

**AIA INSURANCE LANKA PLC
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
- 31 March 2018**

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

As at	Note	Group		Company	
		31 March	31 December	31 March	31 December
		2018	2017	2018	2017
		LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Intangible assets		921,917	948,440	921,917	948,440
Property, plant and equipment		798,450	746,542	798,450	746,542
Investment in subsidiary		-	-	1,000	1,000
Financial assets		44,285,969	45,735,748	44,285,969	45,735,748
Policyholder and other loans		878,902	922,382	878,902	922,382
Reinsurance receivables		92,795	81,308	92,795	81,308
Trade receivables		447,275	473,803	446,883	473,414
Other assets		2,667,336	3,166,061	2,667,260	3,165,994
Other fund assets		244,388	235,494	244,388	235,494
Cash and cash equivalents		249,075	274,217	247,336	266,626
Total assets		50,586,107	52,583,995	50,584,900	52,576,948
Liabilities					
Insurance liabilities		30,802,588	32,116,292	30,802,588	32,116,292
Retirement benefit obligations		224,546	222,085	224,546	222,085
Deferred Income Tax liabilities		90,330	6,498	90,330	6,498
Other fund liabilities		244,388	235,494	244,388	235,494
Reinsurance payables		72,750	91,288	72,750	91,288
Accruals and other payables		2,698,231	2,526,705	2,697,805	2,526,320
Current Income tax liabilities		4,807	3,476	4,443	3,170
Deferred revenue		10,378	11,262	10,378	11,262
Bank overdraft		43,323	5,622	43,323	5,622
Total liabilities		34,191,341	35,218,722	34,190,551	35,218,031
Equity					
Stated capital		511,922	511,922	511,922	511,922
Capital reserves		152,176	152,176	152,176	152,176
Restricted Regulatory Reserve	7	6,080,848	6,080,848	6,080,848	6,080,848
Revenue reserves		9,649,820	10,620,327	9,649,403	10,613,971
Total equity		16,394,766	17,365,273	16,394,349	17,358,917
Total equity and liabilities		50,586,107	52,583,995	50,584,900	52,576,948

The notes on pages 9 to 11 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

18 May 2018

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Consolidated Income Statement

For the three months ended 31 March	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Gross written premium		3,032,861	2,631,257	3,032,861	2,631,257
Gross reinsurance premium		(89,032)	(66,687)	(89,032)	(66,687)
Net earned premium		2,943,829	2,564,570	2,943,829	2,564,570
Other revenue					
Investment income		1,326,260	1,273,048	1,331,840	1,273,048
Fee income		164,438	119,446	164,042	119,096
Realised gains		62,498	4,856	62,498	4,856
Fair value losses		(19,170)	(50,612)	(19,170)	(50,612)
Other operating revenue		42,431	50,373	42,337	50,219
		1,576,457	1,397,111	1,581,547	1,396,607
Total Revenue		4,520,286	3,961,681	4,525,376	3,961,177
Net claims and benefits		(1,473,175)	(1,418,198)	(1,473,175)	(1,418,198)
Change in contractual liability		771,842	(828,744)	771,842	(828,744)
Net acquisition expenses		(500,119)	(407,239)	(500,119)	(407,239)
Operating and administrative expenses		(1,657,444)	(1,171,301)	(1,657,273)	(1,170,979)
Profit before tax		1,661,390	136,199	1,666,651	136,017
Income tax expense		(49,274)	(64,998)	(48,596)	(64,970)
Profit for the period	8	1,612,116	71,201	1,618,055	71,047
Profit attributable to,					
Owners of the parent		1,612,116	71,201	1,618,055	71,047
Non-controlling interest		-	-	-	-
		1,612,116	71,201	1,618,055	71,047
Basic / diluted earnings per share (in LKR)		52.43	2.32	52.62	2.31
Dividend per share (in LKR)		91.00	50.00	91.00	50.00

The notes on pages 9 to 11 are an integral part of these interim financial statements.

The figures above are unaudited.

