

**AIA INSURANCE LANKA PLC  
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS  
- 31 December 2017**

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Statement of Financial Position

| As at                               | Group                           |   | Company                         |   |
|-------------------------------------|---------------------------------|---|---------------------------------|---|
|                                     | 31 December<br>2017<br>LKR '000 | 31 December<br>2016<br>LKR '000<br>Restated | 31 December<br>2017<br>LKR '000 | 31 December<br>2016<br>LKR '000<br>Restated |
| <b>Assets</b>                       |                                 |   |                                 |   |
| Intangible assets                   | 948,440                         | 957,855                                     | 948,440                         | 957,855                                     |
| Property, plant and equipment       | 746,542                         | 229,169                                     | 746,542                         | 229,169                                     |
| Investments in subsidiaries         | -                               | -   | 1,000                           | 1,000                                       |
| Financial assets                    | 45,735,748                      | 40,087,642                                  | 45,735,748                      | 40,087,642                                  |
| Policyholder and other loans        | 922,382                         | 1,058,444                                   | 922,382                         | 1,058,444                                   |
| Reinsurance receivables             | 81,308                          | 86,771                                      | 81,308                          | 86,771                                      |
| Trade receivables                   | 473,803                         | 389,103                                     | 473,414                         | 388,759                                     |
| Other assets                        | 3,166,061                       | 2,783,895                                   | 3,165,994                       | 2,783,853                                   |
| Other fund assets                   | 235,494                         | 195,713                                     | 235,494                         | 195,713                                     |
| Cash and cash equivalents           | 274,217                         | 295,624                                     | 266,626                         | 289,344                                     |
| <b>Total assets</b>                 | <b>52,583,995</b>               | <b>46,084,216</b>                           | <b>52,576,948</b>               | <b>46,078,550</b>                           |
| <b>Liabilities</b>                  |                                 |   |                                 |   |
| Insurance liabilities               | 38,197,140                      | 38,188,350                                  | 38,197,140                      | 38,188,350                                  |
| Retirement benefit obligations      | 222,085                         | 188,425                                     | 222,085                         | 188,425                                     |
| Deferred income tax liabilities     | 6,498                           | -   | 6,498                           | -   |
| Other fund liabilities              | 235,494                         | 195,713                                     | 235,493                         | 195,713                                     |
| Reinsurance payables                | 91,288                          | 36,866                                      | 91,288                          | 36,866                                      |
| Accruals and other payables         | 2,526,705                       | 2,072,950                                   | 2,526,321                       | 2,072,259                                   |
| Current Income tax liabilities      | 3,476                           | 2,410                                       | 3,170                           | 2,305                                       |
| Deferred revenue                    | 11,262                          | 14,246                                      | 11,262                          | 14,246                                      |
| Bank overdraft                      | 5,622                           | 19,402                                      | 5,622                           | 19,402                                      |
| <b>Total liabilities</b>            | <b>41,299,570</b>               | <b>40,718,362</b>                           | <b>41,298,879</b>               | <b>40,717,566</b>                           |
| <b>Equity</b>                       |                                 |   |                                 |   |
| Stated capital                      | 511,922                         | 511,922                                     | 511,922                         | 511,922                                     |
| Capital reserves                    | 152,176                         | 72,096                                      | 152,176                         | 72,096                                      |
| Revenue reserves                    | 10,620,327                      | 4,781,836                                   | 10,613,971                      | 4,776,966                                   |
| <b>Total equity</b>                 | <b>11,284,425</b>               | <b>5,365,854</b>                            | <b>11,278,069</b>               | <b>5,360,984</b>                            |
| <b>Total equity and liabilities</b> | <b>52,583,995</b>               | <b>46,084,216</b>                           | <b>52,576,948</b>               | <b>46,078,550</b>                           |

The notes on pages 11 to 13 are an integral part of these interim financial statements.

The figures above 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*  
.....  
**Deepal Sooriyaarachchi**  
**Director**

