



A new energy.

 **AVIVA NDB**
INSURANCE
Annual Report 2009

A new energy.

This year we feature a children's toy – the simple paper windmill, on the cover of our Annual Report. It stands as an icon of the new energy and whirlwind of activity we intend to generate this year, as we embrace our new corporate persona in line with changes taking place around the Aviva world.

2010 sees us re-launch our Company with a new name and branding. This brings a fresh new outlook to our corporate strategies while we develop stronger relationships and better processes to improve services to our customers around the island.

A new energy, for a new day.

Our Vision.

To be a world-class provider of financial solutions for protection and wealth creation.

Our Mission.

We will be the most sought after Insurer in Sri Lanka for security, return optimisation and excellence in service, achieving leadership in identified segments of the market.

Our Core Values.

Progressiveness

We encourage innovation and improvement and champion continuous learning. We aim to be the best when it comes to listening and responding to our customers.

Performance

We set ourselves clear goals - and the only way we'll achieve them is if everyone works towards them in an efficient way.

Integrity

We aim to maintain the highest professional and ethical standards. We try to be open and honest, keeping commitments and taking personal responsibility for the things we say and do. We want to earn trust and respect through honesty and fairness.

Teamwork

Teamwork is our lifeblood. We're committed to a common vision and objectives, depending on one another, pulling together and sharing knowledge. We aim to create a sense of community and belonging in how we operate as a business. We take pride in our achievements.

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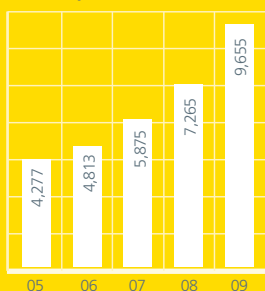
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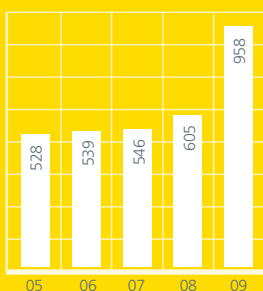
Financial Highlights

LKR Mn	2009	2008	2007	2006	2005
Total revenue	9,655	7,265	5,875	4,813	4,277
Profit before tax	958	605	546	539	528
Gross written premium - GI	2,504	2,045	1,867	1,468	1,211
Gross written premium - Life	4,632	4,342	3,788	3,150	2,832
Net assets	2,579	2,224	2,025	1,743	1,467
Life Fund	18,048	14,484	12,306	10,508	9,238
Return on net assets (%)	37.12	27.20	26.97	30.92	35.98
Basic earnings per share (LKR)	24.35	15.46	17.57	17.45	17.18
Market capitalisation	5,340	3,450	4,523	4,065	2,550

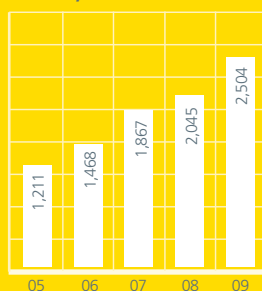
TOTAL REVENUE
LKR 9,655 Mn



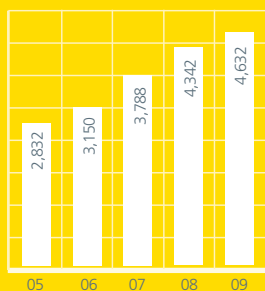
PROFIT BEFORE TAX
LKR 958 Mn



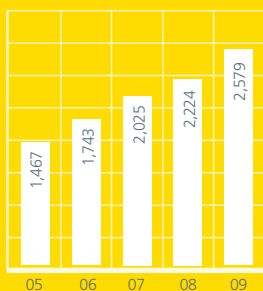
GROSS WRITTEN PREMIUM - GI
LKR 2,504 Mn



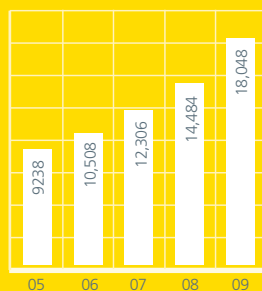
GROSS WRITTEN PREMIUM - LIFE
LKR 4,632 Mn



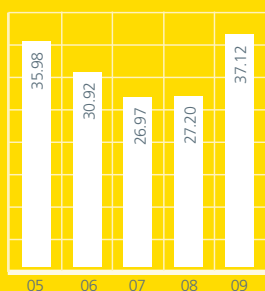
NET ASSETS
LKR 2,579 Mn



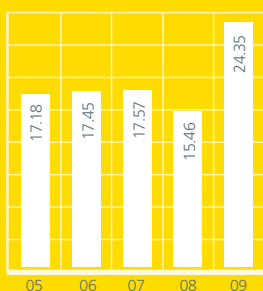
LIFE FUND
LKR 18,048 Mn



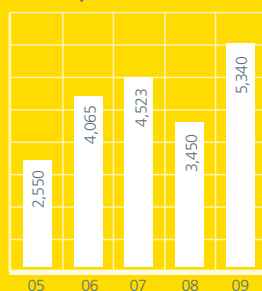
RETURN ON NET ASSETS
37.12%



BASIC EARNINGS PER SHARE
LKR 24.35



MARKET CAPITALISATION
LKR 5,340 Mn



* known as AVIVA NDB Insurance PLC with effect from 12 February 2010



Transforming into AVIVA NDB Insurance

Eagle Insurance PLC has transformed into AVIVA NDB Insurance PLC, becoming a far more powerful, innovative insurer, revitalised by the combined strengths of the global Aviva group and the financial power of the NDB Group.

This vital step reiterates the Aviva group's global vision of becoming 'One Aviva, twice the value' to deliver a distinctive, cohesive experience that makes customers feel recognised and special. At the heart of moving to a global brand is Aviva's commitment to create a strong unified business that brings "Prosperity and peace of mind" to customers around the globe.

Aviva is the world's fifth-largest and one of the oldest insurance groups and the biggest in the UK. The group has 54,000 employees serving 50 million customers across Europe, North America and the Asia Pacific with more than Sterling Pounds 352 billion assets under management. A leading provider of Life and pensions products, Aviva's other business segments include fund management and General insurance.

NDB Group is one of the largest financial conglomerates in Sri Lanka, operating regionally in the Maldives and Bangladesh. Today, NDB bank, the commercial banking arm of the NDB Group is the highest capitalised Sri Lankan commercial bank. The transformation reflects NDB Group's commitment to play a pivotal role in insurance.

Since Eagle was founded in 1988 the Company has passed many milestones and its newest, most forward thinking strategy is to become AVIVA NDB Insurance dedicated to offer world-class, expertise-driven, customer-centric financial solutions that meet emerging needs.

Empowered by Aviva's expertise, the Company's sales professionals have been transformed into "AVIVA NDB WealthPlanners" equipped to meet both Life and General insurance needs offering the fusion of global strengths and Sri Lankan values to fulfill customer aspirations.

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Chairman's introduction to the Annual Report of 2009



This move to a unified global brand is not a mere name change. It is a total metamorphosis of the way we do our business.

We stand at a significant milestone in our Company's history. Eagle Insurance has now transformed into AVIVA NDB Insurance PLC, reiterating Aviva group's global vision of becoming "One Aviva" by the creation of a single brand globally. This move to a unified global brand is not a mere name change. It is a total metamorphosis of the way we do our business. It is in preparation to take on the greater challenges that lie ahead to conquer the opportunities of a unified Sri Lanka.

Looking back, the situation we found ourselves in 2009 was unprecedented. It will be remembered as one of the most turbulent times in Sri Lanka due to the peak of the military offensive against terrorism, coupled with the recession of the global economy following the collapse of some of the major financial giants worldwide.

Although Sri Lanka too experienced the tremors of the global recession, the economy held firm registering a positive GDP growth rate of approximately 2.6% as per the latest available data. The year also witnessed positive developments in several areas of the economy with an excellent performance of the stock market, sharp decline in interest rates and lower inflation. With the restoration of normalcy and the prospects of peace, the country steps into the dawn of a new era and can look forward to the future in hope as we can now make up for lost time.

During this period of turbulence, AVIVA NDB Insurance PLC was well equipped to weather the effects of the financial downturn. Both, Life and General insurance businesses maintained a focus on doing the basics right, and maintaining a robust risk management strategy that allowed the Company to benefit from the movements in investment markets. We also have good liquidity and a strong balance sheet.

Our results stand testimony to the unwavering spirit with which AVIVA NDB faced the rough tide, and delivered exceptional results being mindful of our promise of providing "Prosperity and peace of mind" to our customers as well as maintaining the strength of our balance sheet. Our consolidated GWP grew by 12 % and our profit after tax grew by 58% recording a post tax profit of LKR 731 Mn.

I am delighted to recommend a final dividend of LKR 9 per share for 2009, bringing the total dividend for the year to LKR 14.50 per share which has been appropriated out of the 2009 profits.

My thanks to Craig Brackenrig who preceded me as Chairman of the Board in 2008 and 2009. I am indeed grateful for his insightful contribution and leadership. My appreciation to Grant Salmon, Shoumitro Roye and Marie Sigsworth who resigned from the Board in 2009.

We bid farewell to Deepal Sooriyaarachchi, Managing Director, who leaves us in June of this year after 20 years of service. His leadership and dedication have been invaluable to us. We wish him well as he pursues his heart's desires. We welcome Shah Rouf, Harvey Chamberlain and David Hope onto the Board of AVIVA NDB Insurance PLC. Shah Rouf is expected to take over as the Managing Director of the Company from March 2010.

I also thank our wonderful employees for their dedication during a difficult year for everyone.

Bill Lisle

Chairman

12 February 2010

Managing Director's review of operations

it is our Company's endeavour to be the largest Life insurer in new business in Sri Lanka and the 3rd largest General insurer in the country.



If 2009 was characterised by its focus on quality at AVIVA NDB, then 2010 will be characterised by change – the transformation to harness the potential of the future. The change process will touch every sphere and aspect of the Company, whilst retaining the values, ethics and culture that have been its hallmarks. It is with great pleasure that I address you at this important juncture in our Company's history, when we lay the foundation to a growth trajectory for the future.

The dawn of 2009 in Sri Lanka was embraced with cautious optimism as the country awaited the end to the 33 year old internal conflict that impacted the lives of all Sri Lankans. The optimism was despite the many challenges posed by the heightened military activity and concerns on internal security. The situation was further exacerbated by the global economic crisis which was growing in severity across the world, with Sri Lanka being affected to a lesser degree due to the character and structure of the domestic economy and timely action by the Central Bank during the preceding years. The management discussion and analysis contained in this Annual Report seeks to capture the essence of the local economic conditions and business environment that prevailed in 2009.

Our Company was geared to face the challenges posed in 2009 as the senior management team laid a foundation well ahead of time by guiding the business to focus on key aspects of customer dynamics. "First in Trust" was AVIVA NDB's focus during 2007, "First in Trust with Quality" the theme and focus of 2008 with "Quality" in insurance business being the theme and thrust for 2009. We identified "Trust" as the key to a long term sustainable

mutually beneficial relationship between the Company and the policyholder, be it in Life insurance business or in General insurance business. Questionable business practices at some financial institutions received intense media coverage in 2009 and called to question business ethics and the trust that our Company had built over the years held it in good stead. Trust and safety assumed great importance in the mind of the average Sri Lankan in dealings with financial institutions.

The focus on Quality within the Company was to ensure that the relationship between the Company and the policyholder remains a mutually beneficial one with sustainable returns and security to all stakeholders in the business. In Life business this entailed a focus on persistency and the containment of the adverse lapse experience which is an industry wide phenomenon. In General insurance business this took the form of the continuing review of the General insurance portfolio to weed out unprofitable business accounts and maintain a "walk away" pricing strategy. The rewards and recognition of distribution were aligned towards achieving these goals. Company-wide, the focus was maintained on the customer experience involving a revisit, review and revamp of existing processes and procedures to deliver a customer experience that is true to Aviva's purpose of delivering "Prosperity and peace of mind" to its customers. The fruits of these endeavours will come to fruition and be evident in 2010.

Despite the tough economic and business environment the Company recorded a noteworthy financial performance yet again. The financial statements in this Annual Report bear witness to this.

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Managing Director's review of operations

Gross written premium in Life business recorded LKR 4,632 Mn in 2009, a growth of 7% over 2008 which we believe will be above the industry growth rate estimate of 1% for the year. The Company's Unit-linked business recorded top line growth of 100% year-on-year for 2009 which augurs well for the future of Life business at AVIVA NDB. These achievements will place us on track to achieve our medium term goal for Life business, the details of which are set out later in this review. The challenge for Life business in 2009 was to maintain the Company's target persistency levels and contain the adverse lapse experience, and the strategies in place give us the confidence that these are manageable within the Company's target levels. Further, the tough economic backdrop with its pressure on disposable income coupled with attractive interest rates offered by financial institutions, resulted in policy surrenders experiencing an increasing trend during the year.

In General insurance business the Company achieved a milestone exceeding LKR 2.5 Bn in gross premium written for the first time in this Company's history. General insurance gross written premium for 2009 was LKR 2,504 Mn which was a 22% increase over the corresponding figure reported for 2008. We believe that this growth in top line will be well above the industry average growth rate for the year which is estimated to have declined by 4%. The primary driver of General insurance GWP was Motor gross written premium which recorded 33% growth during the year to cross the LKR 1.0 Bn mark, another first in the Company's history. The strategies in place to reach the retail segment of the General insurance market have already shown encouraging results, which is reflected in the results placed before you. The net underwriting result in General insurance reflected a marked improvement during the year as evidenced by the COR of 99.7%. Initiatives in claims management and the reinsurance programme of 2009 were primary contributors towards this achievement.

The Company records an exceptional post-tax profit performance for 2009 of LKR 731 Mn, the highest in AVIVA NDB's history. The profit after tax growth for the year is commendable at 58%. Investment income was the main contributor to the post tax profit performance. However, it must be noted that the achievement of higher investment income has not altered the risk profile or the risk appetite of the Company which continues to maintain a prudent

investment approach of a predominant exposure to gilt-edged Treasury bills and Treasury bonds with investments in dealing listed shares being relatively low. As an example, from the investment portfolio of the Life Policyholders' fund, 78% is invested in gilt-edged Treasury bills and Treasury bonds with the exposure to listed shares being 5%.

The surplus transferred from Life Policyholders was LKR 320 Mn for 2009 despite the creation of additional reserves as required by the Consultant Actuary on the basis of prudence. As per the Actuary's recommendation the Company declared a gross dividend of 14.1% to Life Policyholders for 2009 on the basis of the valuation results of Life business. This relatively high dividend yield is attributable to the high interest regime of 2008 and early 2009.

Against the backdrop of the culmination of the 33 year old internal conflict and the anticipated positive impact on the domestic economy, it is likely that the steep decline in interest rates witnessed at present will be maintained. As such, we may not witness the high interest rates of 2008 in the short term. This together with the probable absence of a superlative performance from share investments to the magnitude of 2009, will compel businesses to return to sustainable growth factors in terms of the financial performance in the foreseeable future.

Our Company has laid the foundation for that transformation in 2009, and the current changes that you are being exposed to are key components in the Company's strategy for the future. In line with Aviva's global vision of "One Aviva, twice the value" our Company made the transition to AVIVA NDB Insurance PLC on 12 February 2010 opening a new chapter of this Company's illustrious journey. The transformation seeks to build on the rich heritage and capture the synergy of the strong parentage of the global Aviva group and the strength of NDB bank, a world class Sri Lankan.

The Company has defined its medium term goals and has placed these before all stakeholders – it is our Company's endeavour to be the largest Life insurer in new business in Sri Lanka and the 3rd largest General insurer in the country. In this process we will build on the investments we have made over the decades to professionalise the Direct Sales Force of the Company. 2009 was

witness to the Certificate in Personal Financial Management, a university accredited course from the University of Wayamba that seeks to ensure that the Direct Sales Force members designing financial solutions for their clients are competent and equipped to provide professional financial advice. The University of Wayamba is the only university in the country to offer a graduate programme on insurance and it is apt that we forged a relationship with this institution in this endeavour. Our Company's sales force will probably be the only insurance sales force in the country to be armed with a qualification from a university. This is my final contribution that I leave with the Company. 2010 will be witness to the elevation of the Direct Sales Force to WealthPlanners where they will be competent to offer best advice and equipped with financial solutions to satisfy Life and General insurance needs as well as asset management and other financial service needs in the future.

I am very optimistic that the strategies in place augur well for the future of the Company to the benefit of all stakeholders in the business. I am also confident that the financial strength of our Company is more than adequate to meet the financial needs of the business, support investments for the future and also to satisfy the increased capital requirements that are being proposed by the regulator.

You may be already aware of the personal decision that I have made as I cross a milestone in my life. 2010 is an important year in my life and career as I complete 50 years in life and 30 years of career, 20 of which have been with AVIVA NDB. I now embark on a personal journey to pursue my other professional interests and passions in life such as marketing, training and academia opening up a new chapter in my life's journal.

Our search within the Aviva group for a successor was successful with Shah Rouf, the current CEO of Aviva Romania and Chief Distribution Officer of Central and Eastern Europe for Aviva. In Shah, we have found a suitable candidate with matching experience and values. He has over 16 years of experience within the Aviva group and has held leadership positions in both Life and General insurance in Aviva's operations in the UK, India, Middle East and Europe. Shah is expected to take over as the Managing Director

of the Company in March 2010. I have no doubt that Shah will provide leadership to the business as it embarks on taking a step change in its stride.

I will leave the Company in June 2010 facilitating the transition in leadership over the next few months. I have many fond memories of my long association with the Company since its inception and will always remember with gratitude the opportunities accorded to me and experiences gained during this tenure which has enriched my life.

As I conclude my review of the business for 2009, I wish to place on record my appreciation to all my colleagues in the senior management team and the Board for their support and guidance. I wish to thank the Company's committed employees and members of the Direct Sales Force who continue to deliver an exemplary service driving the business forward. I would like to thank our customers, shareholders, intermediaries, business partners, suppliers, regulators and other stakeholders for the confidence and trust they continue to place in AVIVA NDB.

I am confident that our Company will deliver on its purpose of bringing "Prosperity and peace of mind" to all.



Deepal Sooriyaarachchi

Managing Director

12 February 2010

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MILE

April – Reduced festive accidents from fire crackers

AVIVA NDB continued to conduct a mass media campaign reminding the public to light crackers with care and contributed significantly to a reduction of accidents during Avurudu festivities. The Company's consistent aim is to educate and create awareness on the dangers of firecrackers when used carelessly and conducts extensive multimedia and below-the-line communication campaigns during festive seasons.

May 22 - Awards of Excellence

The Annual AVIVA NDB Awards of Excellence were presented to Dr D B Nihalsinha, best known for his contribution to the film industry and renowned musician Rohana Weerasinghe. They received the award from the Managing Director, Deepal Sooriyaarachchi amidst much applause. The awards presentation was made at the Company's Annual Sales Convention.

June 2 – Celebrating Aviva Day

AVIVA NDB joined the entire Aviva world spanning 28 countries to celebrate Aviva Day uniting the global Aviva community as one. This milestone celebration marked the unification of the worldwide insurance group coming under one global name - Aviva. The AVIVA NDB branch network held activities ranging from town-storming campaigns to community activities. 51 AVIVA NDB offices, island-wide celebrated this milestone event.

In addition, 15 deserving families in Ihala Hewessa in the Kalutara district received the gift of 'light.' This village was selected as certain parts of Ihala Hewessa, which is located off the beaten path, were not connected to the electricity grid. This eco-friendly contribution not only helped light up the lives of these villagers, but also contributed to the national effort to conserve electricity and progress towards achieving a greener environment. The project was conducted in partnership with the Ministry of Environment of Sri Lanka and the Divisional Secretariat Walallvita.

In another endeavour to mark the occasion, AVIVA NDB volunteer staff contributed to financial scholarships to 15 needy school children in Ihala Hewessa while school supplies were given to all the students of the village school, numbering 80. Reaching out to fellow citizens, AVIVA NDB employees joined the Company to raise funds amounting to nearly LKR 1 Mn to assist them with medical and food supplies.

June 3 - Employee Volunteer Leave programme

AVIVA NDB launched the Employee Volunteer Leave programme – "Eagle Lend a Hand" in which employees were granted paid leave to engage in volunteer social work. This was an initiative to empower and encourage employees to give back to the community and engage in activities identified from the company 'charities list'. This was an extension of the Company's consistent focus on corporate responsibility.

June 9 – Extending Aviva NDB Samana

AVIVA NDB Samana, focusing on the disabled community under the theme of "Creating an equally-abled society", was extended with the involvement of AVIVA NDB volunteers. To strengthen this initiative volunteer staff underwent a one-day intensive training programme at the Kotte, Sevana School for children with special needs and the School for the Deaf and Blind, Ratmalana. These volunteers were allocated to Special Schools on Staff Volunteer Hours on a continuous basis. This was to ensure mutual benefit to the children with special needs, as well as the volunteers themselves.

June 7 - 15 Poson Safety Campaign in Anuradhapura

For the 15th consecutive year, AVIVA NDB Insurance conducted the Poson Safety Campaign with the support of Sri Lanka Police, Navy and the Life Saving Association by engaging 630 professional life guards. This campaign aims at safeguarding the lives of devotees, from drowning when bathing in nearby reservoirs. In addition AVIVA NDB also launched a multi-media public awareness campaign that highlighted the need for people to comply with basic safety rules.

Approximately 1 Mn pilgrims visit Anuradhapura and participate in Poson religious activities. 2009 saw a new dimension to the Poson safety programme in which AVIVA NDB employee volunteers ventured to the sacred city of Anuradhapura to participate in the safety programmes. 24

STONES

Employees volunteered to be a part of this magnanimous cause and dedicated three days to this endeavour. The Anuradhapura, Polonnaruwa and Dambulla sales team members were also involved as volunteers in the Poson Safety campaign.

July 16 - LifeProtect

Identifying an emerging market need, LifeProtect was launched for those who want a high life cover but are unable to commit to the requirement of a long term premium payment, or who wish to enhance their existing life cover. LifeProtect also offered the option of paying a single Premium or annually.

October 1 - Customers can pay Life insurance premiums at NSB

In line with AVIVA NDB's constant effort to enhance customers' satisfaction, an agreement was signed with the National Savings Bank (NSB) enabling Life insurance customers to pay their premiums at any of the 148 NSB bank branches. Customers now have more than 1,000 trusted premium payment points.

October 5 – Expansion of the Life products range at Sampath Bancassurance

In a move to provide Sampath Bank customers with more choices, AVIVA NDB launched 'Dashaka' to Sampath Bank customers. Dashaka is an insurance plan that allows customers to enjoy financial protection whilst building a fund for a specific long term savings need.

October 26 - Jaffna, now protected by AVIVA NDB Insurance

AVIVA NDB Insurance opened its doors in Jaffna, offering "Prosperity and peace of mind" to residents of Jaffna. At the central, easy-to-reach location at 62/6 Stanley Road, Jaffna customers have the advantage of obtaining Life and General insurance, products and services.

November 19 - AVIVA NDB brings peace of mind to Batticaloa

AVIVA NDB Insurance opened yet another regional office in Batticaloa to bring world class Life and General insurance products and services from a convenient location in the heart of the town.

AVIVA NDB established its presence in the East in 1999 in Ampara, and thereafter in Trincomalee in 2004.

November 25 – A Silver award for the Annual Report

The Company's Annual Report for 2008 was recognised as the Silver Award winner in the non-banking financial sector of the annual report awards conducted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

November 30 - Ninth batch of highfliers receive scholarship benefits.

AVIVA NDB Insurance presented Higher Education Scholarship benefit certificates to 25 students from all districts in the country. These 'Highfliers' have proved their academic excellence by topping the batch in each district at the Government Year 5

Scholarship Examination held in 2002. They entered Advanced Level class and were entitled to receive the scholarship benefits.

December 19 – AVIVA NDB expands further to Vavuniya

Continuing the rapid expansion of AVIVA NDB's branch network in the North and East, AVIVA NDB established its presence in Vavuniya. This was the Company's 52nd Branch office to be opened.

Introduction of 'Right Call'

Right Call an independent malpractice reporting service that allows employees to report concerns regarding possible financial crimes was introduced during the year. This provides a secure channel to raise employees' voices against fraud, malpractice and unethical behavior (financial crimes) that they encounter during day to day operations of the business.

Right Call service is provided by an independent third party operator named "The Network" based in the United States, which provides Aviva with a malpractice reporting service worldwide. This service ensures that all staff concerns regarding possible financial crime are addressed in complete confidence by a professional, independent staff. The Right Call hotline is available 24 hours a day, 7 days a week and allows employees to report concerns in their own language (in Sri Lanka, in Sinhalese, Tamil or English) without fear of retaliation.



"Generating a new energy..."
Management Discussion and Analysis

Management Discussion and Analysis

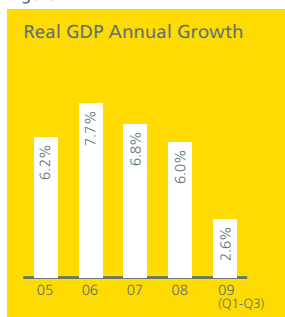


Figure 1

Economic Highlights

	2005	2006	2007	2008	2009
GDP Growth (%)	6.2	7.7	6.8	6.0	2.6 (9 mths)
364-day					
Treasury bill (%)	10.37	12.98	19.96	19.08	9.32
Equity Return (%)	27.56	41.63	-6.66	-40.85	125.25
Exchange Rate (USD)	102.04	107.71	108.72	112.94	114.39
Inflation (%)	7.5	13.5	18.7	14.4	4.8

Figure 2



A new dawn

The transformation

2010 will mark the beginning of a new chapter for Eagle Insurance PLC*, as it transforms into AVIVA NDB Insurance PLC. The transformation is in line with AVIVA NDB's main shareholder Aviva's vision of "One Aviva, twice the value" with Aviva being committed to bringing "Prosperity and peace of mind" to its customers. AVIVA NDB Insurance PLC embodies the best practices of both Aviva and NDB bank together with the rich inheritance of Eagle Insurance PLC. The transformation seeks to build on the synergy of the strong parentage of the global Aviva group and the strength of NDB bank a world class Sri Lankan.

The transformation embodies NDB's commitment to insurance as one of the largest conglomerates in the country. NDB is one of the fastest growing, highest capitalised Sri Lankan commercial banks. NDB bank enjoys a wide network and strong ties with customers and their name epitomises Sri Lankan values and a world class Sri Lankan bank.

Aviva's dedication to make their customers feel that 'no one recognises you like Aviva' has been the underlying reason for transforming the diverse brands of insurance into "One Aviva" across the globe. This transformation will enable customers to have the "Aviva" experience wherever they are or wherever they go. Becoming "One Aviva" is about much more than sharing one name - it's about working hard to deliver a distinctive customer experience where customers constantly feel recognised.

Aviva was created by the merger of a number of businesses in July 2002, to become the 5th largest insurer in the world providing retirement, investments and insurance to 54 Mn customers in 27 countries. Over 40 brands have migrated to Aviva to date, with UK's Norwich Union making the transition in 2009 and 2 of

Aviva's most significant markets Ireland and Poland to complete the brand migration in 2010 in addition to Sri Lanka who completed the transformation in Q1-2010.

As part of Aviva's vision, "One Aviva, twice the value" Aviva maintains an organisational structure along 4 markets; UK, Europe, North America and the Asia-Pacific. AVIVA NDB is part of the Asia-Pacific region. The region is significant for Aviva, as Aviva has been present in the Asia Pacific region for over 100 years and operates in 8 markets across this region.

Aviva's main focus in the Asia-Pacific region is on long-term savings products which it distributes through a multi-channel distribution strategy with a key strength being bancassurance, benefiting AVIVA NDB. Aviva sells General insurance products in Sri Lanka and is an established provider of health insurance in Singapore.

The financial crisis of 2008 and the slow down of world economies in 2009 have not discouraged Aviva from its vision of "One Aviva, twice the value". Consolidating Aviva's global presence under the single brand "Aviva" and doubling its 2007 earnings per share by 2012 is, and will remain the Aviva group's main targets.

Economic Review

The global economy

The world faced one of its worst economic crises in 2009 with the effects still being felt through sluggish performances by world economies and decreased world trade. The crisis originated as a credit crisis in the US and accelerated into a world financial crisis and the global economic melt down thereafter. The impact to Sri Lanka was mitigated due to its relatively closed capital account with foreign investments being only conditionally permitted. The world economic slowdown was and still is

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

to some extent felt by Sri Lanka due to the decrease in demand in Sri Lanka's key export markets in the wake of the crisis and the subsequent decrease in world commodity prices and resultant impact to the Sri Lankan economy.

The Sri Lankan economy

GDP growth

Sri Lanka's economy grew by 2.6% for the first 9 months of 2009, compared to the growth of 6.0% recorded in the previous year, as reflected in figure 2. There was a lag in the aftereffects of the world economic crisis affecting the Sri Lankan economy with quarterly GDP growth in Q1-2009 reported at 1.6%.

The agricultural sector boosted economic activity during the first half of 2009, through the flow through arising from paddy cultivation and fishing with the liberation and opening up of the Northern and Eastern provinces to civilian rule. Commodities such as tea and rubber contributed negatively to the economy due to the drop in world commodity prices post global meltdown. GDP growth reflected an upward trend from Q2-2009 as shown in figure 3 with economic activity in the services and industrial sectors showing a resurgence.

With infrastructure projects being implemented and planned, economic activity is further envisaged to improve in 2010 with projected GDP growth to be in the region of 5.5%.

The increased economic growth would be viewed favourably by the insurance industry as it is anticipated that the disposable income of the consumers at the middle and bottom of the pyramid would increase. The projected growth in the economy fuelled by rapid economic development activity will act as a stimulant in attracting new customers and creation of new market space in the insurance industry.

Inflation

The high inflation environment that was prevalent throughout most of 2008 declined sharply during the year under

review due to the global crisis and its impact on the commodity prices. Inflation as measured by the Colombo Consumers' Price Index (New) peaked at 28.2% in June 2008 and declined during 2009 to a low of 0.7% by September 2009. However, this rate subsequently increased during the final quarter of the year, to end the year at 4.8%. This is shown in figure 4. The decline in inflation reflects the decline in the rate of increase in the general price level of goods and services. However, the general price level still remains relatively high to the average consumer as prices of these goods and services have continued to rise in monetary value albeit at a lesser pace.

The resultant rise in the cost of living was a probable reason for consumers to defer investments in insurance products thus adversely affecting the new business growth and renewal premium collection of insurance companies. Further, inflation was a key driver of the increase in the cost of claims for the General insurance companies.

The steep increase in the growth in money supply as reflected in figure 5 would probably cause a rise in inflation in 2010, and the initial signs of this can be observed in figure 4.

Interest rates

With the decrease in inflation levels witnessed during 2009, the monetary authority loosened the monetary policy stance to bring down interest rates. The benchmark 364-day Treasury bill decreased from 19.08% as at end 2008 to 9.32% by end December 2009, a decline of 976 basis points – this being a considerable decline. The movement in interest rates is shown in figure 6.

The benefits to be derived from the lowering of interest rates were not available to consumers and businesses as envisaged as the commercial bank lending rate structure did not decline in tandem. The private sector is yet to leverage on the lower interest rates, as evidenced by the decline in the credit growth of the private sector as shown in figure 7. There appears

Figure 3

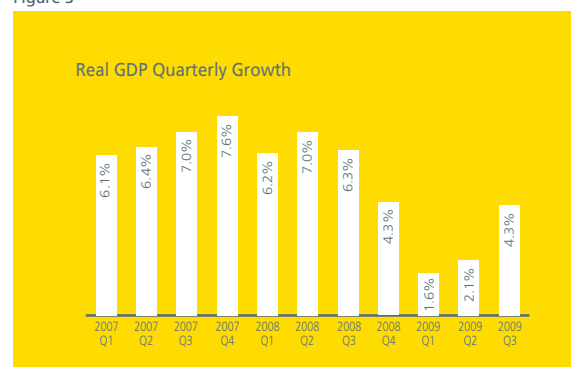


Figure 4

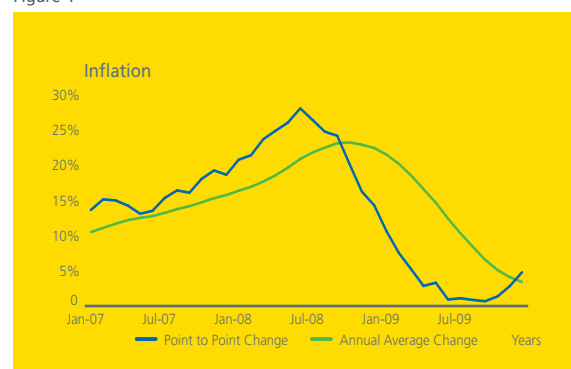


Figure 5

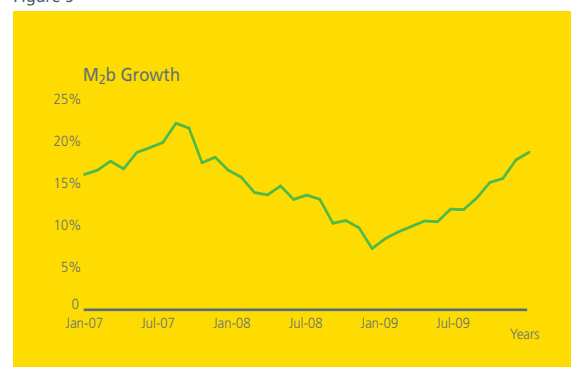
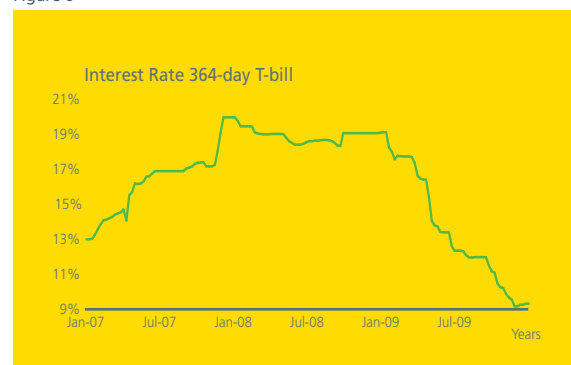
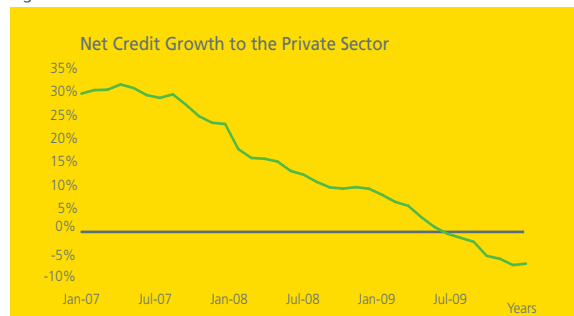


Figure 6



Management Discussion and Analysis

Figure 7



to be a marginal decrease in the decline in credit growth to the private sector in recent months, being probable signs of a reverse in trend that may lead to an increase in activity in the private sector in the foreseeable future.

The implication to the insurance industry of the lower interest rate structure witnessed at present is that new fund inflows and maturities of existing investments will attract lower interest rates. In the event insurance companies had locked in their liquid funds during the high interest rate regime of 2008, they would continue to enjoy relatively high investment income throughout the next 2 to 3 years despite the prevailing relatively low interest rates.

External reserves

With the decline in crude oil and commodity prices and its knock on impact to reduce the trade deficit, the external reserves position of the country improved significantly during the year to stand at USD 5.2 Bn by the end of November 2009. Further, the issue of the sovereign bond, the drawdown from the standby credit facility of the International Monetary Fund and foreign investor participation in Treasury bill and Treasury bond investments lent support to improve the external reserves. This supported the stability in the value of the Sri Lankan Rupee which recorded a marginal depreciation of 1.3% for 2009.

New opportunities, peace and stability

Sri Lanka witnessed a momentous event during the year with the end of the 33 year internal conflict. The cloud which hung over its international relations and trade has blown away and the country is now able to explore new avenues of growth as a step forward. The lifting of travel advisories will lead to an increase in tourist arrivals and high net worth tourists into the country. This is likely to result in the development of tourist resorts and infrastructure in and around the

surrounding areas. Tourism will also generate employment with the trickle down effect to cottage industries being almost immediate, resulting in the increase in purchasing power at the bottom of the pyramid.

The unrestricted access to the Northern and Eastern provinces will result in the development of these provinces, heightening economic activity. This will contribute to the overall development of Sri Lanka and create new market space for financial institutions and insurance companies.

Investor confidence

Post conflict investor confidence was renewed as evidenced in the rise of the stock market indices which mirrored the expectations of local and foreign investors alike. It is envisaged that most of the blue chip companies would improve their performance due to more stable economic and political conditions and new opportunities to expand their operations and enter new markets.

The stock market grew by 125.3% during the year as measured by the All Share Price Index as highlighted in figure 8, which is a noteworthy performance. This resulted in the Colombo Stock Exchange being declared as one of the world's best performing stock exchanges for 2009. The average daily market turnover of the stock market increased significantly over the year as depicted in figure 9. The daily average turnover increased from LKR 291 Mn during the first quarter of 2009 to LKR 895 Mn in the last quarter of 2009, reflecting the increase in investor participation. The market capitalisation of the stock market rose to its peak during the year and ended at LKR 1,092 Bn. A bull market would favour insurance companies in their pursuit of long term growth with investment portfolios containing an allocation to equity. Attractive equity returns are envisaged in 2010 against the back drop of heightened

Figure 8



Figure 9

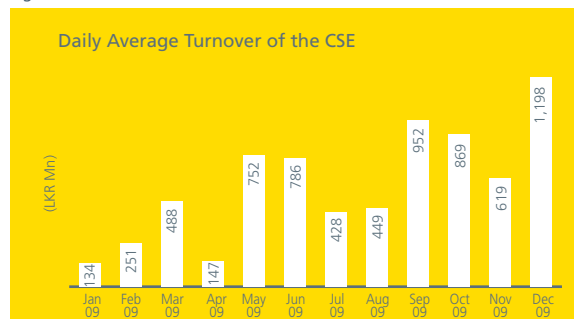


Figure 10

	Composite	General Only	Life Only	Total
Number of insurers	10	5	2	17

economic activity and infrastructure development.

