

**AIA INSURANCE LANKA PLC
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016**

Statement of Financial Position

As at	Group		Company	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Intangible assets	440,266	478,497	440,266	478,497
Property, plant and equipment	234,728	300,079	234,728	300,079
Investments in subsidiary	-	-	1,000	1,000
Financial assets	41,000,958	40,140,021	41,000,958	40,140,021
Policyholder and other loans	1,135,289	1,242,423	1,135,915	1,242,423
Reinsurance receivables	90,187	94,017	90,187	94,017
Trade receivables	348,894	340,507	348,558	340,160
Other assets	2,447,644	2,535,435	2,447,586	2,535,406
Other fund assets	185,015	164,488	185,015	164,488
Deferred expenses	205,737	144,147	205,737	144,147
Deferred income tax assets	32,843	-	32,843	-
Cash and cash equivalents	286,692	522,976	280,143	517,687
Total assets	46,408,253	45,962,590	46,402,936	45,957,925
Liabilities				
Insurance liabilities	38,905,144	37,027,602	38,905,144	37,027,602
Retirement benefit obligations	231,383	193,691	231,383	193,691
Deferred income tax liabilities	-	325,163	-	325,163
Other fund liabilities	185,015	164,488	185,015	164,488
Reinsurance payables	83,878	61,640	83,878	61,640
Accruals and other payables	1,940,541	1,803,376	1,940,121	1,802,877
Current Income tax liabilities	4,667	2,976	4,523	2,855
Deferred revenue	14,834	16,105	14,834	16,105
Bank overdraft	7,189	632	7,189	632
Total liabilities	41,372,651	39,595,673	41,372,087	39,595,053
Equity				
Stated capital	511,922	511,922	511,922	511,922
Capital reserves	72,096	72,096	72,096	72,096
Revenue reserves	4,451,584	5,782,899	4,446,831	5,778,854
Total equity	5,035,602	6,366,917	5,030,849	6,362,872
Total equity and liabilities	46,408,253	45,962,590	46,402,936	45,957,925

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures as at 30 September 2016 are unaudited.

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

Signed

Gavin D' Rosairo
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of the financial statements.

Signed for and on behalf of the Board by,

Signed

William Lisle
Chairman / Director

08 November 2016

Signed

Deepal Sooriyaarachchi
Director

Income Statement

For the nine months ended 30 September	Group		Company	
	2016 LKR '000	2015 LKR '000 Restated	2016 LKR '000	2015 LKR '000 Restated
Continuing operations				
Gross written premium	7,424,911	6,092,672	7,424,911	6,092,671
Gross reinsurance premium	(196,491)	(171,928)	(196,491)	(171,928)
Net change in reserves for unearned premiums	(317,136)	(255,406)	(317,136)	(255,406)
Net earned premium	6,911,284	5,665,338	6,911,284	5,665,337
Other revenue				
Investment income	3,512,567	2,829,336	3,512,567	2,829,336
Fee income	300,765	254,607	299,773	253,583
Realised gains	51,580	186,312	51,580	186,310
Fair value losses	(143,710)	(206,486)	(143,710)	(206,486)
Other operating revenue	161,599	224,436	161,311	224,228
	3,882,801	3,288,205	3,881,521	3,286,971
Total Revenue	10,794,085	8,953,543	10,792,805	8,952,308
Net claims and benefits	(3,466,417)	(3,449,466)	(3,466,417)	(3,449,466)
Change in contractual liability	(2,692,958)	(1,754,994)	(2,692,958)	(1,754,994)
Net acquisition expenses	(878,665)	(901,138)	(878,665)	(901,139)
Operating and administrative expenses	(3,361,121)	(2,552,569)	(3,360,707)	(2,552,194)
Profit before tax	394,924	295,376	394,058	294,515
Income tax expense	(196,239)	(153,676)	(196,081)	(153,519)
Profit for the period from continuing operations	198,685	141,700	197,977	140,996
Discontinued operations				
Loss for the period from discontinued operations (net of tax)	-	(46,685)	-	(12,706)
Profit for the period	198,685	95,015	197,977	128,290
Profit from continuing operations attributable to,				
Owners of the parent	198,685	141,700	197,977	140,996
Non-controlling interest	-	-	-	-
	198,685	141,700	197,977	140,996
Loss from discontinued operations attributable to,				
Owners of the parent	-	(46,685)	-	(12,706)
Non-controlling interest	-	-	-	-
	-	(46,685)	-	(12,706)
Basic / diluted earnings per share (in LKR)				
Continuing operations	6.46	4.61	6.44	4.59
Discontinued operations	-	(1.52)	-	(0.41)
Dividend per share (in LKR)	49.50	7.07	49.50	7.07