*Signed*  
.....  
**Sarath Wikramanayake**  
**Director**

14 February 2018

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Income Statement

For the financial year ended 31 December

|  | Group             |                      | Company           |                      |
|--|-------------------|----------------------|-------------------|----------------------|
|  | 2017              | 2016                 | 2017              | 2016                 |
|  | LKR '000          | LKR '000<br>Restated | LKR '000          | LKR '000<br>Restated |
| Gross written premium                              | 11,510,581        | 10,103,915           | 11,510,581        | 10,103,915           |
| Gross reinsurance premium                          | (302,123)         | (260,065)            | (302,123)         | (260,065)            |
| <b>Net written premium</b>                         | <b>11,208,458</b> | <b>9,843,850</b>     | <b>11,208,458</b> | <b>9,843,850</b>     |
| <b>Other revenue</b>                               |                   |                      |                   |                      |
| Investment income                                  | 5,228,329         | 4,759,573            | 5,228,329         | 4,759,573            |
| Fee income   | 494,929           | 409,431              | 493,418           | 408,087              |
| Realised gains                                     | 71,617            | 49,111               | 71,617            | 49,111               |
| Fair value losses                                  | (30,147)          | (201,557)            | (30,147)          | (201,557)            |
| Other operating revenue                            | 247,673           | 218,994              | 246,971           | 218,572              |
|  | <b>6,012,401</b>  | <b>5,235,552</b>     | <b>6,010,188</b>  | <b>5,233,786</b>     |
| <b>Total revenue</b>                               | <b>17,220,859</b> | <b>15,079,402</b>    | <b>17,218,646</b> | <b>15,077,636</b>    |
| Net claims and benefits                            | (5,137,265)       | (4,759,614)          | (5,137,265)       | (4,759,614)          |
| Change in contractual liability                    | 2,598,054         | (3,486,785)          | 2,598,054         | (3,486,785)          |
| Net acquisition expenses                           | (1,785,510)       | (1,303,244)          | (1,785,510)       | (1,303,244)          |
| Operating and administrative expenses              | (5,297,224)       | (4,735,493)          | (5,296,827)       | (4,734,744)          |
| <b>Profit before tax</b>                           | <b>7,598,914</b>  | <b>794,266</b>       | <b>7,597,098</b>  | <b>793,249</b>       |
| Income tax expense                                 | (238,198)         | (283,590)            | (237,868)         | (283,398)            |
| <b>Profit for the year</b>                         | <b>7,360,716</b>  | <b>510,676</b>       | <b>7,359,230</b>  | <b>509,851</b>       |
| <b>Profit for the period attributable to,</b>      |                   |                      |                   |                      |
| Owners of the parent                               | 7,360,716         | 510,676              | 7,359,230         | 509,851              |
| Non-controlling interest                           | -                 | -                    | -                 | -                    |
|  | <b>7,360,716</b>  | <b>510,676</b>       | <b>7,359,230</b>  | <b>509,851</b>       |
| <b>Basic / diluted earnings per share (in LKR)</b> | <b>239.38</b>     | <b>16.61</b>         | <b>239.33</b>     | <b>16.58</b>         |
| <b>Dividend per share (in LKR)</b>                 | <b>50.00</b>      | <b>49.50</b>         | <b>50.00</b>      | <b>49.50</b>         |

The notes on pages 11 to 13 are an integral part of these interim financial statements.

The figures above are unaudited.

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Statement of Comprehensive Income

| For the financial year ended 31 December   | Group            |                              | Company          |                              |
|--|------------------|------------------------------|------------------|------------------------------|
|  | 2017<br>LKR '000 | 2016<br>LKR '000<br>Restated | 2017<br>LKR '000 | 2016<br>LKR '000<br>Restated |
| <b>Profit for the year</b>   | <b>7,360,716</b> | <b>510,676</b>               | <b>7,359,230</b> | <b>509,851</b>               |
| <b>Other comprehensive income</b>  |                  |                              |                  |                              |
| <b>Items that are / may be subsequently reclassified to profit or loss</b>                               |                  |                              |                  |                              |
| Changes in fair value of available for sale financial assets   | 3,069,771        | (1,800,256)                  | 3,069,771        | (1,800,256)                  |
| Changes in fair value of available for sale financial assets transferred to the long term insurance fund | (3,037,459)      | 1,784,636                    | (3,037,459)      | 1,784,636                    |
| <b>Items that will not be reclassified to profit or loss</b>   |                  |                              |                  |                              |
| Re-measurement of retirement benefit obligations   | (17,068)         | 25,975                       | (17,068)         | 25,975                       |
| Revaluation of land  | 80,080           | -                            | 80,080           | -                            |
| <b>Total other comprehensive income for the year</b>   | <b>95,324</b>    | <b>10,355</b>                | <b>95,324</b>    | <b>10,355</b>                |
| <b>Total comprehensive income for the year</b>   | <b>7,456,040</b> | <b>521,031</b>               | <b>7,454,554</b> | <b>520,206</b>               |
| <b>Comprehensive income attributable to</b>  |                  |                              |                  |                              |
| Owners of the parent   | 7,456,040        | 521,031                      | 7,454,554        | 520,206                      |
| Non-controlling interest   | -                | -                            | -                | -                            |
| <b>Total comprehensive income for the year</b>   | <b>7,456,040</b> | <b>521,031</b>               | <b>7,454,554</b> | <b>520,206</b>               |

Items disclosed in the statement above are net of tax.

