15 Other reserves

	2015 Rs. '000	2014 Rs. '000
Balance as at 1 January	6,749	8,803
Net change in fair value of available for sale financial assets reclassified to profit or loss	(18,808)	(1,948)
Net change in fair value of available for sale financial assets	(8,934)	2,934
Deferred tax on change in fair value	8,067	(3,040)
Balance as at 31 December	(12,926)	6,749

16 Retained earnings

	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	390,118	616,707
Profit for the year	108,933	21,648
Actuarial gains/(losses) on retirement benefits	822	2,449
Deferred tax impact on OCI	(230)	(686)
Capitalisation of reserves	-	(250,000)
Balance as at 31 December	499,643	390,118

17 Insurance contract liabilities

	2015	2014
	Rs. '000	Rs. '000
Reserve for net unearned premium (note 17.1)	1,424,747	971,470
Reserve for deferred commission income (note 17.2)	207,296	165,395
Reserve for gross outstanding claims (note 17.3)	397,884	418,770
Reserve for IBNR (note 17.4)	56,152	58,159
	2,086,079	1,613,794

17.1 Reserve for net unearned premium

	2015	2014
	Rs. '000	Rs. '000
Reserve for unearned premium (note 17.1.1)	2,275,616	1,681,475
Reserve for unearned Reinsurance premium (note 17.1.2)	(850,869)	(710,005)
	1,424,747	971,470

17.1.1 Reserve for unearned premium

	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	1,681,475	1,401,554
Premiums written in the year	3,506,621	2,923,611
Premiums earned during the year	(2,912,480)	(2,643,690)
Balance as at 31 December	2,275,616	1,681,475

17.1.2 Reserve for unearned reinsurance premium

	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	710,005	535,617
Premiums written in the year	1,435,956	1,396,084
Premiums earned during the year	(1,295,092)	(1,221,696)
Balance as at 31 December	850,869	710,005

17.2 Reserve for deferred commission income

	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	165,396	137,697
Transfers during the year	41,900	27,698
Balance as at 31 December	207,296	165,395

Notes to the Financial Statements *(Contd.)*

17.3 Reserve for gross claims outstanding

	2015 Rs. '000	2014 Rs. '000
Balance as at 1 January	418,770	180,862
Transfers during the year	1,567,663	1,441,953
Claims approved during the year	(1,588,549)	(1,204,045)
Balance as at 31 December	397,884	**418,770**

17.4 Reserve for IBNR/IBNER

	2015 Rs. '000	2014 Rs. '000
Balance as at 1 January	58,159	32,953
Transfers during the year	(2,007)	25,206
Balance as at 31 December	56,152	**58,159**

17.5 Reconciliation between insurance liabilities and technical reserve

	2015 Rs. '000	2014 Rs. '000
General insurance provision	1,922,322	1,515,195
Reinsurance receivables on claims outstanding	(200,330)	(236,784)
Technical reserve as at 31 December	1,721,992	**1,278,411**

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

The General insurance technical reserve of Rs. 1,722 million as at 31 December 2015 includes the provision of IBNR claims of Rs. 56 million that has been certified by independent consultants actuaries, NMG Consulting Singapore. According to the actuaries certificate dated 19 February 2016, the IBNR reserve as at 31 December 2014 was Rs. 58 million.

17.6 Changes in assumption

The estimation technique used for the IBNR / IBNER reserve has not changed during the year.

17.7 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for General Insurance contract liability was carried out by M/s NMG Consultants as at 31 December 2015 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31 December 2015. No additional provision was required against the LAT as at 31 December 2015.

18 Employee benefits

	2015 Rs. '000	2014 Rs. '000
Balance as at 1 January	8,573	8,169
Current service cost	3,978	2,941
Interest cost	857	817
Actuarial (gain)/losses on defined benefit plan	(822)	(2,449)
Payments during the year	(96)	(905)
Balance as at 31 December	12,490	**8,573**

As at 31 December 2015, 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 .

18.1 Movement in the present value of the defined benefit obligations

	2015 Rs. '000	2014 Rs. '000
Opening net liability	8,573	8,169
Expense recognised in Profit or loss	4,835	3,758
Expense/(income) recognised in the other comprehensive income	(822)	(2,449)
Benefit paid	(96)	(905)
Closing net liability	12,490	8,573

18.2 Actuarial assumptions

Principal acturial assumptions as at the reporting date expressed as weighted averages were:

	2015	2014
a) Discount rate per annum	10%	10%
b) Future salary increment rate per annum	10%	10%
c) Normal retirement age	55 Years	55 Years
d) 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%
e) Mortality table	Indian Assured lives Mortality (2006-2008) Ultimate	Indian Assured lives Mortality (2006-2008) Ultimate

The gratuity liability is not externally funded.

18.3 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.

	2015	
	1% Increase	1% Decrease
Discount Rate (Rs. '000)	11,504	13,648
Salary Escalation Rate (Rs. '000)	13,636	11,495

19 Other payables

	2015 Rs. '000	2014 Rs. '000
Other financial liabilities		
Agency commission payable	121,078	103,672
	121,078	103,672
Other non financial liabilities		
Government levies	116,202	93,373
Tax payable	31,525	-
Other creditors and accrued expenses	28,305	19,157
Amount due to related parties (Note 19.1)	4,155	-
	180,187	112,530
Total other payables	301,265	216,202

Notes to the Financial Statements *(Contd.)*

19.1 Amount due to related parties

	2015 Rs. '000	2014 Rs. '000
Allianz Life Insurance Lanka Ltd.	4,155	-

20 Gross premiums on insurance contracts

20.1 Gross written premium

	2015 Rs. '000	2014 Rs. '000
Accident	1,218,182	985,284
Fire	1,185,325	1,086,997
Marine	94,962	62,933
Motor	1,008,152	788,397
	3,506,621	2,923,611
Premium ceded to reinsurers	(1,192,709)	(1,209,786)
Compulsory cession to NITF	(243,247)	(186,298)
20.2 Net written premium	2,070,665	1,527,527

21 Investment income

	2015 Rs. '000	2014 Rs. '000
Interest income from available for sale investments (Note 21.1)	98,364	103,333
Interest income from loans and receivable investments (Note 21.2)	9,509	22,512
	107,873	125,845

21.1 Interest income from available for sale investments

	2015 Rs. '000	2014 Rs. '000
Treasury bonds	89,965	77,632
Treasury bills	3,393	18,599
Quoted debentures	3,338	5,988
Unit trust	1,668	1,114
	98,364	103,333

21.2 Interest income from loans and receivable investments

	2015 Rs. '000	2014 Rs. '000
Term deposits	8,267	20,871
Repo investments	1,118	1,306
Other saving accounts	124	335
	9,509	22,512

Notes to the Financial Statements *(Contd.)*

22 Net insurance benefits and claims paid

	2015 Rs. '000	2014 Rs. '000
Gross benefits and claims paid		
Accident	500,638	513,139
Fire	291,458	191,191
Miscellaniuos	168,939	59,494
Marine	28,871	13,729
Motor	669,484	449,720
Gross claims incurred	1,659,390	1,227,273
Less: recoveries from salvage sales	(70,840)	(23,228)
Gross claims	1,588,550	1,204,045
Less: Reinsurance recoveries	(214,653)	(107,547)
Net insurance benefits and claims paid	1,373,897	1,096,498

23 Underwriting and net acqiusition cost

	2015 Rs. '000	2014 Rs. '000
Underwriting and policy acquisition cost	(279,915)	(240,187)
Reinsurance commission	417,602	357,658
Net decrease / (increase) in deferred acquisition expenses	5,003	(15,895)
	142,690	101,576

24 Net decrease / (increase) in deferred acquisition expenses

	2015 Rs. '000	2014 Rs. '000
Commission cost	46,903	11,803
Commission income from reinsurers	(41,900)	(27,698)
	5,003	(15,895)