Industry Review

The overview

The insurance sector in total consists of 17 insurance companies, of which 10 are composite insurers, with 5 offering only General insurance and 2 offering only Life insurance products. The General insurance sector accounts for approximately 58% of total Gross Written Premium (GWP) in 2009 (59.4% in 2008), demonstrating the industry's focus towards the General insurance sector which is predominantly concentrated in motor insurance.

The motor insurance sector was estimated to account for approximately 54% of General insurance GWP in 2009 compared to 54.2% in 2008. The growth of the total insurance sector slowed down in 2009, continuing with the decreasing trend noted in the previous year. Both the General and Life insurance sectors reported lower growth in 2009 when compared with 2008. The General insurance sector was expected to record a decline of approximately 4% as shown in figure 11 while the Life insurance sector was expected to record a growth of approximately 1.2% for 2009 as given in figure 13. The statistics in respect to 2009 are based on available market information.

As an ongoing process, the insurance regulator is actively strengthening its oversight of the industry and ensuring that insurers maintain sufficient capital. The segregation of the Life and General insurance businesses and adoption of risk based capital are amongst several of the proposals being made by the regulator.

The Life insurance industry

The Life insurance sector is highly concentrated as 7 insurers are estimated to have made up approximately 97% of total market share in 2009, of which the top 5 insurers made up approximately 89% of total market share. This is evident even in the market share statistics published by the regulator for 2008 as depicted in figure 14. The Life industry is

estimated to be valued at LKR 23.9 Bn at end 2009 as indicated in figure 11.

Challenges and opportunities

The weak economic conditions in 2009 left policyholders with less disposable income to continue with their premium payments, resulting in the industry reporting high lapse rates. Maintaining scalability by managing lapses and improving persistency would continue to be the key challenges to overcome by the Life industry in 2010.

Growth in new business slowed down as consumers deferred decisions to invest in insurance products. Based on the GWP reported by the 7 listed insurers as at end September 2009, it is expected that the Life insurance industry would record a marginal growth of approximately 1.2% in 2009 as shown in figures 11 to 13. This is expected to reverse in 2010 with the envisaged improvement in economic conditions.

Unit-linked or investment-linked Life insurance products are in their nascent stage in Sri Lanka. The buoyant equity market in 2009 stimulated a greater interest in unit linked products due to potential equity returns associated with these products. There is a customer need for similar investment based products as evidenced by the growth in these products.

The industry will need to offer a range of new retirement benefit products and products that cater to education, to meet the unmet and partially met needs of consumers. The changes in demographic trends as signified by the aging population and the focus on education would be the key drivers. In addition, although the penetration level of the Life insurance industry as measured by the number of policies in force compared to the total population is low, the number of potential customers in existing markets is low at the current pricing level of the existing products. As a result, the industry will need to explore new markets and products in order to sustain continuous growth.

Figure 11

Industry GWP (LKR Mn)	2005	2006	2007	2008	2009E
Life	14,806	17,104	20,729	23,613	23,888
General	22,410	25,931	31,156	34,553	33,344
Growth					
Life (%)	18	16	21	14	1
General (%)	32	16	20	11	-4

Figure 12

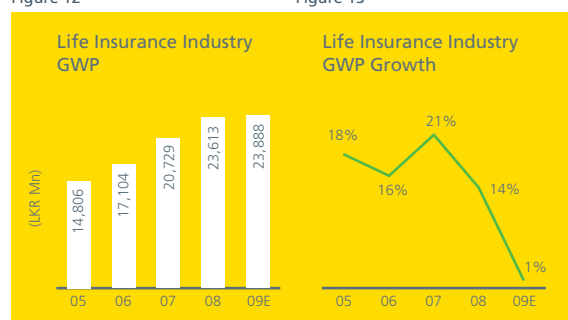


Figure 13

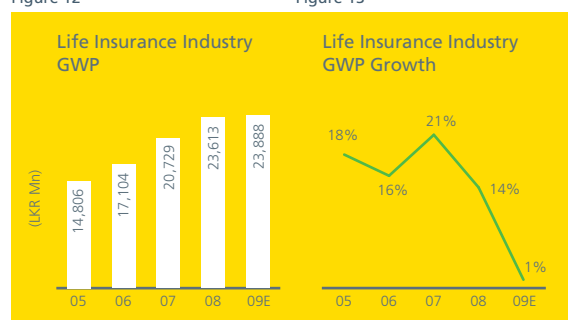


Figure 14

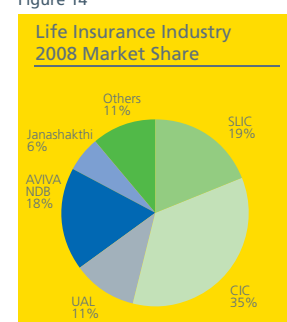


Figure 15

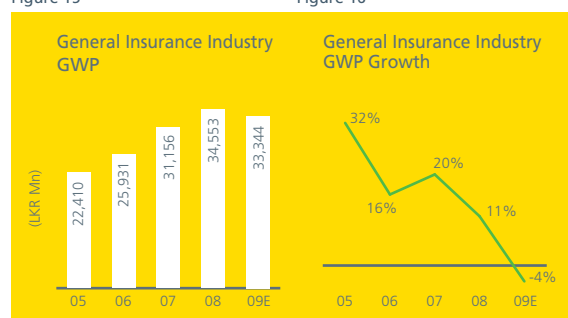
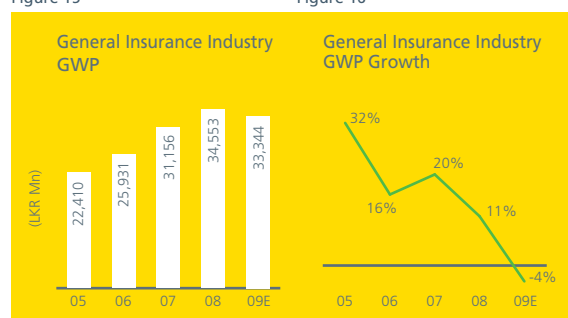


Figure 16



Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Management Discussion and Analysis

Figure 17

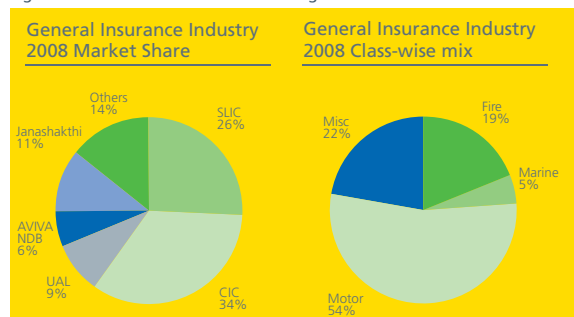
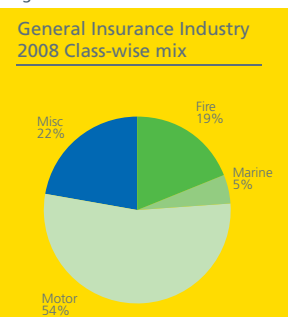


Figure 18



The General insurance industry

The General insurance sector of Sri Lanka too, like the Life insurance sector is mainly concentrated amongst 5 major insurers which made up an estimated 84% of total General insurance market share in 2009. This phenomenon was prevalent even in 2008 as depicted in figure 17. The General insurance industry is estimated to be valued at LKR 33.3 Bn at end 2009 as given in figure 15.

The industry has shown an estimated annual average growth of approximately 14.4% over the last 5 years up to 2009 with much of the thrust driven by the motor insurance sector. The motor insurance industry grew by an annual average of 24.6% over the last 5 years to 2008, owing much of its growth to 3rd party motor insurance being mandatory in Sri Lanka. The motor insurance sector was estimated to decline in 2009 and to account for approximately 54% of general insurance GWP in 2009.

Challenges and opportunities

The competitive rivalry in the sector is increasing with new entrants into a market which already consists of a large number of existing players. Increased competition has driven down motor premiums resulting in the industry continuing to report underwriting losses.

The high cost of replacement parts and increased frequency of claims have caused further strain to underwriting results and pressure on margins. Industry growth has been curtailed during the period under review due to a reduction in the number of new and re-conditioned vehicle registrations together with consumers deferring their investment decisions in motor vehicles.

The General insurance sector in total slowed down in 2009 with price sensitive consumers demanding lower premia and evaluating the likelihood of bearing risks previously transferred to the insurer. It is likely that the General insurance

industry will record a decline of approximately 4% for 2009 based on the GWP reported by the 7 listed insurers as at end September 2009 and this is given in figure 16. The trend in General insurance GWP in LKR terms and growth is shown in figures 15 and 16 and is based on market information.

Business Review

Consolidated review of operations of the Company

During the year, the Company recorded a growth of 11.7 % for GWP with the General insurance and Life insurance segments reporting a growth of 22.4 % and 6.7 % respectively.

The Company increased its mix of General insurance GWP to 35% of total GWP at end 2009 from 32% of total GWP at end 2008. This is due to efforts made by the Company during the year to grow its General insurance portfolio, focusing on the motor portfolio despite weak economic conditions prevalent during the year. The key highlight being the reported growth of 22.4% for the General insurance business against the estimated market decline of 3.5% based on available market information.

Strategic Initiatives

Several significant initiatives were implemented during 2009 to leverage on the favourable economic conditions envisaged for 2010. These initiatives were not restricted to a specific business vertical and were implemented across the Company as a whole to align with the Company's short term goal of becoming the largest Life insurer in new business and the 3rd largest player in the General insurance market by 2013.

As part of the strategic initiatives, the Company entered into key strategic alliances with financial institutions to improve market reach and develop new market space. Further over 1,000 collection points were added with the support of banks and retailers to facilitate

Figure 19

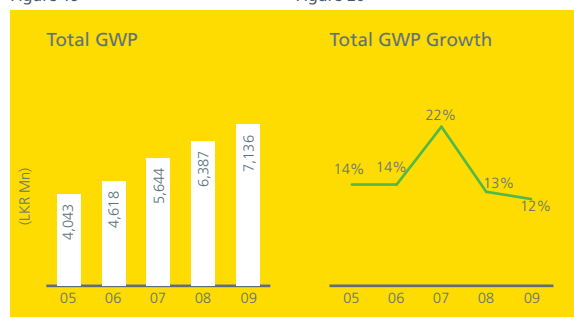


Figure 20

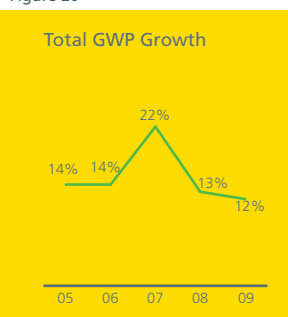
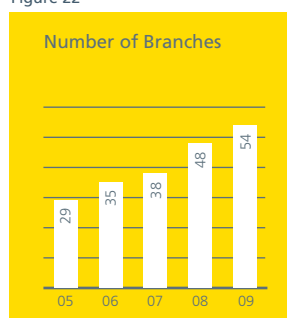


Figure 21

Total GWP (LKR Mn)	2005	2006	2007	2008	2009
Life	2,833	3,150	3,788	4,342	4,632
General	1,211	1,468	1,867	2,045	2,504
Mix					
Life (%)	70	68	67	68	65
General (%)	30	32	33	32	35

Figure 22



customer convenience and improve premium collections.

In June 2009, the Company divested its asset management subsidiary Eagle NDB Fund Management Company Limited (now known as NDB AVIVA Wealth Management). NDB AVIVA Wealth Management is owned by NDB bank (51% effective control) and Aviva (49% effective control) who are the parent companies of AVIVA NDB and therefore still remains within the Group. NDB AVIVA Wealth Management is the outsourced service provider of investment management services to the Company. The outsourced investment management operation is governed and overseen by the Investment Committee of the Board through an investment mandate drawn up based on the risk appetite of the Company, in order to mitigate likely risks and ensure regulatory compliance.

In line with the objectives of creating new market space, the Company, expanded its reach to the North and East during 2009, opening branches in Jaffna, Batticaloa and Vavuniya and increasing its footprint to 54 distribution points operating through 35 locations. 2,945 member strong direct sales force contributed towards selling our policies in addition to the bancassurance distribution channel. Bancassurance relationships were strengthened in 2009 with an operating presence of 129 locations.

Review of the Life insurance business

In a year where the market leaders had to work hard to achieve growth, the Company was able to record a GWP growth of 6.7% which is a commendable achievement. This is depicted in figure 24. It is estimated, based on market information that the Life industry grew by 1.2% during 2009 compared to a growth of 13.9% reported for 2008. In reaching a GWP of LKR 4,632 Mn for 2009, it is estimated that AVIVA NDB would progress towards becoming the 2nd largest Life insurer in the industry.

Much of the boost to Life GWP is from investment-linked Life business which

doubled in size during the year and accounted for 17.4% of total Life GWP. Conventional business accounted for 74.7% of the Life business with the detailed mix depicted in figures 25. The impetus to growth of the equity based investment-linked Life business is driven by superior performance of the stock market in 2009 which attracted investors to equity investment based products.

Due to the high cost of living and decrease in purchasing power in 2009, achieving growth was a challenge as policyholders had to deal with strain on their purses. However, the Company achieved positive new business growth despite the economic slowdown and worked hard to ensure that business achieved would be of quality while focusing on improving lapsation and persistency. The Company was challenged in 2009 by increasing lapse rates and surrenders. The main focus of the Life business in 2009 was to reduce lapse rates and surrender of policies due to the lack of liquidity that prevailed in the financial markets.

Life Initiatives

In a unique Private Public Partnership, AVIVA NDB entered into an MOU during the year with Wayamba University to provide a certificate level qualification in Personal Financial Management exclusively to the Insurance Advisors of AVIVA NDB to enhance their financial knowledge. The sales force will storm the market in 2010 as WealthPlanners providing financial solutions not limited to insurance alone. Through this technical skill enhancement, the policyholders of AVIVA NDB will receive superior financial advice, which is one of the Company's key corporate responsibilities. This is another first in the industry pioneered by the Company.

Existing initiatives such as product level licensing, an international best practice, was voluntarily adopted by the Company, in servicing the Unit-linked customer segments where Unit-linked products are sold exclusively by internally licensed advisors of AVIVA NDB.

Figure 23

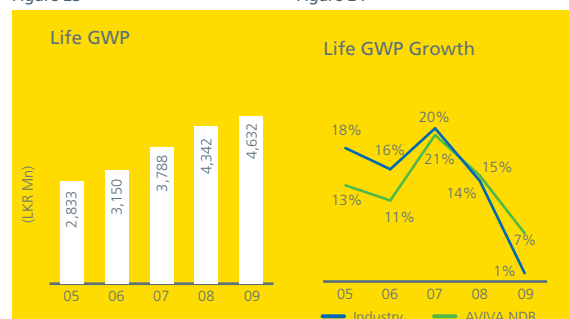
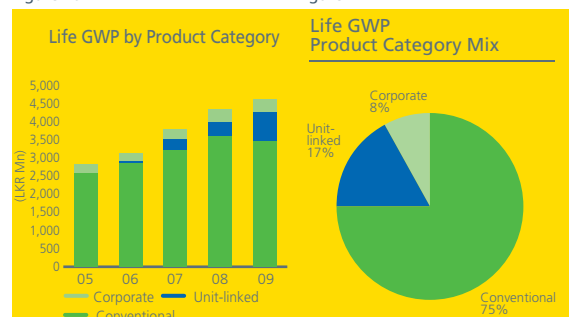


Figure 24

Figure 25

Life GWP by Product Category (%)					
	2005	2006	2007	2008	2009
Conventional (%)	92	91	85	83	75
Unit Linked (%)	0	2	7	9	17
Corporate (%)	8	7	8	8	8

Figure 26



Management Discussion and Analysis

Figure 28

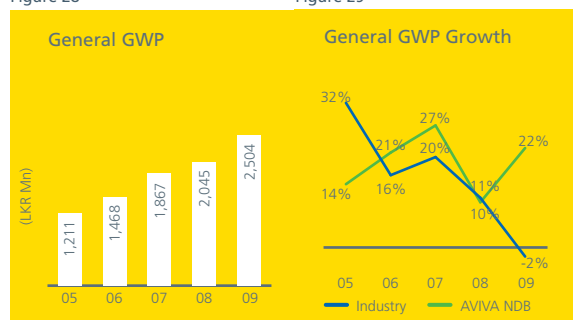


Figure 29

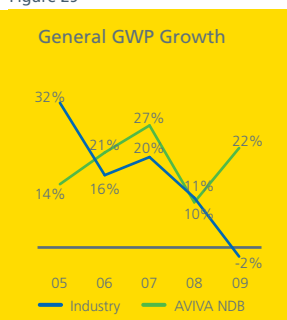
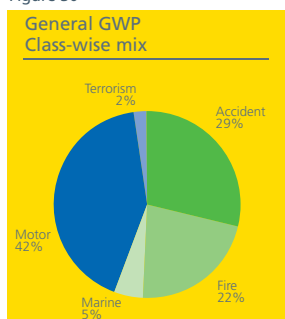


Figure 30



The Company brought in new KPIs to monitor the efficiency and productivity of the distribution force which would materialise in 2010.

General insurance review

AVIVA NDB's General insurance business recorded a growth of 22.4% for 2009. This is exceptional given that the market is expected to have declined during the year by approximately 3.5% as shown in figure 29. Much of the Company's growth is derived from its motor portfolio which grew by 33.0% during 2009, reporting higher growth levels than market. The Company focused on increasing its motor portfolio during the year to achieve critical mass as a means to reporting a better underwriting performance. The motor portfolio accounted for 41.3% of the General insurance GWP.

In its underwriting new business, the Company focused on minimising underwriting losses. A refocused reinsurance programme further contributed to the reported results. The Company reported a COR of 99.7% and was successful in reducing the underwriting loss to LKR 79.6 Mn in 2009 from LKR 90.7 Mn in 2008.

The Company is committed to ensure that its policyholders have peace of mind in the knowledge that the insurer will meet with their expectations in the event of a claim.

The Company undertook an initiative to study and revamp the claims process for motor insurance to improve client experience as claims management was a key challenge faced by the General Insurance business.

The number of motor assessors were increased during the year, to increase the geographical spread and decrease response times taken for an assessor to arrive at the scene of an accident or the designated location.

The Company made inroads into the retail segment to align with its strategy to increase the scalability of the General insurance business.

Financial Review

Group overview

The group recorded a growth of 32.7% in revenue during the year, with revenue almost touching the LKR 10 Bn mark, being LKR 9,641 Mn for the year as depicted in figure 33. The revenue growth reflects GWP growth of 6.7% and 22.3% for Life and General insurance GWP respectively. The growth in revenue was further enhanced by exponential growth in investment income of 116.8%.

In line with the exceptional growth in GWP shown during 2009 for General insurance, the change in unearned premium reserve increased by 6.4x to LKR 437 Mn. This is a very significant increase from the change reported for 2008 of LKR 68 Mn and reflects the growth in General insurance business during the latter part of 2009.

Astute management of the net claims in the General insurance business resulted in the Company maintaining its total net claims and benefits at 37.3% of total GWP.

Life insurance net claims and benefits increased by 22.6% to LKR 1,759 Mn in 2009 due to the increase in the surrender of Life policies. One of the key drivers of this increase was indirect competition posed from the banking sector due to the high interest rate regime that prevailed for most part of 2009 which resulted in an opportunity cost to the policyholder.

Claims for both General insurance and Life insurance in total increased by 12.1% to LKR 2,661 Mn in 2009 compared to LKR 2,373 Mn in 2008.

Commission expenses recorded a growth of 9% during 2009 to remain at 8.4% of GWP with 8.6% being the proportionate increase reported for 2008.

The growth in investment income of 116.8% was due to the investment portfolios taking advantage of the high interest rates that prevailed in 2008. The portfolios locked in at attractive interest rates that secured high investment yields in 2008 while market interest rates decreased significantly in the latter part of 2009. The portfolios also benefited significantly from equity gains during 2009 in line with the exceptional performance of the stock market.

The Company's management expenses increased by 22.2% to LKR 1,912 Mn during 2009, increasing as a proportion of total GWP to 26.8% from 24.5% of total GWP reported in 2008. Expenses related to the Company's branch expansion projects was a contributor to the increase in administration expenses. Administration expenses accounted for 29.3% of management expenses in 2009.

The Company recorded its highest net profit in its history amounting to LKR 731 Mn which is a growth of 57.5% for the year. Of this LKR 320 Mn was a surplus from the Life business and a net profit after tax of LKR 467 Mn from the General insurance business which recorded a growth of 185.3%. Group EPS increased to LKR 24.35 in 2009 from LKR 15.46 in 2008.

Life insurance

The Life business showed encouraging growth in 2009 which was reflected in the net surplus increasing by 14.3% to LKR 320 Mn as shown in figure 34. GWP growth of 6.7% together with investment income growth of 115% contributed towards this year's result despite the flat performance reported in 1H 2009 due to the country being placed on a war footing at the height of the internal conflict.

The Company maintained operational profitability despite the reported increase in net claims of 22.6% witnessed during the year. The lack of liquidity prevailing in the financial market for most part of the year resulted in the increase in net claims. Policy surrenders had a negative impact to the results.

The strain caused by reserving for the new business generated, affected net results, as shown by the increase in the Long Term Fund of LKR 3,563 Mn as depicted in figure 35. The increase over the change in the Long Term Fund in 2008 was 63.6%. The new business strain being synonymous with growth augers well for the future sustainability of the Company.

As a whole, the Life business results show that the Company has been able to increase its profitability in the backdrop of challenging market dynamics that prevailed in 2009.

General insurance

The General insurance business recorded significant growth of 185.3% in net profit during the year, with profit after tax being LKR 467 Mn for the year. Investment income was a key contributor to the bottom line contributing LKR 598 Mn.

The Company was able to contain net claims in the backdrop of high prices that prevailed in 2009. Net claims for the year increased by 3.8% and were contained at 36.1% of GWP, whereas in the previous year net claims amounted to 45.9% of GWP. This permitted the Company to reduce the net loss ratio significantly from 82.8% in 2008 to 71.0% in 2009. The Company has thereby been able to reduce its Combined Operating Ratio (COR) during the year under review to 99.7% from 107.3% in 2008 as shown in figure 36.

Our stakeholder promise

AVIVA NDB takes pride in maintaining an excellent track record in corporate governance and compliance, implemented through a governance framework elaborated on pages 47 to 63 in this Annual Report contributing to a sustainable competitive advantage.

A key initiative which AVIVA NDB embarked on during 2009 was the Financial Reporting and Control Framework (FRCF) project which was an Aviva initiative in view of Aviva's objective to be listed on the New York Stock Exchange. The financial reporting control framework required the business to

Figure 31

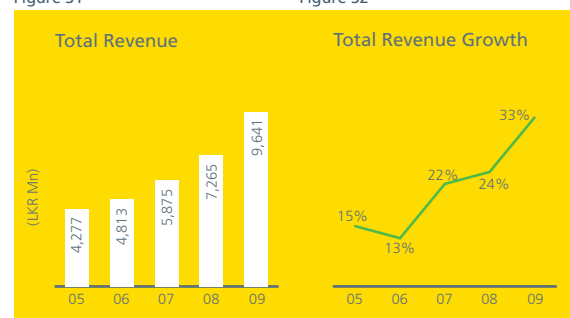


Figure 32

Figure 33

Group Results (LKR Mn)					
	2005	2006	2007	2008	2009
Revenue	4,277	4,813	5,875	7,265	9,641
Growth (%)	15	13	22	24	33
Management Expenditure	1,019	1,167	1,410	1,565	1,912
Growth (%)	22	15	21	11	22
Net profit after tax	515	523	527	464	731
Growth (%)	103	2	1	-12	58

Figure 34

Life Surplus	2005	2006	2007	2008	2009
Value (LKR Mn)	375	435	400	280	320
Growth (%)	50	16	-8	-30	14

Figure 35

Life Fund	2005	2006	2007	2008	2009
Value (LKR Mn)	9,238	10,508	12,306	14,485	18,020
Growth (%)	16	14	17	18	24

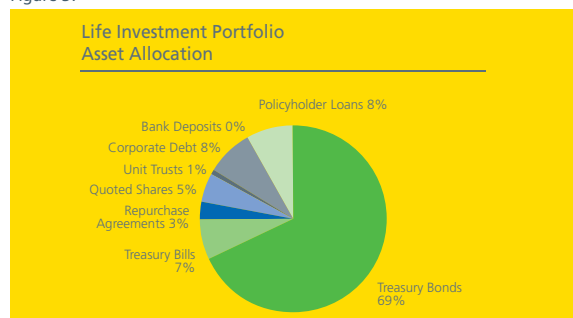
Figure 36

General Insurance - Combined Operating Ratio (COR)			2008	2009
Claims Ratio (%)			82.8	71.0
Expense Ratio (%)			24.5	28.7
Combined Operating Ratio (COR) (%)			107.3	99.7

Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Management Discussion and Analysis

Figure 37



evidence, that controls over financial reporting are in existence and operating effectively.

FRCF meets the UK corporate governance and listing requirements for control over financial reporting and is management's means to evidence compliance with Financial Reporting Policy.

The FRCF supports all SEC and NYSE obligations arising from Aviva's US listing. The certificates meet the requirements of SOx s302 and s404.

place to ensure that the oversight of the outsourced investment management of the funds was effective and that investments were carried out as stipulated in the investment mandate.

The Company was able to thereby declare 14.10% to its Life policyholders as policyholder dividend for 2009.

Agency Force

The repositioning of the agency force as WealthPlanners was strengthened by the MOU signed with the University of Wayamba, the only university in the country that provides an insurance degree, for a certificate level qualification in Personal Financial Management. This tie up with the university has created an opportunity for career development where the agency force would have the opportunity to progress towards completion of a formal degree in insurance, laying the foundation for a professionally competent sales force which drives the Company's sustainable performance.

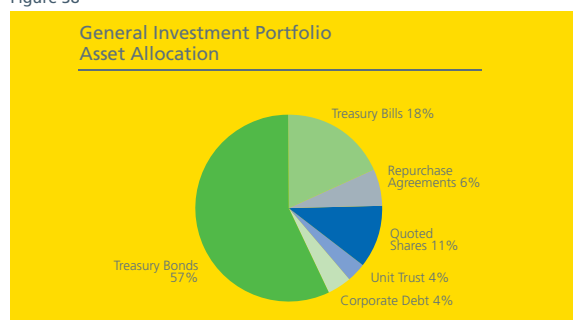
The Company has invested in its agency force ensuring that the Company's insurance advisors are trained in skills which will enable them to provide total financial solutions which are not limited to General or Life insurance resulting in providing policyholders with "Prosperity and peace of mind."

The Company conducts training at its training centres which was the first in-company training centre outside the United Kingdom to be recognised by CIM-UK. This ensured that its insurance advisors were licensed to sell products such as unit linked products, an international best practice. The Company's top performers are regularly sent for training abroad to gain exposure on international best practices in sales and customer care.

The Regulators

In choosing assets for investment, AVIVA NDB has ensured that the determinations

Figure 38



Policyholders

AVIVA NDB has maintained a prudent investment strategy for its investments in line with providing peace of mind and prosperity to its policyholders. The prudence adopted by the Company has ensured that its investments are made in liquid financial instruments and equity investments in blue chip companies with the associated risk being commensurate with the risk appetite of its policyholders and its shareholders.

The asset allocation of the Company's Life and General investment portfolios are given in figures 37 and 38.

Investment funds in equity, made excellent returns in 2009 with the equity markets recording exceptional performance in the light of the ASPI recording an increase of 125.3%

The decision taken by the Company to lock in the high investment yields during the previous year benefited the portfolios with the carrying yields still remaining at a high by end 2009.

The Company continued to develop detailed investment policies and investment mandates by which its investment funds are managed. As the investment management of the funds was outsourced during the year with the divestiture of its fund management subsidiary, detailed processes were put in

Figure 39

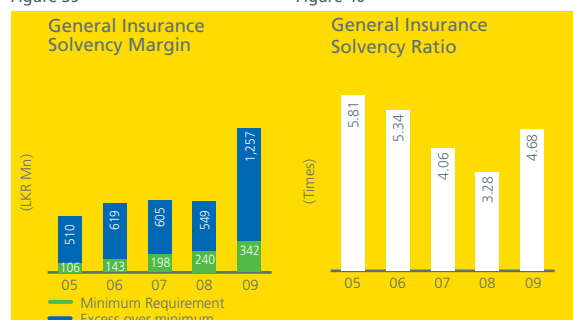


Figure 40

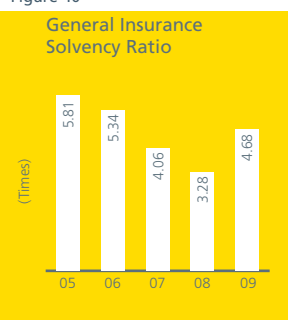


Figure 41

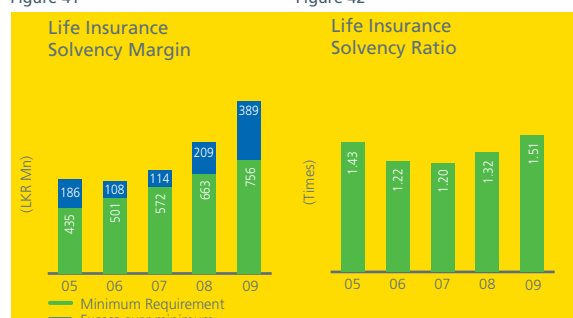
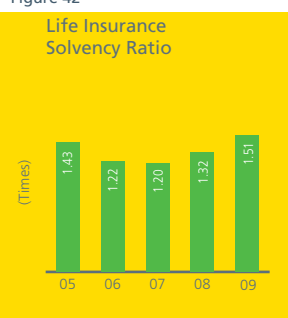


Figure 42



issued by the regulator relating to the admissibility of assets and the Solvency Margin Rules are complied with in full. As AVIVA NDB has invested a high proportion of its assets in government securities and other admissible assets, the Company was able to maintain solvency levels which are much higher than the minimum levels required by the regulator. The Company's statements of solvency are certified annually by the Company's appointed Actuary and independent external auditors.

AVIVA NDB was able to increase its solvency levels during the year and achieved a solvency margin of 4.7 times the required solvency margin of LKR 342 Mn for its General insurance business. This is shown in figures 39 and 40. Admissible assets of the General insurance business amounted to LKR 3,678 Mn as at end 2009. The solvency position of the General insurance business is given in the statement of solvency and statement of approved assets for General insurance business on pages 76 and 77 of this Annual Report.

The solvency margin of the Life business is 1.5x the required margin as shown in figure 42. An insurer is required to maintain a solvency margin of at least 5% of its Long Term insurance liability which was LKR 756 Mn as at end December 2009, whereas the Company maintained a solvency margin of 7.6%. The Company's statement of solvency and statement of approved assets for Life insurance business is given in pages 76 and 77 of this Annual Report.

Shareholders

AVIVA NDB has continued to provide a return on investment to its shareholders. This is evidenced by the dividend declaration of LKR 12.50 per share distributed during 2009. An investor in AVIVA NDB shares at the beginning of 2009 received a total return of 65.7% inclusive of dividend income.

Employees

The full time employees of the Company increased to 786 during the year to support the expansion and growth initiatives. A programme of "Talking Talent" was unveiled in 2009 as part of Aviva's brand promise to its employees. Talking talent identifies and builds on the existing potential and strengths of the individual while recognising employees for who they are.

CSR Initiatives

The Company focused on voluntarism throughout 2009 where employees were given paid leave to engage in Company approved corporate social responsibility activities.

The Company continued in its endeavor to conduct environmentally friendly business practices of recycling printer cartridges and paper and conserving electricity. The CSR initiatives of the Company are further expanded on pages 28 to 33 of this Annual Report.

Transformation

With the changes taking place in the industry the Company is pioneering once again to leverage on the growth potential and the opportunities garnered from the resolution of the 33 year old internal conflict.

The transformation addresses a strategic shift in 2010 which focuses on gaining a sustainable competitive advantage by leveraging on the new windows of opportunity, resources, skill and competency of its people to deliver value to all stakeholders.

The transformation will combine the strength that is NDB bank - a world class Sri Lankan - with Aviva's global experience, tried and tested processes and practices to transform into an entity that is supported by a "family culture" and rich heritage of the past, to deliver **Prosperity and peace of mind** to all its stakeholders at this new dawn.

Figure 43

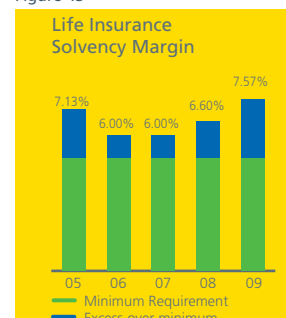


Figure 44

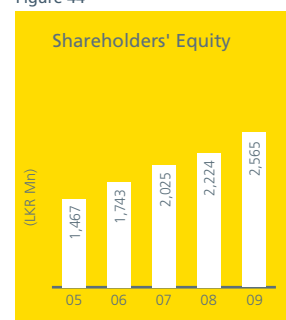


Figure 45

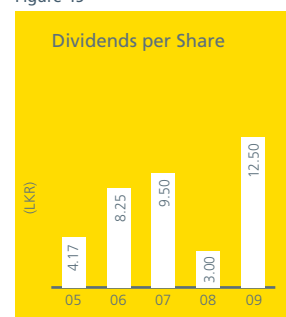
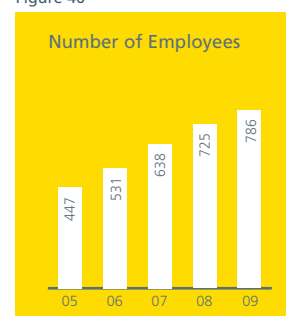


Figure 46



At AVIVA NDB, our employees matter...

It is important to Aviva, that our employees have the best opportunities, a rich and varied work experience, a challenging and supportive work environment, prospects to learn and develop, generous rewards, and finally, a stake in our success.

We are a values-based company, committed to building a positive, performance-driven work culture that embraces customer centricity. At the core of all our activities are our employees. In everything we do, we want our employees to feel that they are recognised for being who they are and what they contribute matters to AVIVA NDB.

Our people are the most critical element in delivering the positive customer experience. The strategic approach we adopt in managing our human capital enables them to deliver to their fullest potential. This has resulted in a committed and capable workforce that makes a significant, quantifiable impact on the customer experience, which in turn has a high impact on our brand equity and shareholder value.

The high engagement level of the Company is not something that was achieved overnight, but is something that the Company works on continuously to sustain within the organisation. The line management, with the involvement of the human resources function, ensures that the responsibility of 'engaging' employees with the Company rests upon their collective shoulders. With a most contemporary and innovative mindset, the Company designs an annual employee engagement agenda around 6 components. These are the 6 components that our employee promise is based on – **Culture, Work, Development, Team, Leaders, and Reward.**

For us, 'employee engagement' is not an illusory concept. The engagement of employees with the Company is measured using 4 factors – advocacy, pride, satisfaction and commitment. According to the 2009 Aviva Global Employee Promise Survey, conducted by the renowned international research agency Kenexa, *AVIVA NDB employee engagement level is 9% higher than the Sri Lanka norm and 19% higher than the Asia Pacific norm.*

We want our people to *want* to work at Aviva. It is the psychological contract between the employee and the organisation that matters to us. In achieving this, we create an environment that is engaging, energising, challenging, and rewarding.

In 2009, the employee promise was interwoven into everything that we did. Each interaction with our people is a 'moment of truth'. Some of the key initiatives are highlighted.

- **"Talking Talent" – ensures that the Company is getting the right people, with the right skills, at the right time to achieve its strategic goals.**

At AVIVA NDB, talent is diverse and we value it in all its forms. Whilst certain companies use the term "talent" to a selected, miniscule portion of the total employee population, at AVIVA NDB all employees are considered as "talent". During the year, the Company commenced rolling out Aviva's Talking Talent process to the second level of leaders. These leaders were taken through the Talking Talent process in detail, with the ultimate outcome of them having development paths tailored to their particular needs. Talking Talent has a long term view in terms of where the Company envisions being in the future and the type of talent we need in the organisation. The process is to be rolled out to all employees of the Company in future.

- **"Real Deal" – what really matters to our employees**
"Real Deal" is a tool that is used to identify what really and individually matters to employees in their work

and life. In identifying this, the Company is able to learn what would cause an employee to make or break the psychological contract with the Company as well. The 'real deal' for all employees is being identified and is in the process of being centrally stored in the Human Resource Information System. This is referred to in interactions with employees and in tailor-making employee solutions. The Real Deal cards are also used as a recruitment and development tool.

- **The Aviva Academy – developing employees with knowledge and skills**
AVIVA NDB is known for its abundant learning and development opportunities. The launch of Aviva Academy, powered by the learning tools of the Aviva group, was a significant event this year. The Accelerated Leadership Development Programme is a 3 module residential programme focusing on enhancing technical and general management skills and personal development for 30 selected junior management staff.

In addition, the Company launched the Aviva Academy Leadership Development Programme for managers of Life distribution. 48 Regional Managers participated in this inaugural programme. This is a continuation of the Leading People workshop launched in 2008.

- **"Are you smarter than the A-Team?" Quiz**
In an attempt to create a knowledge enhancing event with novelty, a one-of-a-kind quiz - "Are you smarter than the A-Team?", was held.

Employees, regardless of their level in the organisation structure, had the

opportunity to form teams and take part in a quiz where the winning team challenged the A-Team in a final round of questions based on Life and General insurance businesses, the Company, Aviva group policies and general knowledge. The boundary-less culture of the Company encourages employees to participate in events of this nature. The day ended well fought and in high spirits although the A-Team claimed the trophy.

- **'Rainbow cards' recognition scheme - recognising people for who they are and their contribution**

Every individual is unique. Therefore, we believe that the way we recognise our employees should not be a 'one size fits all' model. In tailor-making our recognitions, we launched a new recognition scheme during the year, branded 'Rainbow Cards'. Every departmental head is now equipped with a pack of cards, representing the colours of the rainbow, to recognise their employees on-the-spot. On the back of each card a reward is indicated which best suits the individual.

- **E-magazine – 'OutLook' – environment friendly communication**

In our bid to create an environment-friendly, paperless organisation, for the first time, our mid-year magazine – 'OutLook' – was launched as an e-magazine. OutLook focuses on sharing new knowledge in technical areas, insurance, current affairs and the Aviva group with the AVIVA NDB family.

Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

At AVIVA NDB, our employees matter...