The notes on pages 11 to 13 are an integral part of these interim financial statements.

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## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Income Statement

For the three months ended 31 December

|  | Group            |                              | Company          |                              |
|--|------------------|------------------------------|------------------|------------------------------|
|  | 2017<br>LKR '000 | 2016<br>LKR '000<br>Restated | 2017<br>LKR '000 | 2016<br>LKR '000<br>Restated |
| Gross written premium                              | 3,096,068        | 2,679,004                    | 3,096,068        | 2,679,004                    |
| Gross reinsurance premium                          | (86,115)         | (63,574)                     | (86,115)         | (63,574)                     |
| <b>Net written premium</b>                         | <b>3,009,953</b> | <b>2,615,430</b>             | <b>3,009,953</b> | <b>2,615,430</b>             |
| <b>Other revenue</b>                               |                  |                              |                  |                              |
| Investment income                                  | 1,353,550        | 1,247,007                    | 1,353,550        | 1,247,007                    |
| Fee income   | 140,412          | 108,666                      | 140,015          | 108,313                      |
| Realised gains/(losses)                            | 34,738           | (2,469)                      | 34,738           | (2,469)                      |
| Fair value losses                                  | (32,320)         | (57,847)                     | (32,320)         | (57,847)                     |
| Other operating revenue                            | 50,168           | 57,395                       | 50,005           | 54,128                       |
|  | <b>1,546,548</b> | <b>1,352,752</b>             | <b>1,545,988</b> | <b>1,349,132</b>             |
|  | <b>4,556,501</b> | <b>3,968,182</b>             | <b>4,555,941</b> | <b>3,964,562</b>             |
| Net claims and benefits                            | (1,205,336)      | (1,293,197)                  | (1,205,336)      | (1,293,197)                  |
| Change in contractual liability                    | 5,815,718        | (539,820)                    | 5,815,718        | (539,820)                    |
| Net acquisition expenses                           | (463,132)        | (408,811)                    | (463,132)        | (408,811)                    |
| Operating and administrative expenses              | (1,493,309)      | (1,323,877)                  | (1,493,430)      | (1,323,540)                  |
| <b>Profit before tax</b>                           | <b>7,210,442</b> | <b>402,477</b>               | <b>7,209,761</b> | <b>399,194</b>               |
| Income tax expense                                 | (38,491)         | (87,351)                     | (38,367)         | (87,317)                     |
| <b>Profit for the period</b>                       | <b>7,171,951</b> | <b>315,126</b>               | <b>7,171,394</b> | <b>311,877</b>               |
| <b>Profit attributable to,</b>                     |                  |                              |                  |                              |
| Owners of the parent                               | 7,171,951        | 311,991                      | 7,171,394        | 311,877                      |
| Non-controlling interest                           | -                | -                            | -                | -                            |
|  | <b>7,171,951</b> | <b>311,991</b>               | <b>7,171,394</b> | <b>311,877</b>               |
| <b>Basic / diluted earnings per share (in LKR)</b> | <b>233.24</b>    | <b>10.25</b>                 | <b>233.22</b>    | <b>10.14</b>                 |

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## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Statement of Comprehensive Income

For the three months ended 31 December

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 2017             | 2016           | 2017             | 2016           |
|  | LKR '000         | LKR '000       | LKR '000         | LKR '000       |
|  |                  | Restated       |                  | Restated       |
| <b>Profit for the period</b>   | <b>7,171,951</b> | <b>311,991</b> | <b>7,171,394</b> | <b>311,877</b> |
| <b>Other comprehensive income</b>  |                  |                |                  |                |
| <b>Items that are / may be subsequently reclassified to profit or loss</b>                           |                  |                |                  |                |
| Changes in fair value of available for sale financial assets   | 1,843,199        | (951,383)      | 1,843,199        | (951,383)      |
| Changes in fair value of available for sale financial assets transferred to long term insurance fund | (1,842,227)      | 943,669        | (1,842,227)      | 943,669        |
| <b>Items that will not be reclassified to profit or loss</b>   |                  |                |                  |                |
| Re-measurement of retirement benefit obligations   | (17,068)         | 25,975         | (17,068)         | 25,975         |
| Revaluation of land  | 80,080           | -              | 80,080           | -              |
| <b>Total other comprehensive income for the period</b>   | <b>63,984</b>    | <b>18,261</b>  | <b>63,984</b>    | <b>18,261</b>  |
| <b>Total comprehensive income for the period</b>   | <b>7,235,935</b> | <b>330,252</b> | <b>7,235,378</b> | <b>330,138</b> |
| <b>Comprehensive income attributable to,</b>   |                  |                |                  |                |
| Owners of the parent   | 7,235,935        | 330,252        | 7,235,378        | 330,138        |
| Non-controlling interest   | -                | -              | -                | -              |
| <b>Total comprehensive income for the period</b>   | <b>7,235,935</b> | <b>330,252</b> | <b>7,235,378</b> | <b>330,138</b> |