25 Operating and administration expenses

	2015 Rs. '000	2014 Rs. '000
Staff Expenses (Note 25.1)	214,844	207,365
Administration and establishment expenses	215,895	228,599
Selling expenses	64,053	46,470
Depreciation	40,137	28,947
Amortisation	31,591	26,618
Nations Building Tax	10,104	7,299
	576,624	545,298

25.1 Staff expenses

	2015 Rs. '000	2014 Rs. '000
Wages and salaries	133,108	137,064
EPF and ETF (Note 25.1.1)	17,997	18,557
Provision for employee benefits (Note 18)	4,835	3,758
Staff welfare	6,944	6,846
Training expenses	1,057	3,261
Other costs	50,903	37,879
	214,844	207,365

Notes to the Financial Statements *(Contd.)*

25.1.1 Contributions made to defined contribution plans

	2015	2014
	Rs. '000	Rs. '000
Employee provident fund	14,375	14,841
Employee trust fund	3,622	3,716
	17,997	18,557

25.1.1.1 Number of employees

	2015	2014
As at the end of the financial year	413	390

26 Income tax

	2015	2014
	Rs. '000	Rs. '000
Current tax		
Current period (Note 26.1)	29,024	-
Under/(over) provision in respect of previous years	2,501	(159)
Deemed dividend tax provision/(reversal)	-	6,402
Deferred tax expense		
Reversal and origination of temporary differences (Note 26.2)	18,597	(14,373)
Total income tax provision/(reversal)	50,122	(8,130)

26.1 Current income tax expense

	2015	2014
	Rs. '000	Rs. '000
Accounting profit	159,055	13,518
Aggregate disallowed items	85,415	49,248
Aggregate allowable expenses	(84,996)	(63,804)
Aggregate exempt income	(55,817)	(62,901)
Taxable profit/(loss)	103,657	(63,939)
Statutory tax rate	28%	28%
Current income tax expense	29,024	-

26.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	-	-	(5,332)	(3,846)	(5,332)	(3,846)
Employee benefits	3,497	2,400	-	-	3,497	2,400
Bad debt provision	5,600	6,962	-	-	5,600	6,962
Available for sale reserve	5,027	-	-	(3,040)	5,027	(3,040)
Taxable loss Y/A 2014/15	-	17,077	-	-	-	17,077
Net tax assets / (liabilities)	14,124	26,439	(5,332)	(6,886)	8,792	19,553
Reversal and (origination) of temporary differences					10,761	(10,647)

Notes to the Financial Statements *(Contd.)*

26.3 Analysis of deferred tax assets / (liabilities)

	2015		2014	
	Temporary Difference	Tax	Temporary Difference	Tax
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	(19,042)	(5,332)	(13,735)	(3,846)
Employee benefits	12,490	3,497	8,573	2,400
Bad debt provision	20,000	5,600	24,866	6,962
AFS reserve	17,952	5,027	(10,857)	(3,040)
Taxable loss Y/A 2015/16	-	-	60,989	17,077
	31,400	8,792	69,836	19,553

Movement in deferred tax	Balance 1 Jan 2014	Recognised in profit or loss	Recognised in OCI	Balance 31 Dec 2014	Recognised in profit or loss	Recognised in OCI	Balance 31 Dec 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	(1,165)	(2,681)	-	(3,846)	(1,486)	-	(5,332)
Employee benefits	2,287	799	(686)	2,400	1,327	(230)	3,497
Bad debt provision	7,784	(822)	-	6,962	(1,362)	-	5,600
AFS reserve	-	-	(3,040)	(3,040)	-	8,067	5,027
Taxable loss Y/A 2015/16	-	17,077	-	17,077	(17,077)	-	-
	8,906	14,373	(3,726)	19,553	(18,598)	7,837	8,792

27 Basic earnings per share

The calculation of basic earnings per share as at 31 December 2015 was based on the profit attributable to shareeholders and weighted average number of ordinary shares outstanding for the year ended 31 December 2015.

For the year ended 31 December,	2015	2014
Profit attributable to shareholders (Rs. '000)	108,933	21,648
No of shares as at 31 December	50,000,000	50,000,000
Basic earnings per share (Rs.)	2.18	**0.43**

28 Related party disclosures

28.1 Transactions with group companies

Company	Relationship	Nature of Transaction	Transaction amount	Balance as at 31 Dec 2015
Allianz SE	Group Company	Reinsurance arrangement	163,776	198,721
Allianz Life Insurance Lanka Ltd	Group Company	Reimbursable Expenses (net)	11,770	(4,155)

28.2 Transactions with key management personnel

The 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 have approved the said remuneration for the role of Chief Executive Officer and no director's fees are paid to any key management personnel. There were no other transactions with key management personnel for the year ended 31 December 2015.

29 Capital commitments

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

30 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.

31 Events after the reporting date

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

32 Comparative information

The presentation and classification of following items in the financial statements are amended to ensure comparability with current year information

	Note	Current presentation Rs '000	As reported previously Rs '000
Statement of financial position			
Insurance contract - deferred expenses	12	98,600	-
Insurance contract liabilities	17	1,613,794	1,515,195

Deferred expenses which was initially presented under note 17.2 of insurance contract liabilities as a net amount has been reclassified and presented under deferred contract expenses in the statement of financial position

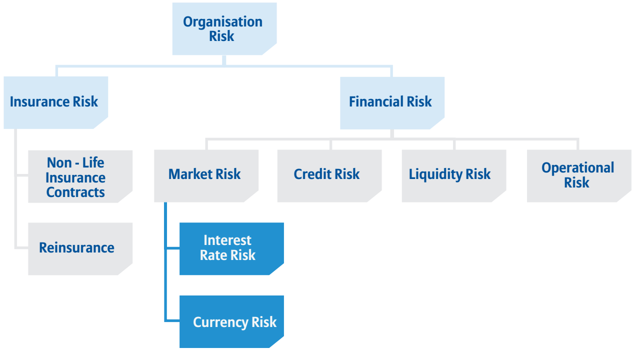
Further, the presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

Notes to the Financial Statements *(Contd.)*

33 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 minimisation. 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.

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.

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 minimising 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.

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. The Company has implemented RBC requirements without any significant concerns, by the due date.

33.1 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 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.

Notes to the Financial Statements *(Contd.)*

- 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 17.3 and 17.4 to the financial statements, which shows the gross claim liability and the reinsurance component.

Following table summarises the outstanding claims position as at 31 December.

	31 December 2015			31 December 2014		
Non-Life Insurance Claims Reserve.	Gross claims	Reinsurance	Net	Gross claims	Reinsurance	Net
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Claims Outstanding	397,884	(200,300)	197,584	418,770	(236,784)	181,986
IBNR/IBNER Reserve	255,911	(199,759)	56,152	174,349	(116,189)	58,159
Total	653,795	(400,059)	253,736	593,119	(352,973)	240,145

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 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.

33.1.2 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

33.2.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

33.2.1.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 on equity price risk.

Notes to the Financial Statements *(Contd.)*

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 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.