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Statement of Comprehensive Income

For the nine months ended 30 September	Group		Company	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Profit for the period	198,685	95,015	197,977	128,290
Other comprehensive income				
Items that are / may be subsequently reclassified to profit or loss				
Changes in fair value of available for sale financial assets	(848,873)	(1,367,135)	(848,873)	(1,367,135)
Transfer to long term insurance fund	840,967	1,359,381	840,967	1,359,381
Total other comprehensive income for the period	(7,906)	(7,754)	(7,906)	(7,754)
Other comprehensive income from discontinued operations	-	(11,022)	-	-
Total comprehensive income for the period	190,779	76,239	190,071	120,536
Comprehensive income attributable to,				
Owners of the parent	190,779	76,239	190,071	120,536
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	190,779	76,239	190,071	120,536

Items disclosed in the statement above are net of tax.

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Income Statement

For the three months ended 30 September	Group		Company	
	2016 LKR '000	2015 LKR '000 Restated	2016 LKR '000	2015 LKR '000 Restated
Continuing operations				
Gross written premium	2,567,033	2,225,762	2,567,033	2,225,761
Gross reinsurance premium	(68,375)	(55,423)	(68,375)	(55,423)
Net change in reserves for unearned premiums	(110,497)	(104,225)	(110,497)	(104,225)
Net earned premium	2,388,161	2,066,114	2,388,161	2,066,113
Other revenue				
Investment income	1,215,615	988,438	1,215,615	988,438
Fee income	102,486	86,901	102,141	86,551
Realised gains	40,111	79,342	40,111	79,342
Fair value gains / (losses)	151,652	(94,675)	151,652	(94,675)
Other operating revenue	44,713	75,041	44,603	74,966
	1,554,577	1,135,047	1,554,122	1,134,622
Total Revenue	3,942,738	3,201,161	3,942,283	3,200,735
Net claims and benefits	(1,131,654)	(1,173,245)	(1,131,654)	(1,173,245)
Change in contractual liability	(1,169,565)	(766,903)	(1,169,565)	(766,903)
Net acquisition expenses	(355,274)	(318,899)	(355,274)	(318,900)
Operating and administrative expenses	(1,133,776)	(829,224)	(1,133,675)	(829,116)
Profit before tax	152,469	112,890	152,115	112,571
Income tax expense	(73,295)	(58,108)	(73,237)	(58,050)
Profit for the period from continuing operations	79,174	54,782	78,878	54,521
Discontinued operations				
Loss for the period from discontinued operations (net of tax)	-	(31,993)	-	(5,915)
Profit for the period	79,174	22,789	78,878	48,606
Profit from continuing operations attributable to,				
Owners of the parent	79,174	54,782	78,878	54,521
Non-controlling interest	-	-	-	-
	79,174	54,782	78,878	54,521
Profit/ (loss) from discontinued operations attributable to,				
Owners of the parent	-	(31,993)	-	(5,915)
Non-controlling interest	-	-	-	-
	-	(31,993)	-	(5,915)
Basic / diluted earnings per share (in LKR)				
Continuing operations	2.57	1.78	2.57	1.77
Discontinued operations	-	(1.04)	-	(0.19)

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Statement of Comprehensive Income

	Group		Company	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
For the three months ended 30 September				
Profit for the period	79,174	22,789	78,878	48,606
Other comprehensive income				
Items that are / may be subsequently reclassified to profit or loss				
Changes in fair value of available for sale financial assets	402,419	(885,229)	402,419	(885,229)
Transfer to long term insurance fund	(389,711)	868,613	(389,711)	868,613
Total other comprehensive income for the period	12,708	(16,616)	12,708	(16,616)
Other comprehensive income of discontinued operations	-	(33,445)	-	-
Total comprehensive income for the period	91,882	(27,272)	91,586	31,990
Comprehensive income attributable to,				
Owners of the parent	91,882	(27,272)	91,586	31,990
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	91,882	(27,272)	91,586	31,990

Items disclosed in the statement above are net of tax.