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.

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# AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

## Statement of Changes in Equity - Group

|  | Stated<br>capital<br><br>LKR '000 | Capital<br>reserve                     | Revenue reserves                      |  |                                      | Total equity<br><br>LKR '000 |
|--|-----------------------------------|--|---------------------------------------|--|--------------------------------------|------------------------------|
|  |                                   | Revaluation<br>reserve<br><br>LKR '000 | Resilience<br>reserve<br><br>LKR '000 | Available<br>for sale<br>reserve<br><br>LKR '000 | Retained<br>earnings<br><br>LKR '000 |                              |
| <b>Balance as at 1 January 2016</b>  | <b>511,922</b>                    | <b>72,096</b>                          | <b>289,000</b>                        | <b>17</b>  | <b>5,493,882</b>                     | <b>6,366,917</b>             |
| Profit for the year  | -                                 | -                                      | -                                     | -  | 510,676                              | 510,676                      |
| <b>Other comprehensive income</b>  |                                   |  |                                       |  |                                      |                              |
| Changes in fair value of available for sale financial assets                                   | -                                 | -                                      | -                                     | (1,800,256)                                      | -                                    | (1,800,256)                  |
| Changes in fair value of available for sale financial assets transferred to the long term fund | -                                 | -                                      | -                                     | 1,784,636  | -                                    | 1,784,636                    |
| <b>Items that will not be reclassified to profit or loss</b>                                   |                                   |  |                                       |  |                                      |                              |
| Remeasurement of retirement benefit obligations  | -                                 | -                                      | -                                     | -  | 25,975                               | 25,975                       |
| <b>Transactions with owners:</b>   |                                   |  |                                       |  |                                      |                              |
| Final dividend for 2015  | -                                 | -                                      | -                                     | -  | (1,522,094)                          | (1,522,094)                  |
| <b>Balance as at 31 December 2016</b>  | <b>511,922</b>                    | <b>72,096</b>                          | <b>289,000</b>                        | <b>(15,603)</b>                                  | <b>4,508,439</b>                     | <b>5,365,854</b>             |
| Profit for the year  | -                                 | -                                      | -                                     | -  | 7,360,716                            | 7,360,716                    |
| <b>Other comprehensive income</b>  |                                   |  |                                       |  |                                      |                              |
| Changes in fair value of available for sale financial assets                                   | -                                 | -                                      | -                                     | 3,069,771  | -                                    | 3,069,771                    |
| Changes in fair value of available for sale financial assets transferred to the long term fund | -                                 | -                                      | -                                     | (3,037,459)                                      | -                                    | (3,037,459)                  |
| <b>Items that will not be reclassified to profit or loss</b>                                   |                                   |  |                                       |  |                                      |                              |
| Re-measurement of retirement benefit obligations   | -                                 | -                                      | -                                     | -  | (17,068)                             | (17,068)                     |
| Revaluation of land  | -                                 | 80,080                                 | -                                     | -  | -                                    | 80,080                       |
| <b>Transactions with owners:</b>   |                                   |  |                                       |  |                                      |                              |
| Interim dividend for 2016  | -                                 | -                                      | -                                     | -  | (1,475,970)                          | (1,475,970)                  |
| Final dividend for 2016  | -                                 | -                                      | -                                     | -  | (61,499)                             | (61,499)                     |
| <b>Balance as at 31 December 2017</b>  | <b>511,922</b>                    | <b>152,176</b>                         | <b>289,000</b>                        | <b>16,709</b>                                    | <b>10,314,618</b>                    | <b>11,284,425</b>            |

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# AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