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

	31 December 2015		31 December 2014	
	Amount in Foreign Currency '000	Amount Rs. '000	Amount in Foreign Currency '000	Amount Rs. '000
USD Assets	846.1	121,524	287.9	37,862
EURO Assets	50.2	7,908	33.2	5,240
SGD Assets	-	-	0.2	19
MVR Assets	3.6	772	-	-
Total Foreign currency denominated assets		130,204		43,121
Impact on PBT				
5% strengthening of rupee*		123,694		40,965
5% weakening of rupee *		136,714		45,277
+/- % impact of PBT		4.09%		15.95%

33.2.2. 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 2015

Financial Instruments	Government Guaranteed Rs. '000	AAA Rs. '000	AA+ Rs. '000	AA Rs. '000	AA- Rs. '000	A- Rs. '000	TOTAL Rs. '000
Available for Sale							
Government Securities	1,340,967	-	-	-	-	-	1,340,967
Unit Trust		-	-	-	-	41,065	41,065
Debenture	-	-	-	-	17,850	-	17,850
Loans and Receivables							
Fixed Deposit	-	-	-	-	85,586	-	85,586
REPO	23,196	-	-	-	-	-	23,196
Total	1,364,163	-	-	-	103,456	41,065	1,508,664

31 December 2014

Financial Instruments	Government Guaranteed Rs. '000	AAA Rs. '000	AA+ Rs. '000	AA Rs. '000	AA- Rs. '000	A- Rs. '000	TOTAL 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	1,035,653	-	65,269		42,396	151,317	1,294,635

**Ratings represent the local ratings given by Fitch Ratings Lanka Limited

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

31 December 2015	< 180 days Rs. '000	180 to 365 days Rs. '000	365 < days Rs. '000	Total Rs. '000
Reinsurance receivable				
- Non-Life	396,692	5,333	7,037	409,062
Premium receivables				
- Non-Life	1,490,319	36,474	11,112	1,537,905
Total	**1,887,011**	**41,807**	**18,149**	**1946,967**
% Distribution	97%	2%	1%	

31 December 2014	< 180 days Rs. '000	180 to 365 days Rs. '000	365 < days Rs. '000	Total 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%	

33.2.3. 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.

Notes to the Financial Statements *(Contd.)*

- 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 2015

	Less than 1 year Rs. '000	1-3 years Rs. '000	More than 3 years Rs. '000	No Maturity Rs. '000	Carrying Value Rs. '000
Available for Sale					
Treasury bonds	237,855	453,111	650,001	-	1,340,967
Treasury bills	-	-	-	-	-
Debentures	-	17,850	-	-	17,850
Unit Trust	-	-	-	41,065	41,065
Loans and receivables					
Fixed deposits	85,585	-	-	-	85,585
REPO	23,196	-	-	-	23,196
Total	**346,636**	**470,961**	**650,001**	**41,065**	**1,508,663**
Liabilities					
Claims outstanding	397,884	-	-	-	397,884
Reinsurance creditors	674,046	-	-	-	674,046
Total	**1,071,930**	-	-	-	**1,071,930**

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 Rs. '000	Carrying Value Rs. '000
Available for Sale					
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 and receivables					
Fixed deposits	225,916	-	-	-	225,916
REPO	15,762	-	-	-	15,762
Total	**819,289**	**356,652**	**77,874**	**40,820**	**1,294,636**
Liabilities					
Claims outstanding	418,770	-	-	-	418,770
Reinsurance creditors	574,178	-	-	-	574,178
Total	**992,948**	-	-	-	**992,948**

33.2.4 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 authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures

Notes to the Financial Statements *(Contd.)*

- 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 and 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.

33.3. Financial Assets and Liabilities

33.3.1.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 2015	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Available for Sale				
Treasury Bonds	1,340,967	-	-	1,340,967
Treasury Bills	-	-	-	-
Debentures	-	17,850	-	17,850
Unit Trust	41,065	-	-	41,065
Fixed deposit	-	-	85,585	85,585
Repo	-	-	23,196	23,196
Total	**1,382,032**	**17,850**	**108,782**	**1,508,663**

As at 31 December 2014	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Available for Sale				
Treasury Bonds	764,110	-	-	764,110
Treasury Bills	213,524	-	-	213,524
Debentures	-	34,503	-	34,503
Unit Trust	40,820	-	-	40,820
Fixed deposit	-	-	225,916	225,916
Repo	-	-	15,762	15,762
Total	**1,018,454**	**34,503**	**241,678**	**1,294,635**

Content

Allianz Life Insurance Lanka Ltd.

Financial Information

Directors' Report

The Board of Directors of Allianz Life 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 2015. The Audited Financial Statements were approved by the Board of Directors on 19 February 2016.

Principal Activities of the Company

The principle activity of the Company is underwriting Life Insurance business. Income is derived from underwriting and investment activities.

Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on page 02 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 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 page 28 to 32 The future developments of the Company are presented in the CEO's review on pages 42 to 44 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 the accounting policies and the notes thereto of the Company, are provided on pages 130 to 169 and Auditors' Report on the Financial Statements is provided on page 128 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 2015 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 no. 03 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 a going concern in the preparation of these Financial Statements. These included a review of the Company's budget and corporate plan for the ensuring years, future prospects and risks, capital expenditure requirements and cash flows. Following these reviews, the Board is satisfied that the Company possesses adequate resources to continue its operations into the foreseeable future, and hence endorses continuous adoption of the concept of a going concern.

Corporate Governance

The Board of Directors is committed to maintain an effective corporate governance structure and processes, and best practices on corporate governance. Systems and procedures are in place to ensure that corporate governance is adequate and 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 the 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 on the responsible, integrity – enriched behavior of its employees. All employees are governed by the Code of Conduct. The Company supports and follows the guidelines and standards for rules-compliant and value –based corporate leadership.

Directors' Report *(Contd.)*

Risk Management and Internal Control Systems

The Board considers risk management and internal controls as being integral to the management of the Company and its 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 Chief Risk Officer. The Company's comprehensive risk management framework is given in the Risk Management Report on pages 36 to 39.

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

Turnover/Gross Written Premium (GWP)

The total turnover of the Company is identified as that gross written premium which was Rs. 919 million for 2015 – Rs. 823 million for 2014.

The detailed analysis of the gross written premium of the Company was disclosed in Note 18 to the Financial Statements.

Investments

Details of the investments held by the Company are disclosed in Note no. 04 to the Financial Statements.

Property, Plant and Equipment

Details of plants and equipment are given in Note no. 05 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 18 March 2011, and is disclosed below.

The Company is well capitalised and is comfortably meeting its internal and regulatory solvency targets as of 31 December 2015

	2015 Rs. '000	2014 Rs. '000
Value of admissible assets	1,598,892	1,202,025
Total liability including policy liability	1,510,058	1,090,592
Net admissible assets	88,833	111,433
Required solvency margin (RSM)	70,171	49,040
Excess over required solvency margin	18,662	62,393

Employment Policy

As a people business, the Company's principle asset is intellectual capital, and its 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 continuity, and the Company places great emphasis on fostering leadership, talent and continuous personal development. Only by unlocking its employees' potential and enhancing its services can the Company achieve its primary goal of being a reliable partner to its customers.

The Company encourages equal opportunity. This involves recruiting, engaging, retaining, rewarding and developing its 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. Compensation and benefits plans are designed to motivate employees to successfully implement the Company's 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 it can create real competitive advantage by building and maintaining a high performance culture within.

Stated Capital

During the financial year under review, the Company has increased its stated capital by Rs.147 million.

In compliance with Companies Act No 07 of 2007, the Financial Statements reflect the stated capital of the Company. The

Directors' Report *(Contd.)*

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 2015 was Rs. 739.62 million.

Directorate

The Board consists of three members and the information on the Directors of the Company is available in the Directors profile on pages 20 to 21.

Alan David Smee was appointed to the Board on 6 July 2015, in place of Tapan Kumar Rangam Bir who resigned with effect from 7 July 2015. As of 31 December 2015,

The following persons served as Directors of the Company:

- Heinz Dollberg
- Surekha Alles
- Alan David Smee

Directors' 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 the Non-Executive Directors.

Directors' Interest in Contracts with the Company

None of the Directors had any interests in contracts, either directly or indirectly, with the Company other than as disclosed in "Notes to the financial statements" in Note 27.

Events after the Reporting Date

There were no material events that occurred after the reporting date that required adjustment to the disclosures in the Financial Statements, other than those disclosed in Note 30 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 create 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 2015 have been audited by Messrs. KPMG (Chartered Accountants).