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Statement of Changes in Equity - Group

	Stated capital	Capital reserve	Revenue reserves			Total equity
		Revaluation reserve	Resilience reserve	Available for sale reserve	Retained earnings	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2015	300,000	72,096	289,000	18,567	4,207,006	4,886,669
Profit for the period *	-	-	-	-	95,015	95,015
Other comprehensive income						
Changes in fair value of available for sale financial assets *	-	-	-	(1,378,157)	-	(1,378,157)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	1,359,381	-	1,359,381
Transactions with owners:						
Interim dividend for 2014 (scrip component)	211,922	-	-	-	(211,922)	-
Interim dividend for 2014 (cash component)	-	-	-	-	(178)	(178)
Withholding tax on scrip dividend for 2014	-	-	-	-	(12,686)	(12,686)
Balance as at 30 September 2015	511,922	72,096	289,000	(209)	4,077,235	4,950,044
Profit for the period *	-	-	-	-	1,395,598	1,395,598
Other comprehensive income						
Changes in fair value of available for sale financial assets *	-	-	-	(13,133)	-	(13,133)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	20,541	-	20,541
Remeasurement of retirement benefit obligations *	-	-	-	-	13,867	13,867
Impact of discontinued operations	-	-	-	(7,182)	7,182	-
Balance as at 31 December 2015	511,922	72,096	289,000	17	5,493,882	6,366,917
Profit for the period	-	-	-	-	198,685	198,685
Other comprehensive income						
Changes in fair value of available for sale financial assets	-	-	-	(848,873)	-	(848,873)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	840,967	-	840,967
Transactions with owners:						
Final dividend for 2015	-	-	-	-	(1,522,094)	(1,522,094)
Balance as at 30 September 2016	511,922	72,096	289,000	(7,889)	4,170,473	5,035,602

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

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Statement of Changes in Equity - Company

	Capital reserve		Revenue reserves			Total equity LKR '000
	Stated capital	Revaluation reserve	Resilience reserve	Available for sale reserve	Retained earnings	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Balance as at 1 January 2015	300,000	72,096	289,000	18,567	4,155,595	4,835,258
Profit for the period *	-	-	-	-	128,290	128,290
Segregation adjustment	-	-	-	(12,417)	-	(12,417)
Other comprehensive income						
Changes in fair value of available for sale financial assets	-	-	-	(1,367,135)	-	(1,367,135)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	1,359,381	-	1,359,381
Transactions with owners:						
Interim dividend for 2014 (scrip component)	211,922	-	-	-	(211,922)	-
Interim dividend for 2014 (cash component)	-	-	-	-	(178)	(178)
Withholding tax on scrip dividend for 2014	-	-	-	-	(12,686)	(12,686)
Balance as at 30 September 2015	511,922	72,096	289,000	(1,604)	4,059,099	4,930,513
Profit for the period *	-	-	-	-	1,417,054	1,417,054
Other comprehensive income						
Changes in fair value of available for sale financial assets	-	-	-	(18,920)	-	(18,920)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	20,541	-	20,541
Remeasurement of retirement benefit obligations	-	-	-	-	13,684	13,684
Balance as at 31 December 2015	511,922	72,096	289,000	17	5,489,837	6,362,872
Profit for the period	-	-	-	-	197,977	197,977
Other comprehensive income						
Changes in fair value of available for sale financial assets	-	-	-	(848,873)	-	(848,873)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	840,967	-	840,967
Transactions with owners:						
Final dividend for 2015	-	-	-	-	(1,522,094)	(1,522,094)
Balance as at 30 September 2016	511,922	72,096	289,000	(7,889)	4,165,720	5,030,849