## Statement of Changes in Equity - Company

|  |                   | Capital<br>reserve     | Revenue reserves      |                                  |                      | Total equity      |
|--|-------------------|------------------------|-----------------------|----------------------------------|----------------------|-------------------|
|  | Stated<br>capital | Revaluation<br>reserve | Resilience<br>reserve | Available<br>for sale<br>reserve | Retained<br>earnings |                   |
|  | LKR '000          | LKR '000               | LKR '000              | LKR '000                         | LKR '000             | LKR '000          |
| <b>Balance as at 1 January 2016</b>  | <b>511,922</b>    | <b>72,096</b>          | <b>289,000</b>        | <b>17</b>                        | <b>5,489,837</b>     | <b>6,362,872</b>  |
| Profit for the year  | -                 | -                      | -                     | -                                | 509,851              | 509,851           |
| <b>Other comprehensive income</b>  |                   |                        |                       |                                  |                      |                   |
| Changes in fair value of available for sale financial assets                                   | -                 | -                      | -                     | (1,800,256)                      | -                    | (1,800,256)       |
| Changes in fair value of available for sale financial assets transferred to the long term fund | -                 | -                      | -                     | 1,784,636                        | -                    | 1,784,636         |
| <b>Items that will not be reclassified to profit or loss</b>                                   |                   |                        |                       |                                  |                      |                   |
| Remeasurement of retirement benefit obligations  | -                 | -                      | -                     | -                                | 25,975               | 25,975            |
| <b>Transactions with owners:</b>   |                   |                        |                       |                                  |                      |                   |
| Final dividend for 2015  | -                 | -                      | -                     | -                                | (1,522,094)          | (1,522,094)       |
| <b>Balance as at 31 December 2016</b>  | <b>511,922</b>    | <b>72,096</b>          | <b>289,000</b>        | <b>(15,603)</b>                  | <b>4,503,569</b>     | <b>5,360,984</b>  |
| Profit for the year  | -                 | -                      | -                     | -                                | 7,359,230            | 7,359,230         |
| <b>Other comprehensive income</b>  |                   |                        |                       |                                  |                      |                   |
| Changes in fair value of available for sale financial assets                                   | -                 | -                      | -                     | 3,069,771                        | -                    | 3,069,771         |
| Changes in fair value of available for sale financial assets transferred to the long term fund | -                 | -                      | -                     | (3,037,459)                      | -                    | (3,037,459)       |
| <b>Items that will not be reclassified to profit or loss</b>                                   |                   |                        |                       |                                  |                      |                   |
| Re-measurement of retirement benefit obligations   | -                 | -                      | -                     | -                                | (17,068)             | (17,068)          |
| Revaluation of land  | -                 | 80,080                 | -                     | -                                | -                    | 80,080            |
| <b>Transactions with owners:</b>   |                   |                        |                       |                                  |                      |                   |
| Interim dividend for 2016  | -                 | -                      | -                     | -                                | (1,475,970)          | (1,475,970)       |
| Final dividend for 2016  | -                 | -                      | -                     | -                                | (61,499)             | (61,499)          |
| <b>Balance as at 31 December 2017</b>  | <b>511,922</b>    | <b>152,176</b>         | <b>289,000</b>        | <b>16,709</b>                    | <b>10,308,262</b>    | <b>11,278,069</b> |

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## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Statement of Cash Flows