- **E-sthuthi**

As we grow and spread across the country, we come up with innovative ways in which employees can stay in touch with each other. To strengthen our culture of appreciation we launched an e-card database during the year. Any employee can send an e-greeting – *e-sthuthi* – to any colleague, simply to say ‘thank you’.

- **“Avurudu and Christmas Surprises” – because we care, not only about you, but your family too**

April and December are 2 festive months and our spirit of sharing went beyond the employees and included their family as well. In April, all employees of the Company received a “badu malla” for Avurudu and in December, all employees received Christmas hampers filled with goodies to share with their families.

- **‘Small Wonders of Aviva’ Art Exhibition – creating a child space**
As Sri Lanka celebrates Children’s Day on the 1st of October, we dedicate the month of October to the children of employees. Last year, it was “Bring your child to work day” and this year we set the stage for children of employees to display their artistic talents and celebrated their creativity in an art exhibition titled “Small Wonders of Aviva”.

The children were asked to submit drawings or creations on any theme that epitomises “Aviva” – life, vitality, prosperity and peace of mind. 85 creative works of art were received and winners were selected by the renowned artist Ms. Sybil Wettasinghe. All the children who participated were recognised at an awards ceremony.

In addition to the key initiatives above, the Sports Club organised many interesting activities for employees; such as the Company trip to hotel Tree of Life, Kandy - which included the employees’ families as well, cricket and netball carnival, kiddies Christmas party, carrom tournament, pahan pooja and blood donation campaign amongst many other events.

Aviva, as a member of the international business community, recognises and acts upon its social responsibilities. We reflected these commitments during the year by creating the opportunity for employees to engage in a vast number of corporate social responsibility activities.

While our employee corporate responsibility agenda will integrate the “street to school” CR platform of Aviva in 2010, in 2009 our employees volunteered to take part in the many corporate responsibility activities of the Company during the year 2009.

As a socially responsible corporate, we launched “Eagle Lend a Hand” - the Employee Volunteer Leave programme, which encouraged employees to engage in corporate social responsibility activities.

During the Poson season, employee volunteers ventured to the sacred city of Anuradhapura to engage in the “Poson Safety” programme - initiated to save pilgrims from drowning. This is an initiative the Company has led for the past 17 years, partnering with the Life Saving Association, Police and Navy. For the first time, employees volunteered to be a part of this magnanimous cause. The volunteers dedicated 3 days for this safety programme.

Another set of employee volunteers visited 2 schools for differently-abled people, as part of “AVIVA NDB Samana” – the project launched to create an “equally-abled society”. These volunteers received special

training on how to engage with people with special needs prior to the volunteer day.

During “Aviva Week” which is celebrated by Aviva worldwide exemplifying our brand promise “no one recognises you like Aviva”, our employees across the country engaged in many activities; such as educating the public on dengue fever, donating energy saving light bulbs to a home for the elderly and cleaning a stretch of the Nilaweli beach which was polluted with plastic bottles and bags.

Our employees also offered scholarships to 15 deserving students of a rural village in the Western Province, named Ihala Hewessa. The monthly scholarship will be continued until the child completes his/her education.

The employees of the General insurance division raised funds to donate certain essential items to the National Cancer Hospital. The team donated nebulizers, suction machines, oxygen meters, mattresses and clothing items to the hospital.

During the year we conducted a career guidance workshop at the University of Wayamba, Sri Lanka. The workshop focused on creating awareness amongst the Management students about the importance of insurance in today's world and choosing “insurance” as a career, highlighting the opportunities available for insurance professionals locally and internationally. Our Managing Director and Director General insurance conducted sessions sharing their knowledge and experience in insurance with the students. This was followed by a question and answer session chaired by the General Manager Human Resources. The workshop was attended by approximately 250 students.

As the country celebrated the end of the war, AVIVA NDB contributed to the biggest humanitarian cause of the country. The Company, together with contributions made by employees, made donations on 2 occasions, through the special warehouse arrangement organised by the Ceylon Chamber of Commerce and the Government welfare collection centre set up to coordinate donations, for the internally displaced persons in the welfare villages where they were being cared for in the North. Amongst the goods donated were dry rations, clothing, sanitary items, water etc amounting to approximately LKR 850,000.

We will continue to provide a place of work that recognises and rewards our employees who contribute to the success of the organisation and will help them to make the most of their working life. We will also continue to seek feedback from employees on how we can improve. It was encouraging to note that more than 50% of our employees reported as having seen action taken as a result of the 2008 Global Employee Survey.

We will not rest on our laurels; because ***at Aviva... our employees are recognised for who they are and their contributions matter.***





"Developing stronger relationships..."

Sustainability Report

Sustainability Report

Sustainability at AVIVA NDB Insurance PLC (AVIVA NDB) goes beyond corporate responsibility as it is ingrained into our value system and each employee takes personal responsibility to make an impact on our stakeholders. As a member of the Aviva group, corporate social responsibility plays a vital role in how we do business and is therefore deeply rooted into our global corporate culture and is an accepted way of life at Aviva.

AVIVA NDB takes pride in contributing to its stakeholders' welfare by creating gentle yet never ending ripples. Our endeavours spring from the depths of our hearts and this year, the AVIVA NDB family united as one to make our nation a better place for all. Employee voluntarism played a major role in our social responsibility calendar and each employee was awarded the opportunity to participate in a number of corporate social responsibility activities. In furtherance of this initiative we launched 'Eagle Lend a Hand' - the Employee Volunteer Leave programme, where many employees voluntarily participated in the Company's corporate responsibility agenda.

Apart from the contribution made by our employees, we continued our corporate social activities founded on our sustainability strategy which is designed to impact each stage of the human life cycle and is reflected in the AVIVA NDB CSR value driver model. For 2009, this included inculcating safety, inspiring human values, facilitating a progressive mindset and forward thinking, promoting the spirit of entrepreneurship and encouraging excellence. Our onward journey in 2010 will see us integrating our CSR activities with Aviva's 'street to school' initiatives which find a natural fit in our CSR framework.

Our corporate social responsibility endeavours are highlighted below :

Stakeholder Group	Key initiatives	AVIVA NDB's response
Economy		<ul style="list-style-type: none"> Direct employment was provided to 786 Persons, adding on average LKR 934 thousand to each employee in 2009. Income generation opportunity was provided to 2,945 persons through Life and General insurance businesses. AVIVA NDB contributed LKR 16.2 Mn to the savings base in Sri Lanka. Payments were made to local suppliers and services.
Community	CSR Value Driver Model	<ul style="list-style-type: none"> The AVIVA NDB CSR value driver model facilitates continuous interaction with the community. Mechanisms were in place to assess community needs.
	Inculcating safety	<ul style="list-style-type: none"> The National Safety Award to enhance industrial safety in Sri Lanka. Cracker Safety campaign during the New Year season to educate and create awareness of the dangers of fire crackers, especially when used by children. Poson Safety Campaign to safeguard 1 Mn pilgrims at bathing spots in and around Anuradhapura. Road Safety campaign during the New Year season to promote the "Don't Drink and Drive" initiative.
	Encouraging excellence	<ul style="list-style-type: none"> Eagle Higher Education Scholarship Trust Fund to recognise top performers at the year 5 scholarship examination. A S Mani Memorial Trust to recognise the best student in actuarial studies. Eagle Artists Benevolent Trust to provide an annuity to recognised artists.

Stakeholder Group	Key initiatives	AVIVA NDB's response
Community (Contd.)		<ul style="list-style-type: none"> Eagle Children's Benefit Trust to provide donations and gratuitous payments to children of the general public of Sri Lanka. Eagle Insurance Development Orator Fund to award a sovereign gold medal to the orator selected by the Sri Lanka Insurance Institute annually. Ranjit Fernando Trust to provide financial benefits annually to the most talented AVIVA NDB child.
	Rewarding excellence	<ul style="list-style-type: none"> AVIVA NDB Award of Excellence to recognise personalities who have excelled in the field of arts was awarded to D B Nihalsinghe and Rohane Weerasinghe in 2009.
	Inspiring human values	<ul style="list-style-type: none"> AVIVA NDB Samana to enhance the competencies of educators of children with special needs.
	Promoting the spirit of entrepreneurship and facilitating a progressive mindset	<ul style="list-style-type: none"> Business lectures and motivational programmes for small and medium entrepreneurs. Parent/teacher workshops to create awareness on the parent/child, teacher/student relationships. Internship programmes for undergraduates to provide work exposure. Career guidance workshop for undergraduates of Wayamba University. 15 training programmes for 324 managers and executives of Sampath Bank Ltd on bancassurance.
	Philanthropic initiatives	<ul style="list-style-type: none"> Donations and contributions made to needy institutions.
	Infrastructure development	<ul style="list-style-type: none"> "Aviva Green Village" was set up in Ihala Hewessa and identified families provided with solar power units.
Environment	Environmental policy	<ul style="list-style-type: none"> A Company policy statement in place on the environment.
	Recycling waste	<ul style="list-style-type: none"> The Company recycled 15,976 kgs of paper in 2009. 266 printer cartridges were recycled in 2009.
	Energy saving measures	<ul style="list-style-type: none"> All windows have been tinted for effective indirect energy conservation. Central air conditioners are switched off at 5.00 p.m. CFL and Fluorescent Tube bulbs are used at all AVIVA NDB offices. LCD Monitors are used for energy conservation. Inter-building 3 wheeler shuttle service to minimise fuel consumption.
	Environmental protection initiatives	<ul style="list-style-type: none"> Company wide campaign under "go-green" and "think before you print" slogans. Efficient paper management by adopting double sided printing. Electronic media used to dispatch Account Statements and other documents to intermediaries.

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Sustainability Report

Stakeholder Group	Key initiatives	AVIVA NDB's response
Environment (Contd.)		<ul style="list-style-type: none"> • "Efficient Paper Usage" introduced as an Induction module for new recruits. • 'Outlook' – the mid year Company magazine was launched as an e-magazine in an endeavour to save paper and create a paperless office. • VMware – IT infrastructure introduced to reduce infrastructure costs through efficient use of resources. • Safe disposal of computer monitors.
	Reducing emissions	<ul style="list-style-type: none"> • Regular maintenance and service of the Company's vehicle fleet. • Teleconferencing widely used for business meetings.
Investors		<ul style="list-style-type: none"> • Return on investment of 65.7% for 2009. • Quarterly Financial Statements dispatched to shareholders on a timely basis. • Audited Annual Accounts are dispatched to the shareholders within 3 months of the end of each financial year. • A total dividend of LKR 12.50 per share was paid to the shareholders in 2009. The Directors have proposed a dividend of LKR 9.00 to be distributed to shareholders appropriated out of 2009 profits. • LKR 1,000 invested at the inception of the Company stood at LKR 74,371.88 as at 31 December 2009.
Industry		<ul style="list-style-type: none"> • Part sponsored the Insurance Congress held by the Sri Lanka Insurance Institute. • Resource persons are provided to the Sri Lanka Insurance Institute for knowledge transfer.
Customers	Quality improvement schemes	<ul style="list-style-type: none"> • The Net Promoter Score (NPS) – the annual relationship benchmark survey conducted for the third consecutive year. • NPS Task Force implements measures to improve customer satisfaction. • Intranet based customer feedback forum. • Customer communication through newsletters. • Soft toy made out of 100% recycled material was gifted to all children of Life policyholders.
	Products introduced in 2009	<ul style="list-style-type: none"> • Eagle LifeProtect. • Dashaka for Sampath Bank customers. • Eagle LiveSmart - a retirement plan.
	Customer Services	<ul style="list-style-type: none"> • Online servicing through the AVIVA NDB website www.avivandb.com. • AVIVA NDB Call Centre to provide enhanced service to all its policyholders. • Life insurance premium payment facility made available to life policyholders at National Savings Bank branches islandwide. • The Direct sales force received 3,255 hours of training during 2009 on areas of Life and General insurance and Bancassurance. • The Company has a zero tolerance to unethical behaviour of members of its Direct Sales Force.

Stakeholder Group	Key initiatives	AVIVA NDB's response
Employees	Culture	<ul style="list-style-type: none"> Maintains an open office environment.
	Human Resource policy	<ul style="list-style-type: none"> The Company has a comprehensive Human Resource (HR) policy that covers the entire employment life cycle. The Company Standing Instructions contain guidelines and procedures for employees of the Company and is available on the intranet.
	Total employee engagement	<ul style="list-style-type: none"> Employee voluntarism was the key focus of the Company's social activities. Employees were granted 2 days volunteer leave to engage in Company approved corporate responsibility activities. Employees voluntarily provided knowledge transfer to other institutions. Employees offered scholarships to 15 students of the 'Aviva Green Village' – Ihala Hewessa until the said students complete their education. Employees raised funds to donate medical equipment to the National Cancer Hospital. Monthly 'Surprises from HR' for employees continued into 2009. 'Avurudu Badu Malla' and 'Christmas Surprises' where employees received a goods bag/hamper for the New Year and Christmas respectively. 'Are you smarter than the A Team' – quiz provided employees an opportunity to challenge the top management team of the Company. An Art exhibition called 'Small Wonders of Aviva' was organised for the children of employees. The Aviva Academy provided abundant learning and development opportunities to the junior and regional management. 'E-sthuthi' – e-thank you cards available for employees on the intranet to strengthen the culture of appreciation of one another. The Sports Club organised events that are meaningful to different demographic segments of the employee population.
	Recognition schemes	<ul style="list-style-type: none"> The Company recognition schemes of employees were increased in 2009 and their scope expanded.
	Dedication to knowledge sharing, learning and development	<ul style="list-style-type: none"> The learning and development of employees flows from the performance appraisal process. Employees may register for trainings as per individual needs via the training calendar. The internal training faculty of the Company includes skilled trainers on technical and non-technical areas.

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Sustainability Report

Stakeholder Group	Key initiatives	AVIVA NDB's response												
Employees (Contd.)		<ul style="list-style-type: none"> Training information :- <table> <tr> <th>Classification of training</th><th>Number of programmes conducted</th><th>Number of participants</th></tr> <tr> <td>Internal</td><td>43</td><td>1,382</td></tr> <tr> <td>External</td><td>56</td><td>241</td></tr> <tr> <td>Foreign</td><td>26</td><td>49</td></tr> </table> Financial assistance is granted to employees to further their professional qualifications to promote a learning culture within the Company. 	Classification of training	Number of programmes conducted	Number of participants	Internal	43	1,382	External	56	241	Foreign	26	49
Classification of training	Number of programmes conducted	Number of participants												
Internal	43	1,382												
External	56	241												
Foreign	26	49												
	Freedom to voice opinion	<ul style="list-style-type: none"> Employees participated in the Aviva Employee promise Survey, which is a voluntary online survey conducted by an independent global research company. "Idea Manager" – a useful tool for employees to voice their ideas and/or suggestions. The intranet hosts a 'have your say' portal where employees can send in their suggestions and opinions. "Right Call" an independent malpractice reporting service that allows employees to report concerns of illegal or fraudulent activity. 												
	Employee benefits and welfare	<ul style="list-style-type: none"> Medical insurance cover with indoor and outdoor benefits including employee, spouse and children. Group Life insurance cover for employees. 15% of the employees' salary is contributed towards the Employee Provident Fund Lunch is available for staff at the AVIVA NDB canteen at an economical rate. A gymnasium within the precincts of the AVIVA NDB head office. 												
	Social Issues	<ul style="list-style-type: none"> All AVIVA NDB employees are above 18 years of age. All employees of the Company are precluded from accepting gifts except those for promotional purposes. All employees participated in a bribery and corruption online training and assessment module conducted by the Aviva group. The sexual harassment policy is a part of the Company's Standing Instructions. Aviva's global policy on Environment Health and Safety is in place to ensure the health and safety of the employees. AVIVA NDB did not make any donations to political parties. 												
Suppliers		<ul style="list-style-type: none"> Company Policy in place on purchasing and supply management and policy on outsourcing The Company Standing Instructions contain rules on non-acceptance of gifts from suppliers and business partners. Transparent procuring process in place for major purchases involving multi disciplinary cross functional teams including options for expert opinions. 												

Stakeholder Group	Key initiatives	AVIVA NDB's response
Intermediaries	Professionalisation	<ul style="list-style-type: none"> • 'AVIVA NDB Centre for Excellence' provides extensive learning experiences and empowerment to the Direct Sales Force. • The number of training centres islandwide further expanded in 2009. • 178 training programmes were conducted for the Direct Sales Force for 6,770 participants on Life and General insurance and bancassurance. • The voluntary internal certification process to certify technical competencies of the Life Direct Sales Force.
	Personal Development	<ul style="list-style-type: none"> • Special programmes conducted on trends in financial markets, financial literacy and personal grooming. • Personal Financial Management Certification programme conducted for Life insurance Agents in association with the Wayamba University of Sri Lanka.
	Recognitions	<ul style="list-style-type: none"> • Annual sales conventions for Life and General insurance businesses to recognise top performers.
	Welfare	<ul style="list-style-type: none"> • The Team with Wings Loyalty Fund to support the Direct Sales Force on their retirement. • A Voluntary Superannuation Scheme to enhance the financial security of the Direct Sales Force. • Life and medical insurance covers are provided for all Life and General insurance Agents. • The Death Mutual Benefit Fund to provide financial assistance to family members of Life insurance Agents on their death or death of an immediate family member.





"Embracing a new corporate persona..."

Governance

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Board of Directors



Bill Lisle - Chairman



Shah Rouf - Managing Director



Deepal Sooriyaarachchi - Executive Director



Harvey Chamberlain - Non-Executive Director



David Hope - Non-Executive Director



Eran Wickramaratne - Non-Executive Director



Sarath Wikramanayake - Non-Executive Director



Lal de Mel - Non-Executive Director



Indrajit Wickramasinghe - Non-Executive Director

Bill Lisle - Chairman

Appointed to the Board on 15 July 2009 and appointed as Chairman on 7 September 2009. He has a Masters in Business Administration with Distinction from the National Institute of Management, Mumbai, India. He counts over 23 years experience in the insurance industry. He currently holds the position of Developing Markets Director, Asia Pacific Region with oversight responsibilities of Aviva's interests in Malaysia, Sri Lanka, Korea, United Arab Emirates, Hong Kong and Singapore. He was appointed to this position in May 2009. Before joining Aviva in May 2009, he was the Chief Executive Officer of Prudential Assurance Malaysia Berhad.

Shah Rouf - Managing Director

Appointed to the Board on 22 January 2010 and is expected to take over as the Managing Director of the Company effective March 2010. He counts over 16 years experience with Aviva, having held senior management positions in both Life and General insurance in the UK, Middle East, India and continental Europe. Prior to his appointment to the Board of Directors of the Company, he was CEO of Aviva Romania and Chief Distribution Officer Central and Eastern Europe for Aviva. He concluded his academic studies at the London School of Economics and has BA (Hons) and M.Sc. degree in Economics. He is an Associate of the Chartered Insurance Institute, UK.

Deepal Sooriyaarachchi - Executive Director

Appointed to the Board on 17 May 2005. He functioned as Managing Director until end February 2010 and will continue as an Executive Director from March 2010. He is a Fellow of the Chartered Institute of Marketing, UK, Chartered Marketer and has a Masters in Business Administration from the University of Sri Jayawardenapura. He counts over 23 years of business experience.

Harvey Chamberlain - Non-Executive Director

Appointed to the Board on 11 March 2009. He is a Fellow of the Institute of Actuaries, UK and holds a Bachelor of Science degree from The University of Witwatersrand, Johannesburg, South Africa. In November 2007 he was appointed to his current position as Director of Financial Management, Asia Pacific Region at Aviva Asia Pte Ltd, with oversight responsibilities of Aviva's interest in Hong Kong, Singapore, China, India, Malaysia, Sri Lanka, Taiwan and South Korea. Prior to which he held actuarial and finance roles within various financial services institutions in the UK and Asia.

David Hope - Non-Executive Director

Appointed to the Board on 7 September 2009. He is a graduate of Oxford University and holds a Masters in Business Administration with Distinction from Bath University. He counts over 17 years experience in the human resources industry. He has been with the Aviva group, in its various forms, since 1996 when he joined Commercial Union. In 2009 he was appointed to his current position of Regional HR Director, Asia Pacific. Prior to taking up this position he was Group HR Strategy Director responsible for HR Strategy, Reward, CSR and Diversity and Corporate Office HR. He started his career in the British Diplomatic Service, training as an Arabist and serving in British Embassies in Baghdad and Khartoum. His previous experience in HR was with Wessex Water and Hay Management Consultants.

Eran Wickramaratne - Non-Executive Director

He was appointed to the Board on 18 July 2008. He has also served on the Board on a previous occasion. He is the Chief Executive Officer of NDB bank. He joined NDB bank from Citibank where he was the Vice-President and Corporate Bank Head. He has also been an Advisor, Chairman and Board member to various government institutions. He is a graduate of the University of London with a BA in Economics and Politics and a M.Sc. in Economics. He is an Eisenhower Fellow.

Sarath Wikramanayake - Non-Executive Director

Appointed to the Board on 3 July 2003, resigned on 1 February 2006 and re-appointed on 14 February 2006. He is a Chartered Accountant and a Chartered Management Accountant. He has worked with the Bank of Butterfield, a Bermuda-based international bank for 19 years, where he reached the position of Executive Vice-President. Since returning to Sri Lanka he has been the Chief Executive Officer of Union Assurance Limited and the President of the Insurance Association of Sri Lanka in 2002. Presently, he is working in the capacity of a consultant to the NDB Group.

Lal de Mel - Non-Executive Director

Appointed to the Board on 28 July 2003. He has a Bachelor of Science degree from the University of Ceylon and is a Member of the Chartered Institute of Marketing, UK, with postgraduate diplomas in Marketing and Management. He is a past President of the Sri Lanka Institute of Marketing, the Federation of Chambers of Commerce and Industry and the Ceylon National Chamber of Industries. He was the Managing Director of CIC Paints from 1995 to 2001. He was also the Chairman of the Insurance Corporation Limited and a Director of Bank of Ceylon in 2001. He is currently the Chairman of NDB Investment Bank Ltd, Capital Development Investment Company PLC, Development Holdings (Pvt) Ltd and N Chandraratne Decorators (Pvt) Ltd. He is a Director of NDB bank, Chemanex PLC and several other institutions. He is also the Co-Chairman of the Trade and Tariff Cluster of the National Council for Economic Development.

Indrajit Wickramasinghe - Non-Executive Director

Appointed to the Board on 19 September 2008. He holds a Master's Degree in Business Administration from the University of Sri Jayawardenapura, a Postgraduate Diploma from the Chartered Institute of Marketing, UK and is a Chartered Marketer and Fellow of the Chartered Institute of Marketing, UK. He is currently the Vice-President – Head Retail Banking and Marketing of NDB bank. Before joining NDB bank 9 years ago, he held the position of Head of Marketing at Reckitt & Colman of Ceylon Ltd. He is a Director of NDB Stock Brokers Pvt. Ltd. and was also a Director of NDB Housing Bank. He counts over 20 years experience in the Fast-Moving Consumer Goods and Financial Service Sectors.

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Senior Management



Shah Rouf



Upul Wijesinghe



Ainsley Alles



Chathuri Munaweera



Gehan Rajapakse



Leilamani Pereira



Kelum Senanayake

Shah Rouf - Managing Director

He is expected to take over as the Managing Director of the Company effective March 2010. He counts over 16 years experience with Aviva, having held senior management positions in both Life and General insurance in the UK, Middle East, India and continental Europe. Prior to his secondment to Sri Lanka, he was CEO of Aviva Romania and Chief Distribution Officer Central and Eastern Europe for Aviva. He concluded his academic studies at the London School of Economics and has BA (Hons) and M.Sc. degrees in Economics. He is an Associate of the Chartered Insurance Institute, UK.

Upul Wijesinghe

He heads the Life Sales division of the Company as Director – Life Distribution. He holds a Bachelor of Science degree with Honours from the University of Colombo and is an Associate of the Chartered Insurance Institute, UK. He is an Alumni of the International Center for Management Development, Switzerland. He was the President, Sri Lanka Insurance Institute in 2002 and 2003. He counts over 20 years experience in insurance.

Ainsley Alles

He heads the General insurance Division of the Company as Director – General insurance. He is a Chartered Insurer and a Fellow of the Chartered Insurance Institute of UK. He has a Masters in Business Administration from the University of Western Sydney. He is also a Fellow of the Australian and New Zealand Institute of Insurance & Finance, Insurance Institute of India and the Institute of Certified Professional Manager.

He has completed a Diploma in Business Administration from the University of Colombo. He is the Chairman of the General Insurance Forum of the Insurance Association of Sri Lanka. He is a visiting lecturer of the Sri Lanka Insurance Institute, the International College of Business & Technology, National Institute of Business Management and University of Sri Jayawardenapura. He counts over 27 years experience in insurance.

Chathuri Munaweera

She functions as General Manager Human Resources and Legal and is the Company Secretary. She holds a Bachelor of Laws of the University of Colombo and is an Attorney-at-Law. She also holds a Post Graduate Certificate in Human Resource Management from the Post Graduate Institute of Management & University of Sri Jayawardenapura. She represents Sri Lanka in the HR Directors team of Asia Pacific Region, Aviva plc. She counts over 13 years management experience in the fields of human resources, corporate law, litigation, compliance, company secretarial practice and business operations.

Gehan Rajapakse

He heads the Bancassurance business of the Company. He holds a Masters degree in Business Administration from the University of Sri Jayawardenapura, a Bachelor of Arts degree in Economics with Honours from the University of Colombo and is an Associate Member of the Chartered Institute of Management Accountants, UK. He counts over 17 years experience in management and asset management.

Leilamani Pereira

She heads the Finance division of the Company as General Manager Finance. She is a Fellow of the Chartered Institute of Management Accountants, UK and has a Masters in Business Administration from the University of Western Sydney. She counts over 10 years senior management experience in the areas of financial reporting, corporate finance, taxation and process re-engineering in the banking, transportation and logistics, apparel and telecom sectors.

Kelum Senanayake

He heads the Life Operations of the Company as General Manager - Life Operations. He has a Diploma in Business Management from World View Institute. He holds a Masters Degree in Business Administration from the University of Western Sydney. He counts over 27 years experience in insurance.

The Annual Report of the Board of Directors on the affairs of the Company

The Board of Directors of Eagle Insurance PLC* (the Company) has pleasure in presenting their Annual Report on the affairs of the Company in respect of the financial year ended 31 December 2009. The information provided herein is in pursuance of the requirements of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange. In the preparation of this Report, recourse has also been had to other recommended best practice reporting guidelines.

The audited financial statements of the Company and group for the said year and the Report of the Auditors thereon are set out on page 83 of this Annual Report.

Vision, Mission and Corporate Conduct

A statement of the Corporate Vision and also a statement of the corporate Mission, as approved by the Board of Directors, are given on the contents page. The Company's business activities have been and are carried out within the framework of the objectives of such Statements and in pursuance of the continued nurturing of business and work practices of the highest ethical standards.

Principal Activities of the Company and of its Subsidiaries

The principal activity of the Company during the financial year under review continued to be insurance. The Company divested its interest in fund management activities, carried out by its wholly owned subsidiary Eagle NDB Fund Management Company Limited, (Now known as NDB AVIVA Wealth Management Limited) consequent to the disposal, on 11 June 2009, of the entirety of its equity stake therein to Capital Development and Investment Company PLC and AVIVA NDB Finance Lanka (Private) Limited ("ANFL").

Rainbow Trust Management Limited, which remains as a fully owned subsidiary of the Company, continued to provide Trust and other ancillary services during the year under review.

To the best of the knowledge of the Board, neither the Company nor its aforementioned subsidiary engaged in any activities, which contravened relevant local laws and regulations.

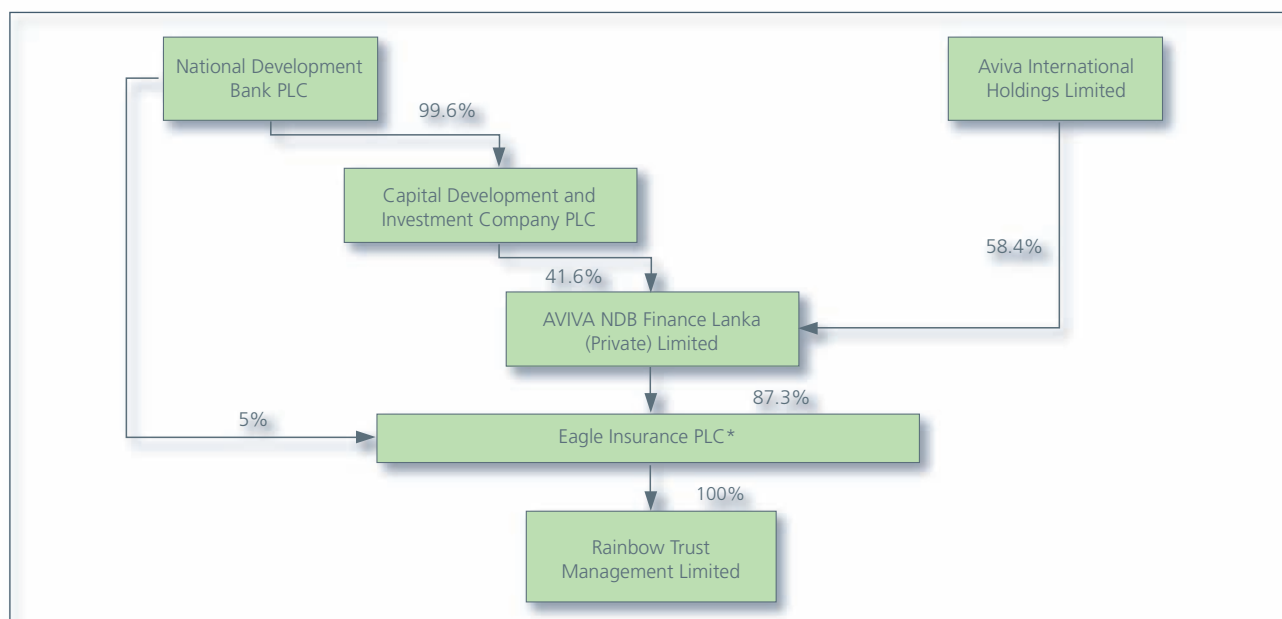
Review of Performance and Future Developments

A review of the Company's and of the group's financial and operational performance for the year ended 31 December 2009 and of future developments is contained in the Managing Director's review of operations and in the Management Discussion and Analysis, as reported on pages 5 to 7 and 12 to 21 of this Annual Report. These reports, together with the audited financial statements, reflect the state of affairs of the Company and the group as at 31 December 2009.

The Group Structure

AVIVA NDB Finance Lanka (Private) Limited, which has a direct shareholding of 87.3% in the Company, is its immediate holding company. Aviva International Holdings Ltd, which constitutes the ultimate holding company, has an indirect shareholding of 51.0% in the Company. National Development Bank PLC (NDB) has a direct shareholding of 5.0% in the Company and an indirect shareholding of 36.1%.

A graphical presentation of the shareholding structure of the Company and of the group is set out below:



* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Stated Capital and Reserves

The Company's Stated Capital as at 31 December 2009, was LKR 300,000,000.00 represented by 30,000,000 Ordinary Shares.

There was no change in the Stated Capital during the year under review.

The total capital and reserves for the group stood at LKR 2,579.5 Mn as at 31 December 2009 (LKR 2,223.9 Mn as at 31 December 2008), details of which are provided in notes 23 to 25 to the financial statements.

Shareholdings

The Company had 2,153 registered shareholders, as at 31 December 2009. The distribution of shareholding, the public holding percentage and details of the 20 largest shareholders, are given on pages 134 and 135 of this Annual Report.

Share information

Information relating to share valuation and share performance is given on page 135 of this Annual Report.

Financial Statements contained in the Annual Report

The financial statements of the Company and of the group, have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLAS), the Companies Act No. 7 of 2007 and, to the extent applicable, by the Regulation of the Insurance Industry Act No. 43 of 2000. The financial statements also conform to the formats and disclosures prescribed in the "Statement of Recommended Practice for Insurance Contracts" issued by the Institute of Chartered Accountants of Sri Lanka, which has been made a mandatory compliance requirement by the Insurance Board of Sri Lanka with effect from 1 January 2007.

The financial statements, duly signed by the Directors are published on pages 84 to 127 and the Auditors' Report thereon is provided on page 83 of this Annual Report.

Financial Results

The group recorded a consolidated net profit of LKR 730.5 Mn for the financial year ended 31 December 2009. A synopsis of the Company's consolidated performance is presented below.

	2009	2008
	LKR'000	LKR'000
Group profit		
Net profit for the year	730,525	463,720
Unappropriated profit brought forward	1,595,036	177,806
Funds available for appropriation	2,325,561	641,526

Appropriations

Dividend paid for previous year	(210,000)	(90,000)
Interim dividend paid	(165,000)	-
Transfer from special reserve fund	-	315,510
Transfer to resilience reserve	-	(52,000)
Transfer to provision Life Fund solvency	-	(175,000)
Transfer from general reserve	-	955,000
Unappropriated profit carried forward	1,950,561	1,595,036

Reserve movements

General reserve brought forward	-	955,000
Transfer to retained earnings	-	(955,000)
General reserve carried forward	-	-

Revenue

The Revenue of LKR 9.65 Bn comprises income generated from Life and General insurance business, and the provision of Asset management and Trust services.

Dividends

An Interim Dividend of LKR 5.50 per share for the year 2009 was paid out to the shareholders of the Company on 17 July 2009. The Board of Directors, in declaring the above dividend, ensured due compliance by the Company with the solvency provisions of the Companies Act No. 7 of 2007.

The Board of Directors has recommended a final dividend of LKR 9 per share for the year 2009 for declaration by the shareholders. The Board of Directors has confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No 07 of 2007 for the final dividend proposed.

The dividend will be paid partly out of dividends received and partly out of taxable profits of the Company. The dividend to be paid out of the profits will be subject to withholding tax.

Accounting Policies

The details of the accounting policies adopted by the Company in the preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting Standards made during the year, are disclosed on pages 99 to 105 of this Annual Report.

Life Surplus and Policyholders' Dividends

The Board of Directors received and adopted the Report of the Company's independent Actuary (Life), Mr C F Wong which recommended the dividends that are payable to policyholders and of the transfer of the surplus thereof to the Income Statement. This is set out on page 74 of this Annual Report.

Property, Plant and Equipment

As at the Balance Sheet date, the net book value of Property, Plant and Equipment of the group amounted to LKR 237.8 Mn.

The Annual Report of the Board of Directors on the affairs of the Company

During the financial year the capital expenditure on Property, Plant and Equipment for the Company and group amounted to LKR 63.4 Mn.

Details of the Company's Property, Plant and Equipment and the movement in their values during the year are given in note 5 to the financial statements on page 111 of this Annual Report.

Market value of the Company's Property, Plant and Equipment

The market values of the Company's Property, Plant and Equipment are not materially different to the book values as given in the Notes to the financial statements on page 111 of this Annual Report.

The Company owns 13.40 perches of freehold land at 76, Kew Road, Colombo 2 and 12.09 perches of freehold land at No. 80, Kew Road Colombo 2. These properties were subject to a valuation during the year 2007 and the revaluation surplus of LKR 39.9 Mn has been included in the accounts in that year. As per the report of the valuer there is no change in the value as at 31 December 2009.

Details of the locations, valuations of the Company's land holdings are given in note 5 to the financial statements on page 111 of this Annual Report.

Investments

Investments of the Company and of the group amounted to LKR 19.1 Bn. A detailed description of the Investments held as at the Balance Sheet date is given in note 1 and note 2 to the financial statements on page 106 and 109 of this Annual Report respectively.

Donations

The Board of Directors having due consideration to the best interests of the Company, resolved that a total sum of LKR 3,094,480 be utilised as charitable donations for the year 2009 (which amount is within 1% of the average profits after tax for the preceding three years). The said amount does not include contributions which the Company had made during the year on account of Corporate Social Responsibility (CSR) initiatives.

No donations or any other form of payments or facilities have been made to political parties or for politically oriented purposes.

Provisions

The Board of Directors has taken all reasonable steps to ensure adequate provisioning for unearned premiums, unexpired risks and claims, including claims incurred but not reported.

The Board of Directors has also arranged external actuaries to value the Life Fund and the General insurance claims and premium liabilities. (Please refer page 104 of this Annual Report for the policies adopted for provisioning and the basis therefor).

As at the date of the Report, the Board of Directors is not aware of any circumstances, which would render inadequate the amounts provided for in the financial statements.

Reserves

The total reserves of the group as at 31 December 2009, amounted to LKR 2.3 Bn consisting of the Resilience Reserve and Retained Earnings, both of which are revenue reserves, and a Revaluation Reserve which is a capital reserve. Movements in these reserves are given in the group Statement of Changes in Equity set out on page 86 of this Annual Report.

Provision for Taxation

Provisions for Taxation for the Company and its subsidiaries have been computed at the rates given in note 33 to the financial statements and are set out on page 123 of this Annual Report.

Eagle's* People Development Strategy

During the year, the Company's People Development Strategy focused on living the Employee Promise – "At Aviva, I am recognised for who I am and what I contribute matters".

The Company focused on developing people through the 'Aviva Academy' – the internal learning academy created to provide development opportunities to our people. Two key learning programmes took place during the year were an accelerated Leadership Development Programme and Junior Management Development Programme; disseminating the concepts of Aviva's 'Leading People' programme. The regular sessions on personal and technical development continued, adding value to the different employee segments. A series of team development programmes that linked the employee development to Aviva's vision of 'One Aviva, twice the value' was rolled out.

In 2009, Aviva's 'Talking Talent' framework for talent management was further disseminated amongst the senior management. Eagle* employees continued to receive foreign training opportunities in recognised institutes and exposures in development programmes conducted by the group.

As at the Balance Sheet date the Company provided direct employment to 786 and income generation opportunity to 3,394 individuals.

Outstanding Litigation

In the opinion of the Board of Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

Events after the Balance Sheet date

The Board of Directors of the Company has recommended a final dividend of LKR 9 per share for the year 2009 for declaration by the shareholders.

There have been no events subsequent to the Balance Sheet date that would have any material effect on the Company or the group, which would require adjustment or disclosure in the financial statements.

Corporate Governance and Internal Controls

The Board of Directors of the Company, acknowledges the responsibility of conducting the business activities of the Company in conformity with accepted good governance practices. Having reviewed the effectiveness of the internal control systems, the Board of Directors is of the considered view that the Company has taken necessary precautions to safeguard the interests of its stakeholders.