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months ended 31 March

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Profit for the period	1,612,116	71,201	1,618,055	71,047
Other comprehensive income				
Items that are / may be subsequently reclassified to profit or loss				
Changes in fair value of available for sale financial assets	(187,663)	(46,439)	(187,663)	(46,439)
Changes in fair value of available for sale financial assets transferred to the long term fund	403,231	47,876	403,231	47,876
Total other comprehensive income for the period	215,568	1,437	215,568	1,437
Total comprehensive income for the period	1,827,684	72,638	1,833,623	72,484
Comprehensive income attributable to,				
Owners of the parent	1,827,684	72,638	1,833,623	72,484
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	1,827,684	72,638	1,833,623	72,484

Items disclosed in the statement above are net of tax.

The notes on pages 9 to 11 are an integral part of these interim financial statements.

The figures above are unaudited.

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Statement of Changes in Equity - Group

	Stated capital	Capital reserve Revaluation reserve	Restricted Regulatory Reserve	Revenue reserves			Total equity
	LKR '000	LKR '000	LKR '000	Resilience reserve	Available for sale reserve	Retained earnings	LKR '000
Balance as at 1 January 2017	511,922	72,096	-	289,000	(15,603)	4,508,439	5,365,854
Profit for the period	-	-	-	-	-	71,201	71,201
Other comprehensive income							
Changes in fair value of available for sale financial assets	-	-	-	-	(46,439)	-	(46,439)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	47,876	-	47,876
Transactions with owners:							
Interim dividend for 2016	-	-	-	-	-	(1,475,970)	(1,475,970)
Final dividend for 2016	-	-	-	-	-	(61,499)	(61,499)
Balance as at 31 March 2017	511,922	72,096	-	289,000	(14,166)	3,042,171	3,901,023
Profit for the period	-	-	-	-	-	13,370,363	13,370,363
Changes in fair value of available for sale financial assets	-	-	-	-	3,116,210	-	3,116,210
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	(3,085,335)	-	(3,085,335)
Remeasurement of retirement benefit obligations	-	-	-	-	-	(17,068)	(17,068)
One-Off Surplus transfer to Restricted Regulatory Reserve	-	-	6,080,848	-	-	(6,080,848)	-
Revaluation of land	-	80,080	-	-	-	-	80,080
Balance as at 31 December 2017	511,922	152,176	6,080,848	289,000	16,709	10,314,618	17,365,273
Profit for the period	-	-	-	-	-	1,612,116	1,612,116
Other comprehensive income							
Changes in fair value of available for sale financial assets	-	-	-	-	(187,663)	-	(187,663)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	403,231	-	403,231
Transactions with owners:							
First and final dividend for 2017	-	-	-	-	-	(2,798,191)	(2,798,191)
Balance as at 31 March 2018	511,922	152,176	6,080,848	289,000	232,277	9,128,543	16,394,766

The notes on pages 9 to 11 are an integral part of these interim financial statements.

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AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Statement of Changes in Equity - Company

	Stated capital	Capital reserve	Restricted Regulatory 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	LKR '000
Balance as at 1 January 2016	511,922	72,096	-	289,000	(15,603)	4,503,569	5,360,984
Profit for the period	-	-	-	-	-	71,047	71,047
Other comprehensive income							
Changes in fair value of available for sale financial assets	-	-	-	-	(46,439)	-	(46,439)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	47,876	-	47,876
Transactions with owners:							
Interim dividend for 2016	-	-	-	-	-	(1,475,970)	(1,475,970)
Final dividend for 2016	-	-	-	-	-	(61,499)	(61,499)
Balance as at 31 March 2017	511,922	72,096	-	289,000	(14,166)	3,037,147	3,895,999
Profit for the period	-	-	-	-	-	13,369,031	13,369,031
Changes in fair value of available for sale financial assets	-	-	-	-	3,116,210	-	3,116,210
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	(3,085,335)	-	(3,085,335)
Remeasurement of retirement benefit obligations	-	-	-	-	-	(17,068)	(17,068)
One-Off Surplus transfer to Restricted Regulatory Reserve	-	-	6,080,848	-	-	(6,080,848)	-
Revaluation of land	-	80,080	-	-	-	-	80,080
Balance as at 31 December 2017	511,922	152,176	6,080,848	289,000	16,709	10,308,262	17,358,917
Profit for the period	-	-	-	-	-	1,618,055	1,618,055
Other comprehensive income							
Changes in fair value of available for sale financial assets	-	-	-	-	(187,663)	-	(187,663)
Changes in fair value of available for sale financial assets transferred to the long term fund	-	-	-	-	403,231	-	403,231
Transactions with owners:							
First and final dividend for 2017	-	-	-	-	-	(2,798,191)	(2,798,191)
Balance as at 31 March 2018	511,922	152,176	6,080,848	289,000	232,277	9,128,126	16,394,349

The notes on pages 9 to 11 are an integral part of these interim financial statements.