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	**Surekha Alles**
Director	Director

Secretaries to the Company

EM & EN Agents and Secretaries (Pvt) Limited
19 February 2016

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 2015. 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 as at 31 December 2015 by Rs. 156 million.

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

Li Chenwei
Fellow of the Society of Actuaries, North America
19th February 2016

Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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TO THE SHAREHOLDERS OF ALLIANZ LIFE INSURANCE LANKA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Allianz Life Insurance Lanka Limited, which comprise the statement of financial position as at 31 December 2015, 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 controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors consider 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.

Independent Auditors’ Report *(Contd.)*

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the financial statements of the Company give a true and fair view of the financial position as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007. 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, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

KPMG

Chartered Accountants

19th February 2016

Colombo

Statement of Financial Position

As at 31 December	Note	2015 Rs. '000	2014 Rs. '000
Assets			
Financial investments	04	1,569,538	1,186,394
Property, plant and equipment	05	14,736	24,045
Intangible assets	06	705	1,209
Unit linked investments	07	184,518	111,449
Reinsurance receivable		28,133	37,680
Other receivables	08	97,188	82,220
Amounts due from related parties	09	4,170	-
Cash and cash equivalents	10	48,136	24,973
Total Assets		1,947,124	1,467,970
Equity and liabilities			
Equity			
Stated capital	11	739,624	592,624
Other reserves	12	(25,940)	65,037
Retained earnings	13	(499,277)	(428,897)
Total equity		214,407	228,764
Liabilities			
Insurance contract liabilities - Life	14	1,597,959	1,091,736
Reinsurance payables		39,502	43,868
Other payables	15	90,508	92,022
Amounts due to related parties	16	-	7,600
Employee benefit obligations	17	4,748	3,980
		1,732,717	1,239,207
Total equity and liabilities		1,947,124	1,467,970

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements on pages 135 to 169.

These Financial Statements have been prepared in accordance with the 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

19 February 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Note	2015	2014
		Rs. '000	Rs. '000
Gross written premium	18	919,144	823,456
Premium ceded to reinsurers		(59,309)	(55,308)
Net written premium		859,834	768,148
Other revenue			
Income from investments	19	134,667	104,971
Other income	20	13,333	2,979
		148,000	107,950
Total net revenue		1,007,835	876,098
Benefits and claims			
Gross claims and benefits paid		(73,840)	(67,468)
Claims ceded to reinsurers		21,347	28,906
Total benefits and claims	21	(52,493)	(38,562)
Net income less benefits and claims		955,342	837,536
Expenses			
Net acquisition costs	22	(134,241)	(154,947)
Other operating and administrative expenses	23	(363,893)	(410,493)
Total expenses		(498,134)	(565,440)
Increase in insurance contract liabilities - Life	14.2	(504,042)	(367,672)
Loss before taxation		(46,834)	(95,576)
Income tax expenses	24	(24,523)	24,523
Loss for the year		(71,358)	(71,053)
Loss per Share (Rs.)	25	(0.73)	(1.61)
Other comprehensive income			
Net loss for the year		(71,358)	(71,053)
Items that will not be classified to profit or loss			
Net change in fair value of available for sales financial assets		(115,335)	63,289
Net change in fair value of available for sales financial assets reclassified to profit or loss		(165)	(1,185)
Tax on other comprehensive income		24,523	(24,523)
Items that are or may be reclassified to profit or loss			
Actuarial gain / (losses) on defined benefit obligations		978	278
Total comprehensive income for the year, net of tax		(161,356)	(33,194)

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 135 to 169.

Statement of Changes in Equity

	Stated Capital Rs. '000	Available for Sale Reserves Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 1 January 2014	**592,624**	**27,456**	**(358,122)**	**261,958**
Net profit / (loss) for the year	-	-	(71,053)	(71,053)
Other comprehensive income, net of tax				
- Net change in fair value	-	63,289	-	63,289
- Tax on other comprehensive income	-	(24,523)		(24,523)
- Net amount reclassified to profit or loss	-	(1,185)	-	(1,185)
- Actuarial gains / (losses)	-	-	278	278
Total comprehensive income	-	37,581	(70,775)	(33,194)
Balance as at 31 December 2014	**592,624**	**65,037**	**(428,897)**	**228,764**
Net profit / (loss) for the year	-	-	(71,358)	(71,358)
Other comprehensive income, net of tax				
- Net change in fair value	-	(115,335)	-	(115,335)
- Tax on other comprehensive income	-	24,523	-	24,523
- Net amount reclassified to profit or loss	-	(165)	-	(165)
- Actuarial gains / (losses)	-	-	978	978
Total comprehensive income	-	(90,977)	(70,380)	(161,356)
Issued during the year	147,000	-	-	147,000
Balance as at 31 December 2015	**739,624**	**(25,940)**	**(499,277)**	**214,407**

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 135 to 169.

Statement of Cash Flows

For the year ended 31 December	Note	2015	2014
		Rs. '000	Rs. '000
Cash flows from operating activities			
Premium received from customers		914,639	816,096
Reinsurance premium paid		(32,781)	(26,650)
Claims paid		(69,067)	(70,606)
Cash paid to and on behalf of employees		(102,490)	(111,603)
Other operating cash flows		(393,355)	(429,082)
Cash flow from operating activities (Note A)		316,947	**178,155**
Gratuity paid		(255)	(810)
Tax paid		-	-
Net cash from operating activities		316,691	**177,345**
Cash flows from investing activities			
Purchase of liquid investments (Other than cash equivalents)		(700,023)	(519,719)
Proceeds on maturity investment (Other than cash equivalents)		214,724	308,927
Interest received		118,125	52,633
Dividend received		1,031	1,114
Investment in unit linked investments		(70,904)	-
Disposal of tangible assets		-	3,150
Purchase of intangible assets		(141)	(1,181)
Purchase of tangible assets		(3,340)	(13,440)
Net cash from investing activities		(440,528)	**(168,516)**
Cash flows from financing activities			
Issue of share capital		147,000	-
Net cash from financing activities		147,000	-
Increase in cash and cash equivalents (Note B)		23,163	**8,828**

Statement of Cash Flows *(Contd.)*

For the year ended 31 December	Note	2015	2014
		Rs. '000	Rs. '000
A. Reconciliation of operating profit with cash flows from operating activities			
Loss before tax		(46,834)	(95,576)
Depreciation and amortisation		13,294	16,016
Provision for employee benefit obligation		2,002	1,750
Interest income		(133,637)	(124,122)
Dividend income		(1,031)	(1,114)
Increase in other receivables		(14,968)	(21,692)
Increase in reinsurance receivables/(payable)		5,181	(1,663)
Increase in life insurance provision		506,223	384,958
Gain on disposal of tangible assets		-	(2,508)
Increase in creditors		(13,284)	14,506
Gratuity paid		(255)	(810)
Cash flows from operating activities		316,691	**169,745**
B. Increase in Cash and cash equivalents			
Net cash and cash cquivalents at the end of the year	10	48,136	24,973
Net cash and cash equivalents at the beginning of the year		24,973	16,145
Increase / (decrease) in cash and cash equivalents		23,163	**8,828**

The above Statement of Cash Flows is to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 135 to 169.

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 No. 3A/B, Valliant Towers, 46/7, Nawam Mawatha, Colombo 02. The immediate and ultimate holding Company is Allianz SE of Munich, Germany.

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

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 authorization of issue

The Financial Statements of Allianz Life Insurance Lanka Limited, for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 19 February 2016.

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. Going concern

The Board believes that the Company and the Group have adequate resources to continue its operations in the foreseeable future by considering the financial positions and performance, cash flows and regulatory and statutory factors and adopts the going concern basis in preparing Financial Statements.