Please refer page 47 to 63 and page 71 of this Annual Report for the Report on Corporate Governance and Audit and Compliance Committee Report respectively.

Statutory Payments

The Board of Directors confirms that to the best of their knowledge and belief, statutory payments to all relevant regulatory and statutory authorities, have been paid by the Company. A Statement of Compliance by the Board of Directors in relation to Statutory

Payments is included in the Statement of Directors' Responsibilities on page 82 of this Annual Report.

Interests Register

The particulars of entries made in the Interests Register during the financial year under review, in pursuance of the provisions of the Companies Act No. 7 of 2007, are given below:

a) Directors' Interests in transactions with the Company

Directors' interests in contracts of the Company, both direct and indirect, during the year under review are included in note 36 in the related party disclosures to the financial statements, set out on page 125 of this Annual Report. These interests have been duly declared at Board meetings.

Directors of the Company who were also Directors and or consultants and or employees of related entities during the year under review:

Company	Name of Director	Position	Relationship
Rainbow Trust Management Ltd.	B Lisle D Sooriyaarachchi E Wickramaratne D S P Wikramanayake	Director Director Director Director	Fully owned Subsidiary of Eagle Insurance PLC *
National Development Bank PLC (NDB)	E Wickramaratne L de Mel I Wickramasinghe D S P Wikramanayake N S Welikala	Director/Chief Executive Officer Director Vice President/Head-Retail Banking & Marketing Consultant Consultant	NDB has an indirect shareholding of 36.1% and a direct shareholding of 5% in Eagle Insurance PLC*
AVIVA NDB Finance Lanka (Private) Limited (ANFL)	C Brackenrig E Wickramaratne N S Welikala	Director Director Director	ANFL is the immediate holding company of Eagle Insurance PLC *
Capital Development and Investment Company PLC (CDIC)	L de Mel E Wickramaratne N S Welikala	Director Director Director	CDIC has an indirect shareholding in Eagle Insurance PLC *
NDB AVIVA Wealth Management Limited (formerly known as Eagle NDB Fund Management Company Limited)	E Wickramaratne N S Welikala D S P Wikramanayake D Sooriyaarachchi B Lisle	Director Director Director Director Director	ANFL, which is the holding Company of Eagle Insurance PLC *, has a direct shareholding of 83.85% in NDB AVIVA Wealth Management Limited

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

The Annual Report of the Board of Directors on the affairs of the Company

b) Directors' Dealings with the Shares of the Company

i. Disclosures in respect of shares held during the year ended 31 December 2009

The Directors have, in pursuance of section 200 of the Companies Act No.07 of 2007, made appropriate disclosures at Board Meetings regarding their interests in the Company's shares, including of acquisitions or disposals of such shares.

Details of the shareholdings of Directors as at 31 December 2009, are given below:

Name of the Director	Number of shares	Class of shares	Nature of the relevant interest in shares
B Lisle (Chairman)	Nil	NA	NA
D Sooriyaarachchi (Managing Director)	Nil	NA	NA
H Chamberlain	Nil	NA	NA
D Hope	Nil	NA	NA
C Brackenrig	Nil	NA	NA
E Wickramaratne	Nil	NA	NA
D S P Wikramanayake	Nil	NA	NA
I Wickramasinghe	Nil	NA	NA
L de Mel	900 *	Ordinary Shares	Beneficial Owner
N S Welikala (alternate Director)	Nil	NA	NA

* These shares were acquired prior to 1 January 2009

ii. Disclosures in respect of shares of the Company which have been acquired during the year:

None of the Directors of the Company have acquired shares of the Company during the year under review.

iii. Disclosures in respect of shares of the Company which have been disposed of during the year:

None of the Directors of the Company have disposed of their shares in the Company during the year under review.

c) Use of Company Information by the Directors

This information is recorded in the Interests Register in pursuance of the provisions of section 197 of the Companies Act No.7 of 2007.

Subject matter of information	Date of authorisation by the Board	Authorisation granted at a Board meeting/ by circular resolution
-------------------------------	------------------------------------	--

None None None

d) Details of the remuneration and other benefits paid to the Directors

The remuneration of the Executive Directors is duly determined by the Company's Remuneration Committee, on the basis of the Terms of Reference applicable in that regard. Effort is made thereby to secure a balance between the suitability of the remuneration so determined and of its fairness in relation to the Company's interests. The Company's Non-Executive Directors are not paid any remuneration other than the Directors' fees, which are paid on attendance at corporate meetings of one Director.

Details of the Directors' fees and emoluments paid during the financial year 2009, which have been duly approved by the Board of Directors, are stated below.

	Consolidated Fees	
	2009	2008
	LKR'000	LKR'000

Executive Directors' emoluments	14,018	15,028
Non-Executive Directors' fees	120	120

e) Loans to the Directors

No loans have been granted to any Director of the Company or of any related entity, during the year under review.

The Company has not provided any guarantee or any other form of security in connection with a loan made by any person to a Director of the Company or of any related entity.

f) Insurance and Indemnity coverage provided to Directors and/or officers of the Company and of its subsidiary companies

The Company has, in pursuance of Article 52 of the Articles of Association, effected during the financial year under review for its past and present Directors and Officers and for those of its Subsidiaries, "A Director and Officer Liability" Insurance Policy (D and O).

Pursuant to the approval of the Board of Directors being obtained therefor, the above Policy has been renewed for a further one year period, effective 22 December 2009.

The terms and conditions of the said D and O policy is disclosed in the Policy document bearing number 06 H0-DOL-1194337, the salient details of which are set out below:

Limit of Liability	LKR 115,000,000.00
The premium	LKR 1,694,691.76 (Inclusive of taxes)
Coverage	Worldwide including USA and Canada
Period of Insurance	from 22 December 2009 to 21 December 2010

Directors during the Year/Changes

Name of Director	Date of Appointment	Date of Resignation/ Date of ceasing to be a Director	Date of Re-appointment
L de Mel	28-Jul-03	-	-
D Sooriyaarachchi	17-May-05	01-Feb-06	01-Feb-06
S Roye	01-Feb-06	15-Jul-09	-
D S P Wikramanayake	03-July-03	01-Feb-06	14-Feb-06
*C Brackenrig	09-Nov-07	22-Jan-10	-
Ms M Sigsworth	09-Nov-07	07-Sep-09	-
E Wickramaratne	18-Jul-08	-	-
N S Welikala (alternate)	18-Jul-08	-	-
I Wickramasinghe	19-Sep-08	-	-
G Salmon	10-Nov-08	11-Mar-09	-
H Chamberlain	11-Mar-09	-	-
**B Lisle	15-Jul-09	-	-
D Hope	07-Sep-09	-	-

* S Rouf was appointed to the Board, effective 22 January 2010 in place of C Brackenrig who resigned effective 22 January 2010.

** B Lisle was appointed to the Board on 15 July 2009 subsequent to the resignation of S Roye. He was appointed as Chairman of the Board of Directors of the Company with effect from 07 September 2009, subsequent to the resignation of C T Brackenrig as Chairman.

In accordance with Article 30 of the Articles of Association of the Company, Messrs D S P Wikramanayake and L de Mel retire by rotation at the Annual General Meeting and being eligible, are recommended by the Board for re-election.

Directors' Meetings

Set out below are the number of Directors' meetings (including meetings of the sub committees of the Board), which have been held during the financial year under review and the number of such meetings that have been attended by each Director of the Company during the said period, correlated to the period during which each such Director actually held office within the said year under review:

Director	Directors' Meetings		Audit & Compliance Committee Meetings		Investment Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
D S P Wikramanayake	4	4	4	4	5	5	2	2
L de Mel	4	4	-	-	-	-	-	-
D Sooriyaarachchi	4	4	-	-	-	-	-	-
S Roye	1	2	-	-	-	-	-	-
C Brackenrig	3	4	-	-	-	-	2	2
M Sigsworth	2	3	2	3	-	-	2	2
E Wickramaratne	4	4	-	-	-	-	-	-
I Wickramasinghe	4	4	-	-	-	-	-	-
G Salmon	1	1	1	1	1	1	-	-
H Chamberlain	3	3	3	3	4	4	-	-
D Hope	1	1	1	1	-	-	-	-
B Lisle	2	2	-	-	-	-	-	-
* G Rajapakse	-	-	-	-	5	5	-	-

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office during the period.

* Not a Director on the main Board

Going Concern

The Board of Directors has, consequent to due inquiry and having taken into account the financial position and future prospects of the Company, a reasonable expectation that the Company has adequate resources to continue to be in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in the preparation of its financial statements.

Environmental Protection

The Company has used its best endeavours to comply with the relevant environmental laws and regulations applicable in the country. The Company has not, to the best of the knowledge of the Directorate, engaged in any activity which is or which would be harmful or hazardous to the environment.

The Annual Report of the Board of Directors on the affairs of the Company

Equitable Treatment to Stakeholders

The Board has constantly endeavored to ensure that corporate operations are conducted in a manner which will secure equitable treatment to all stakeholders of the Company.

Appointment of Auditors

The present Auditors Messrs. Ernst & Young, Chartered Accountants, who were re-appointed at the last Annual General Meeting to hold office during the year under review, have signified their willingness to continue in office.

Accordingly, a resolution to re-appoint them as Auditors and authorising the Board of Directors to fix their remuneration, will be proposed at the Annual General Meeting.

Auditors' Remuneration

The remuneration paid to Messrs Ernst & Young for both audit and non audit services rendered for the year under review are stated below.

	Group	
	2009	2008
	LKR'000	LKR'000
Audit and related services	4,505	4,506
Non-Audit services including tax related services	275	2,117

Messrs Ernst & Young, does not have any relationship with the Company or with its subsidiary, other than that of Auditors of the Company.

Annual Report

The Board of Directors has approved the audited financial statements of the Company and the group together with the reviews and other reports which form part of the Annual Report on 9 February 2010. An appropriate number of copies of the Report will be submitted to the Colombo Stock Exchange, the Insurance Board of Sri Lanka, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

Annual General Meeting

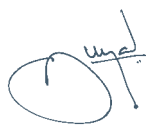
The Annual General Meeting will be held on Tuesday, 23 March 2010 at 10.00 a.m at the "King's Court", Cinnamon Lakeside Hotel, No 115, Sir Chittampalam A Gardiner Mawatha Colombo 2.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat appears on page 147 of this Annual Report.

By order of the Board of Directors
of Eagle Insurance PLC *



Bill Lisle
Chairman



Deepal Sooriyaarachchi
Managing Director



(Ms) Chathuri Munaweera
Company Secretary

Colombo
9 February 2010

Corporate Governance

Corporate Governance is the system by which companies are directed and controlled by management. Good Corporate Governance provides the framework within which a company operates, sustained on principles of corporate accountability and transparency. From a broader perspective, it involves the relationship which exists between stakeholders of a company including the community at large and its directorate. The existence of formal and stringent mechanisms within a company for facilitating good Corporate Governance practices. This is reflected in the corporate behaviour, which is committed to achieving goals set for the benefit of all corporate stakeholders. The global recession and the failure of financial institutions in the recent past, clearly demonstrate the pivotal role played by good Corporate Governance practices in sustaining corporate growth and performance.

Eagle Insurance PLC*, has continuously endeavoured to abide by best practices in governance; and conducted operations in a legal and ethical manner displaying professionalism, transparency and accountability. Thus for instance, the Company, as a listed entity, has adhered to the following laws and regulations, which constitute part of the statutory and regulatory framework governing its affairs:

1. The Companies Act No. 7 of 2007
2. The Regulation of Insurance Industry Act No. 43 of 2000 (and amendments thereto)
3. The Listing Rules of the Colombo Stock Exchange
4. Inland Revenue Act No. 10 of 2006 (and amendments thereto)

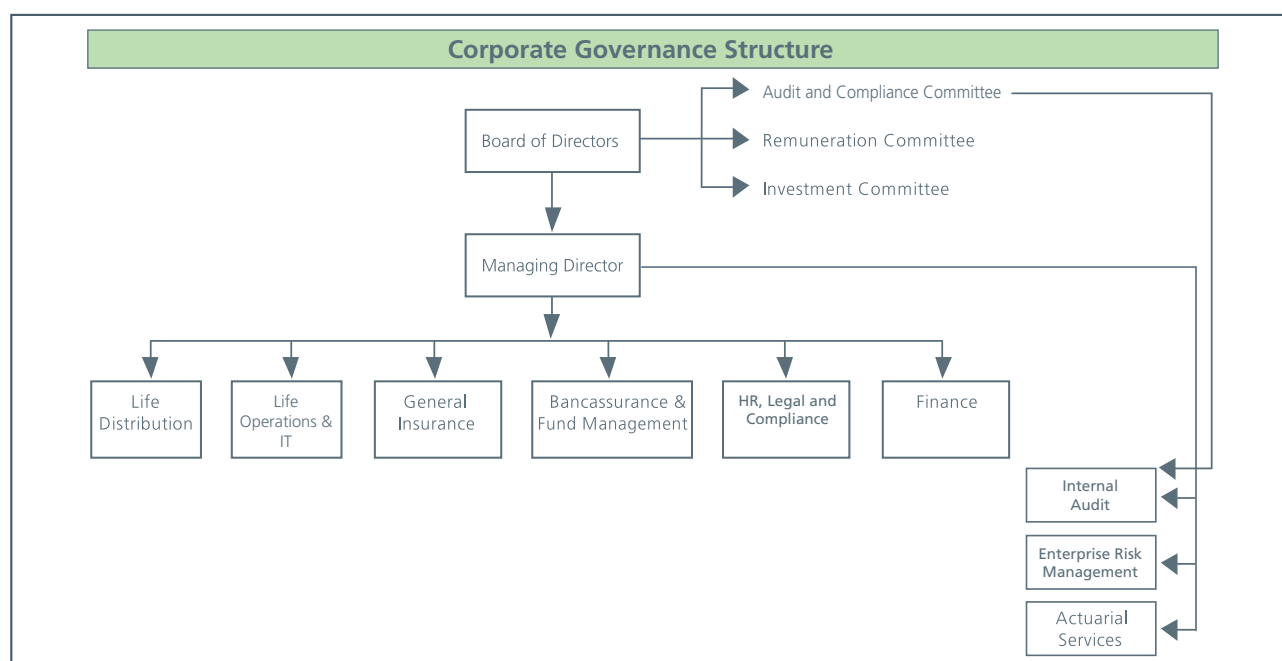
5. Various laws which govern industrial relations such as the EPF Act, ETF Act, Shop and Office Employees Act and Payment of Gratuity Act
6. The Articles of Association

The Company's Corporate Governance structure is based on the "Code of Best Practice on Corporate Governance" issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the Exposure Draft on Best Practice on Corporate Governance issued jointly by the ICASL and the Securities and Exchange Commission of Sri Lanka (SEC) and the principles of Corporate Governance laid down by the Organisation for Economic Corporation and Development.

In order to achieve an exemplary standard in governance activities, the Company has established an effective framework of checks and balances. Furthermore, the Board of Directors, whose responsibilities are appropriately delegated to the management, are accountable for the overall direction of the Company.

The Company's Corporate Governance structure is illustrated below.

The Company has maintained excellent Corporate Governance standards throughout its history and during the year under review. The Corporate Governance review which sets out the mandatory good governance requirements, is for the purposes of monitoring compliance. However, the Company's compliance report in this regard is well beyond the mandatory disclosure requirements. Other best practices adopted by the Company are enumerated and the level of compliance, in relation to each is explained from pages 48 to 63 of this Annual Report.



* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

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Corporate Governance

Corporate Governance Principle					Level of Compliance	
1	Board of Directors	Composition	Listing Rules of the Colombo Stock Exchange (CSE)	Rule 7.10.1 (a) 2 or such number equivalent to 1/3 of the total number of Directors, whichever is higher should be Non-Executive Directors	Complied	Among the 9 members of the Board of Directors 7 are Non-Executive Directors. 2 Executive Directors including the Managing Director serve on the Board. Each Director's status as Executive or Non-Executive is specified under "Board of Directors" on page 37 of this Annual Report.
				Rule 7.10.1 (b) Total number of Directors to be calculated based on the number as at the conclusion of the immediately preceding AGM	Complied	At the conclusion of the AGM held on 30 March 2009 being the immediately preceding AGM of the Company, the total number of Directors was 9, hence the minimum requirement for Non-Executive Directors was 3, whereas the Company has 7 Non-Executive Directors on the Board.
				Rule 7.10.1 (c) Any changes which occur to the above stated ratio shall be rectified within 90 days from the date of the change	Complied	During the financial year under review no change occurred to this ratio.
				Rule 7.10.2. (a) 2 or 1/3 of the Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be "independent"	Complied	In terms of the provisions of the Listing Rules of the CSE, the written clarification provided by the CSE on the said Listing Rules and the declarations filed by the individual Directors, D Sarath P Wikramanayake, David Hope and Harvey Chamberlain can be classified as independent Non-Executive Directors on the Board of the Company. David Hope and Harvey Chamberlain are employees of a company/ies within the Aviva group and D Sarath P Wikramanayake is a consultant of NDB bank. However the Board is of the view that this is not a disqualification to be classified as an independent Non-Executive Director on the Board of the Company within the criteria defined for independence in terms of the said Listing Rules and the said written clarifications. Details of independent, Non-Executive Directors are given on page 37 of this Annual Report.
				Rule 7.10.2 (b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in a specified format	Complied	The Board has obtained signed and dated declarations from each Non-Executive Director on his independence or non-independence against the specified criteria upon his appointment together with an annual declaration in terms of the declaration specified in Appendix 7A of the CSE Rules.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Corporate Governance Principle				Level of Compliance																						
				Rule 7.10.3 (a) The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be “independent”	Complied	The Board of Directors determines the independence or non-independence of each Non-Executive Director. The names of such independent Non-Executive Directors serving on the Board during the financial year under review are given below with their tenure as a member of the Board, irrespective of whether they ceased to be Directors as at 31 December 2009.																				
				Rule 7.10.3 (b) In the event a Director does not qualify as 'independent' against any of the criteria set out in rule 7.10.4 of CSE rules but if the Board, taking into account all the circumstances, is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report		In terms of the provisions of the Listing Rules of the CSE, the written clarification provided by the CSE on the said Listing Rules and the declarations filed by the individual Directors, D Sarath P Wikramanayake, David Hope and Harvey Chamberlain can be classified as independent Non-Executive Directors on the Board of the Company. David Hope and Harvey Chamberlain are employees of a company/ies within the Aviva group and D Sarath P Wikramanayake is a consultant of the NDB bank. However the Board is of the view that this is not a disqualification to be classified as an independent Non-Executive Director on the Board of the Company within the criteria defined for independence in terms of the said Listing Rules and the said written clarifications.																				
				<table><thead><tr><th colspan="2">Name of the Director</th><th>Tenure</th></tr></thead><tbody><tr><td>1</td><td>D Sarath P Wikramanayake</td><td>From July 2003 to date</td></tr><tr><td>2</td><td>David Hope</td><td>From September 2009 to date</td></tr><tr><td>3</td><td>Harvey Chamberlain</td><td>From March 2009 to date</td></tr><tr><td>4</td><td>(Ms) Marie Sigsworth</td><td>From November 2007 to September 2009</td></tr><tr><td>5</td><td>Grant Salmon</td><td>From November 2008 to March 2009</td></tr></tbody></table>					Name of the Director		Tenure	1	D Sarath P Wikramanayake	From July 2003 to date	2	David Hope	From September 2009 to date	3	Harvey Chamberlain	From March 2009 to date	4	(Ms) Marie Sigsworth	From November 2007 to September 2009	5	Grant Salmon	From November 2008 to March 2009
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5	Grant Salmon	From November 2008 to March 2009																								
Rule 7.10.3 (c) A brief resume of each Director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report	Complied	A brief resume of each Director is given under "Board of Directors" on page 37 of this Annual Report.																								
Rule 7.10.3 (d) Upon appointment of a new Director to its Board, the entity shall forthwith provide to the CSE a brief resume of such Director which includes details relating to Rule 7.10.3 (a), (b) and (c) above		The Company had 3 new appointments to the Board during the year under review. A brief resume of each such appointed Director has been provided to the CSE as specified.																								

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Corporate Governance

Corporate Governance Principle		Level of Compliance
	Board Accountabilities	The Board is accountable to the stakeholders of the Company to ensure that the business is conducted in an appropriate manner based on approved business plan and that the financial and non-financial targets of the Company are achieved. The Board's Terms of Reference stipulate the specific duties of the Board and the following are some key matters which come under Board review and approval: <ul style="list-style-type: none"> i. Company strategy and business plan ii. Financial reporting and controls iii. Financial performance iv. Shareholder dividends v. Policyholder dividends and surplus transfers from the Life Fund vi. Changes to the Company's capital structure vii. Company's risk profile and risk map viii. Regulatory compliance ix. Constitution and performance of the Board Committees
	Board Appointments	A formal procedure for all Board appointments is maintained as per the Articles of Association of the Company. The said Articles were approved at the last Annual General Meeting held on 30 March 2009. The Company ensures that professional qualifications, business experience and personal qualities are taken into consideration in new appointments to the Board.
	Re-election of members	The Articles of Association of the Company require that 1/3 of the Directors retire and are eligible to be re-elected by the shareholders at the Annual General Meeting. The Directors who so retire in a year shall be those who have served the longest in office since their last election. However, between persons who were appointed Directors on the same day, those to retire shall unless they otherwise agree among themselves, be determined by a drawing of lots.
	Board Meetings	At least 1 Board meeting was held each quarter and additional meetings were convened when necessary. During the year 2009, the Board has maintained an excellent record of attendance at the meetings. The attendance of the Directors at the Board meetings is detailed under the Annual Report of the Board of Directors on the affairs of the Company given on page 40 of this Annual Report
	Availability of a formal schedule of matters for Board discussion	The Board meetings were conducted on a formal agenda which covers the main functions and responsibilities of the Board.
	Approval and review of the Company plan	The Board reviewed and approved the Company's 3 year strategic business plan providing strategic direction to the management.
	Obtaining of independent professional advice	The Board members are permitted to obtain independent professional advice from 3rd parties as deemed necessary which includes the Company's external lawyers and auditors, at the expense of the Company.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Corporate Governance Principle		Level of Compliance
	Company Secretary	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines. All governance activities are coordinated on behalf of the Board by the Company Secretary, who is accountable to the Board.
	Independent judgment	None of the Directors except the Managing Director held any executive responsibilities of the Company. Non-Executive Directors do not have any business interests that could materially interfere with the exercise of their independent judgment. A register of Interests is maintained by the Company Secretary recording any interest disclosed by a Director.
	Dedication of adequate time and effort for the matters of the Board	The Board members dedicate adequate time for the affairs of the Company by attending Board Meetings, Board Committee meetings and making decisions via circular resolutions. Additional meetings and discussions are held with the management whenever deemed necessary.
	Training for new Directors	The Company does not provide formal training to Directors. The Board members are however constantly updated with relevant information pertaining to the Company, its business and regulatory and market environment.
	Provision of timely and quality information	The Directors receive a comprehensive report of all Board papers and any other additional information requested by the members of the Board, well in advance of the Board meetings. The Chairman ensures that all Directors are briefed on issues arising at the Board Meetings. The Board members are constantly apprised of the industry trends, market dynamics and regulatory information and other matters of interest.
	Financial Acumen	There was a minimum of two members on the Board at any given time during the financial year under review who possessed finance qualifications. All the Directors have extensive exposure to financial and insurance businesses globally.
	Directors' Responsibilities on the Financial Statements	<p>The Directors take responsibility for the preparation of financial statements in accordance with the Sri Lanka Accounting Standards. They are also responsible for maintaining proper accounting records which are intended to disclose, with reasonable accuracy, the financial position of the Company. Some of their specific responsibilities with regard to financial statements include:</p> <ul style="list-style-type: none"> - Selection of suitable accounting policies and bases, applying them consistently and making disclosures in the financial statements. - Presenting information in a relevant, reliable and comparable manner. - Stating that the Company has complied with the applicable Sri Lanka Accounting Standards, subject to any material deviations disclosed and explained in the financial statements. - After making adequate inquiries, making a declaration that the Company has adequate resources to continue as a going concern.

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Corporate Governance

Corporate Governance Principle			Level of Compliance
		Board Performance	The Company does not have a formal procedure for the evaluation of Board performance.
		Directors' Remuneration	
		Remuneration Procedure	The Remuneration Committee is responsible for defining the remuneration policy of the Company. Details of the Remuneration Committee are given on page 63 of this Annual Report.
		Level and make up of remuneration of Directors	The Managing Director is the only Director in 2009 who served in an executive capacity and his remuneration is structured to link with performance and is subject to approval of the Remuneration Committee.
		Compensation commitments on early termination	The Remuneration Committee is empowered through the remuneration policy to determine the terms and conditions, financial package and retirement plan of the Executive Directors and such decisions are approved by the Board of Directors.
		Remuneration Committee Report	The Remuneration Committee has been appointed and functions within the agreed terms of reference. The Remuneration Committee report is given on page 72 of this Annual Report
2	Chairman and Managing Director	Division of responsibilities	The roles and responsibilities of the Chairman and the Managing Director are segregated and clearly defined in the Board's Terms of Reference guaranteeing a balance of power and division of duties in strategic and operational decisions of the Company. The Managing Director's priority is the management of the Company in accordance with the mandate defined by the Board and he is accountable for the achievement of the financial and non-financial objectives as stipulated in the Company plan.
		Chairman's function in the Board	The Chairman is responsible for the leadership of the Board, managing Board Meetings and the business undertaken thereat. The Chairman, together with the Company Secretary is responsible to ensure all relevant issues are on the Board agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations.
		Appraisal of Managing Director	Performance of the Managing Director is assessed by the Board. The Managing Director's financial and non-financial objectives are set at the beginning of each year by the Board in consultation with the Managing Director. The Managing Director's performance is evaluated at the end of the year by the Chairman and the ratings obtained are submitted to the Remuneration Committee which in turn recommends the compensation, perquisites and allowances of the Managing Director to the Board. The Board after consideration of the recommendation makes the final decision.

Corporate Governance Principle					Level of Compliance	
3	Board Committees	Remuneration Committee	Listing Rules of the Colombo Stock Exchange	Rule 7.10.5 (a) The Remuneration Committee shall comprise of a minimum of 2 independent Non-Executive Directors (in instances where an entity has only 2 Directors on its Board) or of Non-Executive Directors a majority of whom shall be independent, which ever shall be higher	Complied	The Remuneration Committee consists of 3 Non-Executive Directors including 2 independent Non-Executive Directors.
				Rule 7.10.5 (a) Whether separate Remuneration Committee is formed or whether the Remuneration Committee of listed parent is used	Complied	The Company has formed a separate Remuneration Committee.
				Rule 7.10.5 (b) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO, to the Board of the Company which will make the final determination upon consideration of such recommendations.	Complied	The Remuneration Committee recommends to the Board the remuneration payable to the Managing Director based on ratings obtained at the annual performance appraisal and market research in relation to compensation. The Board after consideration of such recommendations makes the final decision.
				Rule 7.10.5 (a) 1 Non-Executive Director shall be appointed as the Chairman of the Remuneration Committee by the Board.	Complied	The Chairman of the Remuneration Committee is a Non-Executive Director.
				Rule 7.10.5 (c) The Annual Report should set out the names of the Directors comprising the Remuneration Committee, contain a statement of the Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Complied	Names of the Directors comprising the Remuneration Committee are given on page 63 of this Annual Report. A statement of the remuneration policy is given in the Remuneration Committee report on page 72 and disclosure of remuneration paid to Directors is given on page 122 of this Annual Report.
		Audit and Compliance Committee	Listing Rules of the Colombo Stock Exchange	Rule 7.10.6 (a) The Audit Committee shall comprise of a minimum of 2 independent Non-Executive Directors (in instances where an entity has only 2 Directors on its Board) or of Non-Executive Directors a majority of whom shall be independent, which ever shall be higher	Complied	The Audit and Compliance Committee consists of 3 members who are independent Non-Executive Directors.
				Rule 7.10.6 (a) & 7.10.6 (c) Specify whether a separate Audit Committee is formed or whether the listed parent's Audit Committee is used	Complied	The Company has formed a separate Audit and Compliance Committee.
				Rule 7.10.6 (c) The names of the Directors (or persons in the parent company's committee in case of a group company) comprising the Audit Committee should be disclosed in the Annual Report	Complied	The names of the members of the Audit and Compliance Committee and other information pertaining to the Committee are given on page 63 of this Annual Report.
				Rule 7.10.6 (b) Confirm that the functions of the Audit Committee are in accordance with the rules	Complied	This confirmation is mentioned in the Audit and Compliance Committee Report on page 71 of this Annual Report.

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Corporate Governance

Corporate Governance Principle					Level of Compliance	
				Rule 7.10.6 (a) 1 Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors	Complied	The Chairman of the Audit and Compliance Committee is a Non-Executive Director.
				Rule 7.10.6 (a) and 7.10.6 (c) the Chairman or 1 member of the Audit Committee should be a Member of a recognised professional accounting body	Complied	D Sarath P Wikramanayake is a member of the Audit and Compliance Committee and he is a member of the Institute of Chartered Accountants of Sri Lanka.
				Rule 7.10.6 (a) and 7.10.6 (c) Unless otherwise determined by the Audit Committee, the Chief Executive Officer and Chief Financial Officer attend the Audit Committee meetings	Complied	The Managing Director (CEO) and the Chief Financial Officer attended the Audit and Compliance Committee meetings held during the year under review.
				Rule 7.10.6 (c) The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report	Complied	The Committee determined that the external Auditors of the Company are independent on the basis of the declaration made by them to the effect that they are not aware of any relationship with or interest in the Company or any of its subsidiaries that, in their professional judgment, might reasonably be thought to have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka, applicable on the date of their declaration.
4	Performance Governance				The Company has implemented a framework for monitoring business performance across all levels in an effective and focused manner. This includes a well developed comprehensive structure of planning for a 3 year rolling plan approved by the Board of Directors. Based on the plan the key performance indicators (KPI) are established for each business unit with defined targets. The level of achievement of the KPIs is reviewed on a quarterly basis by the Board and on a weekly/monthly basis by the senior management team. Aviva, as a part of the group performance governance system, has in place a comprehensive framework for regular monitoring of all its business units including the Company in all key financial and non-financial areas. Capital adequacy, solvency and liquidity are some key areas of focus and performance is reviewed and followed up by a dedicated team from Aviva's Asia Pacific Regional Office. This Annual Report including the financial statements provide comprehensive details of the Company's performance during the year under review.	
5	External Auditors				M/s. Ernst & Young functions as the External Auditor of the Company. The audit and non-audit engagements are assigned and carried out under clear and separate scopes as contained in the respective engagement letters. Payments to the External Auditors are reviewed and approved by the Audit and Compliance Committee and such payments made for the year under review are disclosed on page 122 in this Annual Report. Apart from this, the External Auditors do not have any other relationship with or interest in the Company or its subsidiary. The Company, from time to time obtains the services and opinion of the External Auditors on decisions, changes in policies and other changes which have an impact on the financial statements.	

Corporate Governance Principle					Level of Compliance
6	Relations with Stakeholders	Shareholders	Annual General Meeting (AGM)	Constructive use of AGM	The Board of Directors encourages its shareholders to attend and actively participate at the AGM. The Chairman of the Board of Directors invites the External Auditors and lawyers to be present at the AGM to answer any queries raised by shareholders.
				Separate resolutions for each substantially separate issue	The Company proposes separate resolutions on each significant issue.
				Availability of Board Sub Committees to answer	The Chairman of the Board of Directors makes available himself and/or members of the Board Committees and in addition, the top management of the Company is also invited to the AGM to clarify any issues of the shareholders.
				Circulation of Notice and other related documents to Shareholders	The Company circulates the Notice of AGM, summary of the procedures governing voting at the AGM and the Annual Report together with any other relevant and required documents to the shareholders 15 working days prior to the AGM as per the requirements of the Companies Act and Articles of Association of the Company.
		Investors			The Annual Report of the Company contains information and disclosures well exceeding the minimum disclosures required by the applicable regulations and rules. All the necessary material information which needs immediate disclosure as per the Listing Rules of the CSE has been adequately disclosed upon such information being approved by the Board of Directors. Media releases were also used to inform the public on developments and updates about the Company enabling both the existing and potential investors to make timely and fair assessment of the Company's performance.
		Policyholders			The Company is driven by customer oriented policies where any customer may directly communicate with the Managing Director. The call centre is equipped with state of the art technology to assist any customer in any query on a 24/7 basis. The Managing Director has directly written to 200 customers during the year under review via letters in order to obtain feedback and to recognise the pulse of the policyholders to maintain the high standards of customer service. The Net Promoter Score (NPS) survey, which is a structured and formal customer feedback process is carried out and results are reviewed by the management and form the basis for developing strategies to bridge the identified gaps and align the business.
		Employees			The annual Company conference was successfully held and the Aviva Global Employee survey has also been carried out. "Egoz", the Company intranet is used effectively to communicate with employees and the Managing Director himself, carried out a series of discussions with the employees to acquire first hand information and suggestions on how best to improve service standards from those employees who have direct relationship with customers on a day-to-day basis, thereby involving the staff in the execution of Company strategies. A new employee recognition scheme was introduced and more information on employee engagement is disclosed on page 22 of this Annual Report.