The figures above are unaudited.

Consolidated Statement of Cash Flows

For the three months ended 31 March		Group		Company	
		2018	2017	2018	2017
Notes		LKR '000	LKR '000	LKR '000	LKR '000
Cash flows from operating activities					
Premiums / fees received from customers		3,011,869	2,623,900	3,011,477	2,623,553
Reinsurance premium (net of commission and claims) paid		(93,047)	(67,391)	(93,047)	(67,391)
Claims and benefits paid		(1,468,257)	(1,418,637)	(1,468,257)	(1,418,637)
Reinsurance receipts in respect of claims and benefits		19,539	14,179	19,539	14,179
Cash paid to and on behalf of employees		(555,936)	(494,281)	(555,936)	(494,281)
Interest received		69,145	78,240	69,051	78,085
Payments to agents and intermediaries		(432,363)	(462,794)	(432,363)	(462,794)
Other operating cash payments		(996,474)	(576,970)	(996,345)	(579,438)
Cash flow used in operating activities		(445,524)	(303,754)	(445,881)	(306,724)
Taxes paid		(685)	(150)	-	-
Policy loans granted		(462,730)	(118,925)	(462,730)	(118,925)
Policy loan repayments		518,152	167,375	518,152	167,375
Net cash used in operating activities		(390,787)	(255,454)	(390,459)	(258,274)
Cash flows from investing activities					
Purchase of liquid investments		(10,047,086)	(451,570)	(10,047,086)	(451,570)
Purchase of other investments		(387,720)	(4,182,544)	(387,720)	(4,182,544)
Proceeds from sale of liquid investments		5,383,525	1,061,492	5,383,525	1,061,492
Proceeds from sale of other investments		6,571,932	3,930,110	6,571,932	3,930,110
Investment expenses		(65,679)	(29,676)	(65,735)	(29,676)
Interest received		1,737,395	1,519,548	1,737,395	1,519,563
Dividend received		25,340	34,566	30,920	34,566
Purchase of intangible assets		(2,379)	(746)	(2,379)	(746)
Purchase of property, plant and equipment		(89,889)	(65,491)	(89,889)	(65,491)
Proceeds from sale of property, plant and equipment		696	268	696	268
Net cash used in investing activities		3,126,135	1,815,957	3,131,659	1,815,972
Cash flows from financing activities					
Dividends paid		(2,798,191)	(1,537,469)	(2,798,191)	(1,537,469)
Net cash used in financing activities		(2,798,191)	(1,537,469)	(2,798,191)	(1,537,469)
Increase / (decrease) in cash and cash equivalents	(Note A)	(62,843)	23,034	(56,991)	20,229
Note A					
Increase / (decrease) in cash and cash equivalents					
Cash and cash equivalents at the end of the period		205,752	299,256	204,013	290,171
(Less)					
Cash and cash equivalents at the beginning of the period		268,595	276,222	261,004	269,942
		(62,843)	23,034	(56,991)	20,229

The notes on pages 9 to 11 are an integral part of these interim financial statements.

The figures above are unaudited.

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Long term insurance Statement of Financial Position - supplemental

As at	31 March 2018 LKR '000	31 December 2017 LKR '000
Assets		
Financial assets	31,783,877	30,545,324
Policyholder and other loans	(784,291)	784,788
Reinsurance receivables	92,795	81,308
Premium receivables	446,883	473,414
Other assets	1,584,089	2,453,965
Cash and cash equivalents	223,946	265,044
Total assets	33,347,299	34,603,843
Liabilities		
Insurance liabilities	30,802,588	32,116,292
Reinsurance payables	72,750	91,288
Accruals and other payables	2,418,260	2,379,379
Deferred revenue	10,378	11,262
Bank overdraft	43,323	5,622
Total liabilities	33,347,299	34,603,843

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 9 to 11 are an integral part of these interim financial statements.

The figures above are unaudited.

AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Notes to the consolidated 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 and in compliance with the Direction 16 – Identification and treatment of One-off Surplus, issued by the Insurance Regulatory Commission of Sri Lanka, to provide guidelines on the release of the one-off surplus arising from the policyholder fund to the shareholder fund due to change in regulatory solvency basis from Net Premium Valuation to the Risk Based Capital. They have been prepared under the historical cost convention except for the revaluation of land and financial instruments measured at fair value.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

2 Accounting policies

The same accounting policies and methods of computation as stated in the annual report 2017 have been followed in the preparation of the Interim financial statements as at 31 March 2018.

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. However, the profits of life Shareholders' fund will be taxed along a basis of "I-E".

Accordingly, the Group does not foresee a taxable/ deductible temporary difference over the foreseeable future that requires a provision for deferred tax from the life insurance business except for the results of the life Shareholders' fund.

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 2017.

7 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 the IRCSL by their letter dated 30 December 2016 instructed that, the surplus created due to change in valuation method from NPV to GPV be maintained within the long term insurance fund / insurance contract liabilities.

The surplus created due to change in valuation method from NPV to GPV on 01 January 2016 is as follows:

LKR'000

Long term policy liability as per accounting policy (NPV)	36,749,652
Long term policy liability for solvency margin under RBC rules (GPV)	<u>27,981,497</u>
Surplus created due to change in valuation method from NPV to GPV	<u>8,768,155</u>

On 20 March 2018 the IRCSL issued Direction #16: Identification and Treatment of One-Off Surplus, which defined a specific methodology for the computation of the One-Off Surplus to be uniformly adopted by the industry. This methodology defines the One-Off Surplus as being the difference between the policy liabilities computed using the minimum regulatory basis under the previous NPV based solvency regime and the 'distribution basis' adopted as at 31 December 2017 under the RBC solvency regime. The revised One-Off Surplus as determined under the revised computation basis is LKR 6,081m as opposed to the previously reported LKR 8,768m.

LKR'000

One-Off Surplus as determined and reported as at 01 January 2016	8,768,155
One-Off Surplus based on the guidelines of Direction # 16 issued on 20 March 2018	6,080,848
Additional liability retained in order to enhance the solvency margins	<u>1,265,804</u>
Amount included in the surplus for the three months ending 31 March 2018	<u>1,421,503</u>

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AIA INSURANCE LANKA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (contd.)

10 Major Shareholders

The 20 largest shareholders as at 31 March 2018 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%
Bansei Securities Capital (Pvt) Limited / Dawi Investment Trust (Private) Limited	19,000	0.06%
Mr. N Wickramasekera Harry Dias 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 / DR. H.S.D.Soyza & Mrs.G.Soyza	10,762	0.03%
Mr. Aravinthan Sivarajah	9,891	0.03%
Mr. Mahibalan Murugesu	7,976	0.03%
Mr. Selvaratnam Varatharajah	7,685	0.02%
Mr. S K Kader / Mrs. N M Kader	7,685	0.02%
Mrs. Sithamparam Thevarajah	7,684	0.02%
Mr. P K Chamara Perera Samarasinghe	7,436	0.02%
Mr. Janak Bhagwandas Hirdaramani	7,224	0.02%
Mr. Priyanka Manjula Pathiraja	6,612	0.02%
Mr. R T Manatunga / Mrs. C N C Manatunga	6,150	0.02%
Mr. A.Piyadasa Perera	6,150	0.02%
People's Leasing and Finance PLC/ L.H.L.M.P.Haradasa	6,095	0.02%
Mr. Sathasivam Sivagnanam	5,987	0.02%

Total number of public shareholders as at 31 March 2018 is 1,959 and the percentage of shareholding is 2.84%

The company's float adjusted market capitalisation as at 31st March 2018 is LKR 336m. 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.

11 Share information

	Group		Company	
As at 31 March	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Net assets value per share	533.17	159.47	533.16	159.33

12 Market price per share

For three months ended 31 March	2018 LKR	2017 LKR
Market price per share at the end of the period	384.60	300.30
Highest price per share for the period	530.00	354.90
Lowest price per share for the period	320.00	270.00

13 Directors' shareholding

Details of Directors' shareholding as at 31 March 2018 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	-

13 Chief Executive Officer's shareholding

Details of CEO's shareholding as at 31 March 2018 are given below.

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