For the financial year ended 31 December

|   | Group              |                    | Company            |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2017               | 2016               | 2017               | 2016               |
|   | LKR '000           | LKR '000           | LKR '000           | LKR '000           |
| <b>Cash flows from operating activities</b>   |                    |                    |                    |                    |
| Premiums / fees received from customers   | 11,412,282         | 10,137,944         | 11,410,815         | 10,136,597         |
| Reinsurance premium (net of commission) received/ (paid)                            | (91,980)           | 11,877             | (91,980)           | 11,877             |
| Claims and benefits paid  | (4,745,094)        | (4,811,149)        | (4,745,094)        | (4,811,149)        |
| Cash paid to and on behalf of employees   | (2,004,238)        | (1,503,806)        | (2,004,238)        | (1,503,806)        |
| Interest received   | 247,672            | 347,351            | 247,003            | 346,970            |
| Payments to agents and intermediaries   | (2,376,053)        | (1,630,795)        | (2,376,053)        | (1,630,795)        |
| Other operating cash payments   | (1,978,168)        | (2,783,476)        | (1,977,393)        | (2,782,917)        |
|   | <b>464,421</b>     | <b>(232,054)</b>   | <b>463,060</b>     | <b>(233,223)</b>   |
| <b>Cash flow used in operating activities</b>                                       |                    |                    |                    |                    |
| Taxes paid  | (50)               | (178)              | -                  | -                  |
| Policy loans granted  | (462,730)          | (510,871)          | (462,730)          | (510,871)          |
| Policy loans repayment  | 588,476            | 699,079            | 588,476            | 699,079            |
|   | <b>590,117</b>     | <b>(44,024)</b>    | <b>588,806</b>     | <b>(45,015)</b>    |
| <b>Cash flows from investing activities</b>   |                    |                    |                    |                    |
| Purchase of liquid investments  | (1,189,935)        | (1,939,399)        | (1,189,935)        | (1,939,399)        |
| Purchase of other investments   | (38,092,570)       | (29,211,520)       | (38,092,570)       | (29,211,520)       |
| Proceeds from sale of liquid investments  | 711,048            | 1,481,831          | 711,048            | 1,481,831          |
| Proceeds from sale of other investments   | 35,864,259         | 27,636,245         | 35,864,259         | 27,636,245         |
| Investment expenses   | (115,425)          | (109,126)          | (115,425)          | (109,126)          |
| Interest received   | 4,294,431          | 4,001,364          | 4,294,431          | 4,001,364          |
| Dividend received   | 82,490             | 74,841             | 82,490             | 74,841             |
| Purchase of intangible assets   | (104,064)          | (543,994)          | (104,064)          | (543,994)          |
| Purchase of property, plant and equipment   | (537,632)          | (78,631)           | (537,632)          | (78,631)           |
| Disposal of property, plant and equipment   | 27,124             | 8,385              | 27,124             | 8,385              |
| <b>Net cash flow from investing activities</b>                                      | <b>939,725</b>     | <b>1,319,996</b>   | <b>939,725</b>     | <b>1,319,996</b>   |
| <b>Cash flows from financing activities</b>   |                    |                    |                    |                    |
| Dividends paid  | (1,537,469)        | (1,522,094)        | (1,537,469)        | (1,522,094)        |
| <b>Net cash used in financing activities</b>  | <b>(1,537,469)</b> | <b>(1,522,094)</b> | <b>(1,537,469)</b> | <b>(1,522,094)</b> |
| <b>Increase / (decrease) in cash and cash equivalents</b>                           | <b>(7,627)</b>     | <b>(246,122)</b>   | <b>(8,938)</b>     | <b>(247,113)</b>   |
| Cash and cash equivalents (net of bank overdraft)<br>at the beginning of the year   | <b>276,222</b>     | 522,344            | <b>269,942</b>     | 517,055            |
| <b>Cash and cash equivalents (net of bank overdraft)<br/>at the end of the year</b> | <b>268,595</b>     | <b>276,222</b>     | <b>261,004</b>     | <b>269,942</b>     |

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

The figures above are unaudited.

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Long term insurance Statement of Financial Position - supplemental

| As at                        | 31 December<br>2017<br>LKR '000 | 31 December<br>2016<br>LKR '000<br>Restated |
|------------------------------|---------------------------------|---|
| <b>Assets</b>                |                                 |   |
| Financial assets             | 37,214,179                      | 36,269,197                                  |
| Policyholder and other loans | 784,788                         | 901,728                                     |
| Reinsurance receivables      | 81,308                          | 86,771                                      |
| Premium receivables          | 473,414                         | 388,759                                     |
| Other assets                 | 1,865,958                       | 2,328,939                                   |
| Deferred income tax assets   | -                               | 24,159                                      |
| Cash and cash equivalents    | 265,044                         | 246,571                                     |
| <b>Total assets</b>          | <b>40,684,691</b>               | <b>40,246,124</b>                           |
| <b>Liabilities</b>           |                                 |   |
| Insurance liabilities        | 38,197,140                      | 38,188,350                                  |
| Reinsurance payables         | 91,288                          | 36,866                                      |
| Accruals and other payables  | 2,379,379                       | 1,987,260                                   |
| Deferred revenue             | 11,262                          | 14,246                                      |
| Bank overdraft               | 5,622                           | 19,402                                      |
| <b>Total liabilities</b>     | <b>40,684,691</b>               | <b>40,246,124</b>                           |

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 interim financial statements.

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

The figures above are unaudited.

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### 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 those 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 2016.

#### 2 Accounting policies

The same accounting policies and methods of computation as stated in the annual report 2016 have been followed in the preparation of the Interim financial statements as at 31 December 2017 except for the changes in accounting policies explained in note 5 to these interim financial statements.

#### 3 Stated capital

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

#### 4 Taxation

AIA Insurance Lanka PLC and its subsidiaries are liable for income tax at 28% (2016 - 28%).