2.5. 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	14	154
Employee benefit obligation	17	155
Deferred Taxation - Utilisation of Losses	24	158

2.5.1. Insurance contract liabilities- Life insurance

The valuation of the Long term insurance business as at 31 December 2015 was carried out by the appointed actuary based on the assumptions set out in Note No. 14 to the Financial Statements.

2.5.2. Provisions and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgment as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

2.5.3. Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

2.6. 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.

2.7. 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 recognised 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

Computer 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.

Amortization

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 capitalized 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. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

3.2.4.2. Non-derivative financial liabilities

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

Other financial liabilities comprise reinsurance payables, other liabilities and bank overdrafts.

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 in the statement of cash flows.

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;

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 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). 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).

Instrument category in fair value basis

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Repos	Carrying Value (Cost + Accrued Interest)	Level 3
Investment in units		
Investment in Listed Units	Published Market Prices (VWA)	Level 1
Corporate Debt		
Listed	Published Market Prices	Level 1 if the market is active if not Level 2
Fixed and Term Deposits		
Deposit > 1year	Cost plus interest	Level 3

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 amortized 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.

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 derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Notes to the Financial Statements *(Contd.)*

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 or 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 recognize 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 recognized 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. Reinsurance Commission Income

Reinsurance commission income on outwards reinsurance contracts are recognized as revenue when receivable.

3.8.4. 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 recognized as an adjustment to the effective interest rate of the instrument.

3.8.5. Dividend income

Dividend income is recognised when the company's right to receive the payment is established.

3.8.6. 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.

3.8.7. 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.

3.9.3. Acquisition cost

All acquisition cost are recognised as an expense when incurred.

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.

Notes to the Financial Statements *(Contd.)*

3.11. Taxation

3.11.1 Current 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. Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.13. Stated capital

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

3.14. Statement of Cash Flows

The Statement of Cash Flows 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.

3.15. 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 29 to the Financial Statements. Commitments are disclosed in Note 28 to the Financial Statements.

3.16. Events occurring after the reporting date

All material post - Balance Sheet events have been considered and where appropriate, adjustments or disclosures have been made in Note 30 to the Financial Statements.

3.17. 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 32.

Notes to the Financial Statements *(Contd.)*

3.18. 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 Notes to the financial statements (Note 33).

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 Chief Risk Officer (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.

Notes to the Financial Statements *(Contd.)*

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

- SLFRS 9 Financial Instruments - effective for annual periods beginning on or after 01st January 2018

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.

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

The following new standards are not expected to have an impact on the Company's financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective for annual periods beginning on or after 01 January 2016
- SLFRS 15 Revenue from contracts with customers – effective from 1 January 2018.

Notes to the Financial Statements *(Contd.)*

4. Financial investments	2015 Face value Rs. '000	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Face value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
Available-for-sale investments (Note 4.1)	1,353,086	1,367,457	1,393,837	909,364	828,050	960,809
Loans and receivables (Note 4.2)	149,832	149,832	175,701	199,018	199,018	225,585
	1,502,918	1,517,289	1,569,538	1,108,382	1,027,068	1,186,394

4.1 Available-for-sale investment	2015 Face value Rs. '000	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Face value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
Treasury bonds	1,257,294	1,273,678	1,293,606	773,573	697,973	823,551
Treasury bills	50,000	48,888	49,940	80,000	75,186	78,066
Quoted debentures	17,792	16,890	20,972	27,791	26,890	30,468
Unit trusts	28,000	28,000	29,319	28,000	28,000	28,724
	1,353,086	1,367,457	1,393,837	909,364	828,050	960,809

4.2 Loans and Receivable	2015 Face value Rs. '000	2015 Cost of investment Rs. '000	2015 Carrying value Rs. '000	2014 Face value Rs. '000	2014 Cost of investment Rs. '000	2014 Carrying value Rs. '000
Repo	16,700	16,700	16,700	51,500	51,500	51,500
Term deposits	133,132	133,132	159,001	147,518	147,518	174,085
	149,832	149,832	175,701	199,018	199,018	225,585

6 Property , plant and equipment	Computer equipment Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost				
Balance as at 1 January 2015	20,468	24,372	35,691	80,531
Additions during the year	935	846	1,558	3,340
Balance as at 31 December 2015	21,403	25,218	37,249	83,871
Accumulated depreciation				
Balance as at 1 January 2015	14,640	16,388	25,458	56,486
Charge for the year	3,291	5,182	4,175	12,649
Balance as at 31 December 2015	17,931	21,570	29,633	69,135
Carrying amount				
- Balance as at 31 December 2015	3,472	3,648	7,616	14,736
- Balance as at 31 December 2014	5,828	7,984	10,233	24,045

5.1 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Company as at the reporting date.

5.2 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 3.34 million (2014 - Rs. 13.44 million). Cash payments amounting to Rs. 3.34 million (2014 - Rs. 13.44 million) were made during the year for purchase of PPE.

5.3 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year (2014 - Nil).

5.4 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2015. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

5.5 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December	2015 Rs. '000	2014 Rs. '000
Computer Equipment	4,571	2,802
Office Equipment	12,731	7,547
Furniture and Fittings	18,532	14,331
	35,833	24,680

6. Intangible assets

	2015 Rs. '000	2014 Rs. '000
Acquisition cost		
Balance as at 1 January	6,318	5,137
Additions during the year	141	1,181
Balance as at 31 December	6,459	6,318
Accumulated amortisation		
Balance as at 1 January	5,109	3,484
Amortisation charge for the year	645	1,625
Balance as at 31 December	5,754	5,109
Carrying amount as at 31 December	705	1,209

6.1 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 December 2015. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of intangible assets.

6.2 Title restriction on intangible assets

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

Notes to the Financial Statements *(Contd.)*

6.3 Acquisition of intangible assets during the year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 0.141 million (2014 - Rs. 1.181 million). Cash payment amounting to Rs. 0.141 million (2014 - Rs. 1.181 million) were made during the year for purchase of Intangible Assets (computer software).

6.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year (2014 - Nil).

6.5 Fully amortised intangible assets in use

Intangible assets include fully amortised computer software which are in the use of normal business activities having gross carrying amounts of Rs. 4.949 million.

7. Unit linked investments

	2015 No. of units	2015 Net asset value Rs. '000	2014 No. of units	2014 Net asset value Rs. '000
Growth fund	6,466,156	88,196	3,688,617	49,263
Balanced fund	4,582,698	60,596	3,048,369	40,982
Bond fund	3,058,584	35,726	1,886,150	21,204
	14,107,438	184,518	8,623,136	111,449

The above investments relate to the unit-linked life insurance contract liability of the company.

8. Other receivables

	2015 Rs. '000	2014 Rs. '000
Other debtors and receivables	82,864	67,164
Receivable from policy holders	14,324	15,056
	97,188	82,220

9. Amounts due from related parties

	2015 Rs. '000	2014 Rs. '000
Allianz Insurance Lanka Ltd	4,170	-

10 Cash and cash equivalents

	2015 Rs. '000	2014 Rs. '000
Cash at bank	24,694	11,888
Cash in hand	23,442	13,085
	48,136	24,973

11 Stated Capital

	2015 Rs. '000	2014 Rs. '000
Balance as at 1 January (fully paid up ordinary shares)	592,624	592,624
Issued during the year	147,000	-
Fully paid ordinary shares	739,624	592,624

Notes to the Financial Statements *(Contd.)*

12 Other reserve	2015	2014
	Rs. '000	Rs. '000
Available for sale reserve		
Balance as at 1 January	65,037	27,456
Net gain/(loss) on AFS assets during the year (Net of tax) (Note 12.1)	(90,812)	38,766
Realised gains / (losses) reclassified to statement of profit or loss	(165)	(1,185)
Balance as at 31 December	**(25,940)**	**65,037**