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Corporate Governance

Corporate Governance Principle				Level of Compliance
		Regulators		The Company maintains a cordial relationship with the regulators which goes beyond the standard statutory reporting. The Company continued its practice of sharing its views with the regulators in developing new regulatory standards which are in line with global developments. The Company played its role as a member of the Insurance Association of Sri Lanka in providing feedback to proposed regulatory changes, mainly on the proposed amendments to the Regulation of Insurance Industry Act No. 43 of 2000 and proposed amendments to Solvency Margin Rules.
		Market Intermediaries		The Company deals with insurance brokers as market intermediaries and maintained high fairness standards. The Company always strives to encourage the market intermediaries to maintain similar levels of service standards as of the Company. Adequate knowledge sharing on new products has been carried out to ensure that accurate information is passed down to the customer.
		Community		Relationship with the community was mainly based on the Company's CSR activities and more details are disclosed under Corporate Social Responsibility in this Corporate Governance Review and also in the Sustainability Report on Page 28 of this Annual Report. All the advertisements published by the Company went through legal, compliance, product management sign-offs to ensure accuracy and prevent any miscommunications.
7	Major Transactions and material information			The Company did not carry out any Major Transactions as defined in the Companies Act No. 7 of 2007, during the period under review. To ensure proper dissemination of material information, the Company in terms of CSE requirements pertaining to immediate disclosures informs CSE through the Company Secretary and/or a member of the Board as soon as the same is approved by the Board of Directors.
8	Accountability and Audit	Financial Reporting	Statutory and regulatory reporting	The Annual Report and interim financial statements, which are principal tools of communication with shareholders consist of the Company's financial position and the operating results with comprehensive details in excess of the statutory and regulatory requirements are published and circulated to shareholders within the required time period. The statutory accounts comply with the requirements of the Sri Lanka Accounting Standards and the requirements of the CSE and the Companies Act. In the year 2007 the Company initiated Financial Reporting Control Framework (FRCF), with the objective of eliminating material mis-statement in financial reporting based on SOx certification. The certificates meet the requirements of SOx s302 and s404. During the year 2009, the Company covered 54 processes under the FRCF project.
			Other Reporting	A copy of the Annual Report for the year 2008 and the interim financial statements during the year 2009 have been uploaded to the Company's website for the benefit of the stakeholders. Press notices were published in leading newspapers providing financial results and other important developments of the Company. In terms of the Listing Rules

Corporate Governance Principle				Level of Compliance
				of the CSE, soft copies of the financial statements were also provided to the CSE in order to publish them on the CSE website for the benefit of investors.
			Inclusion of Directors' Report in the Annual Report	This is given as the "Annual Report of the Board of Directors' on the affairs of the Company" on page 40 of this Annual Report.
			Inclusion of a statement by Directors' on their responsibility for preparation and presentation of financial statements	This statement is included under Statement of Directors' Responsibilities on page 82 of this Annual Report.
			Inclusion of Management Discussion and Analysis report in the Annual Report	This report is given on page 12 of this Annual Report
			Declaration by the Board that the business is a going concern	This declaration is made in the "Annual Report of the Board of Directors' on the affairs of the Company" on page 40.
			Calling of a Board meeting / EGM if the net assets of the Company are less than half of its stated Capital and duty of Directors on Insolvency	This is a very remote risk to the Company
	Internal Control	Maintaining a sound system of internal controls	Internal Audit	<p>The Internal Audit function of the Company plays an active role in ensuring that effective system of internal controls operates within the Company. The Internal Audit function is reporting to the Audit and Compliance Committee thereby ensuring independence. Aviva has a globally benchmarked standard for planning, conducting and reporting of internal audits and provide necessary technical input to the Company's internal audits. Some of the key measures implemented by internal audit are given below</p> <ul style="list-style-type: none"> - Internal audits are carried out according to an annual risk based Audit plan which is approved by the Audit and Compliance Committee - Periodic audits of the branch offices were carried out and 34 branch offices have been covered during the year
			Other measures	<p>In addition to the above, there are various other measures which are taken by the Company to ensure effective internal controls. Some of them are:</p> <ul style="list-style-type: none"> - Structured processes in place for loss reporting, control exception reporting and compliance breach reporting - implementation of Aviva policies as applicable to local requirements in order to mitigate risks as detailed in the Report on Enterprise Risk Management in page 64 of this Annual Report. - Introduction of "RightCall" as detailed under "Financial Crime Prevention" below. - All major IT systems implemented in the Company are subject to a Post Implementation Review - A bi-annual Corporate Governance self certification process is in place to test how well the corporate governance structure is embedded in the Company at all levels - A comprehensive Business Continuity Plan is in place

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Corporate Governance

Corporate Governance Principle				Level of Compliance
9	Code of Ethics			<p>The Company requires all employees to maintain the highest standards of integrity and honesty in performing duties. Ethics is one of the key considerations of the Company and is embedded in its core values. A Code of Ethics and Professional Conduct has been adopted and made available to all employees by way of Standing Instructions via the intranet and sign-offs from employees are obtained. Some of the requirements in the code are as follows,</p> <ul style="list-style-type: none"> - Fairness, honesty and loyalty towards supporting all actions - Awareness and adherence to the relevant laws - Individual and collective contribution to the well-being of all stakeholders - Avoiding conduct that is likely to reflect adversely on the Company's image - Openness and public disclosure <p>In addition to the above, a separate Code of Ethics and Standard of Conduct is available for the members of the sales force and they are required to make a pledge to uphold this code of ethics and standard of conduct.</p>
10	Corporate Social Responsibility (CSR)			<p>CSR is one of the important aspects of the culture of the Company and is built upon the key elements of inculcating safety, rewarding excellence, inspiring human values, promoting the spirit of entrepreneurship and facilitating a progressive mindset. The Company ensures that the initiatives selected are in line with its overall CSR strategy and are funded adequately to ensure their continuity over a period of time. The initiatives are selected in a formal evaluation by the senior management.</p>
11	Compliance	Regulatory Compliance	Overall framework	<p>The Compliance function is entrusted with the GM - Legal who is an Attorney-at-law and the function is delegated to two separate teams led by Attorneys-at-Law. One team specifically oversees compliance aspects of the sales function of the Company and also ensures compliance with Anti Money Laundering and prevention of terrorist financing as per the relevant statutory enactments and requirements of Financial Intelligence Unit of the Central Bank of Sri Lanka. The other team ensures compliance of all other statutory and regulatory requirements. While the respective departmental heads and managers are responsible for compliance of each applicable requirement, the compliance teams ensure that the best compliance practices are adhered and maintained. The compliance team monitors and adheres to a monthly compliance sign-off process on statutory payment submissions, mandatory reporting requirements and adherence to other regulations as applicable and the sign-offs are randomly re-checked on "show me evidence" basis.</p>
			Companies Act No. 7 of 2007	<p>As a public quoted Company relevant requirements under the Companies Act as a public quoted company, including adequate notices and disclosures are duly complied throughout the year. The Company adopted new Articles of Association in order to comply with the provisions of the Companies Act.</p>

Corporate Governance Principle				Level of Compliance
			Securities and Exchange Commission Act No. 36 of 1987 as amended and related regulations and directives, guidelines issued by the SEC	SEC Act and SEC rules and regulations were applicable and complied by the Company's subsidiary, "Eagle NDB Fund Management Company Limited" until it was divested by the Company.
			Listing Rules of the Colombo Stock Exchange	A new set of Listing Rules was introduced in April 2009 and adequate measures have been taken to comply with the new rules and that the relevant listing rules are complied with throughout the year.
			Inland Revenue Act and related regulations and directives, guidelines issued by the Department of Inland Revenue	The required taxes have been paid and PAYE taxes were deducted from employee benefits and paid to the Department of Inland Revenue. A system change was required to fully comply with the requirements in relation to payment of Withholding Tax and the Company after discussions with the Department of Inland Revenue complied with the requirements.
			Regulation of Insurance Industry Act No. 43 of 2000 as amended and related regulations and directives, rules and guidelines issued by the Insurance Board of Sri Lanka (IBSL)	<p>The following certifications, returns and reports were submitted to the IBSL during the year in compliance with the statutory requirements</p> <ul style="list-style-type: none"> - Annual Return - Quarterly Returns - Quarterly Compliance Certification - Monthly Compliance Certifications on advertising - Actuarial abstracts for the year 2008 - Reinsurance treaties <p>Insurance agents who procure business for the Company are required to fulfill licensing requirements and Company ensured that none of its tied up Agents canvass business for the Company without the license.</p> <p>Continuous update of data relating to recruitments and terminations of insurance agents has been complied with and the industry wide request to amend the formats and search options by IBSL was also duly complied with.</p> <p>The Company during the year 2009 has recruited a fully qualified Actuary and became one of the very few insurance companies in Sri Lanka to employ such Actuary.</p>
			National Insurance Trust Fund Act	<p>The Act established the National Insurance Trust Fund Board (NITF) which took over the administration of the Fund to meet the claims on Strike, Riot and Civil commotion and Terrorism (SRCC & T) and the insurance companies were requested to remit the premiums collected towards the respective SRCC & T cover to the NITF and the Company has duly complied with the requirement.</p> <p>Insurance companies were requested to cede 20% of each risk they reinsure with foreign reinsurance companies to NITF and the Company is now ceding the required portion of the risks that are being reinsured with foreign reinsurance companies.</p>

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Corporate Governance

Corporate Governance Principle				Level of Compliance
			Various laws related to industrial relations	Laws relating to industrial relations pertaining to statutory payments such as, ETF, EPF and gratuity are complied accordingly.
			Resource requirements for compliance function	Adequate resources are provided to support the compliance function including personnel with appropriate knowledge and experience in addition to IT infrastructure. Training and knowledge enhancement of the officers involved in the compliance function is provided adequately including foreign exposure.
12	Self Governance Initiatives	Capital Structure		The stated capital of the Company as at 31 December 2009 is LKR 300 Mn which is in compliance with the rules of the IBSL. IBSL has proposed to increase the stated capital and the Company will comply with such request when it becomes a mandatory requirement.
		Protection of Policyholder interests		<p>The Company, in order to continue with its customer oriented and transparent operations has taken following steps with the aim of protection of policyholder interests.</p> <ul style="list-style-type: none"> - Alliance with the Wayamba University of Sri Lanka to provide an exclusive Financial Management Certificate course for the Direct Sales Force of the Company with the intention of giving competitive advantage as well as the best quality services to the customers - Maintaining a panel of reinsurers who have exemplary financial performance throughout the history and always negotiating best terms at each renewal with the intention of providing the best possible cover at the minimum price to the customers - Maintenance of solvency margin is well in excess of the required margin in terms of the General and Long Term insurance business. The details of solvency margin are given on page 76 of this Annual Report. - Maintenance of a separate fund in order to compensate the policyholders who were victims of misconduct of intermediaries. - Adoption of Code of Ethics and Standards of Conduct for Employees as well as the Direct Sales Force.
		Customer feedback management		<p>The Company maintain a team for Sales Compliance which is assigned to ensure that the Direct Sales Force is complying with the statutory requirements and ethical standards maintained by the Company. The Sales Compliance team follows an effective process on resolving customer complaints and providing them with appropriate solutions. This team is connected to all offices island wide through IT based system and this enables speedy communication relating to complaints and investigations.</p> <p>Misselling and misappropriation of premiums is the industry wide customer complaint and Company has taken strict measures against its tied up Agents where anyone of them is proven guilty. While taking every possible step to recover money from such Agents, the Company maintains a separate fund to remedy the customer in the interim.</p>

Corporate Governance Principle		Level of Compliance
		<p>Policyholders are updated about their policy status regularly by sending confirmations of Premium Positions in order to ensure that they are aware about the status of their policies. Further customer clearance is obtained by the same letter by sending it prior to accepting a resignation of any field staff member.</p> <p>As a self initiative, the Company randomly selected 100 life insurance policyholders and obtained their independent views on the service standards of the Company via a structured questionnaire and the matters raised are duly addressed by the management.</p> <p>Since the queries of the General insurance customers vary, ad hoc measures are taken where officers, executives, managers or top management get involved in resolution depending on the circumstances of each matter.</p>
	Insurance for Directors and Officers	<p>As per the provisions of the Companies Act and upon the authorisation of the Board of Directors, the Company has effected a Directors and Officers liability insurance cover to the members of the Board of the Company and its subsidiary, the details are given under the "Annual Report of the Board of Directors' on the affairs of the Company" on page 46 of this Annual Report.</p>
	Information and Communication Technology	<p>During the year 2009, the Company successfully escrowed the source code of its system software used for Long Term insurance operations after correctly identifying the dependency of the system. The software developer has now undertaken to deposit the source code of the software every quarter with the independent escrow agent overseas.</p> <p>The Company maintained a comprehensive IT Security Policy (among various other policies which are available on the intranet) which is to be adhered by all persons who would use IT infrastructure and related services. Identifying the need of keeping the policies up to date, the Company reviewed the IT security policy and made the revisions as necessary during the year under review.</p> <p>The IT division conducted an IT risk audit with expert assistance from the group and has identified the associated risks and the gaps between the risks and the control measures. Relevant departments are required to take necessary steps to fill in the gaps by agreed target dates.</p>
	Information Security	<p>The Company believes that information is of paramount importance to its operation and it needs to take prudent measures in terms of information security. During the year a company wide awareness campaign was carried out followed by assessment and certification for all employees with regard to information security has been completed.</p> <p>Maintaining high business ethical standards and integrity, Non-Disclosure Agreements were used to protect information from being disclosed to 3rd parties without due authorisation whenever there is a business relationship between the Company and a 3rd party.</p>

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Corporate Governance

Corporate Governance Principle			Level of Compliance
	Financial Crime Prevention		<p>Financial crime has been a major topic in the financial sector in the recent past. The Company foreseeing the risk has implemented financial crime prevention policy in the year 2007. This policy mainly addresses 3 types of financial crime, namely, Money Laundering, Financial Fraud and Bribery and Corruption. During the year 2009, the group has conducted a comprehensive awareness campaign on the prevention of bribery and corruption and all the staff went through a structured on-line training programme and an assessment and have been certified for successful completion of the programme.</p> <p>The whistle blowing policy of the Company took a new dimension with the introduction of "RightCall" which is a trilingual telephone service where any person can report a financial crime. This is a group wide initiative and the service is provided by an independent firm which guarantees utmost confidentiality.</p>
	Enterprise Risk Management		<p>Enterprise Risk Management is a group wide concern. While each line manager has a duty in identifying the risks in their respective areas, the Company has a dedicated team in this area. More information on the Company's Enterprise Risk Management is covered under a separate report on "Enterprise Risk Management" on page 64 of this Annual Report.</p>
	Concern for Environment and energy conservation		<p>Company took several steps targeting environmental conservation and some of them are:</p> <ul style="list-style-type: none"> - Change of default setting for printers to be duplex where both sides of paper being printed in order to minimise the use of papers - Discouraging employees to work after 5.00 pm thereby saving electricity - Waste management initiatives where plastic, paper and carbonic waste are discarded separately enabling recycling

Information on Board Committees

	Audit and Compliance Committee	Remuneration Committee	Investment Committee
Chairman	Harvey Chamberlain (Independent Non-Executive Director)	David Hope (Independent Non-Executive Director)	Gehan Rajapakse (General Manager - Fund Management & Bancassurance)
Members	David Hope (Independent Non-Executive Director) D Sarath P Wikramanayake (Independent Non-Executive Director)	Bill Lisle (Non-Executive Director) D Sarath P Wikramanayake (Independent Non-Executive Director)	Harvey Chamberlain (Independent Non-Executive Director) D Sarath P Wikramanayake (Independent Non-Executive Director)
Secretary	Thusara Ranasinghe	(Ms) Chathuri Munaweera	Gavin D'Rosairo
Agenda	Available	Available	Available

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

	Audit and Compliance Committee	Remuneration Committee	Investment Committee
Invitees	Managing Director GM - Finance Head - Internal Audit Head - Actuarial External Auditors	Managing Director GM - Human Resources Chief Actuary	Managing Director GM- Finance Chief Actuary Independent Consultant Actuary
Frequency of Meetings	Quarterly	Quarterly	Quarterly
Professional Advice	Available	Available	Available
Terms of Reference	Available	Available	Available
Objectives	<ul style="list-style-type: none"> - To review and to make recommendations to the Board with regard to the approval of the Annual Report and accounts of the Company, including of the interim financial statements. - To review and to report to the Board on the effectiveness of the systems of internal controls and risk management - To review the quality of internal and external audits and to secure the timely implementation of audit recommendations - To ensure that the internal audit function is adequately resourced and has an appropriate standing and to also ensure co-ordination between the internal and External Auditors - To determine the fees to be paid to the External Auditors and to make recommendations to the Board with regard to their appointment and also with regard to their ceasing to hold office - To review reports from the external auditor on significant issues arising from the audit of the Company's financial statements and on the Company's internal control environment, as well as to review regular updates on related matters - To review the effectiveness of the corporate compliance framework with financial services and other relevant legislation - To review the scope of each annual audit and its cost effectiveness with the External Auditors and the Management - To perform an independent supervisory role in securing corporate compliance with the Regulation of the Insurance Industry Act and related regulations as well as with other applicable statutes and regulations 	<ul style="list-style-type: none"> - To review and to approve the remuneration policy applicable to employees of the Company - To recommend to the Board the remuneration to be paid to Directors, including the MD, their perquisites and allowances - To review and to approve the grant of employees' stock options (if and when applicable) subject to the approval of the Board 	<ul style="list-style-type: none"> - To set policy guidelines for the management of investment portfolios - To monitor investment performance and to recommend appropriate investment strategies - To ensure that portfolios are managed to achieve their investment objectives whilst adhering to the regulatory requirements - To review the Company's Investment Policy and to place the same before the Board for its approval thereof - To implement the investment policy as approved by the Board - To apprise the Board periodically on the committee's activities - To liaise with the Insurance Regulator in connection with regulations pertaining to investments and to provide information to define the framework for the management of insurance portfolios

Enterprise Risk Management

Why is risk management important?

Corporate failures in the financial industry have increased interest in a robust Enterprise Risk Management (ERM) frameworks as one of the critical success factors for the growth and survival of corporate entities. Some of the failures of global financial giants can be accredited to the lack of focus on ensuring the existence of the ERM function which is considered the cornerstone in managing the risks of an entity.

Broadly, "risk" is defined as an event or uncertainty which impacts the achievement of business objectives including failure to exploit opportunities. Risk is inherent in any business entity and is further enhanced by the environment in which the business operates. ERM is the process of planning, organising, leading, and controlling the activities of an entity, in order to curtail the effects of risk on an entity's capital and earnings. ERM expands the process to include not only the risks associated with accidental losses, but also financial, strategic, operational and other risks.

Aviva has recognised the importance of implementing the ERM framework for the group and its business units and AVIVA NDB Insurance is one of the pioneers in establishing an ERM framework in Sri Lanka.

What is AVIVA NDB's risk management framework?

AVIVA NDB Insurance has greatly benefited from the know-how, synergies and expertise of its parent company Aviva in introducing new management disciplines, and the ERM framework is one such case in point. With the view of establishing a common ERM framework across the global enterprise, Aviva has developed the ERM risk framework known as "101" diagram for the use of the Aviva group and its business units.

AVIVA NDB's Risk Management framework which is in line with Aviva group's Risk Management and Internal Control Policy, defines the minimum standards for risk management. In order to achieve certain "outputs" or "objectives" (e.g. dividends and growth in company value) all businesses essentially take a number of "inputs" or "resources" (e.g. capital, people, fixed assets) which they expose to certain risks. The amount of risk that AVIVA NDB is prepared to accept or tolerate is the "risk appetite", which is an expression of the level of risk:

- To which AVIVA NDB is prepared to expose resources in order to achieve objectives
- The maximum loss AVIVA NDB is prepared to accept as a result of not achieving objectives

By providing insight on the diverse universe of risks to which the Company is exposed, managers are able to control these risks to ensure they remain within risk appetite or tolerance, while balancing these with potential returns to achieve the Company's strategic objectives. The RMF (figure 1) supports this by enabling AVIVA NDB to:

- Produce a comprehensive and accurate view of the risk profile at an appropriate level of materiality, to inform the decision-making process and risk-taking ("Risk Management Methodology")
- Provide management information on material risks which lie outside of risk appetite and those which are volatile and therefore require close management and monitoring ("Insight")
- Provide assurance to stakeholders that risks are being appropriately managed ("Oversight")



Figure 1 – Aviva Risk Management Framework

How are Risks Managed at AVIVA NDB Insurance?

The Company adopts a “three lines of defence” approach to ERM as set out by the Aviva Risk Management framework. Line management, Management Unit and the Internal Audit function constitute the three respective defence lines. The first line of defence, the line management of each business area, has the prime responsibility for effective risk management in their operations, by identifying and making response plans for each risk that is exposed. The Enterprise Risk Management Unit - the second line of defence, is responsible for inculcating the risk management methodology across the line management and provides assistance for a robust risk management capability across the lines. The third line of defence is the Internal Audit Function, which provides assurance on the effectiveness of the control environment.

Risk identification

ERM at AVIVA NDB is an interactive process where risk identification is practised by using both top-down and bottom-up approaches. The Company uses the risks broadly defined by Aviva based on 2 levels to identify and classify specific risks. At present, risk areas

faced by the Company are classified under 6 areas of Level One risks and further drilled-down to 35 categories of Level Two risks. Each of these Level Two risks consists of the possible events or uncertainties that the Company is exposed to in the business environment. This is the top-down approach in identifying and managing risks at AVIVA NDB. The drill-down mechanism allows the entity to further gain insight on organisation-wide risks on a continuous basis. In addition, at process level each process owner along with the ERM unit participates in the risk identification and risk managing process in greater detail by conducting one to one discussions and through workshops which are again re-aligned to level two category as prescribed in Aviva’s Risk Model. This is the bottom-up approach to risk management. This two way approach paves the way to a comprehensive mechanism to gain insight and synchronise the knowledge and know-how of both Aviva and AVIVA NDB for an effective ERM practice.

The diagram below depicts the broad classification of risks identified for AVIVA NDB based on Aviva’s Risk Model.

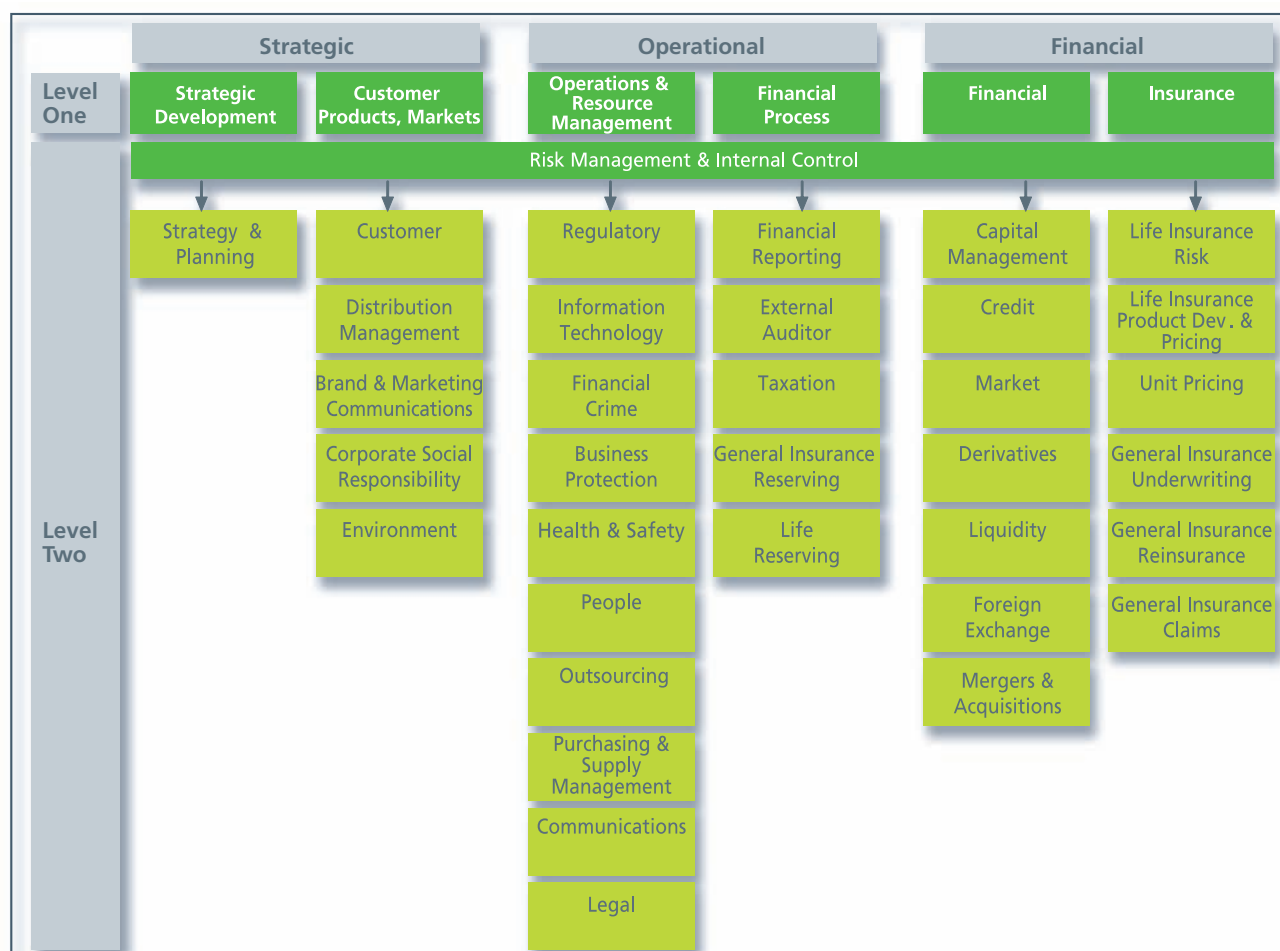


Figure 2 – Aviva Risk Model

Enterprise Risk Management

Risk profiling and recording

Risk profiling and recording for the Company is carried out on a regular basis, covering all risks as identified by the ERM Unit. The key tools used are Risk Navigator, Bubble Map and the Risk Rating Matrix.

The Risk Navigator is also known as the Risk Register in common language and is the universal risk document which records the details on the identified risk such as risk identification number, description, inherent risk rating, residual risk rating, existing and proposed mitigating controls and control effectiveness. The Risk Register is used as the source document in carrying out risk assessments, risk reviews and compiling risk reports.

The Bubble Map incorporates and depicts the rating of each Level Two risk based on the two dimensions of probability and impact. The Bubble Map provides an overview to readers for visualising the key risk and their rating for the entity in a single diagram.

The Risk Rating Matrix is a 4x4 matrix which is used for analysing and assessing risks to determine the inherent and residual risk rating based on the pre-defined limits for assessing the probability and impact of the identified risk. Once the inherent risks are compared with the existing controls, the risk profile is generated with the residual risk rating.

Each residual risk is mapped with the agreed risk tolerance limits and is reported based on the colour coding of Red, Amber and Green known as "RAG" rating status. This determines the key risks which are outside tolerance limits, reaching tolerance limits and risk within tolerance limits respectively in order to prioritise the action plans.

Risk reporting and review

The senior management undertakes a review on key risks faced by the Company, along with the response plans on a regular basis at Business Unit level. The business process and policy owners have also been made an integral part of the risk review, along with the ERM team. This has been the essence of a successful risk management environment at AVIVA NDB. As a group reporting requirement, a quarterly Risk Report is submitted to the Business Risk Committee of Aviva, highlighting the assessment of the residual risk including the status of the mitigation controls. In addition, the risk report is made available to the Board's Audit and Compliance Committee on a quarterly basis.

What are the key risks faced by the Company?

Risks faced by AVIVA NDB are categorised into three high level risks - financial, strategic and operational. Financial risks comprise of insurance, market, credit, liquidity and capital management. Strategic risks include areas such as customers, products and markets as well as any risks to our business model arising from changes in our market and risks arising from mergers and acquisitions. Operational risks arise from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risks include business protection, reputation and regulatory risks, such as compliance.

Financial Risks

Life insurance Risk

Life insurance Risk arises through its exposure to mortality and morbidity insurance and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

What we do at AVIVA NDB to mitigate Life insurance Risk.

Mortality and morbidity risk, i.e. the risk that the incidence of death and sickness claims exceeding, in either number or amount that assumed in the product pricing basis and current embedded value basis is successfully mitigated by prudent assumptions made during the product development stage. Catastrophe risk arising with multiple death claims is mitigated by purchasing adequate reinsurance cover.

Persistency risk, where policyholders terminating their policies in greater numbers or earlier than expected is one of the main areas receiving top management attention at AVIVA NDB. Persistency is a common concern for the Sri Lankan Insurance industry resulting in losses from un-recovered expenses and loss of future profits. Triggers for poor persistency are: diminishing disposable income levels of Sri Lankan consumers, attitude towards the concept of insurance and possibly poor selling practices and customer servicing. Persistency is a complex and significant financial and reputational risk.

Efficient underwriting processes powered by professionally qualified underwriters have enabled AVIVA NDB to reduce bad underwriting practices, such as risks accepted at inadequate premium levels, or by allowing proposals to be accepted which should in fact be declined.

The Company has ensured that appropriate reinsurance is in place for the risks underwritten. The counterparty credit risk from reinsurers is mitigated by selecting reinsurers recommended by Aviva.

The Management continually reviews the products in light of emerging experiences, and as a result is able to utilise opportunities to review charges or remove poor products from sale.

The Expense risk is mitigated by adequate management of acquisition and maintenance expenses, ensuring actual expenses are equal to or less than the charges taken from premiums received. This is achieved by prudent product pricing and excellent expense management.

The Concentration risk arises when similar risks across a wide range of products, which taken individually are not material, but in aggregate create a material risk. This is managed by regular review and monitoring of aggregation risk across the business via Management Information.

Market Risk

The risk of adverse financial impact arising from changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property values, and foreign currency exchange rates is market risk.

The asset liability mismatch is a common concern for the local insurance industry. Unavailability of long term investment instruments to match long-term liabilities arising from life insurance contracts is the main trigger of this risk. Over the years this risk has not materialised as the reinvestment rate was generally higher than the guaranteed maturity value or illustrated maturity value of the insurance products. But as the interest rates have declined significantly, companies will have to give more emphasis to Asset Liability Management in coming years.

What we do at AVIVA NDB to mitigate Market Risk.

It is recognised that risk arising from changes in interest rates, equity prices, credit spreads and defaults and foreign exchange rates is inevitable from the business that AVIVA NDB undertakes, and that a certain level of market risk is desirable to deliver benefits to both policyholders and shareholders by achieving AVIVA NDB's financial objectives.

The primary investment objective is to optimise net of tax and net of expense returns to shareholders and policyholders within Aviva group requirements, whilst maintaining adequate liquidity to meet policyholder obligations and business requirements and to also ensure compliance with all applicable regulatory requirements.

The investment function which was recently outsourced is mainly governed by the investment policy document and the investment mandate. The Investment Committee, which is a Board Committee, oversees investment strategy overall.

The objective of the investment policy is to provide guidance to the AVIVA NDB Investment Committee for decision making regarding the investment of funds of the Company in a manner so as to: ensure safety of investments, maintain liquidity to meet the business requirements and policyholder obligations and provide adequate investment return using authorised investments.

The Company carried out an Asset Liability Management [ALM] review in 2009. In addition a Value at Risk calculation [VaR] was also performed in 2009.

General insurance Risk

General insurance risk may arise from fluctuations in the timing, frequency, severity of claims and claim settlements relative to expectations, unexpected claims arising from a single source, inadequate reinsurance protection or other risk transfer techniques. General insurance risk may also arise from the type of products we offer, the inaccurate pricing of risks when underwritten, terms and benefits of those products and the impact of variations from assumptions on profit.

What we do at AVIVA NDB to mitigate the General insurance Risk

The Company ensures that all new business and renewals are written in accordance with Aviva policy and guidelines. Independent underwriting business reviews are performed by consultants who are experts in the industry. This provides assurance that underwriting integrity is maintained throughout the various operating units across AVIVA NDB. Underwriters understand the types of risks that are within AVIVA NDB's philosophy, those that are outside it and those that need to be treated with caution. The "Underwriting Academy" is the formal training programme where AVIVA NDB underwriters are trained on the technicalities of General insurance underwriting. This ensures the Company possesses a set of underwriters who are technically competent to assess insurance risk.

The Company ensures that products and policy wordings are within the risk appetite and/or are signed off by the appropriate person/s. Regular reviews/checks are conducted to ensure understanding and practice of regulatory requirements. Decision making processes and governance mechanisms are in place to ensure price integrity is maintained.

Enterprise Risk Management

Appropriate claims estimating, claims handling and authorisation processes are in place to ensure accurate reserves and pricing. Employees involved in claims management possess all required skills and are very experienced. Recoveries relating to claims payments are accurately recorded and pursued.

AVIVA NDB manages the risk exposure by obtaining sufficient reinsurance cover. Maximum retention levels are determined and possible gaps in cover between policies issued vs reinsurance obtained are managed effectively.

Credit Risk

Possible losses in the value of financial assets due to any of AVIVA NDB's counterparties failing to meet all or part of their obligations is considered a credit risk. The credit risk that the Company faces arises mainly from loans, reinsurance assets, debt securities and other investments.

What we do at AVIVA NDB to mitigate Credit Risk

In line with the Aviva Credit Policy, counterparty exposures are well managed by eliminating excessive credit exposures to individual counterparties. The credit ratings are reviewed prior to investing and the exposures are analysed regularly to mitigate excessive counterparty exposures. The Company has invested predominantly in government securities, thus significantly reducing the credit risk of the portfolio. As at 31st December 2009, 78.3% of the investment portfolio was invested in government securities.

Reinsurance exposures and concentrations are safely managed by AVIVA NDB by only selecting Aviva approved reinsurers. We ensure that reinsurance is only allowed with financially strong reinsurers that have passed our risk assessment process with the guidance of the group. The reinsurance exposures and concentrations are analysed centrally at group level, giving a global representation of the exposure.

Strategic Risks

Customer Risk

Customer risk can arise by the failure to communicate effectively with existing customers and provide them with the necessary information upon which to make decisions. This may lead to the risk of unfair treatment and/or claims for losses suffered. It can also arise through the Company not paying due regard to the interests of customers and inconsistency in treating them fairly.

What we do at AVIVA NDB to mitigate Customer Risk

In order to mitigate customer risk, fair treatment of customers is made central to our corporate strategy, culture and values and we act with integrity in our dealings with customers.

Products and services that we design, market or sell (including AVIVA NDB products sold via intermediaries or third parties) are appropriately designed to truly meet the needs of targeted consumer groups. Charges are perceived as being fair and our products are considered as providing value for money relative to the benefits they offer.

Consumers are provided with clear, fair and balanced information and are kept appropriately informed before, during and after the point of sale. Commission payments and other incentives lead to products being targeted to customers for whom they are likely to be suitable and, where customers receive advice, the advice is suitable.

By providing continuous training to the Direct Sales Force, the Company ensures that customer service is well above the industry standard and above what customers have been led to expect or should reasonably be able to expect. The Company has ensured that customers do not face unreasonable post-sale barriers to change products, switch provider, submit a claim or make a complaint.

At AVIVA NDB, customers' complaints are properly investigated and are handled fairly, the root causes of complaints are investigated and remedied, and customer feedback is used to design improvements to the customer experience.

AVIVA NDB employees are trained to understand their responsibilities to customers and remuneration and rewards encourage people to treat customers fairly and to win customer advocacy.

Measures and controls are in place to allow senior management to monitor the above risks and track customer-related performance.

Distribution Risk

The distribution model being untenable and distribution channels failing to support the strategic opportunities in the market place, failure to broaden and strengthen our direct distribution capabilities in line with strategy or meet service standards, failure to execute distribution strategy, including establishing inappropriate commission structures are the key risks in distribution.

What we do at AVIVA NDB to mitigate Distribution Risk

The Company has ensured effective distribution channels and appropriate use of channels for products facilitating good business performance. AVIVA NDB's excellent distribution service with more than 50 branches and practices that do not fall short of business and customer expectations ensure business performance, reputation and reinforces our commitment to treat our customers fairly. The Company has the strength of more than 3000 sales agents.

All new agents are given training and guidance to obtain IBSL license in order to sell insurance products. Through extensive training AVIVA NDB endorses good agent sales practices and accountability for compliant practices. A separate Sales Compliance Unit headed by an Attorney-at-Law reiterates the Company's commitment for excellent sales practices.

Non-reliance on individual distributors, distribution channels or client types has given AVIVA NDB the opportunity to manage the concentration risk adequately.

Strategy and Planning Risk

The possibility of AVIVA NDB making inappropriate or adverse strategic choices or being unable to successfully implement selected strategies or related plans and decisions, lack of responsiveness to industry changes, including missing business opportunities, failure to select the optimum balance of risk and return through the alignment of business strategy and risk appetite on an enterprise-wide basis is considered as strategic risk.

What we do at AVIVA NDB to mitigate Strategic Risk

Strategic planning at AVIVA NDB is a two way process where the top down thrust led by the Aviva group is well synchronised with the bottom up drive propelled by the functions of the Company.

Strategy supports AVIVA NDB's objectives and responds appropriately to external and internal opportunities and challenges. At AVIVA NDB, we ensure that strategy is translated into successful operational plans and external risks and trends that may have an impact on our ability to deliver on the strategy are recognised. Our strategy is clearly communicated to businesses and stakeholders. Plans are properly maintained to provide sufficient direction for accomplishing business objectives.

Performance against agreed plans and objectives is monitored and corrective action is taken to ensure satisfactory business results.

Operational Risks

Business Protection Risk

Failure to ensure Business Protection i.e., Information Security, Physical Security, Business Continuity Management/Incident and Crisis Management and policy and compliance is considered Business Protection risk. At AVIVA NDB physical security is further sub-divided and includes personnel, documents, building and travel security, counter terrorism/extremism and security awareness.

What we do at AVIVA NDB to mitigate

Business Protection Risk

The Company reinforces the confidentiality, integrity, availability of AVIVA NDB information and the IT assets used to store, process and transmit such information. AVIVA NDB staff, premises and assets (including information and supporting technology/infrastructure) are protected against internal or external threats, either deliberate or accidental. By way of excellent incident and business continuity management practices, we have the ability to maintain business activities and operations following an incident that may have a significant impact on AVIVA NDB. The health and safety of our employees always takes precedence and employee safety and health is not compromised or put at risk. Business protection at AVIVA NDB is a team based process with specialists from Information Technology, Physical Security, Health and Safety, Human Resources, Logistics and Enterprise Risk Management offering in their input.

In 2009 all AVIVA NDB employees were given training and took part in an online quiz driven by the Aviva group on Business Protection.

Financial Crime Risk

The risk is failure to detect, prevent and report financial crime in respect of fraud, malpractice, corruption, money laundering and any other illegal behaviour. Unacceptable levels of fraud, malpractice, corruption and/or any illegal activity commissioned by an external party/parties, failing to meet requirements of regulation and legislation regarding financial crime management is considered as financial crime risk at AVIVA NDB.

What we do at AVIVA NDB to mitigate Financial Crime Risk

As a result of strict rules and procedures, we ensure that AVIVA NDB is not used as a conduit for the proceeds of crime or to facilitate the funding of terrorism. Anti Money Laundering initiatives are coordinated by the Sales Compliance Division and it regularly submits reports/ findings to the regulator.

Enterprise Risk Management

Controls infrastructure is well established with adequate monitoring to prevent and deter any act of fraud, malpractice, corruption and / or any other illegal activity that may be undertaken by an external party. This includes policyholder fraud which is managed as part of business operations.

The Company has appropriate systems and controls to manage financial crime risks which could expose AVIVA NDB to regulatory or legal censure. These meet the requirements of regulators and legislators.

In 2009 "Right Call" – The hotline to report any issues relating to fraud and malpractice was launched. This Aviva group led initiative is driven by an independent company operating in the United States.

In 2009 AVIVA NDB employees were given training and took part in an online quiz driven by the Aviva group, on bribery and corruption.

Regulatory Risk

The risk of a negative impact on business activities, earnings or capital, regulatory relationships or reputation as a result of failure or inability to comply fully with regulations, law, or codes applicable specifically to the Insurance industry is defined as regulatory risk.

What we do at AVIVA NDB to mitigate Regulatory Risk

We have been able to effectively manage the risk of changing regulations via monitoring, assessing and managing the impact of changing financial services regulation or regulatory standards.

Regulatory compliance coupled with self regulation is ensured in all activities of the Company. Thus AVIVA NDB is not exposed to regulatory action or censure due to a breach of regulation.

The Company maintains positive relationships with the financial services regulators, including meeting the requirements of action plans prescribed by the regulators.

The Company, along with other leading insurance companies, is taking an active role in lobbying the regulator for industry issues/risks which adversely impact the insurance industry.

Enterprise Risk Management for peace of mind

Emphasis continues to be directed towards creating awareness on risk management and methodology at AVIVA NDB. Commitment from senior management as well as those at operational level, has ensured that employees are aware of the strategic importance of creating a risk management culture across the Company.

The Enterprise Risk Management team drives the risk management discipline and has been able to obtain the active participation of employees across the business in the risk identification and risk mitigation process. The bi-annual Managing Director's sign-off on Corporate Governance to the group, further strengthened the level of involvement by the ERM team within the business. The sign off provides assurance that all key inherent risks within the business have been identified and assessed; that the business operates in a manner which conforms to the minimum standards outlined in the Risk Management Policies; that action plans are in place to rectify ineffective controls and bring associated out-of-tolerance residual risks within tolerance and that the business has a governance structure that is appropriate to oversee its risk management activities. In addition the certification ensures that the business operates a delegated authority structure that is appropriate to oversee its activities. Prior to the Managing Director's bi-annual sign-off to the group, each policy owner signs-off, confirming that a review of material risks and internal control measures pertaining to their respective areas of responsibility have been carried out, including reporting the occurrence of any key control exceptions.

All these untiring efforts of the team within AVIVA NDB are to provide Peace of Mind to our stakeholders ensuring a workplace with peace of mind.

Audit and Compliance Committee Report

This report provides details of the role of the Audit and Compliance Committee of AVIVA NDB Insurance PLC and the work it has undertaken during the year under consideration.

The purpose of the Committee is to assist the Board in discharging its responsibilities for the integrity of the Company's financial statements, the assessment of the effectiveness of the control environment and ensuring the objectivity and independence of external and internal auditors.

The Committee consists of three independent, Non-Executive Directors – Harvey Chamberlain, Sarath Wikramanayake and David Hope. Sarath Wikramanayake is a member of the Institute of Chartered Accountants of Sri Lanka. The Board is satisfied that these Directors possess recent and relevant financial experience.

The Committee met four times during the year under consideration.

The Managing Director and General Manager Finance attended all meetings as invitees. Other members of the senior management attended as invitees as and when required. The External Auditors attended three meetings out of the four meetings held.

The Committee recommends the quarterly financial statements, annual accounts and the Annual Report and connected documentation to the Board. It focuses on their fair presentation and disclosure, reasonability of estimates and judgmental factors and appropriateness of significant accounting policies adopted in preparation of financial statements. The Committee also reviews the annual plan of the Company's internal audit function and the Company's enterprise level risk profile.

The Board receives a copy of the minutes of each meeting of the Committee.

The External Auditors were given adequate access and hearing by the Committee to ensure independence and objectivity. The External Audit plan was tabled and noted by the Committee. The Management Letter issued by the External Auditors was received by the Committee.