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

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Statement of Cash Flows

For the nine months ended 30 September	Group		Company	
	2016 LKR '000	2015 LKR '000 Restated	2016 LKR '000	2015 LKR '000
Cash flows from operating activities				
Premiums / fees received from customers	7,487,168	6,242,411	7,486,165	6,241,402
Reinsurance premium (net of commission) received/ (paid)	21,725	(244,402)	21,725	(244,402)
Claims and benefits paid	(3,522,655)	(3,497,183)	(3,522,655)	(3,497,183)
Reinsurance receipts in respect of claims and benefits	55,329	84,645	55,329	84,645
Cash paid to and on behalf of employees	(1,206,337)	(777,325)	(1,206,337)	(777,325)
Interest received	273,286	225,244	273,027	225,057
Payments to agents and intermediaries	(1,178,075)	(801,418)	(1,178,075)	(801,418)
Other operating cash payments	(1,843,692)	(1,497,563)	(1,843,825)	(1,497,648)
Cash flow used in operating activities	86,749	(265,591)	85,354	(266,872)
Taxes paid	(135)	(67)	-	-
Policy loans granted	(399,151)	(367,208)	(399,151)	(367,208)
Policy loan repayments	534,073	532,577	534,073	532,577
Net cash used in operating activities	221,536	(100,289)	220,276	(101,503)
Cash flows from investing activities				
Purchase of liquid investments	(3,551,727)	(1,038,190)	(3,551,727)	(1,038,190)
Purchase of other investments	(19,423,679)	(15,665,431)	(19,423,679)	(15,665,431)
Proceeds from sale of liquid investments	1,365,228	1,324,750	1,365,228	1,324,750
Proceeds from sale of other investments	19,618,930	12,835,935	19,618,930	12,835,935
Investment expenses	(81,177)	(72,204)	(81,177)	(72,204)
Interest received	3,096,234	2,509,298	3,096,234	2,509,298
Dividend received	64,863	80,051	64,863	80,051
Purchase of intangible assets	(6,749)	(2,261)	(6,749)	(2,261)
Purchase of property, plant and equipment	(26,776)	(81,739)	(26,776)	(81,739)
Proceeds from sale of property, plant and equipment	2,570	19,022	2,570	19,020
Net cash flow from investing activities	1,057,717	(90,769)	1,057,717	(90,771)
Cash flows from financing activities				
Withholding tax on scrip dividend	-	(12,686)	-	(12,687)
Dividends paid	(1,522,094)	(178)	(1,522,094)	(178)
Net cash used in financing activities	(1,522,094)	(12,864)	(1,522,094)	(12,865)
Increase / (decrease) in cash and cash equivalents from continuing operations	(242,841)	(203,922)	(244,101)	(205,139)
Cash and cash equivalents and bank overdraft at the beginning of the period	522,344	982,654	517,055	975,443
Segregation adjustment	-	(407,290)	-	(404,361)
Cash and cash equivalents and bank overdraft at the end of the period	279,503	371,442	272,954	365,943

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures above are unaudited.

Long term insurance
Statement of Financial Position - supplemental

As at	30 September 2016 LKR '000	31 December 2015 LKR '000
Assets		
Financial assets	36,738,594	34,550,379
Policyholder and other loans	957,975	1,089,936
Reinsurance receivables	90,187	94,017
Premium receivables	348,558	340,160
Other assets	2,209,246	2,327,944
Deferred income tax assets	26,675	-
Deferred expenses	205,737	144,147
Cash and cash equivalents	278,757	495,056
Total assets	40,855,729	39,041,639
Liabilities		
Insurance liabilities	38,905,144	37,027,602
Deferred income tax liabilities	-	331,017
Reinsurance payables	83,878	61,640
Accruals and other payables	1,845,601	1,604,643
Deferred revenue	14,834	16,105
Bank overdraft	6,272	632
Total liabilities	40,855,729	39,041,639

The above long term insurance balance sheet is to be read in conjunction with the Statement of Financial Position on page 2 of these condensed financial statements.

The notes on pages 11 to 12 are an integral part of these interim financial statements.

The figures as at 30 September 2016 are unaudited.

Notes to the interim financial statements**1 The basis of preparation**

The interim financial statements of the Company and Group are prepared in compliance with the Sri Lanka Accounting Standard - LKAS 34, Interim Financial Reporting. They have been prepared under the historical cost convention except for the revaluation of land and financial instruments which are measured at fair value.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

2 Accounting policies

The same accounting policies and methods of computation as stated in the annual report 2015 have been followed in the preparation of the Interim financial statements as at 30 September 2016.

3 Stated capital

The stated capital of the Company consists of 30,749,370 ordinary shares.

4 Taxation

AIA Insurance Lanka PLC and its subsidiary are liable for income tax at 28% (2015 - 28%).

5 Events after the reporting period

No events have occurred since the date of the Statement of Financial Position that necessitates adjustments to/or disclosure in the financial statements.

6 Contingent liabilities

There has been no significant changes in the nature of the contingencies and other commitments, which were disclosed in the annual report for the year ended 31 December 2015.