12.1 Net gain/(loss) on AFS during the year (Net of tax)	2015	2014
	Rs. '000	Rs. '000
Mark-to-market gains/(losses) on AFS investments during the year	(115,335)	63,289
Tax impact on AFS reserves	24,523	(24,523)
Net gain/(loss) on available for sales assets during the year	**(90,812)**	**38,766**

13. Retained earnings	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	(428,897)	(358,122)
Net loss for the year	(71,358)	(71,053)
Actuarial gain / (losses) on defined benefit obligations	978	278
Balance as at 31 December	**(499,277)**	**(428,897)**

14. Insurance contract liabilities - Life

The valuation of the long term insurance business as at 31 December 2015, was made by Mr Lee Chenwei a Fellow of the Society of Actuaries, North America, 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. 1,598 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 for Universal Life and Unit Linked	5.00%	5.00%
Interest rate for Decreasing Term Insurance	6.50%	6.50%
Final crediting rate	8.00%	7.87%

14.1 Movement in insurance contract liabilities - Life	2015	2014
	Rs. '000	Rs. '000
Universal life/Conventional life insurance		
Balance as at 1 January	980,303	662,191
Increase in the life fund	433,138	318,112
Balance as at 31 December	**1,413,441**	**980,303**
Unit-linked life insurance contracts		
Balance as at 1 January	111,433	44,587
Increase in the life fund	70,904	49,560
Gains/(losses) on unit linked investments	2,181	17,286
Balance as at 31 December	**184,518**	**111,433**
	1,597,959	1,091,736

Notes to the Financial Statements *(Contd.)*

14.2 Recognised in profit or loss

	2015	2014
	Rs. '000	Rs. '000
Increase in universal Life / conventional Life insurance fund	433,138	318,112
Increase in unit-linked Life insurance contracts	70,904	49,560
Increase in insurance contract liabilities - Life	**504,042**	**367,672**

15. Other payables

	2015	2014
	Rs. '000	Rs. '000
Commission payable	8,883	4,320
Claims payable (Note 15.1)	15,440	10,667
Premium in deposit	39,635	44,872
Others creditors and accrued expenses	26,550	32,163
	90,508	**92,022**

15.1 Movement of Claims Payable

	2015	2014
	Rs. '000	Rs. '000
Balance as at 1 January	10,667	13,121
Claims approved during the year	73,840	68,152
Claims paid during the year	(48,987)	(61,633)
Surrenders	(20,080)	(8,972)
Balance as at 31 December	**15,440**	**10,667**

16 Amounts due to related parties

	2015	2014
	Rs. '000	Rs. '000
Allianz Insurance Lanka Limited	-	7,600

17. Employee benefit obligations

	2015	2014
	Rs. '000	Rs. '000
Defined benefit obligation as at 1 January	3,980	3,318
Current service cost	1,715	1,531
Interest for the year	287	219
Actuarial (gains) / losses	(978)	(278)
Benefits paid by the plan during the year	(255)	(810)
Defined benefit obligation as at 31 December	**4,748**	**3,980**
Number of employees as at 31 December	**87**	**91**
Expense recognised in profit or loss		
Current service cost	1,715	1,531
Interest for the year	286	219
	2,002	**1,750**
Amounts recognized in other comprehensive income		
Actuarial (gain)/loss	(978)	(278)

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.

Notes to the Financial Statements *(Contd.)*

17.1 Principal Assumptions as at the reporting date

Discount rate	10.00%	10.00%
Future salary increase	10.00%	10.00%

17.2 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
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Discount rate (change by 1%)	67	(66)	(101)	105
Salary increment rate (change by 1%)	(94)	97	104	(102)

18. Gross written premium

	2015	2014
	Rs. '000	Rs. '000
Variable universal life	778,113	723,724
Unit linked	116,410	79,010
Decreasing term assurance	12,666	11,118
Group life	11,955	9,604
	919,144	823,456

19. Income from investments

	2015	2014
	Rs. '000	Rs. '000
Available-for-sale financial assets (Note 19.1)	118,730	82,644
Loans and receivables (Note 19.2)	15,937	22,327
	134,667	104,971

19.1 Available-for-sale financial assets

	2015	2014
	Rs. '000	Rs. '000
Treasury bonds	112,972	71,480
Treasury bills	2,152	7,528
Quoted debentures	2,575	2,522
Unit trust	1,031	1,114
	118,730	82,644

19.2 Loans and receivables

	2015	2014
	Rs. '000	Rs. '000
Term deposits	14,552	21,502
Repo	1,385	826
	15,937	22,327

Notes to the Financial Statements *(Contd.)*

20. Other income

	2015	2014
	Rs. '000	Rs. '000
Gain on disposal of property, plant and equipment	-	2,508
Interest from Loan to staff and agent	105	163
Other income	13,228	308
	13,333	2,979

21. Insurance claims and benefits (net)

	2015	2014
	Rs. '000	Rs. '000
Life insurance claims death, disabilities and hospitalisation (Note 21.1)	73,840	67,468
Reinsurance recoveries	(21,347)	(28,906)
	52,493	38,562

21.1 Life insurance claims death, disabilities and hospitalisation

	2015	2014
	Rs. '000	Rs. '000
Death, disability and hospitalisation	53,848	58,513
Surrenders	19,196	8,867
Policy maturities	797	88
	73,840	67,468

22. Underwriting and net acquisition costs

	2015	2014
	Rs. '000	Rs. '000
Policy acquisition cost	129,688	150,816
Other insurance related cost	4,553	4,131
	134,241	154,947

23. Other operating and administrative expenses

	2015	2014
	Rs. '000	Rs. '000
Staff expenses (Note 23.1)	104,490	110,663
Administration and establishment expenses	176,155	188,518
Selling expenses	69,954	95,296
Depreciation and amortisation (Note 5 and 6)	13,294	16,016
	363,893	410,493

23.1 Staff expenses

	2015	2014
Staff Salaries	53,747	54,733
EPF and ETF (Note 23.2)	7,924	6,879
Provision for employee benefits (Note 17)	2,002	1,750
Staff welfare	3,444	5,291
Training expenses	548	2,586
Other Costs	36,825	39,424
	104,490	110,663

Notes to the Financial Statements *(Contd.)*

23.2 Contributions made to the Defined Contribution Plan

	2015	2014
	Rs. '000	Rs. '000
Employee Provident Fund	6,339	5,580
Employee Trust Fund	1,585	1,299
	7,924	6,879

24. 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 2015 is Rs. 2,106 million (2014 - Rs.1,793 million).

24.1 Current income tax expense

	2015	2014
	Rs. '000	Rs. '000
Accounting loss	(46,834)	(95,576)
Aggregate disallowed items	65,514	16,342
Aggregate exempt income	(331,371)	(321,509)
Taxable income/(loss)	(312,691)	(400,743)
Tax loss brought forward	(1,793,310)	(1,392,567)
Statutory tax rate	28%	28%
Current income tax expense	Nil	Nil

24.2Analysis of deferred tax assets and liabilities

	2015		2014	
	Temporary Difference	Tax effect	Temporary Difference	Tax effect
Deferred tax liability				
Available-for-sale reserves	(115,335)	(24,523)	87,584	24,523
Deferred Tax Asset				
Un-utilised tax losses	2,106,000	589,680	1,793,310	502,127
Retirement benefit obligation	4,748	1,330	3,980	1,114
Net Deferred tax assets	**(2,226,084)**	**(615,532)**	**(1,709,706)**	**(478,719)**

24.3 Movement in deferred tax balance during the year

	Balance 1 Jan 2014	Recognised in profit or loss	Recognised in OCI	Balance 31 Dec 2014	Recognised in profit or loss	Recognised in OCI	Balance 31 Dec 2015
Available-for-sale reserve	-	24,523	(24,523)	-	(24,523)	24,523	-

Net deferred tax (assets) / liabilities

The Company has not recognised Deferred Tax Asset amounting to Rs. 591 million (2014 - 483 million) as it not probable that the future taxable profits will be adequate to utilise the available tax losses in the foreseeable future.