Reports on all internal audit assurances carried out during the period were tabled and reviewed by the Committee. Progress on implementation of internal audit recommendations was regularly followed up by the Committee to ensure operating of effective internal control and enhancement of the overall control environment.

The effectiveness of the business Risk Management process for identifying and managing risk faced by the Company was appraised by the Committee. Quarterly Risk Assessment reports were tabled and reviewed by the Committee to ensure that the Company's Risk Profile remains current and relevant. The Committee routinely monitored the effectiveness of key controls and implementation status of future mitigation actions to manage identified risks.

The Quarterly Compliance and other assurance reports pertaining to Control Exceptions, Fraud & Malpractice and Anti-Money Laundering and other significant matters were tabled and reviewed by the Committee. The Committee further appraised the action in place to control any issues identified in these reports.

Appointment of the External Auditors

The Committee has recommended to the Board that Messrs. Ernst & Young, Chartered Accountants be re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2010, subject to approval by the shareholders at the forthcoming Annual General Meeting.

The Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, code of ethics and standard of conduct have been followed.

The Audit & Compliance Committee has conducted its affairs in compliance with the applicable requirements specified in the Listing Rules of the Colombo Stock Exchange.



Harvey Chamberlain

*Chairman, Audit and Compliance Committee,
12 February 2010*

Remuneration Committee Report

The Remuneration Committee of AVIVA NDB Insurance PLC is appointed by the Board from amongst the Directors of the Company and comprises of three Non-Executive Directors. The Managing Director and the Head of HR attend the meetings on invitation by the Committee.

The overall duties of the Remuneration Committee are:

1. To review and approve remuneration policy of the Company
2. To recommend to the Board of Directors the remuneration to be paid to the Executive Directors, their perquisites and allowances
3. To review and to approve the grant of employees' stock options (if and when such schemes are applicable) subject to the necessary approvals including the approval of the Board of Directors

The Committee shall meet not less than twice a year. The minutes of the Committee are circulated to and affirmed by the Board of Directors. The Committee has the authority to seek external independent professional advice on matters within the purview of the Committee. The Committee is also authorised to invite professional advisers or others with relevant experience to assist it in its duties and to attend meetings.

In 2009, the Committee held two meetings in order to dispatch its business.



David Hope

Chairman, Remuneration Committee

12 February 2010

Investment Committee Report

The Investment Committee of AVIVA NDB Insurance PLC is appointed by the Board of Directors of the Company and comprises 3 members of whom 2 are Non-Executive Directors. The functions of the Investment Committee are defined in the Board's Terms of Reference for the Investment Committee.

Scope and Objectives

The Investment Committee provides a key oversight function as regards the investment operations of the Company and provides guidance to the investment managers on the investment objectives of the portfolios and the broad investment strategy to be adopted.

The objectives of the Investment Committee include:

- Set policy guidelines for the management of investment portfolios
- Monitor investment performance and recommend appropriate investment strategies

- Ensure that the portfolios are managed to achieve their investment objectives whilst adhering to the regulatory requirements
- Review the Company's investment policy and place same before the Board of Directors for its approval
- Implement the investment policy as approved by the Board of Directors
- Apprise the Board of Directors periodically on the Committee's activities
- Liaise with the Insurance Regulator in connection with regulations pertaining to investments and provide information to define the framework for the management of insurance portfolios

The Committee has the authority to seek external professional advice on matters within the purview of the Committee and is also authorised to invite professional advisors or others with relevant experience to assist it in its duties and to attend meetings.

Members

The following members served on the Investment Committee during the year.

Member	From	Period To
G S Rajapakse (Chairman from 31 January 2009)	31 January 2009	To date
D S P Wikramanayake	02 February 2006	To date
Harvey Chamberlain (From 11 March 2009)	11 March 2009	To date
R Arora (Chairman from 3 October 2007 to 31 January 2009)		Resigned on 31 January 2009
A Sahgal (From 14 November 2007 to 31 January 2009)		Resigned on 31 January 2009
G Salmon (From 31 January 2009 to 11 March 2009)		Resigned on 11 March 2009
G D'Rosairo (Secretary)	12 May 2009	To date

Meetings and Attendance

The Investment Committee meets at least 4 times during the year and the Managing Director, the Chief Financial Officer and Senior Management representation from the areas of Actuarial and Investments attend the meeting on invitation by the Committee.

As defined in the Board's Terms of Reference, the Investment Committee convened on 5 occasions during 2009 and given below is the members' attendance at the meetings.

Member	10 February 2009	12 May 2009	12 August 2009	9 November 2009	Attendance 17 December 2009
G S Rajapakse (Chairman from 31 January 2009)	✓	✓	✓	✓	✓
D S P Wikramanayake	✓	✓	✓	✓	✓
Harvey Chamberlain (From 11 March 2009)		✓	✓	✓	✓
G Salmon (From 31 January 2009 to 11 March 2009)	✓				

Reporting

The Investment Committee reports on its deliberations, activities, matters reviewed, recommendations made and decisions reached at every meeting of the Board of Directors of the Company.



Gehan Rajapakse

Chairman, Investment Committee

12 February 2010

Actuary's Report – Life Insurance

To the Shareholder of Eagle Insurance PLC

Actuarial Valuation and solvency of Eagle Insurance PLC as at 31 December, 2009

I have enquired into the affairs of the Life Long Term Insurance business and satisfied myself with the solvency position of the business as required under section 26 of the Regulation of the Insurance Industry Act No. 43 of 2000 and read in conjunction with Solvency Margin (Long Term Insurance Rules 2002), Guidelines on Linked Long Term Business effective from 1 May, 2007, and IBSL circular #22 dated 14th February, 2006.

I have satisfied myself about the accuracy and completeness of the valuation data furnished to me by recommending and checking a wide range of data validations and results checks, and going through the books of the Company.

I have examined the methodology and assumptions used in determining the Life reserves of the Company. For areas not covered by IBSL regulations and guidelines, reserves are computed in accordance with generally acceptable international actuarial principles.

Adequate and proper reserves have been provided for all current and contingent liabilities in respect of long term business as of 31 December 2009, taking into account the dividend declared up to and including the date of valuation.

The liability so provided and the surplus of the fund transfer to the shareholders' account are matched by corresponding assets whose values are not less than the total liabilities.

In accordance with the policy conditions of Eagle Insurance for Living policies, I have recommended an annual dividend rate of 14.1% for the financial year ending 31 December, 2009.



C.F. WONG

Fellow member, Society of Actuaries, USA

Fellow member, Singapore Actuarial Society

1 February, 2010

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Actuary's Report – General Insurance



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towerswatson.com

2 February 2010

To the shareholders of Eagle Insurance PLC

Actuarial investigation of Eagle Insurance Company's policy liabilities as at 31 December 2009

In accordance with the engagement letter dated 22 June 2009, Watson Wyatt Insurance Consulting Pte Ltd, a Towers Watson Company (together "Towers Watson", "we", "us") has conducted an investigation into the valuation of the general insurance policy liabilities as required under paragraph 3 of the Solvency Margin (General Insurance) Rules, 2004, and confirms that the valuation is in accordance with the requirements stipulated in the Insurance Regulations. We have examined the actuarial assumptions used in determining the loss reserves for Eagle. We have based our analysis on a gross and net of reinsurance basis in Sri Lanka Rupee currency.

We have also been asked by Eagle to calculate a level of prudential margin for the claims liabilities. There are no established requirements or guidelines in Sri Lanka which specify how these items are to be calculated. However, Aviva guidelines dictate that the margin, together with the best estimate of claim liabilities, should produce a 75% probability of adequacy of the claim liabilities and we have estimated the margin as such.

In our opinion, the policy liabilities as at 31 December 2009 based on the data provided by Eagle:

- are computed in accordance with generally accepted loss reserving standards and principles; and
- make a reasonable provision for all unpaid insurance losses and external claim management expenses of the Company. In particular, we have assumed that Unallocated Loss Adjustment Expenses ("ULAE") represents 5% of the net estimate of the outstanding claims. In making these assumptions, we have assumed that the Company would continue as a going concern over this period.

We estimated the unexpired risk reserve on a net of reinsurance basis to be greater than the unearned premium reserve amount. Therefore, the Company has adopted the unexpired risk reserve amount as the premium liability as at 31 December 2009.

We have not been advised, at this stage, of Eagle's reinsurance arrangements as of 1 January 2010 onwards. Our calculation of the premium liability assumes that a similar program will be adopted with high quality reinsurers, and we therefore have not considered the non-recoverability from reinsurers.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'V. Baker'.

Verne Baker
General Insurance Consulting, Asia Pacific

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Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Statement of Solvency as at 31 December 2009

The statement of solvency for General insurance and Long Term insurance has been prepared in accordance with the Solvency Margin (General insurance) Rules - 2004 and Solvency Margin (Long Term insurance) Rules -2002 respectively and is in line with the formats stipulated by Insurance Board of Sri Lanka.

Long Term Insurance Business:*

	2009 (LKR Mn)
1 Value of admissible assets	16,948
2 Amount of liabilities:	
2.1 Policy liabilities	15,127
2.2 Other liabilities	675
3 Value of admissible assets less amount of liabilities	1,145
4 Factor	5%
5 Required solvency margin	756
6 Solvency ratio (line 3 divided by line 5)	1.51

* Includes conventional, non-unit account and guaranteed unit fund

General Insurance Business:

	2009 (LKR Mn)
1 Value of admissible assets	3,678
2 Amount of total liabilities	2,079
3 Available solvency margin (line 1 minus line 2)	1,599
4 Required solvency margin	342
5 Solvency ratio (line 3 divided by line 4)	4.68

Statement of Approved Assets as at 31 December 2009

Determined as per section 25 (1) of Regulation of Insurance Industry Act No. 43 of 2000 and the Determination made by the Insurance Board of Sri Lanka in terms of the said Act.

Long Term Insurance Business:*

	2009 (LKR Mn)
1 Approved assets maintained in Long Term insurance business	16,948
2 Long Term insurance fund	16,805
3 Excess in approved assets over Long Term insurance fund	143
4 Approved assets as a % of Long Term insurance fund	100.9%
5 Ratio required	100.0%

*includes conventional, non-unit account and guaranteed unit fund.

General Insurance Business:

	2009 (LKR Mn)
1 Approved assets maintained in General insurance business	2,831
2 Technical reserve	1,489
3 Excess in approved assets over technical reserve	1,342
4 Approved assets as a % technical reserve	190.1%
5 Ratio required	100.0%

Note: The statement of solvency and approved assets have been certified by the external auditors of the company as required by the Insurance Board of Sri Lanka



"Creating better processes to improve services..."

Financial Statements

Financial Calendar 2009

Interim Results for 2009

First Quarter	12 May 2009
Second Quarter	12 August 2009
Third Quarter	9 November 2009
Fourth Quarter	9 February 2010

Audited Financial Statements

2008	10 February 2009
2009	9 February 2010

Dividends

2008 - First and Final Dividend	30 March 2009 *
2009 - Interim Dividend	23 June 2009 **
2009 - Final Dividend	23 March 2010 ***

Annual General Meetings

2008, 23rd AGM	30 March 2009
2009, 24th AGM	23 March 2010

* Approved by the Shareholders

** Approved by the Board of Directors

*** Subject to approval by the Shareholders

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The financial statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No 7 of 2007 and Regulation of Insurance Industry Act No 43 of 2000. There are no departures from the prescribed Accounting Standards in their adoption. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by M/s Ernst & Young Chartered Accountants, the external auditors.

The Audit and Compliance Committee of the Company meets periodically with the internal auditors and the independent auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the Audit and Compliance Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has ensured compliance by the Auditor on the Guidelines for the Audit of Listed Companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.



Deepal Sooriyaarachchi
Chief Executive Officer



Leilamani Pereira
Chief Financial Officer
9 February 2010

Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Company and of its subsidiaries. These differ from the responsibilities of the external auditors, which are set out in their Report on page 83 of this Annual Report.

The Companies Act No. 07 of 2007 ("the Act") requires the Directors to prepare financial statements of the Company and of its subsidiary for each financial year comprising:

- An Income Statement, which presents a true and fair view of the income and expenditure of the Company and of its subsidiaries for the financial year under review
- A Balance Sheet, which represents a true and fair view of the state of affairs of the Company and of its subsidiary as at the end of the financial year under review, and which comply with the requirements of the Act

In preparing these financial statements the Directors are required to:

- Select appropriate accounting policies and bases and apply them consistently, subject to any material departures being disclosed and explained
- Make judgements and estimates that are reasonable and prudent
- Ensure that applicable accounting standards have been followed

The Directors adopt the going concern basis in preparing the financial statements. The Directors, having reviewed the business plans for Long Term and General insurance businesses for the period 2010-2012, are of the considered view that the Company and its subsidiary have adequate resources to continue in operation.

The Directors are required by the Act to ensure that the companies within the group maintain accounting records which adequately disclose with reasonable accuracy the financial position of the Company and of its subsidiary.

The financial statements of the group are prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLAS), the Companies Act No. 7 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. In addition, the Company is in conformity with the formats and disclosures prescribed in the Statement of Recommended Practice for Insurance Contracts issued by the Institute of Chartered Accountants of Sri Lanka, which has been made mandatory by the Insurance Board of Sri Lanka with effect from 01 January 2007. The Company is also guided by other recommended best practices. The Directors further confirm that all financial and non-financial requirements stipulated under the Companies Act No. 7 of 2007 pertaining to Directors' duties and responsibilities have been complied with wherever applicable.

The Directors agree to the Long Term and Unit-linked insurance business provisions for the Company on the recommendation of the Reporting

Actuary following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the Reporting Actuary.

The Directors have also taken reasonable steps to establish and maintain appropriate systems of internal controls to safeguard the assets of the Company, prevent and detect frauds and other irregularities. They have also ensured that proper records are maintained and that the information generated is reliable.

The Directors are responsible for providing the auditors with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the financial statements.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company and its subsidiary as at the Balance Sheet date, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



(Ms) Chathuri Munaweera

Company Secretary
9 February 2010

Independent Auditors' Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
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Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF EAGLE INSURANCE PLC.

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Insurance PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at December 31, 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis on Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at December 31, 2009 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our Opinion

1. These financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.
2. The accounting records of Eagle Insurance PLC have also been maintained by the management in the manner required by the rules made by the Insurance Board of Sri Lanka established under the Regulation of Insurance Industry Act No 43 of 2000 so as to clearly indicate the true and fair view of the financial position of the insurer.

Colombo

9th February 2010

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Balance Sheet

As at 31st December			Group		Company	
			2009	2008	2009	2008
	Note	(Page No.)	LKR '000	LKR '000	LKR '000	LKR '000
Assets						
Investments	1	(106)	17,760,977	14,834,964	17,757,035	14,739,110
Investments - Unit-linked	2	(109)	1,330,852	473,706	1,330,852	473,706
Intangible assets	3	(111)	86,173	104,144	86,173	104,144
Investments in subsidiaries	4	(111)	-	-	1,000	51,000
Property, plant and equipment	5	(111)	237,772	272,728	237,772	271,976
Other fund assets	6	(113)	190,769	187,501	190,769	187,501
Policy loans and other loans	7	(113)	1,634,964	1,530,502	1,634,964	1,530,502
Deferred tax asset	8	(114)	128,158	57,074	128,157	57,044
Reinsurance receivable			502,704	492,291	502,704	492,291
Amounts due from subsidiaries	9	(114)	-	-	1,863	858
Trade receivables	10	(114)	847,034	582,598	846,970	575,487
Other assets	11	(115)	1,132,239	813,230	1,132,147	802,178
Cash and cash equivalents	12	(115)	544,022	421,225	540,566	419,546
Cash and cash equivalents - Unit-linked	13	(115)	30,214	21,054	30,214	21,054
Total Assets			24,425,878	19,791,017	24,421,186	19,726,397
Liabilities and Shareholders' Equity						
Liabilities						
Insurance provision - Long Term Conventional	14	(115)	16,686,639	13,989,661	16,686,639	13,989,661
Insurance provision - Long Term Unit-linked	14	(115)	1,361,066	494,760	1,361,066	494,760
Provision for Life fund solvency	15	(116)	175,000	175,000	175,000	175,000
Insurance provision - General	16	(116)	1,865,820	1,447,620	1,865,820	1,447,620
Other funds	17	(116)	190,769	187,501	190,769	187,501
Amounts due to subsidiaries	18	(117)	-	-	-	7,552
Reinsurance creditors	19	(117)	290,298	309,869	290,298	309,869
Income tax liability	20	(117)	236,573	125,565	236,238	115,686
Other liabilities	21	(118)	1,040,236	837,089	1,039,869	835,081
Total Liabilities			21,846,401	17,567,065	21,845,699	17,562,730
Shareholders' Equity						
Stated capital	23	(119)	300,000	300,000	300,000	300,000
Capital reserves	24	(119)	39,916	39,916	39,916	39,916
Revenue reserves	25	(120)	2,239,561	1,884,036	2,235,571	1,823,751
Total Shareholders' Equity			2,579,477	2,223,952	2,575,487	2,163,667
Liabilities and Shareholders' Equity			24,425,878	19,791,017	24,421,186	19,726,397

The accounting policies and notes as set out on pages 99 to 127 form an integral part of the financial statements.

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



Leilamani Pereira
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,



Bill Lisle
Chairman

Colombo
9 February 2010



Deepal Sooriyaarachchi
Managing Director

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Statement of Income

For the year ended 31st December			Group		Company	
			2009	2008	2009	2008
	Note	(Page No.)	LKR '000	LKR '000	LKR '000	LKR '000
Revenue	26	(120)	9,654,799	7,265,318	9,702,796	7,224,859
Gross written premium	27	(120)	7,136,118	6,387,470	7,136,118	6,387,470
Reinsurance premium			(1,014,659)	(1,060,685)	(1,014,659)	(1,060,685)
Net written premium			6,121,459	5,326,785	6,121,459	5,326,785
Net change in reserves for unearned premium			(436,755)	(67,653)	(436,755)	(67,653)
Net earned premium			5,684,704	5,259,132	5,684,704	5,259,132
Benefits, losses and expenses						
Net claims and benefits	28	(121)	(2,661,492)	(2,373,154)	(2,661,492)	(2,373,154)
Commission (net of reinsurance commission)			(602,319)	(552,499)	(602,319)	(552,499)
Deferred commission			41,916	8,074	41,916	8,074
Increase in Long Term insurance fund			(3,563,284)	(2,178,018)	(3,563,284)	(2,178,018)
Other revenue			(1,100,475)	163,535	(1,100,475)	163,535
Asset management fees and related income			7,321	23,752	-	-
Investment income	29	(121)	3,751,277	1,730,038	3,811,093	1,716,752
Other income	30	(121)	211,497	252,396	206,999	248,975
Expenses						
Operating and administrative expenses	31	(122)	(1,912,080)	(1,564,900)	(1,910,897)	(1,559,349)
Profit before taxation	32	(122)	957,540	604,821	1,006,720	569,913
Tax expenses	33	(123)	(227,015)	(141,101)	(219,900)	(126,274)
Net profit for the year			730,525	463,720	786,820	443,639
Basic earnings per share	34	(124)	LKR 24.35	LKR 15.46	LKR 26.23	LKR 14.79
Dividend per share						
Final dividend paid for previous year (LKR)	35	(124)	7.00	3.00	7.00	3.00
Interim dividend paid (LKR)	35	(124)	5.50	-	5.50	-
			12.50	3.00	12.50	3.00

The accounting policies and notes as set out on pages 99 to 127 form an integral part of the financial statements.

Colombo
9 February 2010

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Group Statement of Changes in Equity

For the year ended 31st December 2009

	Note	(Page No)	Stated capital	Capital Reserve	Revenue Reserves				Total equity
				Revaluation reserve	Special reserve fund	Resilience reserve	General reserve	Retained earnings	
			LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 31st December 2007			300,000	39,916	315,510	237,000	955,000	177,806	2,025,232
Final dividend paid for 2007	35	(124)	-	-	-	-	-	(90,000)	(90,000)
Net profit for the year			-	-	-	-	-	463,720	463,720
Transfer from special reserve fund			-	-	(315,510)	-	-	315,510	-
Transfer to resilience reserve			-	-	-	52,000	-	(52,000)	-
Provision for Life fund solvency			-	-	-	-	-	(175,000)	(175,000)
Transfer from general reserve			-	-	-	-	(955,000)	955,000	-
Balance as at 31st December 2008			300,000	39,916	-	289,000	-	1,595,036	2,223,952
Final dividend paid for 2008	35	(124)	-	-	-	-	-	(210,000)	(210,000)
Net profit for the year			-	-	-	-	-	730,525	730,525
Interim dividend paid	35	(124)	-	-	-	-	-	(165,000)	(165,000)
Balance as at 31st December 2009			300,000	39,916	-	289,000	-	1,950,561	2,579,477

Company Statement of Changes in Equity

For the year ended 31st December 2009

	Note	(Page No)	Stated capital	Capital Reserve	Revenue Reserves				Total equity
				Revaluation reserve	Special reserve fund	Resilience reserve	General reserve	Retained earnings	
			LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 31st December 2007			300,000	39,916	315,510	237,000	925,000	167,602	1,985,028
Final dividend paid for 2007	35	(124)	-	-	-	-	-	(90,000)	(90,000)
Net profit for the year			-	-	-	-	-	443,639	443,639
Transfer from special reserve fund			-	-	(315,510)	-	-	315,510	-
Transfer to resilience reserve			-	-	-	52,000	-	(52,000)	-
Provision for Life fund solvency			-	-	-	-	-	(175,000)	(175,000)
Transfer from general reserve			-	-	-	-	(925,000)	925,000	-
Balance as at 31st December 2008			300,000	39,916	-	289,000	-	1,534,751	2,163,667
Final dividend paid for 2008	35	(124)	-	-	-	-	-	(210,000)	(210,000)
Net profit for the year			-	-	-	-	-	786,820	786,820
Interim dividend paid	35	(124)	-	-	-	-	-	(165,000)	(165,000)
Balance as at 31st December 2009			300,000	39,916	-	289,000	-	1,946,571	2,575,487

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Cash Flow Statement

For the year ended 31st December	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Cash flows from operating activities				
Premiums / fees received from customers	7,119,620	6,788,846	7,100,756	6,764,002
Reinsurance premium (net of commission) paid	(800,289)	(852,096)	(800,289)	(852,096)
Claims and benefits paid	(2,890,435)	(2,625,197)	(2,890,435)	(2,625,197)
Reinsurance receipts in respect of claims and benefits	248,673	388,185	248,673	388,185
Cash paid to and on behalf of employees	(602,348)	(444,208)	(595,813)	(429,147)
Interest received	2,757,377	1,830,855	2,750,899	1,814,313
Dividend received	71,279	71,484	71,279	73,820
Other operating cash payments	(2,250,135)	(2,338,241)	(2,276,162)	(2,332,889)
Cash flow from operating activities (Note a)	3,653,742	2,819,628	3,608,908	2,800,991
Income tax / ESC paid	(34,552)	(24,461)	(17,991)	(16,467)
Net cash flow from operating activities	3,619,190	2,795,167	3,590,917	2,784,524
Cash flows from investing activities				
Purchase of liquid investments	(3,528,871)	(2,357,133)	(3,501,798)	(2,341,499)
Purchase of other investments	(6,491,242)	(6,663,839)	(6,491,242)	(6,663,839)
Sale of liquid investments	2,277,302	1,454,610	2,277,302	1,454,263
Sale of other investments	4,567,656	5,016,272	4,567,656	5,016,272
Proceeds from sale of subsidiary	147,770	-	147,770	-
Purchase of intangible assets	(22,963)	(5,067)	(22,963)	(5,067)
Purchase of property, plant and equipment	(63,447)	(118,077)	(63,447)	(117,920)
Proceeds from sale of property, plant and equipment	1,563	9,503	986	3,995
Net cash used in investing activities	(3,112,232)	(2,663,731)	(3,085,736)	(2,653,795)
Cash flows from financing activities				
Final dividend paid for the previous year	(210,000)	(90,000)	(210,000)	(90,000)
Interim dividend paid	(165,000)	-	(165,000)	-
Net cash used in financing activities	(375,000)	(90,000)	(375,000)	(90,000)
Increase in cash and cash equivalents (Note b)	131,958	41,436	130,181	40,729
Note a :				
Profit before working capital changes				
Profit before tax	957,540	604,821	1,006,720	569,913
Amortisation of intangible assets	40,934	42,890	40,934	42,890
Depreciation	97,798	98,915	97,624	98,096
Increase in debtors and other assets	(642,507)	(577,314)	(668,065)	(562,750)
Increase in provision for doubtful debts	51,658	4,001	51,658	4,001
Increase in Long Term insurance funds	3,563,284	2,178,018	3,563,284	2,178,018
Increase in net unearned premium	394,778	59,578	394,778	59,578
Increase in net claims provision	31,595	141,570	31,595	141,570
Increase / (decrease) in creditors	157,933	(120,413)	158,637	(115,452)
Gain on disposal of property, plant and equipment	(953)	(1,601)	(951)	(1,601)
(Gain)/loss on fair value change in investments	(998,318)	389,163	(1,067,306)	386,728
Cash flow from operating activities	3,653,742	2,819,628	3,608,908	2,800,991
Note b :				
Increase in cash and cash equivalents				
Cash and cash equivalents at the end of the year	574,236	442,279	570,780	440,600
Cash and cash equivalents at the beginning of the year	442,278	400,843	440,599	399,871
	131,958	41,436	130,181	40,729

Insurance Revenue Accounts

For the year ended 31st December	Company	
	2009 LKR '000	2008 LKR '000
General insurance		
Gross written premium	2,503,628	2,045,252
Net earned premium	1,271,952	1,133,314
Net claims incurred	(902,653)	(938,076)
Reinsurance commission net of acquisition expenses	13,423	14,347
Operating and administrative expenses excluding non technical expenses	(463,208)	(395,158)
Other technical income	923	94,896
Net underwriting result	(79,563)	(90,677)
Investment income and other income excluding other technical income	620,329	237,084
Non technical expenses	(9,230)	(7,169)
Profit before taxation	531,536	139,238
Key ratios - General insurance		
Net loss ratio	71.0%	82.8%
Net expense ratio	35.3%	25.2%
Net combined ratio	106.3%	108.0%
Combined operating ratio (COR)	99.7%	107.3%
Long Term insurance business		
Gross written premium	4,632,490	4,342,218
Net written premium (net of reinsurance premium and commission)	4,460,920	4,176,101
Investment income and other income	3,396,840	1,633,746
Net claims and benefits	(1,758,839)	(1,435,078)
Commission	(621,994)	(609,055)
Operating and administrative expenses	(1,438,459)	(1,157,021)
Increase in Long Term insurance fund	(3,563,284)	(2,178,018)
Income tax expenses	(155,184)	(150,675)
Surplus transfer to shareholders' fund	320,000	280,000

Industry Segment Data – Balance Sheet 2009

As at 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Assets					
Investments	2,870,523	14,886,512	3,942	-	17,760,977
Investments - Unit-linked	-	1,330,852	-	-	1,330,852
Intangible assets	86,173	-	-	-	86,173
Investments in subsidiaries	1,000	-	-	(1,000)	-
Property, plant and equipment	237,772	-	-	-	237,772
Other fund assets	190,769	-	-	-	190,769
Policy loans and other loans	241,218	1,393,746	-	-	1,634,964
Deferred tax asset	65,036	63,121	1	-	128,158
Reinsurance receivable	411,761	90,943	-	-	502,704
Amounts due from subsidiaries	415	1,448	-	(1,863)	-
Trade receivables	846,970	-	64	-	847,034
Other assets	345,849	786,298	92	-	1,132,239
Cash and cash equivalents	164,862	375,704	3,456	-	544,022
Cash and cash equivalents - Unit-linked	-	30,214	-	-	30,214
Total Assets	5,462,348	18,958,838	7,555	(2,863)	24,425,878
Liabilities and Shareholders' Equity					
Liabilities					
Insurance provision - Long Term Conventional	-	16,686,639	-	-	16,686,639
Insurance provision - Long Term Unit-linked	-	1,361,066	-	-	1,361,066
Provision for Life fund solvency	175,000	-	-	-	175,000
Insurance provision - General	1,865,820	-	-	-	1,865,820
Other funds	190,769	-	-	-	190,769
Amounts due to subsidiaries	-	-	1,863	(1,863)	-
Reinsurance creditors	235,781	54,517	-	-	290,298
Income tax liability	64,975	171,263	335	-	236,573
Other liabilities	354,516	685,353	367	-	1,040,236
Total Liabilities	2,886,861	18,958,838	2,565	(1,863)	21,846,401
Shareholders' Equity					
Stated capital	300,000	-	1,000	(1,000)	300,000
Capital reserves	39,916	-	-	-	39,916
Revenue reserves	2,235,571	-	3,990	-	2,239,561
Total Shareholders' Equity	2,575,487	-	4,990	(1,000)	2,579,477
Liabilities and Shareholders' Equity	5,462,348	18,958,838	7,555	(2,863)	24,425,878
Capital expenditure	86,407	-	-	-	86,407

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Industry Segment Data – Balance Sheet 2008

As at 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Asset Management LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Assets						
Investments	2,183,180	12,555,930	92,381	3,473	-	14,834,964
Investments - Unit-linked	-	473,706	-	-	-	473,706
Intangible assets	104,144	-	-	-	-	104,144
Investments in subsidiaries	51,000	-	-	-	(51,000)	-
Property, plant and equipment	271,976	-	721	31	-	272,728
Other fund assets	187,501	-	-	-	-	187,501
Policy loans and other loans	397,085	1,133,417	-	-	-	1,530,502
Deferred tax asset	57,044	-	22	8	-	57,074
Reinsurance receivable	408,356	83,935	-	-	-	492,291
Amounts due from subsidiaries	858	-	-	-	(858)	-
Trade receivables	575,487	-	7,008	103	-	582,598
Other assets	343,732	458,446	18,512	161	(7,621)	813,230
Cash and cash equivalents	88,264	331,282	473	1,206	-	421,225
Cash and cash equivalents - Unit-linked	-	21,054	-	-	-	21,054
Total Assets	4,668,627	15,057,770	119,117	4,982	(59,479)	19,791,017
Liabilities and Shareholders' Equity						
Liabilities						
Insurance provision - Long Term Conventional	-	13,989,661	-	-	-	13,989,661
Insurance provision - Long Term Unit-linked	-	494,760	-	-	-	494,760
Provision for Life fund solvency	175,000	-	-	-	-	175,000
Insurance provision - General	1,447,620	-	-	-	-	1,447,620
Other funds	187,501	-	-	-	-	187,501
Amounts due to subsidiaries	7,552	-	-	-	(7,552)	-
Reinsurance creditors	218,178	91,691	-	-	-	309,869
Income tax liability	26,800	88,886	10,037	(158)	-	125,565
Other liabilities	442,309	392,772	1,831	1,104	(927)	837,089
Total Liabilities	2,504,960	15,057,770	11,868	946	(8,479)	17,567,065
Shareholders' Equity						
Stated capital	300,000	-	50,000	1,000	(51,000)	300,000
Capital reserves	39,916	-	-	-	-	39,916
Revenue reserves	1,823,751	-	57,249	3,036	-	1,884,036
Total Shareholders' Equity	2,163,667	-	107,249	4,036	(51,000)	2,223,952
Liabilities and Shareholders' Equity	4,668,627	15,057,770	119,117	4,982	(59,479)	19,791,017
Capital expenditure	120,901	-	157	-	-	121,058

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Industry Segment Data – Statement of Income 2009

For the year ended 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Asset Management LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Revenue	1,893,204	7,809,592	33,062	5,144	(86,203)	9,654,799
Gross written premium	2,503,628	4,632,490	-	-	-	7,136,118
Reinsurance premium	(794,921)	(219,738)	-	-	-	(1,014,659)
Net written premium	1,708,707	4,412,752	-	-	-	6,121,459
Increase in net unearned premium	(436,755)	-	-	-	-	(436,755)
Net earned premium	1,271,952	4,412,752	-	-	-	5,684,704
Benefits, losses and expenses						
Net claims and benefits	(902,653)	(1,758,839)	-	-	-	(2,661,492)
Commission (net of reinsurance commission)	(28,493)	(573,826)	-	-	-	(602,319)
Deferred commission	41,916	-	-	-	-	41,916
Increase in Long Term insurance fund	-	(3,563,284)	-	-	-	(3,563,284)
	382,722	(1,483,197)	-	-	-	(1,100,475)
Other revenue						
Asset management fees and related income	-	-	24,303	320	(17,302)	7,321
Investment income	598,176	3,212,917	8,364	721	(68,901)	3,751,277
Other income	23,076	183,923	395	4,103	-	211,497
Expenses						
Operating and administrative expenses	(472,438)	(1,438,459)	(14,887)	(3,598)	17,302	(1,912,080)
Profit before taxation /						
Transfer to shareholders' fund	531,536	475,184	18,175	1,546	(68,901)	957,540
Income tax expenses	(64,716)	(155,184)	(6,523)	(592)	-	(227,015)
Net profit for the year /						
Transfer to shareholders' fund	466,820	320,000	11,652	954	(68,901)	730,525

Industry Segment Data – Statement of Income 2008

For the year ended 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Asset Management LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Revenue	1,465,295	5,759,564	76,219	3,899	(39,659)	7,265,318
Gross written premium	2,045,252	4,342,218	-	-	-	6,387,470
Reinsurance premium	(844,285)	(216,400)	-	-	-	(1,060,685)
Net written premium	1,200,967	4,125,818	-	-	-	5,326,785
Increase in net unearned premium	(67,653)	-	-	-	-	(67,653)
Net earned premium	1,133,314	4,125,818	-	-	-	5,259,132
Benefits, losses and expenses						
Net claims and benefits	(938,076)	(1,435,078)	-	-	-	(2,373,154)
Commission (net of reinsurance commission)	6,273	(558,772)	-	-	-	(552,499)
Deferred commission	8,074	-	-	-	-	8,074
Increase in Long Term insurance fund	-	(2,178,018)	-	-	-	(2,178,018)
	209,585	(46,050)	-	-	-	163,535
Other revenue						
Asset management fees and related income	-	-	60,472	507	(37,227)	23,752
Investment income	222,232	1,494,520	14,787	931	(2,432)	1,730,038
Other income	109,749	139,226	960	2,461	-	252,396
Expenses						
Operating and administrative expenses	(402,328)	(1,157,021)	(39,522)	(3,256)	37,227	(1,564,900)
Profit before taxation /						
Transfer to shareholders' fund	139,238	430,675	36,697	643	(2,432)	604,821
Income tax expenses	24,401	(150,675)	(13,981)	(576)	(270)	(141,101)
Net profit for the year /						
Transfer to shareholders' fund	163,639	280,000	22,716	67	(2,702)	463,720

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Industry Segment Data – Cash Flow Statement 2009

For the year ended 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Asset Management LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Cash flows from operating activities						
Premiums / fees received from customers	2,548,299	4,552,457	25,997	4,461	(11,594)	7,119,620
Reinsurance premiums (net of commission) paid	(591,545)	(208,744)	-	-	-	(800,289)
Claims and benefits paid	(1,067,220)	(1,823,215)	-	-	-	(2,890,435)
Reinsurance receipts in respect of claims and benefits	196,162	52,511	-	-	-	248,673
Cash paid to and on behalf of employees	(185,999)	(409,814)	(5,061)	(1,474)	-	(602,348)
Cash received from / transferred to						
Long Term funds / shareholders	320,000	(320,000)	-	-	-	-
Interest received	362,969	2,387,930	5,756	722	-	2,757,377
Dividends received	20,402	50,877	-	-	-	71,279
Other operating cash payments	(628,068)	(1,648,094)	(5,830)	(990)	32,847	(2,250,135)
Cash flow from operating activities (Note a)	975,000	2,633,908	20,862	2,719	21,253	3,653,742
Income tax / ESC paid	(17,991)	-	(4,254)	-	(12,307)	(34,552)
Net cash flow from operating activities	957,009	2,633,908	16,608	2,719	8,946	3,619,190
Cash flows from investing activities						
Purchase of liquid investments	(1,214,079)	(2,287,719)	(15,990)	(469)	(10,614)	(3,528,871)
Purchase of other investments	(2,456,887)	(4,034,355)	-	-	-	(6,491,242)
Sale of liquid investments	1,115,648	1,161,654	-	-	-	2,277,302
Sale of other investments	1,987,572	2,580,084	-	-	-	4,567,656
Sale of subsidiary	147,770	-	-	-	-	147,770
Purchase of intangible assets	(22,963)	-	-	-	-	(22,963)
Purchase of property, plant and equipment	(63,447)	-	-	-	-	(63,447)
Proceeds from sale of property, plant and equipment	976	10	2	-	575	1,563
Net cash used in investing activities	(505,410)	(2,580,326)	(15,988)	(469)	(10,039)	(3,112,232)
Cash flows from financing activities						
Final dividend paid for the previous year	(210,000)	-	-	-	-	(210,000)
Interim dividend paid	(165,000)	-	-	-	-	(165,000)
Net cash used in financing activities	(375,000)	-	-	-	-	(375,000)
Increase/(decrease) in cash and cash equivalents (Note b)	76,599	53,582	620	2,250	(1,093)	131,958
Note a :						
Profit before working capital changes						
Profit before tax	851,536	155,184	18,175	1,546	(68,901)	957,540
Amortisation of intangible assets	40,934	-	-	-	-	40,934
Depreciation	97,624	-	144	30	-	97,798
(Increase)/decrease in debtors and other assets	(192,496)	(475,569)	2,577	15	22,966	(642,507)
Increase/(decrease) in provision for doubtful debts	60,548	(8,890)	-	-	-	51,658
Increase in long term insurance funds	-	3,563,284	-	-	-	3,563,284
Increase in net unearned premium	394,778	-	-	-	-	394,778
Increase in net claims provision	31,595	-	-	-	-	31,595
Increase/(decrease) in creditors	(89,682)	248,319	(119)	1,128	(1,713)	157,933
Gain on disposal of property, plant and equipment	(951)	-	(2)	-	-	(953)
(Gain)/loss on fair value change in investments	(218,886)	(848,420)	87	-	68,901	(998,318)
Cash flow from operating activities	975,000	2,633,908	20,862	2,719	21,253	3,653,742
Note b :						
Increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at the end of the year	164,862	405,918	1,093	3,456	(1,093)	574,236
Cash and cash equivalents at the beginning of the year	88,263	352,336	473	1,206	-	442,278
	76,599	53,582	620	2,250	(1,093)	131,958

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Industry Segment Data – Cash Flow Statement 2008

For the year ended 31st December

	General Insurance LKR '000	Long Term Insurance LKR '000	Asset Management LKR '000	Services LKR '000	Eliminations LKR '000	Group LKR '000
Cash flows from operating activities						
Premiums / fees received from customers	2,444,726	4,319,276	59,143	2,928	(37,227)	6,788,846
Reinsurance premiums (net of commission) paid	(660,307)	(191,789)	-	-	-	(852,096)
Claims and benefits paid	(1,121,129)	(1,504,068)	-	-	-	(2,625,197)
Reinsurance receipts in respect of claims and benefits	324,623	63,562	-	-	-	388,185
Cash paid to and on behalf of employees	(131,408)	(297,739)	(13,892)	(1,169)	-	(444,208)
Cash received from / transferred to						
Long Term funds / shareholders	280,000	(280,000)	-	-	-	-
Interest received	182,331	1,631,982	15,611	931	-	1,830,855
Dividends received	23,851	49,969	96	-	(2,432)	71,484
Other operating cash payments	(598,768)	(1,734,121)	(40,932)	(1,647)	37,227	(2,338,241)
Cash flow from operating activities (Note a)	743,919	2,057,072	20,026	1,043	(2,432)	2,819,628
Income tax / ESC paid	(16,467)	-	(6,811)	(913)	(270)	(24,461)
Net cash flow from operating activities	727,452	2,057,072	13,215	130	(2,702)	2,795,167
Cash flows from investing activities						
Purchase of liquid investments	(457,720)	(1,883,779)	(15,634)	-	-	(2,357,133)
Purchase of other investments	(1,421,248)	(5,242,591)	-	-	-	(6,663,839)
Sale of liquid investments	494,301	959,962	-	347	-	1,454,610
Sale of other investments	856,925	4,159,347	-	-	-	5,016,272
Purchase of intangible assets	(5,067)	-	-	-	-	(5,067)
Purchase of property, plant and equipment	(117,920)	-	(157)	-	-	(118,077)
Proceeds from sale of property, plant and equipment	3,990	5	5,508	-	-	9,503
Net cash used in investing activities	(646,739)	(2,007,056)	(10,283)	347	-	(2,663,731)
Cash flows from financing activities						
Final dividend paid for the previous year	(90,000)	-	(2,500)	(202)	2,702	(90,000)
Net cash used in financing activities	(90,000)	-	(2,500)	(202)	2,702	(90,000)
Increase/(decrease) in cash and cash equivalents (Note b)	(9,287)	50,016	432	275	-	41,436
Note a :						
Profit before working capital changes						
Profit before tax	419,238	150,675	36,697	643	(2,432)	604,821
Amortisation of intangible assets	42,890	-	-	-	-	42,890
Depreciation	98,096	-	739	80	-	98,915
Increase in debtors and other assets	(214,918)	(347,832)	(14,411)	(153)	-	(577,314)
Increase in provision for doubtful debts	4,001	-	-	-	-	4,001
Increase in long term insurance funds	-	2,178,018	-	-	-	2,178,018
Increase in net unearned premium	59,578	-	-	-	-	59,578
Increase in net claims provision	141,570	-	-	-	-	141,570
Increase/(decrease) in creditors	147,734	(263,186)	(5,434)	473	-	(120,413)
Gain on disposal of property, plant and equipment	(1,601)	-	-	-	-	(1,601)
Loss on fair value change in investments	47,331	339,397	2,435	-	-	389,163
Cash flow from operating activities	743,919	2,057,072	20,026	1,043	(2,432)	2,819,628
Note b :						
Increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at the end of the year	88,264	352,336	473	1,206	-	442,279
Cash and cash equivalents at the beginning of the year	97,551	302,320	41	931	-	400,843
	(9,287)	50,016	432	275	-	41,436

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Long Term Insurance Balance Sheet - Supplemental

As at 31st December

As at 31st December		2009 LKR '000		2008 LKR '000	
Assets					
Investments					
Government securities	(Note a)	12,498,742		10,462,117	
Corporate debt		1,360,000		1,486,767	
Quoted shares	(Notes b&c)	858,672		487,841	
Unit trusts	(Note d)	144,098		94,205	
Bank deposits		25,000	14,886,512	25,000	12,555,930
Investments - Unit-linked					
Government securities		557,239		291,655	
Corporate Debt		18,039		-	
Repurchase agreements		85,324		30,918	
Quoted shares		670,250	1,330,852	151,133	473,706
Policy loans			1,309,130		1,133,090
Other loans			84,616		327
Deferred tax asset			63,121		-
Reinsurance receivable			90,943		83,935
Amounts due from subsidiaries			1,448		-
Other assets			786,298		458,446
Cash and cash equivalents		375,704		331,282	
Cash and cash equivalents - Unit-linked		30,214	405,918	21,054	352,336
Total assets		18,958,838		15,057,770	
Liabilities					
Insurance provision - Long Term Conventional			16,686,639		13,989,661
Insurance provision - Long Term Unit-linked			1,361,066		494,760
Income tax liability			171,263		88,886
Policyholders' advance payments			153,303		167,679
Reinsurance creditors			54,517		91,691
Agency commission payable			114,860		71,714
Other liabilities			417,190		153,379
Total liabilities		18,958,838		15,057,770	

The above Long Term Insurance Balance Sheet is to be read in conjunction with the Balance Sheet on page 84, accounting policies and notes to the financial statements on pages 97 to 127.