The taxation basis of life insurance business will be changed effective 01 Apr 2018 with the coming into effect of the Inland Revenue Act No. 24 of 2017 where a surplus based taxation basis will be adopted replacing what was commonly known as "I-E" basis of taxation.

Accordingly, the Group does not foresee a taxable/ deductible temporary difference in the foreseeable future that requires a provision for deferred tax from the life insurance business except for the results of the life shareholder's fund. Therefore, the Group reversed the provisions for deferred taxes that had been booked in the financial statements as at 30 September 2017, during the fourth quarter of 2017.

#### 5 Changes in accounting policies

The following accounting policies were changed retrospectively to improve the reliability, relevance and comparability of the financial statements in light of the changes in regulation with the adoption of the Risk Based Capital regime for solvency. Extensive disclosures relating to these changes in accounting policies will be made in the annual financial statements for the year ending 31 December 2017.

However, effects of these changes in accounting policies are not material for both the interim and annual financial statements of the Group and hence those changes do not require the presentation of three Balance Sheets in the financial statements.

##### 5.1 Measurement of Long Term Policy Liability

The Group changed its accounting policy for valuing its Life insurance contract liability from Net Premium Valuation (NPV) Method to Risk Based Capital (RBC) method as stipulated by the Insurance Regulatory Commission of Sri Lanka plus any other mandatory reserves required by the regulator. The new accounting policy for measuring policyholder liabilities ensures that the capital is managed more efficiently, the liability is more reflective of the market conditions and also aligns to the liability valuation basis to that stipulated by the regulator.

The mandatory reserve that is required by the regulator at present is the one-off difference that arose from regulatory change in the solvency basis from NPV to RBC as explained in note 8 to these interim financial statements.

##### 5.2 Deferment of unearned premiums and acquisition expenses

During the financial period the Group discontinued the deferment of unearned premiums and connected acquisition expenses. Such discontinuation aligns the financial statements to the reserving basis/ the valuation methodology that is adopted by the Group. Changes in accounting policy applies retrospectively and prior year reported figures are restated accordingly.

#### 6 Profit after tax

The profit after tax of the Company includes the surplus from its life insurance business. The surplus from the policyholders' fund for the financial year 2017 stood at LKR 7,081m (2016 - LKR 315m) contributing 96.2% (2016 - 61.8%) of the reported profit after tax of the Company.

The increase in surplus during 2017 arises primarily due to the downward shift in market interest rates during the year which resulted in significant movements in assets and liabilities measured at fair value under the Risk Based Capital regime for solvency, as per the regulations issued by the Insurance Regulatory Commission of Sri Lanka. An associated reduction in risk capital charges, owing to the same downward shift in market interest rates, further contributed towards the increase in the surplus.

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARY

### Notes to the interim financial statements

#### 7 Events after the reporting period

The Board of Directors approved the distribution of a first and final dividend of LKR 91.00 per share on 14 February 2018, as authorised by the Articles of Association of the Company, to be paid out of the profits for the year.

As required by Section 56 (2) of the Companies Act No 07 of 2007, the Board of Directors confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to approving the first and final dividend of LKR 91.00 per share.

In accordance with LKAS 10, 'Events After the Reporting Period', the first and final dividend that has been approved by the Board of Directors has not been recognised as a liability in these interim financial statements as at 31 December 2017. No events have occurred since the date of the Statement of Financial Position that necessitates adjustments to/or disclosure in the financial statements.

#### 8 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 2016.

#### 9 Implementation of Solvency Margin (Risk Based Capital) Rules

The Insurance Regulatory Commission of Sri Lanka (IRCSL) implemented the Risk Based Capital (RBC) framework for solvency purposes with effect from 1 January 2016, and as by the IRCSL by their letter dated 30 December 2016, the surplus created due to change in valuation method from NPV to RBC rules is required to be maintained within the long term insurance fund / insurance contract liabilities.