The Company is entitled to the following notional tax and withholding tax credits in case of a future tax liability

	2015	2014
	Rs. '000	Rs. '000
Notional tax credit and Withholding tax credit	45,205	27,303

Notes to the Financial Statements *(Contd.)*

25. Loss per share

The earnings per share is based on the Profit for the year attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Net profit attributable to ordinary shareholders (Rs. '000)	(46,834)	(95,576)
Weighted average number of ordinary shares in issue	64,471,965	59,262,350
Loss per share (Rs.)	(0.73)	(1.61)

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

26. 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 as disclosed in the note 9 and 16. The following transactions were carried out with related parties during the year ended 31 December 2015.

Company	Relationship	Nature of transaction	Transaction value	Balance as at 31 December 2015	Balance as at 31 December 2014
Allianz SE	Parent	Reinsurance Agreement	6,130	(11,369)	(5,239)
Allianz Insurance Lanka Limited	Group company of Allianz SE	Reimbursable expenses (net)	11,770	4,170	(7,600)

27.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 2015.

28.Capital commitments

There were no capital commitments outstanding as at the reporting date.

29.Contingent liabilities

There were no contingent liabilities outstanding as at the reporting date.

30. Events after the reporting date

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

31. Litigations and claims

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

32. Comparative information

32.1Re-classification

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

Notes to the Financial Statements *(Contd.)*

Gross written premium has been reclassified as follows;	2014
	Rs. '000
Gross written premium previously reported	838,326
Transferred from other operating and administrative expenses	(14,870)
Reclassified balance	**823,456**

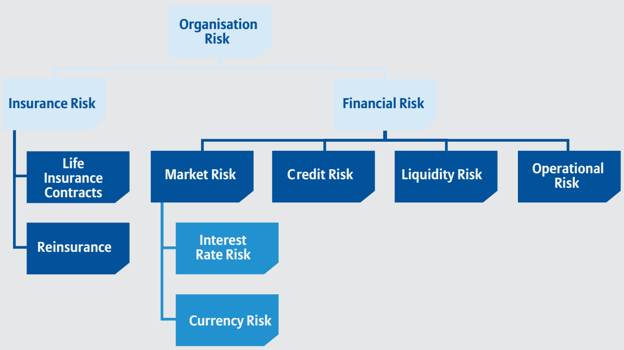
Other operating and administrative expenses has been reclassified as follows;	
Other operating and administrative expenses previously reported	(425,363)
Transferred to Gross Written Premium	14,870
Reclassified balance	**(410,493)**

The Gross Written Premium presented in 2014 included premiums accrued based on all policies in force as at 31 December 2014. A provision was included in other operating and administrative expenses for premiums accrued which were considered irrecoverable. The presentation has been changed by reclassifying this provision against the amount accrued and included in Gross Written Premium.

33.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 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 Risk Management Committee (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.

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 minimising 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. During the year the company made a new capital infusion of Rs.147 million in order to strengthen the capital structure (The Company has a Stated Capital of Rs.739.6 million whereas the current minimum capital requirement is only Rs. 500 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 co-ordinated 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 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.

33.1 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.

33.1.1 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 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.

The table above indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

33.1.2.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
	2015	2014	
Allianz SE	AA	AA	Standard &Poor's
Munich Re	AA-	AA-	Standard &Poor's

33.2. Financial risk

33.2.1.Credit risk

The tables below set out information about the credit quality of financial investments.

As at 31 December 2015

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	1,343,546	-	-	-	-	1,343,546
Unit trust	-	-	-	-	29,319	29,319
Debentures	-	-	-	20,972	-	20,972
Loans and receivables						
Fixed deposits	-	74,237	38,880	45,884	-	159,001
Repo	16,700	-	-	-	-	16,700
Total	**1,360,246**	**74,237**	**38,880**	**66,867**	**29,319**	**1,569,538**

As at 31 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**

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 31 December by classifying assets according to their due period.

31 December 2015	< 180 days Rs. '000	180 to 365 days Rs. '000	365 < days Rs. '000	Total Rs. '000
Reinsurance receivable	28,133	-	-	28,133
Premium receivables	14,324	-	-	14,324
Total	**42,457**	**-**	**-**	**42,457**
Distribution %	100%			

31 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%			

33.2.2.Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The table below summarizes 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 categorized 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 – 2015

	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	43,575	102,568	1,147,463	1,293,606
Treasury bills	49,940	-	-	49,940
Unit Trust	-	-	29,319	29,319
Debentures	-	-	20,972	20,972
Loans and receivables				
Fixed deposits	133,431	-	25,570	159,001
Repo	16,700	-	-	16,700
Total	**243,646**	**102,568**	**1,223,324**	**1,569,538**

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**

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 and 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.

Notes to the Financial Statements *(Contd.)*

33.3. Financial assets and liabilities

33.3.1. Fair value hierarchy for assets carried at fair value.

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

As at 31 December 2015	Level 1	Level 2	Level 3	Total market value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available-for-sale				
Treasury bonds	1,293,606	-	-	1,293,606
Treasury bills	49,940	-	-	49,940
Debentures	-	20,972	-	20,972
Unit trust	29,319	-	-	29,319
Total	**1,372,865**	**20,972**	**-**	**1,393,837**

As at 31 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	**930,341**	**30,468**	**-**	**960,809**

33.3.2 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	
	2015	2014
	Rs. '000	Rs. '000
Loans and receivables		
Fixed deposit	159,001	174,085
Repo	16,700	51,500
Premium receivable	14,324	15,056
Reinsurance receivable	28,133	37,680
Total	**218,158**	**278,321**
Liabilities	39,502	43,868
Reinsurance liability	39,502	43,868

Ten Year Summary

ALLIANZ INSURANCE LANKA LTD

Statement of Income

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	3,506,621	2,923,611	2,104,591	1,521,463	1,501,300	1,469,538	1,174,822	601,103	414,017	300,949
Net Earned Premium	1,617,388	1,421,992	684,309	435,561	336,747	293,436	265,074	115,236	52,771	24,922
Income from Investments and Other Income	145,455	144,574	158,297	127,498	105,454	95,379	95,709	45,640	21,199	11,394
Insurance Claims and Benefits (net)	(1,169,854)	(1,109,326)	(317,839)	(163,837)	(139,168)	(172,754)	(150,698)	(59,178)	(33,219)	(18,239)
Underwriting and Net Acquisition										
Cost/Income (Including Reinsurance)	142,690	101,576	121,337	163,639	151,610	115,060	88,096	66,090	50,006	19,293
Expenses	(576,624)	(545,298)	(396,876)	(251,962)	(173,452)	(109,816)	(139,869)	(80,854)	(37,549)	(22,503)
Profit before taxation	159,055	13,518	249,228	310,899	281,191	221,305	158,312	86,934	53,207	14,867
Income Tax expenses	(50,122)	8,130	(55,567)	(81,382)	(46,594)	(53,996)	(38,646)	(14,190)	(3,669)	(2,105)
Net Profit for the year	108,933	21,648	193,661	229,517	234,597	167,309	119,666	72,744	49,538	12,762