Notes to the Supplemental Long Term Insurance Balance Sheet

(a) Government Securities

	Long Term	
	2009 LKR '000	2008 LKR '000
Treasury bonds	11,199,688	10,190,662
Treasury bills	1,155,029	-
Repurchase agreements	144,025	271,455
	12,498,742	10,462,117

(b) Quoted Shares

	Long Term					
	Number of shares	2009 Cost LKR '000	Market value LKR '000	Number of shares	2008 Cost LKR '000	Market value LKR '000
Banks, Finance and Insurance						
Central Finance Company PLC	48,700	12,158	15,462	52,300	12,802	8,630
Commercial Bank of Ceylon PLC	231,466	33,553	43,863	347,466	47,389	23,280
DFCC Bank PLC	102,200	15,608	17,067	126,500	18,583	6,704
Hatton National Bank PLC	276,000	29,513	46,989	238,200	21,973	16,614
National Development Bank PLC	-	-	-	-	-	-
Nations Trust Bank PLC	579,398	20,228	21,293	526,998	17,558	11,726
Nations Trust Bank PLC - Warrants 2010	-	-	-	216,398	-	671
Nations Trust Bank PLC - Warrants 2011	-	-	-	108,198	-	433
Sampath Bank PLC	126,700	17,095	25,878	270,000	31,808	18,360
		128,155	170,552		150,113	86,418
Chemical and Pharmaceutical						
Haycarb PLC	-	-	-	220,000	12,528	9,790
Chemical Industries (Colombo) PLC	320,000	16,995	20,160	-	-	-
		16,995	20,160		12,528	9,790
Construction and Engineering						
Colombo Dockyard PLC	254,740	17,141	62,348	382,640	19,749	19,132
		17,141	62,348		19,749	19,132
Diversified Holdings						
Aitken Spence PLC	45,900	18,473	60,818	76,100	28,548	23,667
Hayleys PLC	170,500	23,142	29,283	273,000	36,908	23,478
Hemas Holdings PLC	-	-	-	173,800	20,545	9,602
John Keells Holdings PLC	431,160	60,488	73,944	445,160	71,684	22,258
		102,103	164,045		157,685	79,005
Food and Beverages						
Ceylon Tobacco Company PLC	260,000	21,429	48,100	325,000	20,979	21,450
Distilleries Company of Sri Lanka PLC	292,900	25,727	30,828	245,000	23,421	12,372
Nestle Lanka PLC	85,800	27,821	35,607	52,000	17,370	13,520
Renuka Agri Food Limited	728,300	1,639	1,639	-	-	-
		76,616	116,174		61,770	47,342
Hotels and Travels						
Aitken Spence Hotel Holdings PLC	157,000	14,476	42,272	215,000	19,334	20,425
Asian Hotels and Properties PLC	25,000	2,278	2,363	-	-	-
The Fortress Resorts PLC	1,096,400	13,873	13,431	-	-	-
		30,627	58,066		19,334	20,425

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Supplemental Long Term Insurance Balance Sheet

(b) Quoted Shares (Contd.)

			Long Term			
	Number of shares	2009 Cost LKR '000	Market value LKR '000	Number of shares	2008 Cost LKR '000	Market value LKR '000
Manufacturing						
ACL Cables PLC	182,600	9,426	14,015	277,600	14,330	8,328
Chevron Lubricants Lanka PLC	340,000	16,533	48,195	261,400	23,112	24,049
Piramal Glass Ceylon PLC	6,900,400	17,069	15,181	9,000,000	23,687	11,700
Royal Ceramics Lanka PLC	270,000	12,570	17,955	230,000	10,356	6,440
Tokyo Cement Co. (Lanka) PLC - Non voting shares	-	-	-	1,002,000	16,534	7,264
		55,598	95,346		88,019	57,781
Plantations						
Balangoda Plantations PLC	432,000	17,050	10,368	432,000	17,050	5,184
Kelani Valley Plantations PLC	171,000	12,869	9,063	171,000	12,869	8,122
		29,919	19,431		29,919	13,306
Power and Energy						
Lanka IOC PLC	358,100	10,589	6,177	558,100	16,503	8,511
Vallibel Power Erathna PLC	-	-	-	4,364,900	10,578	14,404
		10,589	6,177		27,081	22,915
Telecommunications						
Dialog Telekom PLC	2,764,730	67,551	20,044	4,714,730	135,004	28,291
Sri Lanka Telecom PLC	1,019,900	36,667	46,915	774,900	25,799	24,022
		104,218	66,959		160,803	52,313
		571,961	779,258		727,001	408,427

(c) Strategic Investment - Quoted Shares

			Long Term			
	Number of shares	2009 Market value LKR '000	Cost LKR '000	Number of shares	2008 Market value LKR '000	Cost LKR '000
Union Assurance PLC	1,875,000	170,156	73,243	1,875,000	93,281	73,243
Serendib Land PLC	25,714	12,857	6,171	25,714	11,571	6,171
		183,013	79,414		104,852	79,414
Quoted shares - total			858,672			487,841

(d) Unit Trusts

		Long Term		
		2009		2008
	Units	Market value LKR '000	Units	Market value LKR '000
Eagle Gilt Edged Fund	3,392,959	34,710	2,933,286	29,940
Eagle Growth Fund	2,000,000	75,220	2,000,000	34,580
Eagle Income Fund	3,304,484	34,168	2,934,791	29,685
Unit trusts		144,098		94,205

Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

1. General

Eagle Insurance PLC* is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. In the report of the Directors and in the financial statements "the Company" refers to Eagle Insurance PLC* as the holding company and "the Group" refers to Eagle Insurance PLC* and its subsidiaries whose accounts have been consolidated therein. The Company is engaged in Life Assurance, and General insurance business. The corporate information of the Company is given on the inner back cover. The registered office and principal place of business of the Company is located at No.75, Kumaran Ratnam Road, Colombo 2.

The Company's parent entity is AVIVA NDB Finance Lanka (Private) Ltd. The Company's ultimate parent entity and controlling party is Aviva International Holdings Ltd., which is incorporated in the United Kingdom.

Date of Authorisation for issue

The consolidated financial statements of the Group for the year ended 31 December 2009 were authorised for issue by the Directors on 9th February 2010.

The notes to the financial statements on pages 106 to 127 form an integral part of the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of Compliance

The Company and Group financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), the requirements of the Companies Act No. 7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000, and the Listing Rules of the Colombo Stock Exchange. The formats and disclosures are in accordance with the Statement of Recommended Practice for Insurance Contracts (SoRP), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

2.2. Basis of Preparation

The Company and Group financial statements have been prepared under the historical cost convention unless stated otherwise.

The Company Balance Sheet represents the assets, liabilities and equity of shareholders. The Group Balance Sheet includes the assets and liabilities of the Company and its subsidiaries. The Long Term insurance Balance Sheet represents the assets and liabilities of Life Policyholders.

The Company Statement of Income reflects the underwriting results of General Insurance business, surplus from Long Term insurance business and investment and other income of General Insurance and Life shareholders. The Group statement of income includes the income of the Company business and income from Asset Management and Trust Services.

2.3. Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Company and Group, rounded to the nearest thousand.

2.4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty of these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The table below sets out those items we consider particularly susceptible to changes in estimates and assumptions, and the relevant note to the accounts.

Item	Note	Page
Deferred tax asset / liability	8	114
Insurance Provision – Long Term	14	115
Insurance Provision – Unit-linked	14	115
Unearned Premium and deferred acquisition cost	16	116
Reserve for outstanding claims	16	116
Unexpired risk reserve	16	116
Retirement benefits	22	118
Notional tax	29 & 33	121 & 123

2.5. Changes in Accounting Policies

The accounting policies are consistent with those used in the previous year and have been consistently applied by the Group other than the following.

During the year the Group re-classified its finite life intangible assets, which was reflected under property, plant and equipment. The accounting policy on intangible assets is stated in Note 3.1.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Accounting Policies

2.6. Effect of Sri Lanka Accounting Standards (SLAS) issued but not yet effective

The following standards have been adopted by the Institute of Chartered Accountants of Sri Lanka and are effective for the company's accounting periods on the dates specified below.

2.6.1. SLAS 39- Share Based Payments- Effective for periods beginning on or after 1st January 2010

SLAS 39- Share based payments require an expense to be recognised where the Group/ Company buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). For equity-settled share-based payment transactions, the entity is required to apply SLAS 39 to grants of shares, share options or other equity instruments that were granted after 1 January 2010. This standard is not expected to have an impact on the company/ group financial statements.

2.6.2. SLAS 44- Financial Instruments; Presentation & SLAS 45- Financial Instruments; Recognition & Measurement

SLAS 44 and 45 were issued in 2008, and will be effective for financial years beginning on or after 1 January 2011. Accordingly, the financial statements for the year ending 31 December 2011 will be required to adopt SLAS 44 and 45.

These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including Derivative) into financial assets, financial liabilities and equity instruments. Accordingly when a financial asset or liability is recognised initially, the group should measure such financial asset or liability at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset, financial liability and subsequently measured either at fair value or amortised cost depending on the categorisation of financial assets and financial liabilities.

The group is currently in the process of assessing the effect on the financial statements due to the adoption of the above standards.

2.7. Comparative Information

Previous years figures have been re-classified wherever necessary, to conform to the current year's presentation.

2.8. Basis of Consolidation

The consolidated financial statements comprise of the financial statements of Eagle Insurance PLC* and its wholly owned subsidiaries NDB AVIVA Wealth Management Limited (formerly known as Eagle NDB Fund Management Company Limited) and Rainbow Trust Management Limited. The investment in Eagle NDB Fund Management Company Limited was divested on 11th of June 2009. Hence the results up to 11 June 2009 have been included in the consolidated income statement.

All companies in the Group have a common financial year, which ends on 31st December.

2.9. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

The results for the year of the fully owned subsidiaries are included in the consolidated statement of income.

The assets and liabilities of the subsidiaries as at the balance sheet date are included in the consolidated balance sheet.

2.9.1. Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2.10. Segmental Reporting

A segment is a distinguishable component of the Group engaged in providing services subject to risks and rewards that are different to those of other segments. The primary format is based on the core businesses of General insurance, Long Term insurance, Asset Management and Trust services.

The Group's activities are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risks and returns that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Expenses directly identified to a particular segment are charged accordingly. Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

2.11. Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lanka rupees at the functional currency rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. All exchange differences are taken to the statement of income.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

3. ASSETS AND THEIR BASES OF VALUATION

3.1. Intangible assets

Purchased computer software licenses are assessed as finite life intangible assets and are carried at cost less accumulated amortisation and any accumulated impairment in value.

Computer software costs are amortised over its estimated useful life of 5 years and assessed for impairment if there is an indication that the asset may be impaired. The amortisation expense is recognised in the Statement of Income.

3.2. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost or fair value less accumulated depreciation and any accumulated impairment in value.

3.2.1. Cost

All items of Property, Plant and Equipment are initially recorded at cost. Such costs include the cost of replacing part of the property, plant and equipment if recognition criteria are met. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued at fair value.

3.2.2. Revaluation

The Group has adopted a policy of revaluing the assets held at valuation every 5 years. When an asset is revalued, any increase in the carrying amount is credited directly to a Revaluation Reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. On disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Revaluation is performed on freehold land and buildings by professionally qualified valuers.

3.2.3. Impairment / Derecognising

Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable.

Items of Property, Plant and Equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognising of the asset is included in the income statement in the year the asset is derecognised.

3.3. Depreciation

Provision for depreciation is calculated by using a straight-line method on the cost or valuation of all Property, Plant and

Equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful lives of assets are as follows:

	No. of Years
Plant and machinery	5
Main frames / mini computers	5
Personal computers and other computer equipment	3 - 5
Equipment and furniture	5
Motor vehicles	4

Full depreciation is provided in the month of purchase and no depreciation is provided in the month of disposal.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

3.4. Operating Leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

3.5. Investments

3.5.1. Investment in Subsidiaries

In the Company's financial statements, investments in subsidiaries are treated as a long term investment and stated at cost. Provision for impairment is made when in the opinion of the Directors there has been a decline other than temporary in the carrying amount of the investment.

3.5.2. Shareholder Fund and Long Term Insurance Fund Investments.

3.5.2.1. Initial recognition

The Group's fund investments include Government securities, debt instruments, equity and unit trusts.

Fund investments are initially recognised at cost, being the consideration paid to acquire the investment and any directly attributable transaction costs.

3.5.2.2. Subsequent Measurement

Subsequent measurement of each class of investment is as follows.

Accounting Policies

3.5.2.3. Government Securities

Investments in Government securities such as treasury bills, treasury bonds and repurchase agreements are stated at cost and interest accrued up to year end.

3.5.2.4. Quoted Shares and Unit Trusts

Quoted shares and unit trusts are stated at market value on the Balance Sheet except for strategic investments which are stated at cost. Gains or losses due to changes in market value are recognised in the statement of income. Provision is made for any permanent diminution in value of strategic investments.

3.5.2.5. Debt Instruments

Debt instruments are held on a long term basis and are stated at cost and interest accrued up to year end. Provision for diminution in value is made when there has been a decline, other than temporary in the value of the investments.

3.5.2.6. Unit-linked Investments

Unit-linked investments are stated at market value with gains or losses due to changes in market value recognised in the Income Statement.

3.5.2.7. Other Fund Investments

Other fund investments include monies that are held for the benefit of persons associated with the company, namely the Agents Superannuation Fund, Scholarship Fund and the Claims Fund.

Other fund investments are stated at market value. Movements in the market values of the investments held under these funds are charged / credited to the respective funds.

3.6. Reinsurance Receivable

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the re-insurance contract.

Reinsurance is recorded gross in the consolidated balance sheet unless a right to offset exists. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises a loss in the statement of income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the reinsurer.

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

3.7. Trade and Other Receivables

Trade and other receivables are stated at their estimated realisable value. Collectability of premiums and other debtors is reviewed on an ongoing basis. Debts which are uncollectible are written off, while adequate provision is made for any long outstanding receivables.

3.8. Other Assets and Receivables

Other assets and receivables are stated at their net realisable value.

3.9. Loans

Loans with fixed maturities including policy loans, staff loans and agents loans are recognised when cash is advanced to borrowers. Loans are carried at the unpaid principal capital balances with interest accrued up year end.

3.10. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment are recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.

3.11. Cash and Cash Equivalents

For the purpose of the Cash Flow Statement cash and cash equivalents comprise cash in hand, deposits held at call with banks and other demand deposits net of book overdraft. In the Balance sheet book overdrafts are included under liabilities.

4. LIABILITIES AND PROVISIONS

All known liabilities have been accounted for in preparing the financial statements.

4.1. Interest Bearing Borrowings

Interest bearing borrowings are recognised at cost.

4.2. Provision for Taxation

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

4.3. Deferred Taxation

Deferred tax is provided using the Liability Method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised 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 tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.4. Trade and other payables

Trade and other payables are stated at cost.

4.5. Provisions (excluding insurance contracts)

Provisions are made for all obligations existing as at the Balance Sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where the inflow of economic benefit is probable.

4.6. Retirement Benefits

4.6.1. Defined Benefit Plans

The Projected Unit Credit method (PUC) is used for the actuarial valuation of the gratuity liability. Under the PUC method, projected accrued benefits are calculated in respect of each benefit that will accrue for all active members covered under the insurance policy as at end of the year. The projected accrued benefit is based on the accrual formula as per policy and the period of service as at end of the year, subject to members' final compensation projected to the age at which the employee is assumed to leave active service. This liability is fully funded through insurance policies obtained from the Company.

The policy liability is the actuarial present value of the projected accrued benefits as at 31st December. 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.

4.6.2. Defined Contribution Plans

The Company and employees contribute to the Provident Fund in terms of the Employees' Provident Fund Act, No. 15 of 1958 as amended. Contributions in respect of permanent employees are made to a private fund approved by the Commissioner of Labour. Contributions in respect of contractual employees are remitted to the Central Bank of Sri Lanka. The Company also contributes to the Employees Trust Fund in terms of the Employees Trust Fund Act, No. 46 of 1980 as amended.

Obligations for contributions to provident and trust funds covering all employees are recognised as an expense in the Statement of Income as incurred.

Accounting Policies

4.7. Dividends

Interim dividends and final dividends paid are recognised in equity in the period in which they are paid.

5. GENERAL INSURANCE BUSINESS

5.1. Gross Written Premium

Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

5.2. Reinsurance Premium

Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates or in accordance with the pattern of reinsurance services received.

5.3. Unearned Premium

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 24th basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

5.4. Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

5.5. Deferred Acquisition Expenses

Deferred acquisition expenses represent commission which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 24ths basis.

5.6. Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December.

Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of Claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries 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 adjustments are reflected in the financial statements for that period. The methods used, and the estimates made, are reviewed regularly.

6. LONG TERM INSURANCE

6.1. Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities, the amount of expected benefit payments.

6.2. Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

6.3. Benefits, Losses and Expenses

Expenses relate to the acquisition and maintenance of Long Term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement.

Interim payments and surrenders are accounted for at the time of settlement.

6.4. Actuarial Valuation for Long term Insurance Provision

The Directors agree to the Long term and unit-linked insurance business provisions for the Company on the recommendation of the Reporting Actuary following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the Reporting Actuary.

6.4.1. Life insurance Contract Liabilities

Life insurance liabilities are recognised when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products.

For the net premium method the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions.

For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing.

For the modified gross premium method the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

7. Asset Management

7.1. Asset Management Fees

Asset management fees consist of portfolio management fees in respect of corporate and individual clients and fund management fees arising from unit trust funds. Asset management fees are based on a contractual fee arrangement applied to assets under management and recognised as earned when the service has been provided. Performance fee is accounted for on a cash basis.

8. Trust Management Services

8.1. Trust Management Fee and Service Charges

Trust management fees and service charges are recognised on an accrual basis.

9. Investment Income

9.1. Interest Income and dividend income

Interest income is recognised in the financial statements on an accrual basis. Interest income from Government Securities is grossed up for withholding tax deducted at source. Dividend income is accrued on declaration.

Withholding tax grossed up in excess of the tax charge for the year is written off to the Income Statement in the same year. This can be written back at any point where the tax charge is greater than the withholding tax paid for the year.

9.2. Realised / unrealised gains

Total net capital gains / (losses) arising on realisation and movements in market value of investments on an aggregate portfolio basis are credited / (charged) to the Statement of Income.

10. Other income

Other income is recognised on an accrual basis.

11. Expenditure recognition

Expenses are recognised in the income statement 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 the income statement.

Notes to the Financial Statements

1. Investments

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Government securities	(Note 1.1)	14,902,105	12,217,581	14,898,163	12,122,770
Bank deposits		25,000	25,000	25,000	25,000
Corporate debt	(Note 1.2)	1,456,964	1,733,569	1,456,964	1,733,569
Quoted shares	(Note 1.3 & 1.4)	1,140,823	704,823	1,140,823	703,780
Unit trusts	(Note 1.5)	236,085	153,991	236,085	153,991
		17,760,977	14,834,964	17,757,035	14,739,110

1.1 Government securities

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Treasury bonds		12,619,680	10,251,528	12,619,680	10,251,528
Treasury bills		1,619,536	1,355,566	1,619,536	1,267,811
Repurchase agreements		662,889	610,487	658,947	603,431
		14,902,105	12,217,581	14,898,163	12,122,770

1.2 Corporate debt - Group / Company

1.2.1 Quoted Debentures

	No. of debentures	Date of maturity	2009			No. of debentures	2008		
			Cost	Market value	Coupon Rate		Cost	Market value	Coupon Rate
			LKR '000	LKR '000	%		LKR '000	LKR '000	%
DFCC Bank PLC	300,000	26/09/2016	300,000	300,000	14.00	300,000	300,000	300,000	14.00
DFCC Bank PLC	100,000	26/09/2011	100,000	100,000	13.75	100,000	100,000	100,000	13.75
DFCC Bank PLC	100,000	26/09/2011	100,000	100,000	20.41	100,000	100,000	100,000	20.41
Nations Trust Bank PLC	4,250,000	19/08/2013	425,000	458,744	21.00	4,250,000	425,000	425,000	21.00
Hatton National Bank PLC	5,000,000	31/07/2022	500,000	542,219	16.75	5,000,000	500,000	500,000	16.75
Sampath Bank PLC	-	-	-	-	-	700,000	70,000	67,634	20.39
			1,425,000	1,500,963		1,495,000	1,492,634		

1.2.2 Unquoted Debentures, Commercial Papers and Fixed Income Loans

	No. of debentures	2009			No. of debentures	2008		
		Cost	Directors' valuation	Coupon Rate		Cost	Directors' valuation	Coupon Rate
		LKR '000	LKR '000	%		LKR '000	LKR '000	%
Unquoted Debentures								
Singer Sri Lanka PLC	-	-	-	-	1,805,000	180,500	180,500	12.00
						180,500	180,500	
Commercial Paper Repurchase Agreements								
Nations Trust Bank PLC	-	31,964	31,964	8.25	-	58,069	58,069	18.44
		31,964	31,964			58,069	58,069	
Corporate debt - Group/ Company		1,456,964				1,733,569		

1.3 Quoted Shares

	Group						Company					
	2009			2008			2009			2008		
	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000
Banks, Finance and Insurance												
Central Finance Company PLC	56,200	13,697	17,844	63,900	15,108	10,548	56,200	13,697	17,844	63,900	15,108	10,548
Commercial Bank of Ceylon PLC	270,686	39,102	51,295	394,986	53,638	26,464	270,686	39,102	51,295	394,986	53,638	26,464
DFCC Bank PLC	120,800	18,470	20,174	147,500	21,269	7,817	120,800	18,470	20,174	147,500	21,269	7,817
Hatton National Bank PLC	309,900	33,846	52,760	270,000	24,676	18,832	309,900	33,846	52,760	270,000	24,676	18,832
National Development Bank PLC	9,000	1,854	1,854	9,000	1,854	774	9,000	1,854	1,854	9,000	1,854	774
Nations Trust Bank PLC	675,398	23,271	24,821	603,998	19,735	13,439	675,398	23,271	24,821	603,998	19,735	13,439
Nations Trust Bank PLC - Warrants 2010	-	-	-	246,398	-	763	-	-	-	246,398	-	763
Nations Trust Bank PLC - Warrants 2011	-	-	-	123,197	-	493	-	-	-	123,197	-	493
Sampath Bank PLC	144,700	19,654	29,555	308,800	36,272	20,998	144,700	19,654	29,555	308,800	36,272	20,998
		149,894	198,303		172,552	100,128		149,894	198,303		172,552	100,128
Chemicals and Pharmaceuticals												
Haycarb PLC	-	-	-	254,100	14,123	11,307	-	-	-	254,100	14,123	11,307
Chemical Industries (Colombo) PLC	357,300	19,047	22,510	8,100	511	233	357,300	19,047	22,510	8,100	511	233
		19,047	22,510		14,634	11,540		19,047	22,510		14,634	11,540
Construction and Engineering												
Colombo Dockyard PLC	287,615	20,341	70,394	428,415	22,351	21,421	287,615	20,341	70,394	428,415	22,351	21,421
		20,341	70,394		22,351	21,421		20,341	70,394		22,351	21,421
Diversified Holdings												
Aitken Spence PLC	53,000	21,936	70,225	88,600	33,956	27,554	53,000	21,936	70,225	88,600	33,956	27,554
Hayleys PLC	198,600	26,814	34,110	300,100	40,369	25,809	198,600	26,814	34,110	300,100	40,369	25,809
Hemas Holdings PLC.	-	-	-	203,088	23,340	11,220	-	-	-	203,088	23,340	11,220
John Keells Holdings PLC.	501,579	69,775	86,021	504,679	81,802	25,234	501,579	69,775	86,021	504,679	81,802	25,234
		118,525	190,356		179,467	89,817		118,525	190,356		179,467	89,817
Food and Beverages												
Ceylon Tobacco Company PLC	300,100	24,698	55,519	360,000	23,248	23,760	300,100	24,698	55,519	360,000	23,248	23,760
Nestle Lanka PLC	99,200	32,323	41,168	59,500	19,876	15,470	99,200	32,323	41,168	59,500	19,876	15,470
Distilleries Co. of Sri Lanka PLC	338,300	29,799	35,606	287,000	27,477	14,493	338,300	29,799	35,606	287,000	27,477	14,493
Renuka Agri Food Limited	884,900	1,991	1,991	-	-	-	884,900	1,991	1,991	-	-	-
		88,811	134,284		70,601	53,723		88,811	134,284		70,601	53,723
Hotels and Travels												
Aitken Spence Hotel Holdings PLC	180,700	17,326	48,653	243,000	21,909	23,085	180,700	17,326	48,653	243,000	21,909	23,085
Asian Hotels and Properties PLC	25,000	2,278	2,363	-	-	-	25,000	2,278	2,363	-	-	-
The Fortress Resorts PLC	1,281,400	16,223	15,697	-	-	-	1,281,400	16,223	15,697	-	-	-
		35,827	66,713		21,909	23,085		35,827	66,713		21,909	23,085

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

1.3 Quoted Shares (Contd.)

	Group						Company					
	2009			2008			2009			2008		
	No. of shares	Cost	Market value	No. of shares	Cost	Market value	No. of shares	Cost	Market value	No. of shares	Cost	Market value
	LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000	
Manufacturing												
ACL Cables PLC	215,400	11,279	16,532	303,400	15,652	9,102	215,400	11,279	16,532	303,400	15,652	9,102
Piramal Glass Ceylon PLC	8,100,400	19,961	17,821	10,050,000	26,450	13,065	8,100,400	19,961	17,821	10,050,000	26,450	13,065
Chevron Lubricants Lanka PLC	389,700	19,290	55,240	289,800	25,602	26,662	389,700	19,290	55,240	289,800	25,602	26,662
Royal Ceremics Lanka PLC	313,500	14,589	20,848	264,500	11,961	7,406	313,500	14,589	20,848	264,500	11,961	7,406
Tokyo Cement Co. (Lanka) PLC												
- Non voting shares	-	-	-	1,159,800	18,781	8,408	-	-	-	1,159,800	18,781	8,408
		65,119	110,441		98,446	64,643		65,119	110,441		98,446	64,643
Plantations												
Balangoda Plantations PLC	508,500	19,895	12,204	499,500	19,710	5,994	508,500	19,895	12,204	499,500	19,710	5,994
Kelani Valley Plantations PLC	198,500	14,877	10,520	195,500	14,718	9,286	198,500	14,877	10,520	195,500	14,718	9,286
		34,772	22,724		34,428	15,280		34,772	22,724		34,428	15,280
Power and Energy												
Vallibel Power Erathna PLC	-	-	-	4,974,900	12,056	16,417	-	-	-	4,974,900	12,056	16,417
Lanka IOC PLC	449,100	12,985	7,747	636,100	18,655	9,701	449,100	12,985	7,747	636,100	18,655	9,701
		12,985	7,747		30,711	26,118		12,985	7,747		30,711	26,118
Telecommunications												
Dialog Telekom PLC	3,134,530	74,510	22,725	5,508,440	153,760	33,050	3,134,530	74,510	22,725	5,334,530	151,531	32,007
Sri Lanka Telecom PLC	1,206,800	43,519	55,513	867,900	28,712	26,905	1,206,800	43,519	55,513	867,900	28,712	26,905
		118,029	78,238		182,472	59,955		118,029	78,238		180,243	58,912
		663,350	901,710		827,571	465,710		663,350	901,710		825,342	464,667

1.4 Strategic Investments - Quoted Shares

	Group						Company					
	2009			2008			2009			2008		
	No. of shares	Market value	Cost	No. of shares	Market value	Cost	No. of shares	Market value	Cost	No. of shares	Market value	Cost
	LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000	
Union Assurance PLC	5,625,000	510,469	219,729	5,625,000	279,844	219,729	5,625,000	510,469	219,729	5,625,000	279,844	219,729
Serendib Land PLC	80,768	40,384	19,384	80,768	36,346	19,384	80,768	40,384	19,384	80,768	36,346	19,384
		550,853	239,113		316,190	239,113		550,853	239,113		316,190	239,113
Quoted shares - total		1,140,823			704,823			1,140,823			703,780	

1.5 Unit Trusts

	Group				Company			
	2009		2008		2009		2008	
	Units	Market value	Units	Market value	Units	Market value	Units	Market value
		LKR '000		LKR '000		LKR '000		LKR '000
Eagle Gilt Edged Fund	4,410,847	45,123	3,813,271	38,710	4,410,847	45,123	3,813,271	38,710
Eagle Growth Fund	3,052,500	114,805	3,052,500	52,778	3,052,500	114,805	3,052,500	52,778
Eagle Income Fund	6,468,777	66,887	5,745,076	58,323	6,468,777	66,887	5,745,076	58,323
Pyramid Unit Trust	500,000	9,270	500,000	4,180	500,000	9,270	500,000	4,180
Unit trusts		236,085		153,991		236,085		153,991

2 Investments - Unit-linked

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Government securities	(Note 2.1)	642,563	322,573	642,563	322,573
Corporate debt		18,039	-	18,039	-
Quoted shares	(Note 2.2)	670,250	151,133	670,250	151,133
		1,330,852	473,706	1,330,852	473,706

2.1 Government securities

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Treasury bills		557,239	291,655	557,239	291,655
Repurchase agreements		85,324	30,918	85,324	30,918
		642,563	322,573	642,563	322,573

2.2 Quoted Shares - Unit-linked

	Group						Company					
	No. of shares	2009 Cost	2009 Market value	No. of shares	2008 Cost	2008 Market value	No. of shares	2009 Cost	2009 Market value	No. of shares	2008 Cost	2008 Market value
		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000
Banks, Finance and Insurance												
Commercial Bank of Ceylon PLC	262,432	38,362	49,731	127,672	17,296	8,551	262,432	38,362	49,731	127,672	17,296	8,551
DFCC Bank PLC	226,700	33,912	37,859	-	-	-	226,700	33,912	37,859	-	-	-
Hatton National Bank PLC	249,800	33,147	42,528	119,700	12,303	8,348	249,800	33,147	42,528	119,700	12,303	8,348
Nations Trust Bank PLC	387,400	12,553	14,237	253,100	7,796	5,632	387,400	12,553	14,237	253,100	7,796	5,632
Nations Trust Bank PLC												
- Warrants 2010	-	-	-	42,500	-	131	-	-	-	42,500	-	131
Nations Trust Bank PLC												
- Warrants 2011	-	-	-	21,249	-	85	-	-	-	21,249	-	85
Sampath Bank PLC	107,600	14,187	21,977	99,200	11,027	6,746	107,600	14,187	21,977	99,200	11,027	6,746
		132,161	166,332		48,422	29,493		132,161	166,332		48,422	29,493
Beverages Food and Tobacco												
Ceylon Tobacco Company PLC	196,600	20,676	36,371	75,300	4,922	4,969	196,600	20,676	36,371	75,300	4,922	4,969
Distilleries Co. of Sri Lanka PLC	253,400	23,102	26,670	205,300	18,743	10,368	253,400	23,102	26,670	205,300	18,743	10,368
Nestle Lanka PLC	70,900	25,404	29,424	38,000	12,694	9,880	70,900	25,404	29,424	38,000	12,694	9,880
Renuka Agri Food Limited	567,400	1,277	1,277	-	-	-	567,400	1,277	1,277	-	-	-
		70,459	93,742		36,359	25,217		70,459	93,742		36,359	25,217
Chemicals and Pharmaceuticals												
Chemical Industries												
(Colombo) PLC	289,500	15,691	18,239	-	-	-	289,500	15,691	18,239	-	-	-
		15,691	18,239		-	-		15,691	18,239		-	-
Construction and Engineering												
Colombo Dockyard PLC	172,465	14,741	42,211	139,965	7,873	6,999	172,465	14,741	42,211	139,965	7,873	6,999
		14,741	42,211		7,873	6,999		14,741	42,211		7,873	6,999

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

2.2 Quoted Shares - Unit-Linked (Contd.)

	Group						Company					
	2009			2008			2009			2008		
	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000	No. of shares	Cost LKR '000	Market value LKR '000
Diversified Holdings												
Aitken Spence PLC	37,500	22,766	49,688	29,400	13,165	9,143	37,500	22,766	49,688	29,400	13,165	9,143
Hayleys PLC	158,000	21,274	27,137	60,000	7,770	5,160	158,000	21,274	27,137	60,000	7,770	5,160
Hemas Holdings PLC	-	-	-	72,800	7,152	4,022	-	-	-	72,800	7,152	4,022
John Keells Holdings PLC	422,188	55,777	72,405	141,988	19,503	7,099	422,188	55,777	72,405	141,988	19,503	7,099
		99,817	149,230		47,590	25,424		99,817	149,230		47,590	25,424
Hotels and Travels												
Aitken Spence Hotel Holdings PLC	125,300	16,367	33,737	89,400	9,027	8,492	125,300	16,367	33,737	89,400	9,027	8,492
Asian Hotels and Properties PLC	154,300	13,323	14,581	-	-	-	154,300	13,323	14,581	-	-	-
The Fortress Resorts PLC	817,000	10,421	10,008	-	-	-	817,000	10,421	10,008	-	-	-
		40,111	58,326		9,027	8,492		40,111	58,326		9,027	8,492
Manufacturing												
ACL Cables PLC	-	-	-	92,800	4,350	2,784	-	-	-	92,800	4,350	2,784
Chevron Lubricants Lanka PLC	339,600	19,532	48,138	90,300	8,810	8,307	339,600	19,532	48,138	90,300	8,810	8,307
Piramal Glass Ceylon PLC	5,885,100	12,494	12,947	2,520,500	6,256	3,277	5,885,100	12,494	12,947	2,520,500	6,256	3,277
Royal Ceremics Lanka PLC	150,000	9,266	9,975	82,800	3,690	2,319	150,000	9,266	9,975	82,800	3,690	2,319
Tokyo Cement Co. (Lanka) PLC	-	-	-	276,200	4,182	2,002	-	-	-	276,200	4,182	2,002
- Non voting shares		41,292	71,060		27,288	18,689		41,292	71,060		27,288	18,689
Plantations												
Balangoda Plantations PLC	-	-	-	234,500	7,072	2,814	-	-	-	234,500	7,072	2,814
Kelani Valley Plantations PLC	227,000	12,959	12,031	95,700	6,532	4,546	227,000	12,959	12,031	95,700	6,532	4,546
		12,959	12,031		13,604	7,360		12,959	12,031		13,604	7,360
Power and Energy												
Vallibel Power Erathna PLC	-	-	-	1,314,700	3,075	4,339	-	-	-	1,314,700	3,075	4,339
Lanka IOC PLC	589,700	12,265	10,172	238,000	5,933	3,629	589,700	12,265	10,172	238,000	5,933	3,629
		12,265	10,172		9,008	7,968		12,265	10,172		9,008	7,968
Telecommunications												
Dialog Telekom PLC	1,118,560	15,017	8,110	1,691,360	32,950	10,148	1,118,560	15,017	8,110	1,691,360	32,950	10,148
Sri Lanka Telecom PLC	886,900	37,416	40,797	365,900	13,477	11,343	886,900	37,416	40,797	365,900	13,477	11,343
		52,433	48,907		46,427	21,491		52,433	48,907		46,427	21,491
Quoted shares		491,929	670,250		245,598	151,133		491,929	670,250		245,598	151,133

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

3 Intangible Assets

3.1 Group / Company

	Cost/valuation as at 01.01.2009 LKR '000	Additions during the year LKR '000	Cost / Valuation as at 31.12.2009 LKR '000
Software	331,969	22,963	354,932
Total	331,969	22,963	354,932
	Amortisation as at 01.01.2009 LKR '000	Charge for the year LKR '000	Amortisation as at 31.12.2009 LKR '000
Software	227,825	40,934	268,759
Total	227,825	40,934	268,759
Net carrying value	104,144		86,173

Software with a cost of LKR 137.2 Mn (2008 - LKR 113.5 Mn) has been fully amortised and continues to be in use by the Group.
All intangible assets have a finite useful life and are being amortised over a period of 5 years.