7 Related party disclosures

Details of significant related party transactions are as follows:

7.1 Transactions with the parent and related entities

Nature of transaction	AIA Holdings Lanka (Private) Limited		AIA Company Limited		AIA Group Limited		AIA Shared Services (Hong Kong) Limited		AIA Shared Services Sdn. Bhd.	
	Immediate parent		Parent		Ultimate parent		Fellow subsidiary		Fellow subsidiary	
	2016 LKR'000	2015 LKR'000	2016 LKR'000	2015 LKR'000	2016 LKR'000	2015 LKR'000	2016 LKR'000	2015 LKR'000	2016 LKR'000	2015 LKR'000
For the nine months ended 30 September										
Group recharges	-	-	(79,698)	(39,545)	(52,011)	(27,708)	(53,703)	(23,299)	(610)	-
Group agency events	-	-	(3,897)	(408)	-	-	-	-	-	-
Scrip dividend	-	(185,106)	-	(20,956)	-	-	-	-	-	-
Cash dividend (net)	(1,215,586)	-	(137,618)	-	-	-	-	-	-	-

Notes to the interim financial statements (contd.)

8 Major shareholders

The 20 largest shareholders as at 30 September 2016 are given below.

	No. of shares	%
AIA Holdings Lanka (Private) Limited	26,836,716	87.28%
AIA Company Limited	3,038,219	9.88%
Mr. Srikantha Rasaratnam	38,435	0.12%
People's Leasing and Finance PLC/ Mr. Chamila Damion Kohombanwickramage	23,912	0.08%
Bansei Securities Capital (Private) Ltd /Dawi Investment Trust (Private) Limited	15,463	0.05%
Mr. A S Gunaratne	15,375	0.05%
Miss. A S Gunaratne	15,375	0.05%
Mr. Chandra Jayaratne	13,220	0.04%
People's Leasing and Finance PLC/ M.V.D. Ranasinghe	11,649	0.04%
Mr. Aravinthan Sivarajah	9,891	0.03%
People's Leasing and Finance PLC/ L.P. Hapangama	9,763	0.03%
Waldock Mackenzie Limited / Dr. Henedige Srinath Dilanjan Soysa	8,244	0.03%
Mr. Varatharajah Selvaratnam	7,685	0.02%
Mr. S K Kader / Mrs. N M Kader	7,685	0.02%
People's Leasing and Finance PLC/ L.H.L.Haradasa	7,595	0.02%
Mr. S P K Chamara Perera	7,436	0.02%
Mr. H Janak Bhagwandas	7,224	0.02%
Mrs. Thevarajah Sithamparam	7,172	0.02%
Mr. Sivagnanam Sathasivam	6,394	0.02%
Mr. Manathunga Rienze	6,150	0.02%

Total number of public shareholders as at 30 September 2016 is 1,848 and the percentage of shareholding is 2.84%

9 Share information

As at	Group		Company	
	30 September 2016 LKR	31 December 2015 LKR	30 September 2016 LKR	31 December 2015 LKR
Net assets value per share	163.76	207.06	163.61	206.93

10 Market price per share

For the three months ended 30 September	2016 LKR	2015 LKR
Market price per share at the end of the period	274.90	260.00
Highest price per share for the period	280.00	300.00
Lowest price per share for the period	250.00	250.00

11 Directors' shareholding

Details of Directors' shareholding as at 30 September 2016 are given below.

Name	Designation	No. of shares
Mr. William Lisle	Chairman	-
Mr. Mitchell David New	Director	-
Mr. Manoj Ramachandran	Director	-
Mr. Deepal Sooriyaarachchi	Director	-
Mr. Robert Alexander Hartnett	Director	-
Mr. Sarath Wikramanayake	Director	-



CHAIRMAN'S REVIEW

AIA Insurance Lanka PLC

IMPORTANT NOTICE: The information in this document is private and confidential and may be privileged. The content of this document must not be reviewed, disclosed, or copied without the consent of the originator. If you are not the intended recipient, you must not use or disseminate the information. If you have received this document unauthorized, please immediately notify the originator of the document.

The Board of Directors of AIA Insurance Lanka PLC (“AIA Sri Lanka” or the “Company”) is pleased to announce the financial results of the Company and its subsidiary (collectively, the “Group”) for the nine months ended 30 September 2016.

The Group reported a strong set of results for the first nine months of 2016, where gross written premium of life insurance business increased 22 per cent and profit after tax of continuing business increased to LKR 199 million from LKR 142 million reported over the same period in 2015.

Consistent with the strategy outlined in preceding quarters, the Company continued to execute its strategic initiatives that aim at delivering profitable growth. The primary focus is to enhance the product portfolio to meet customer needs and to extend the coverage and capabilities of both the Agency and Bancassurance channels for better customer experience.

I am pleased to see the growth and progress that the Company has delivered, and we are confident that AIA Sri Lanka is on the right course to becoming the pre-eminent life insurer in Sri Lanka in the years to come.

Signed

William Lisle
Chairman
AIA Insurance Lanka PLC

8 November 2016