Balance Sheet	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000	RS.'000
Assets										
Investments	1,508,663	1,294,635	1,129,579	1,098,551	943,206	828,458	656,207	347,368	151,914	93,338
Property, Plant and Equipment	106,540	100,924	63,563	34,999	19,020	26,330	31,988	22,963	2,287	3,708
Intangible Assets	37,978	48,150	46,884	24,870	10,122	11,233	19,453	9,802	-	-
Reinsurance Receivables	609,392	472,646	463,164	261,048	341,143	296,505	125,480	133,939	104,561	75,308
Premium Receivables	1,537,905	1,202,145	897,033	451,657	379,805	334,602	130,678	104,593	76,520	57,937
Other Assets	93,767	81,516	60,187	35,070	77,072	95,316	111,342	23,680	4,022	2,148
Insurance Contract - Deferred Expenses	163,756	98,600	86,797	56,764	44,819	36,324	43,477	27,858		
Deferred Tax assets	8,792	19,553	8,906	7,616	5,060	3,183	7,124	2,884	3,273	-
Cash and Cash Equivalents	40,054	44,865	57,899	56,250	18,485	19,827	23,172	54,804	43,618	31,000
Total Assets	4,106,848	3,363,034	2,814,013	2,026,825	1,838,732	1,651,778	1,148,921	727,891	386,195	263,488
Liabilities and Shareholders' Equity										
Liabilities										
Insurance Provision-General	2,086,079	1,613,794	1,217,450	586,642	513,471	556,576	358,582	266,361	146,349	112,811
Reinsurance Creditors	674,046	574,178	451,752	469,908	535,829	336,200	240,657	86,537	88,505	56,121
Employee Benefits	12,490	8,573	8,169	5,890	4,112	4,899	2,856	966	567	355
Other Liabilities	301,265	216,202	198,155	168,117	91,037	105,524	107,535	46,881	28,954	19,043
Bank Overdraft	46,250	53,419	62,976	15,983	22,540	28,457	7,345	14,866	3,409	6,285
Total Liabilities	3,120,131	2,466,166	1,938,502	1,246,540	1,166,989	1,031,656	716,975	415,611	267,784	194,615
Shareholders' Equity										
Stated Capital	500,000	500,000	250,000	250,000	250,000	250,000	250,000	188,635	67,510	67,510
Revenue Reserves	499,643	390,118	616,707	534,706	430,243	349,446	181,946	123,645	50901	1363
Fair Value Reserve	(12,926)	6,749	8,803	(4,421)	(8,500)	20,676	-	-	-	-
Total Shareholders' Equity	986,716	896,867	875,510	780,285	671,743	620,122	431,946	312,280	118,411	68,873
Total Liabilities and Shareholders' Equity	4,106,848	3,363,034	2,814,013	2,026,825	1,838,732	1,651,778	1,148,921	727,891	386,195	263,488

Eight Year Summary

ALLIANZ LIFE INSURANCE LANKA LTD

Statement of Income	2015	2,014	2013	2012	2011	2010	2009	2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	919,144	823,456	828,790	532,141	351,299	204,814	101,816	4,013
Net Earned Premium	859,835	768,148	784,600	497,452	329,558	192,569	94,322	3,840
Income from Investments and Other Income	148,000	107,950	78,931	52,753	31,087	30,092	33,819	22,331
Insurance Claims and Benefits	(52,493)	(38,562)	(23,316)	(15,877)	(12,612)	(5,715)	(3,283)	-
Net Acquisition Cost	(134,241)	(154,947)	(170,131)	(152,276)	(111,814)	(81,149)	(48,014)	(1,849)
Increase in Life Insurance Provision	(504,042)	(367,672)	(335,881)	(191,674)	(112,933)	(58,289)	(7,317)	(684)
Expenses	(363,893)	(410,493)	(373,730)	(249,964)	(181,792)	(201,486)	(145,243)	(33,289)
Profit before Taxation	(46,834)	(95,576)	(39,527)	(59,587)	(58,506)	(123,978)	(75,716)	(9,651)
Income Tax Expenses	(24,523)	24,523	-	-	-	-	-	-
Net Profit for the Year	(71,358)	(71,053)	(39,527)	(59,587)	(58,506)	(123,978)	(75,716)	(9,651)
Balance Sheet								
Assets								
Investments Non Unit Linked	1,569,538	1,186,394	908,592	523,259	393,807	221,193	189,150	231,775
Investments Unit Linked	184,518	111,449	44,587	-	-	-	-	-
Property, Plant and Equipment	14,736	24,045	25,637	25,635	25,065	23,787	18,147	6,210
Intangible Assets	705	1,209	1,653	3,128	4,738	-	-	-
Reinsurance Receivables	28,133	37,680	15,988	13,389	10,710	3,108	2,376	-
Other Assets	101,358	82,220	59,335	37,722	34,936	43,358	57,981	19,238
Cash and Cash Equivalents	48,136	24,973	16,145	23,039	15,778	8,351	5,849	2,522
Total Assets	1,947,124	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	1,413,441	980,303	662,191	370,897	179,223	66,290	8,001	684
Insurance Provision-Unit Linked	184,518	111,433	44,587	-	-	-	-	-
Reinsurance Creditors	39,502	43,868	22,646	18,277	10,645	7,252	5,098	937
Other Liabilities	90,508	99,622	77,237	75,856	69,803	65,481	93,179	17,776
Employee Benefits	4,748	3,980	3,318	1,602	1,254	820	508	-
Bank Overdraft	-	-	-	4,436	2,629	1,865	2,085	-
Total Liabilities	1,732,717	1,239,206	809,979	471,068	263,554	141,711	108,871	19,397
Shareholders' Equity								
Stated Capital	739,624	592,624	592,624	492,499	492,499	349,999	249,999	249,999
Revenue Reserves	(499,277)	(428,897)	(358,121)	(318,132)	(258,935)	(200,429)	(85,367)	(9,651)
Fair Value Reserve	(25,940)	65,037	27,456	(19,263)	(12,084)	-	-	-
Total Shareholders' Equity	214,407	228,764	261,958	155,104	221,480	158,086	164,632	240,348
Total Liabilities and Shareholders' Equity	1,947,124	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.

Glossary of Insurance Terms *(Contd.)*

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

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.

Glossary of Insurance Terms *(Contd.)*

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

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

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

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

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

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.

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.

Glossary of Insurance Terms *(Contd.)*

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 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.

Written Premium - Life Insurance Business

Premiums to which the insurer is contractually entitled, and received in the accounting period.

Corporate Information

Company Name	-	**Allianz Insurance Lanka Ltd.**	**Allianz Life Insurance Lanka Ltd.**
Legal Form	-	A public limited liability company incorporated as Allianz Insurance Company 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 Lanka 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 Alan Smee	Heinz Dollberg Surekha Alles Alan Smee
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.	Li Chen Wei Allianz SE, Singapore Branch, 12, Marina View, # 14-01, Asia Squre Tower 2 Singapore 018961
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.	No. 3A/B, Valant Tower, 46/7, Navam Mawatha, Colombo 2.

Corporate Information *(Contd.)*

Branches

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
19, Bailey Road, Badulla.
Tel: 055-2228698

Balangoda
141/1, Barns Ratwatte Mw., Balangoda.
Tel: 045-2289422

Bandarawela
35/2, Police Kanda Road, Bandarawela.
Tel: 057-2231214

Batticaloa
599, Trinco Road, Batticaloa.
Tel: 065- 2228224

Beliatta
3/7, Getamanna Road
Beliatta.
Tel: 047-2243195

Chilaw
105/01/02, Colombo Road, Chilaw.
Tel: 032-2224831

Chunnakkam
133, K K S Road Chunnakam.
Tel: 021-2242505

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 1/3, Nuwaraeliya Road, Gampola.
Tel: 081-2353694

Ja Ela
1/17, Old Negombo Road, Ja-Ela.
Tel: 011-2240238

Jaffna
100, Manipay Road, Jaffna.
Tel: 021-2221761

Corporate Information *(Contd.)*

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
483/B,
William Gopallawa Mw., Kandy.
Tel: 081-2205152

Kegalle
17/C/1, Court 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

Maharagama
237/1, Highlevel Road,
Maharagama.
Tel: 011-2088732

Mahiyanganaya
02/18, Padiyathalawa Road,
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

Ratnapura
144, Bandaranayaka Mw.,
Ratnapura.
Tel: 045-2230520

Thanamalwila
176, Main Street, 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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