The surplus created due to change in valuation method from NPV to RBC rules on 1 January 2016 is as follows;

|  | <b>LKR'000</b>          |
|--|-------------------------|
| Long term policy liability as per NPV  | 36,749,652              |
| Long term policy liability for solvency margin rules under RBC rules           | 27,981,497              |
| <b>Surplus created due to change in valuation method from NPV to RBC rules</b> | <b><u>8,768,155</u></b> |

#### 10 Related party disclosures

Details of significant related party disclosures are as follows:

##### Transactions with the parent and related entities

| Nature of transaction          | AIA Company Limited |           | AIA Group Limited |          | AIA Shared Services (Hong Kong) Limited |           | AIA Shared Services Sdn. Bhd. |       | AIAIT (Guangzhou) Company Limited |       | AIA Information Technology (Beijing) Company Limited |      |
|--------------------------------|---------------------|-----------|-------------------|----------|---|-----------|-------------------------------|-------|-----------------------------------|-------|--|------|
|                                | Parent              |           | Ultimate parent   |          | Fellow subsidiary                       |           | Fellow subsidiary             |       | Fellow subsidiary                 |       | Fellow subsidiary                                    |      |
| For the year ended 31 December | 2017                | 2016      | 2017              | 2016     | 2017                                    | 2016      | 2017                          | 2016  | 2017                              | 2016  | 2017   | 2016 |
| Group recharges (LKR '000)     | (383,621)           | (140,000) | (72,486)          | (79,933) | (138,176)                               | (101,290) | (38,641)                      | (791) | (10,520)                          | (828) | (6,782)  | -    |

## AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

### Notes to the interim financial statements (contd.)

#### 11 Major Shareholders

The 20 largest shareholders as at 31 December 2017 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. R Srikantha  | 38,435        | 0.12%  |
| Bansei Securities Capital (Private) Ltd /Dawi Investment Trust (Private) Limited | 15,463        | 0.05%  |
| Miss. A S Gunaratne  | 15,375        | 0.05%  |
| Mr. N W H D Gunaratne  | 15,375        | 0.05%  |
| Mr. Chandra Jayaratne  | 13,220        | 0.04%  |
| People's Leasing & Finance PLC/ DR. H S D Soysa & MRS. G Soysa                   | 11,819        | 0.04%  |
| People's Leasing & Finance PLC/ C D Kohombanwickramage                           | 10,530        | 0.03%  |
| People's Leasing & Finance PLC/ M V D Ranasinghe                                 | 10,149        | 0.03%  |
| Mr. S Aravinthan   | 9,891         | 0.03%  |
| Mr. S Varatharajah   | 7,685         | 0.02%  |
| Mr. K S Kadaramasthan/ Mrs. N M Kader  | 7,685         | 0.02%  |
| Mrs. S Thevarajah  | 7,684         | 0.02%  |
| People's Leasing & Finance PLC/ L H L M P Haradasa                               | 7,595         | 0.02%  |
| Mr. S P K Chamara Perera   | 7,436         | 0.02%  |
| Mr. J B Hirdaramani  | 7,224         | 0.02%  |
| Forbes & Walker Limited  | 7,000         | 0.02%  |
| Mr. Priyanka Manjula Pathiraja/ MRS. D A O Kandamudali                           | 6,656         | 0.02%  |
| Mr. R T Manatunga/ Mrs. C N C Manatunga  | 6,150         | 0.02%  |

Total number of public shareholders as at 31 December 2017 is 1,855 and the percentage of shareholding is 2.84%

The company's float adjusted market capitalisation as at 31st December 2017 is LKR 285m. The company is not compliant with the minimum public holding requirements of the category into which it belongs to, as at the Balance Sheet date.

#### 12 Share information

| As at                      | Group            |                  | Company          |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
|                            | LKR              | LKR              | LKR              | LKR              |
| Net assets value per share | 366.98           | 174.50           | 366.77           | 174.34           |

#### 13 Market price of Share

| For the three months ended 31 December          | 2017   | 2016   |
|---|--------|--------|
|   | LKR    | LKR    |
| Market price per share at the end of the period | 327.50 | 280.10 |
| Highest price per share for the period          | 358.00 | 291.90 |
| Lowest price per share for the period           | 307.10 | 269.00 |

#### 14 Directors' shareholding

Details of Directors' shareholding as at 31 December 2017 are given below.

| Name                          | Designation | No. of shares |
|-------------------------------|-------------|---------------|
| Mr. William Lisle             | Chairman    | -             |
| Mr. Manoj Ramachandran        | Director    | -             |
| Mr. Deepal Sooriyaarachchi    | Director    | -             |
| Mr. Robert Alexander Hartnett | Director    | -             |
| Mr. Sarath Wikramanayake      | Director    | -             |
| Mr. Stuart Anthony Spencer    | Director    | -             |

#### 15 Chief Executive Officer's shareholding

Details of CEO's shareholding as at 31 December 2017 are given below.

| Name                | Designation | No. of shares |
|---------------------|-------------|---------------|
| Mr. Pankaj Banerjee | CEO         | -             |