4 Investment in Subsidiaries (unquoted) at cost

	% Holding		Number of shares		Closing carrying value		Directors' valuation	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09 LKR '000	31.12.08 LKR '000	31.12.09 LKR '000	31.12.08 LKR '000
Investee								
NDB AVIVA Wealth Management Limited**	-	100	-	5,000,000	-	50,000	-	50,000
Rainbow Trust Management Ltd.	100	100	100,000	100,000	1,000	1,000	1,000	1,000
Total			100,000	5,100,000	1,000	51,000	1,000	51,000

** Formerly known as Eagle NDB Fund Management Company Limited.

5 Property, Plant and Equipment

5.1 Group

	Cost/valuation as at 01.01.2009 LKR '000	Additions during the year LKR '000	Disposals during the year LKR '000	Elimination due to disposal of subsidiary LKR '000	Cost / Valuation as at 31.12.2009 LKR '000
Freehold land	57,000	-	-	-	57,000
Plant and machinery	28,530	-	-	-	28,530
Main frames/mini computers	69,586	-	93	-	69,493
Personal computers and other computer equipment	298,174	35,480	10,694	15,302	307,658
Equipment and furniture	182,482	27,406	2,941	1,787	205,160
Motor vehicles	132,811	557	-	165	133,203
Total	768,583	63,443	13,728	17,254	801,044

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

5.1 Group (Contd.)

	Depreciation as at 01.01.2009 LKR '000	Charge for the year LKR '000	Depreciation on disposal LKR '000	Elimination due to disposal of subsidiary LKR '000	Depreciation as at 31.12.2009 LKR '000
Plant and machinery	24,078	1,572	-		25,650
Main frames/mini computers	69,586	-	93		69,493
Personal computers and other computer equipment	227,205	43,446	10,678	15,106	244,867
Equipment and furniture	109,562	24,905	2,931	1,408	130,128
Motor vehicles	65,424	27,875	-	165	93,134
Total	495,855	97,798	13,702	16,679	563,272
Net book value	272,728				237,772

Group property, plant and equipment with a cost of LKR 380.9 Mn (2008 - LKR 295.8 Mn) have been fully depreciated and continue to be in use by the Group.

5.2 Company

	Cost/valuation as at 01.01.2009 LKR '000	Additions during the year LKR '000	Disposals during the year LKR '000	Cost / Valuation as at 31.12.2009 LKR '000
Freehold land	57,000	-	-	57,000
Plant and machinery	28,530	-	-	28,530
Main frames/mini computers	69,586	-	93	69,493
Personal computers and other computer equipment	281,991	35,480	10,470	307,001
Equipment and furniture	180,131	27,407	2,941	204,597
Motor vehicles	132,647	557	-	133,204
Total	749,885	63,444	13,504	799,825

	Depreciation as at 01.01.2009 LKR '000	Charge for the year LKR '000	Depreciation on disposal LKR '000	Depreciation as at 31.12.2009 LKR '000
Plant and machinery	24,078	1,572	-	25,650
Main frames/mini computers	69,586	-	93	69,493
Personal computers and other computer equipment	211,331	43,337	10,456	244,212
Equipment and furniture	107,655	24,840	2,931	129,564
Motor vehicles	65,259	27,875	-	93,134
Total	477,909	97,624	13,480	562,053
Net book value	271,976			237,772

Company property, plant and equipment with a cost of LKR 379.8 Mn (2008 - LKR 294.7 Mn) have been fully depreciated and continue to be in use by the Company.

5.3 Freehold land

	Group		Company	
	2009	2008	2009	2008
Cost	17,084	17,084	17,084	17,084
Revaluation surplus	39,916	39,916	39,916	39,916
Net Book value	57,000	57,000	57,000	57,000

Details of land stated at valuation are given below:

Property	Method of valuation	Effective date of valuation	Property valuer
Freehold land at No.76 and No.80, Kew Road, Colombo 2	Open market value method	06.12.2007	Mr. B.L. Ariyatillake - Chartered Valuer approved by IBSL

6 Other Fund Assets

	Group & Company					
	2009			2008		
	Number of units	Cost LKR '000	Market value LKR '000	Number of units	Cost LKR '000	Market value LKR '000
Government securities		169,534	177,056		166,879	178,987
Cash at bank		1,728	1,728		94	94
Unit Trusts						
Eagle Income Fund	977,204	7,602	10,104	746,619	7,324	7,555
Eagle Growth Fund	50,000	500	1,881	50,000	500	865
		179,364	190,769		174,797	187,501

7 Policy Loans and Other Loans

		Group / Company	
		2009 LKR '000	2008 LKR '000
Policy loans	(Note 7.1)	1,309,130	1,133,090
Other loans	(Note 7.2)	325,834	397,412
		1,634,964	1,530,502

7.1 Policy loans

	Group / Company	
	2009 LKR '000	2008 LKR '000
Balance as at 1st January	1,133,090	859,106
Loans granted during the year	740,608	698,647
Repayments during the year	(564,568)	(424,663)
Balance as at 31st December	1,309,130	1,133,090

Notes to the Financial Statements

7.2 Other loans

	Group / Company	
	2009	2008
	LKR '000	LKR '000
Staff loans	206,745	230,316
Field staff loans	119,089	167,096
	325,834	397,412
Balance as at 1st January	397,412	292,547
Loans granted during the year	239,117	332,665
Repayments during the year	(246,452)	(218,910)
	390,077	406,302
Provision for bad and doubtful debts	(64,243)	(8,890)
Balance as at 31st December	325,834	397,412

7.3 The Company has not granted any loans or advances to Directors during the year.

8 Deferred Tax Asset

Deferred tax assets/liabilities have been recognised for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which the temporary differences and the unused tax losses can be utilised.

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Closing balance of the deferred tax asset	128,158	57,074	128,157	57,044
The closing balance of the deferred tax asset relates to the following:				
Accelerated depreciation for tax purposes	(25,467)	(18,996)	(25,468)	(19,026)
Losses available for offset against future taxable income	153,625	76,070	153,625	76,070
	128,158	57,074	128,157	57,044

Deferred tax assets/liabilities have been computed taking into consideration the tax rate effective from 1 January 2010.

The deferred tax effect on undistributed reserves of subsidiaries has not been accounted for since the parent can control the timing of the reversal of these temporary differences.

9 Amounts due from Subsidiaries

	Company	
	2009	2008
	LKR '000	LKR '000
Rainbow Trust Management Ltd.	1,863	858

10 Trade Receivables

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Premium receivable from:				
- Policyholders	280,297	103,712	280,297	103,712
- Brokers, Agents and Intermediaries	570,430	477,513	570,430	477,513
Other receivables	64	7,111	-	-
Less : Provision for doubtful debts	(3,757)	(5,738)	(3,757)	(5,738)
	847,034	582,598	846,970	575,487

11 Other Assets

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Inventory	13,220	14,670	13,220	14,670
Interest receivable	542,566	437,851	542,566	432,141
ACT recoverable	66,397	66,397	66,397	66,397
ESC recoverable	8,013	16,521	8,013	16,207
WHT recoverable	275,704	155,005	275,632	152,758
Other recoverables	226,339	122,786	226,319	120,005
	1,132,239	813,230	1,132,147	802,178

12 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Call deposits	501,753	170,644	498,388	169,531
Current accounts	39,274	246,713	39,183	246,147
Cash in hand	2,995	3,868	2,995	3,868
	544,022	421,225	540,566	419,546

13 Cash and cash equivalents - Unit-linked

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Current accounts	30,214	21,054	30,214	21,054
	30,214	21,054	30,214	21,054

14 Insurance Provision - Long Term

Insurance provision - Long Term Conventional is relating to the long duration contract liabilities included in the Life Insurance Fund, primarily from traditional non - participating Life insurance products. Annually renewable contracts are only for group insurance products. The Non-unit fund of the linked Long Term business is also included under this provision.

The insurance provision has been established in accordance with the "Solvency Margin (Long Term Insurance) Rules 2002" made by the IBSL, under section 105 read with section 26 of the Regulation of Insurance Industry Act No. 43 of 2000.

The valuation of the Insurance Provision - Long Term insurance business as at 31.12.2009 was made by the Consultant Actuary Mr. C F Wong. According to the results of the valuation the provision of LKR 14,970.4 Mn (2008 LKR - 13,174.0 Mn) is adequate to cover the liabilities pertaining to the Long Term Conventional insurance business inclusive of the liability in respect of policyholders dividends. The dividend includes Life policyholders share of net income that is required to be allocated by the insurance contract or by insurance regulations.

The value of Conventional Life Fund net assets as at 31.12.2009 was LKR 16,922.3 Mn (2008 - LKR 14,251.4 Mn). The Board of Directors decided to transfer LKR 320.0 Mn (2008 - LKR 325.0 Mn) from the Long Term insurance fund to the shareholders' fund. Subsequent to this transfer, the Long Term insurance fund stands at LKR 16,602.3 Mn (2008 - LKR 13,926.4 Mn).

The Non-unit fund of linked long term business stands at LKR 84.3 Mn (2008 - LKR 63.3 Mn) whereas the non-unit reserve as at 31.12.2009 was LKR 38.2 Mn (2008-LKR 49.7 Mn). In 2008 there was a transfer of LKR 45 Mn to non unit fund of Unit-linked business from shareholder's fund.

	2009	2008
	LKR Mn	LKR Mn
Life fund net assets - Conventional	16,922.3	14,251.4
Transfer to Shareholders	(320.0)	(325.0)
Non-unit fund of linked Long Term business	84.3	63.3
Insurance provision- Long Term Conventional	16,686.6	13,989.7

The valuation of the Insurance Provision-Unit-linked non participating business, as at 31.12.2009 was made by the Consultant Actuary, using a cash flow projection method. Unit fund liability as at 31.12.2009 was LKR 1,340.4 Mn (2008 - LKR 494.8 Mn) whereas the unit fund assets was LKR 1,361.1 Mn (2008 - LKR 494.8 Mn).

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

15 Provision for Life Fund Solvency

The provision represents the amount of shareholder net assets allocated to support the solvency of the Life policyholders as permitted by the Insurance Board of Sri Lanka. This is in addition to the solvency margin of 6.4 % provided within the Life Policyholders Fund which is above the minimum requirement of 5%. The Provision for Life Fund Solvency has further strengthened the solvency position to 7.6%.

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1st January	175,000	-	175,000	-
Transfer during the year	-	175,000	-	175,000
Balance as at 31st December	175,000	175,000	175,000	175,000

16 Insurance Provision - General

The General insurance provision shown in the Balance Sheet is as follows:

		2009	2008
		LKR '000	LKR '000
Premium			
Unearned premium	Gross	1,456,915	1,050,519
	Reinsurance	(331,837)	(362,196)
	Net	1,125,078	688,323
Deferred acquisition expenses		(36,702)	5,274
		1,088,376	693,597
Gross claims reserve			
Claims outstanding		605,576	585,163
Claims incurred but not reported (IBNR)		166,527	168,860
Unexpired risk reserve (URR)		5,341	-
Gross claims reserve		777,444	754,023
Insurance provision			
		1,865,820	1,447,620
Reconciliation between insurance provision and technical reserve			
Insurance provision		1,865,820	1,447,620
Claims outstanding	Reinsurance recovery	(341,333)	(327,686)
Claims incurred but not reported (IBNR)	Reinsurance recovery	(35,362)	(57,184)
Technical reserve		1,489,125	1,062,750

The computation of claims incurred but not reported (IBNR) reserve includes provisions for internal and external claim handling expenses and a prudential margin in line with internationally accepted benchmarks. Validation of technical reserves for 2009 was done by an independent firm of actuaries.

17 Other Funds

A brief description and the movement of each fund is given below.

17.1 Claims Fund - General Insurance

This fund consists of amounts received by Eagle Insurance PLC* from Zurich Group Reinsurance on portfolio transfer (on a clean-cut basis). These funds are invested in Government securities to be utilised upon settlement of claims.

	Group / Company	
	2009	2008
	LKR '000	LKR '000
Balance as at 1st January	80,511	171,351
Capital deposits	-	-
Capital withdrawals	-	(101,899)
Income/ gains & losses	12,943	11,059
	93,454	80,511

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

17.2 Eagle Insurance - Scholarship Fund

This fund is created to ensure continuity of the payments committed to Policyholders' children who have been awarded scholarships under the Company's Life policy scholarship schemes. The fund invests 100% in Eagle Mutual funds.

	Group / Company	
	2009	2008
	LKR '000	LKR '000
Balance as at 1st January	1,824	2,255
Capital withdrawals	-	(192)
Capital deposits	936	-
Income/ gains & losses	110	(239)
	2,870	1,824

17.3 Agents Superannuation Fund

This is created for the benefit of the Agency Force. The fund accumulates contributions from both the Company and Agents, based on a qualifying performance criteria which is a fixed percentage linked to their commissions. The Agents Superannuation Life fund invests 100% in Government securities and Agents Superannuation General fund invests 100% in Mutual funds.

	Group / Company	
	2009	2008
	LKR '000	LKR '000
Balance as at 1st January	105,166	99,133
Capital deposits	25,452	34,288
Capital withdrawals	(49,565)	(43,121)
Income/ gains & losses	13,392	14,866
	94,445	105,166
Other Funds	190,769	187,501

18 Amounts due to Subsidiaries

	Company	
	2009	2008
	LKR '000	LKR '000
NDB AVIVA Wealth Management Limited**	-	7,552

** Formerly known as Eagle NDB Fund Management Company Limited.

19 Reinsurance Creditors

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1st January	309,869	376,969	309,869	376,969
Premium net of commission and recoveries on paid claims	490,746	381,266	490,746	381,266
Receipts during the year	55,799	41,435	55,799	41,435
Payments made during the year	(566,116)	(489,801)	(566,116)	(489,801)
Balance as at 31st December	290,298	309,869	290,298	309,869

20 Income Tax Liabilities

	Group		Company	
	2009	2008	2009	2008
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1st January	125,565	10,652	115,686	3,955
Provision	241,893	129,906	234,786	115,507
Payments	(4,254)	(7,730)	-	-
Elimination due to disposal of subsidiary	(12,306)	-	-	-
Over / under provisions and set off against ESC/ refunds	(114,325)	(7,263)	(114,234)	(3,776)
Balance as at 31st December	236,573	125,565	236,238	115,686

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

21 Other Liabilities

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Policyholders' advance payments	153,303	167,679	153,303	167,679
Life claims payable	119,718	124,599	119,718	124,599
Agency commission payable	213,578	141,843	213,578	141,843
Government taxes and levies (Note 21.1)	100,034	69,556	100,009	69,052
Provisions	371,414	275,052	371,232	273,764
Other creditors	82,189	58,360	82,029	58,144
	1,040,236	837,089	1,039,869	835,081

21.1 Government taxes and levies

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
VAT payable	68,544	60,236	68,519	59,732
Stamp duty payable	432	360	432	360
Withholding tax payable	1,288	1,055	1,288	1,055
PAYE tax payable	3,845	3,238	3,845	3,238
IBSL fees and cess payable	5,435	4,103	5,435	4,103
NBT payable	18,819	-	18,819	-
Other tax payable	1,671	564	1,671	564
	100,034	69,556	100,009	69,052

22 Retirement Benefits

22.1 Provision is made by way of 2 insurance policies purchased from Eagle Insurance PLC* which cover all employees attached to the Company. The liability is recognised based on the actuarial valuation carried out as at 31st December 2009 using the Projected Unit Credit method, by consultant actuary K K Wadhwa - FIAI, AIA (London).

	2009 LKR Million	2008 LKR Million
Present value of the fund assets	183.7	172.2
Present value of fund obligations	154.8	110.9
Surplus	28.9	61.3

Amount recognised as expense in current year

	LKR Million
Current service cost	17.7
Interest cost	11.6
Expected return on plan assets	(18.2)
Actuarial (gains)/losses to be recognised	(3.0)
Expense recognised in the income statement	8.1
Premium paid for gratuity life cover	0.4
Total Amount recognised as expense in current year	8.5

Principal actuarial assumptions used

	2009 % per annum	2008 % per annum
Discount rate	9.75	10.50
Salary increase	12.50	12.50
Incidence of withdrawals	5.00	5.00

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

22.2 Contributions made to the Provident Fund during the year were as follows.

	Company LKR '000	Contributions Employees LKR '000	Total LKR '000
Permanent employees	43,350	35,638	78,988
Contractual employees	69	46	115
Total	43,419	35,684	79,103

22.3 Contributions made to the Trust Fund during the year were as follows.

	Contributions LKR '000
Permanent employees	8,670
Contractual employees	17
Total	8,687

23 Stated Capital

	No. of shares	2009 LKR '000	No. of shares	2008 LKR '000
Fully paid ordinary shares	30,000,000	300,000	30,000,000	300,000

24 Capital Reserves

24.1 Revaluation Reserve

Revaluation reserve consists of the net surplus on the revaluation of property as described in note 5.3 on page 113.

	2009 LKR '000	Group 2008 LKR '000	2009 LKR '000	Company 2008 LKR '000
Balance as at 1st January	39,916	39,916	39,916	39,916
Revaluation surplus arising during the year	-	-	-	-
Balance as at 31st December	39,916	39,916	39,916	39,916

25 Revenue Reserves

25.1 Resilience Reserve

A Resilience reserve of LKR 65 Mn was established in 2004 with funds appropriated from profits in order to strengthen the capability of the Company to meet temporary variations in asset values of the Life business. This reserve has been further strengthened by appropriation from profits.

	2009 LKR '000	Group 2008 LKR '000	2009 LKR '000	Company 2008 LKR '000
At beginning of the year	289,000	237,000	289,000	237,000
Appropriation from profits	-	52,000	-	52,000
At end of the year	289,000	289,000	289,000	289,000

Notes to the Financial Statements

25.2 Retained Earnings

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Eagle Insurance PLC*	1,946,571	1,528,947	1,946,571	1,534,751
NDB AVIVA Wealth Management Limited**	-	62,649	-	-
Rainbow Trust Management Ltd.	3,990	3,440	-	-
	1,950,561	1,595,036	1,946,571	1,534,751
Revenue Reserves	2,239,561	1,884,036	2,235,571	1,823,751

** Formerly known as Eagle NDB Fund Management Company Limited.

26 Revenue

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Gross written premium	7,136,118	6,387,470	7,136,118	6,387,470
Reinsurance Premium	(1,014,659)	(1,060,685)	(1,014,659)	(1,060,685)
Net written premium	6,121,459	5,326,785	6,121,459	5,326,785
Increase in net unearned premium	(436,755)	(67,653)	(436,755)	(67,653)
Net earned premium	5,684,704	5,259,132	5,684,704	5,259,132
Asset management fees and related income	7,321	23,752	-	-
Investment income	3,751,277	1,730,038	3,811,093	1,716,752
Other income	211,497	252,396	206,999	248,975
Revenue	9,654,799	7,265,318	9,702,796	7,224,859

27 Gross Written Premium

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
27.1 General insurance				
Accident	735,633	597,746	735,633	597,746
Fire	550,214	473,426	550,214	473,426
Marine	125,403	142,872	125,403	142,872
Motor	1,033,605	776,908	1,033,605	776,908
Terrorism	58,773	54,300	58,773	54,300
	2,503,628	2,045,252	2,503,628	2,045,252
27.2 Long Term insurance				
Individual policies - Conventional	3,459,966	3,605,892	3,459,966	3,605,892
Individual policies - Unit-linked	803,896	402,090	803,896	402,090
Corporate policies	368,628	334,236	368,628	334,236
	4,632,490	4,342,218	4,632,490	4,342,218
	7,136,118	6,387,470	7,136,118	6,387,470

28 Net Claims and Benefits

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
28.1 General insurance				
Gross claims				
Accident	(402,688)	(406,728)	(402,688)	(406,728)
Fire	(101,721)	(395,455)	(101,721)	(395,455)
Marine	(25,580)	(66,474)	(25,580)	(66,474)
Motor	(560,652)	(551,519)	(560,652)	(551,519)
	(1,090,641)	(1,420,176)	(1,090,641)	(1,420,176)
Reinsurance recoveries	187,988	482,100	187,988	482,100
General insurance net claims	(902,653)	(938,076)	(902,653)	(938,076)
28.2 Long Term insurance				
Net claims and benefits				
Gross claims - death, disability and hospitalisation	(151,727)	(192,131)	(151,727)	(192,131)
Reinsurance recoveries	58,394	83,391	58,394	83,391
Net claims	(93,333)	(108,740)	(93,333)	(108,740)
Gratuity payments	(126,226)	(173,952)	(126,226)	(173,952)
Surrenders	(1,010,499)	(567,453)	(1,010,499)	(567,453)
Policy maturities	(445,421)	(517,423)	(445,421)	(517,423)
Annuities	(22,002)	(14,804)	(22,002)	(14,804)
Interim payments on anticipated endowment plans	(61,358)	(52,706)	(61,358)	(52,706)
Long Term insurance net claims and benefits	(1,758,839)	(1,435,078)	(1,758,839)	(1,435,078)
	(2,661,492)	(2,373,154)	(2,661,492)	(2,373,154)

29 Investment Income

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Interest income on Government bonds & Treasury bills ▪	2,356,015	1,624,193	2,347,765	1,608,328
Interest income on repurchase agreements	37,511	105,225	36,858	103,238
Interest income on corporate debt	280,145	304,896	280,145	304,896
Interest income on cash and cash equivalents	8,303	13,203	8,034	12,998
Dividend income - quoted shares and units	70,985	71,684	70,985	71,588
Dividend income - unquoted shares	-	-	-	2,432
Capital gain on sale of subsidiary	28,869	-	97,770	-
Net realised capital gain / (loss)	262,689	(5,622)	262,689	(5,622)
Net unrealised capital gain / (loss)	706,760	(383,541)	706,847	(381,106)
	3,751,277	1,730,038	3,811,093	1,716,752
▪ Notional withholding tax included in interest income	239,353	172,942	238,462	171,157

30 Other Income

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Interest on policy loans	177,757	131,735	177,757	131,735
Gain on disposal of property, plant and equipment	953	1,601	951	1,601
Other technical income	9,442	99,865	4,946	96,444
Other non technical income	23,345	19,195	23,345	19,195
	211,497	252,396	206,999	248,975

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes to the Financial Statements

31 Operating and Administrative Expenses

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Staff expenses	(Note 31.1)	(733,830)	(575,763)	(725,282)	(555,787)
Administration and establishment expenses		(560,391)	(460,743)	(550,951)	(439,393)
Selling expenses		(345,687)	(358,103)	(345,621)	(357,926)
Amortisation of intangible assets		(40,934)	(42,890)	(40,934)	(42,890)
Depreciation		(97,798)	(98,915)	(97,624)	(98,096)
Other expenses	(Note 31.2)	(133,440)	(28,486)	(150,485)	(65,257)
		(1,912,080)	(1,564,900)	(1,910,897)	(1,559,349)

31.1 Staff Expenses

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Salaries and bonus		(414,801)	(329,286)	(409,560)	(318,910)
Contribution to defined contribution plans		(52,106)	(45,830)	(52,106)	(44,584)
Staff welfare		(46,439)	(56,860)	(45,490)	(54,223)
Staff training		(34,785)	(35,757)	(34,498)	(34,548)
Others		(185,699)	(108,030)	(183,628)	(103,522)
		(733,830)	(575,763)	(725,282)	(555,787)

31.2 Other Expenses

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Increase in provision for doubtful debts		(52,427)	(4,004)	(52,427)	(4,004)
Other technical expenses		(18,073)	(1,986)	(18,073)	(1,986)
Other non technical expenses		(62,940)	(22,496)	(79,985)	(59,267)
		(133,440)	(28,486)	(150,485)	(65,257)

32 Profit before taxation

Profit before taxation for the year is stated after charging the following expenses:

		Group		Company	
		2009	2008	2009	2008
		LKR '000	LKR '000	LKR '000	LKR '000
Auditors' remuneration					
Audit		4,505	4,506	4,341	3,873
Non audit		275	2,117	275	2,117
Directors' emoluments		14,018	15,028	14,018	15,028
Directors' fees		120	120	120	120
Contribution to defined contribution plans- EPF and ETF		52,106	45,830	52,106	44,584
Legal fees		2,101	3,480	2,101	3,445
Operating lease payments		73,227	69,493	72,233	67,194
Amortisation of intangible assets		40,934	42,890	40,934	42,890
Depreciation		97,798	98,915	97,624	98,096
Capital gain on sale of subsidiary		28,869	-	97,770	-
Donations		3,094	1,292	3,092	1,288
Premium on gratuity insurance policies		8,450	24,138	8,402	23,128

33 Taxation

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
33.1 Taxation is made up as follows :				
Current income tax				
Current tax charge	241,893	129,906	234,786	115,507
(Over)/under provisions of previous years	158	18,239	158	18,051
10% WHT on inter-company dividends	-	270	-	-
Notional tax for 2009, unutilised during the year	56,069	49,760	56,069	49,760
Deferred income tax (Note 33.3)	(71,105)	(57,074)	(71,113)	(57,044)
Income tax expense reported	227,015	141,101	219,900	126,274

Social responsibility levy has been charged at the rate of 1.5% (2008 - 1.5%) on the current income tax expense.

33.2 Numerical reconciliation between tax charge and the product of accounting profit multiplied by the applicable tax rate.

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Accounting profit	957,540	604,821	1,006,720	569,913
Applicable tax rate	35%	35%	35%	35%
Tax at applicable rate	335,139	211,687	352,352	199,470
Add/(less) tax effect of the following items:				
Expenses not allowable for tax purposes	80,854	44,412	80,785	44,113
Realised/unrealised gains and losses not subject to tax	(347,011)	137,690	(371,156)	136,838
Brought forward tax losses set-off against taxable income	(124,395)	(61,262)	(124,395)	(61,262)
Dividend income taxed at source	(24,845)	(25,089)	(24,845)	(25,907)
Insurance related items not subject to tax - Long-Term insurance ■	318,280	(179,452)	318,280	(179,452)
Under provision of income tax in previous year	158	18,239	158	18,051
Tax effect of un-utilised notional tax for the year	56,069	49,760	56,069	49,760
Social Responsibility Levy	3,871	1,920	3,765	1,707
Withholding tax paid on intercompany dividend	-	270	-	-
Movement in deferred tax asset / liability	(71,105)	(57,074)	(71,113)	(57,044)
Tax charge for the year	227,015	141,101	219,900	126,274

■ Taxation on Long-term insurance business is computed on investment income less administrative and commission expenses, which is known as the I - E basis.

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
33.3 Deferred income tax				
Deferred income tax is made up of the following:				
Benefits arising from b/f tax losses	(77,556)	(76,070)	(77,556)	(76,070)
Accelerated depreciation for tax purposes	6,451	18,996	6,443	19,026
	(71,105)	(57,074)	(71,113)	(57,044)

33.4 Eagle Insurance PLC* is liable for income tax at 35% (2008 - 35%) on the taxable income.

33.5 NDB AVIVA Wealth Management Limited.** was liable for income tax at 35% (2008 - 35%). The tax charge of NDB AVIVA Wealth Management Limited.** upto May 2009 has been included above.

33.6 Rainbow Trust Management Ltd. is liable for income tax at 35% (2008 - 35%).

33.7 The full benefit of capital allowances arising in terms of Section 25 of the Inland Revenue Act No. 10 of 2006 has been taken into account in determining tax charge / loss for the year.

33.8 The group has tax losses amounting to LKR 439 Mn (2008 - LKR 795 Mn) that are available indefinitely for offset against future taxable profits of the company, for which a deferred tax asset has been created.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

** Formerly known as Eagle NDB Fund Management Company Limited

Notes to the Financial Statements

33.8 Notional tax credit for Withholding tax on Treasury Bills and Bonds

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in Government securities (on or after 1st April 2002 would be entitled to a notional tax credit being one ninth of the net interest income) provided such interest income forms part of the statutory income of the Company.

The notional tax credit available for set off against future tax liability of the company is as follows.

Financial Year	Notional tax LKR '000
2003	123,980
2004	68,027
2005	74,741
2006	100,114
2007	122,511
2008	171,156
2009	238,462
	898,991
Set- off against tax liability upto y/a 2008/2009	(103,798)
Balance available for set-off against future tax liability	795,193

34 Basic Earnings per Share

Basic earnings per share is calculated by dividing the net profit after tax for the year by the weighted average number of ordinary shares in issue as at the year end.

		Group		Company	
		2009	2008	2009	2008
Net profit for the year	(LKR '000)	730,525	463,720	786,820	443,639
Number of ordinary shares	('000)	30,000	30,000	30,000	30,000
Basic earnings per share	(LKR)	24.35	15.46	26.23	14.79

35 Dividend / Dividend per Share

35.1 Dividend

	Group		Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Final dividend paid for previous year	(210,000)	(90,000)	(210,000)	(90,000)
Interim dividend paid	(165,000)	-	(165,000)	-
	(375,000)	(90,000)	(375,000)	(90,000)

35.2 Dividend per Share

		Group		Company	
		2009	2008	2009	2008
Number of ordinary shares	('000)	30,000	30,000	30,000	30,000
Dividend per share					
Final dividend paid for previous year	(LKR)	7.00	3.00	7.00	3.00
Interim dividend paid	(LKR)	5.50	-	5.50	-
		12.50	3.00	12.50	3.00

Dividend distributed out of taxable profits is subject to withholding tax at 10% to be deducted at source from the shareholders. To the extent that dividends received by the Company forms part of the dividend declared, this will not be subject to the 10% withholding tax deduction. Dividend per share is calculated by dividing total dividends by the number of ordinary shares in issue as at the year end.

36 Related Party Disclosures

Details of significant related party disclosures are as follows:

36.1 Transactions with the parent and related entities

Nature of transaction	Name of the Company and relationship													
	NDB AVIVA Wealth Management Limited		Rainbow Trust Management Ltd.		National Development Bank PLC		Bank of Ceylon *		Aviva Asia Private limited **		Aviva -re ***		Serendib Land	
	Related Company		Subsidiary		Significant Investor		Investor		Group Company		Group Company		Related Company	
	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000	2009 LKR '000	2008 LKR '000
Management fees paid	(44,556)	(36,823)	-	-	-	-	-	-	-	-	-	-	-	-
Franchise fee paid	-	-	-	-	(18,922)	(10,801)	-	-	-	-	-	-	-	-
Investment income received	-	-	-	-	88,732	86,938	-	-	-	-	-	-	1,131	808
Allocation of overheads	14,029	37,295	3,427	2,824	-	-	-	-	-	-	-	-	-	-
Investments in Government securities and fixed deposits	-	-	-	-	711,361	642,005	-	-	-	-	-	-	-	-
Investment in shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance premium received	1,226	-	-	-	58,105	57,789	-	-	-	-	-	-	-	-
Claims incurred	(108)	-	-	-	(26,284)	(30,522)	-	-	-	-	-	-	-	-
Rent paid	-	-	-	-	-	-	-	-	-	-	-	-	10,800	10,800
Collecting commission and expenses paid	-	-	-	-	-	-	-	(1,956)	-	-	-	-	-	-
Group recharges paid	-	-	-	-	-	-	-	-	(13,088)	(860)	-	-	-	-
Re-insurance transactions (net)	-	-	-	-	-	-	-	-	-	-	36,223	16,884	-	-

- Bank of Ceylon was a related party upto 11 July 2008.
- Aviva Group re-charges are on account of internal audit, training, insurance and global applications related services provided during the year. There have been no transactions with AVIVA NDB Finance Lanka (Private) Ltd, the parent company. Eagle Insurance PLC* disposed its fully owned subsidiary Eagle NDB Fund Management Company Limited** to Capital Development and Investment Company and AVIVA NDB Finance Lanka Limited at a total consideration of LKR 147.7 Mn. Capital Development and Investment Company acquired a stake of 16.15% and AVIVA NDB Finance Lanka Limited a stake of 83.85% at a consideration of LKR 23.8 Mn and LKR 123.9 Mn respectively.
- Aviva -re is a reinsurer for General insurance.

36.1.1 Transactions with related entities

NDB AVIVA Wealth Management Limited paid trust management fees of LKR 183,157 (2008 - LKR 351,545) to Rainbow Trust Management Ltd. Expenses amounting to LKR 139,876 (2008 - LKR 351,507) was allocated from Eagle NDB Fund Management Co.Ltd** to Rainbow Trust Management Limited.

36.2 Transactions with Key Management Personnel of the Company or Parent and their close family members

The key management personnel of the Company are the members of its Board of Directors and those of its Parent and Ultimate Parent.

a) Key Management Personnel Compensation

	2009 LKR '000	2008 LKR '000
Directors remuneration	13,767	14,702
Short-term employee benefits	251	327
Premiums paid for Directors and Officers Liability policy ****	1,694	1,460
Directors' fees	120	120
	15,832	16,609

**** The Insurance Policy covers past and present Directors and officers of the Company and its subsidiaries.

b) No loans have been granted to Key Management Personnel, during the year

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

** Known as "NDB AVIVA Wealth Management Limited" w.e.f. 3 December 2009

Notes to the Financial Statements

c) Other Transactions

Business transactions of Key Management Personnel

	2009 LKR '000	2008 LKR '000
Premium paid on insurance policies taken by directors in their individual capacity	595	928
Claims paid	-	-
	595	928

There have been no transactions with close family members of Key Management Personnel and shareholders who have either control, significant influence or joint control over the Company.

36.3 Transactions with other related parties

- a) Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close family members, or shareholders who have either control, significant influences or joint control over the entity .

Transactions by Key Management Personnel with related companies.

Company	Relationship	Details of Financial Dealings
NDB AVIVA Wealth Management Limited	Related Company	Transactions to the value of LKR 1,113,864.63 (2008 - LKR 655,719)

Transactions by Key Management Personnel with Other Companies

(Directors of the Company who are also Directors of entities which have insurance policies from the Company at normal commercial terms)

Company	Details of the Financial Dealings
NDB Investment Bank Limited	Life insurance business to the value of LKR 122,643.25 (2008 - Nil) and General insurance business to the value of LKR 1,036,000 (2008 - Nil) and the payment of claims of LKR 524,000 (2008 - Nil)
Maldives Finance Leasing Company Limited	General insurance business to the value of LKR 500,000 (2008 - LKR 442,000) and no claims (2008 - LKR 86,000)
Rose Educational Academy (Private) Limited	General insurance business to the value of LKR 24,000.00 (2008 - LKR 7,000) and no claims (2008 - LKR 3,000).
N Chandraratne Decorators (Pvt) Limited	General insurance business to the value of LKR 17,000.00 (2008 - LKR 26,000) and the payment of claims of LKR 18,000.00 (2008 - LKR 45,000)
Chemane PLC	Life insurance business to the value of LKR 462,195.43 (2008 - LKR 122,671.34) and General insurance business to the value of LKR 5,158,000.00 (2008 - LKR 3,807,000) and the payment of claims of LKR 1,824,000.00 (2008 - LKR 1,729,000)
Development Holdings (Private) Limited	General insurance business to the value of LKR 3,132,000.00 (2008 - LKR 2,255,000) and the payment of claims of LKR 163,000.00 (2008 - Nil)
Cisco Speciality Packaging Ltd	General insurance business to the value of LKR 84,000 (2008 - LKR 347,000) and the payment of claims of LKR 211,000.00 (2008 - LKR 56,000)
D P Lanka (Pvt) Ltd	General insurance business to the value of LKR 14,000 (2008 - LKR 15,000) and no claims (2008 - LKR 1,000)
A.G.S Lanka (Private) Limited	General insurance business to the value of LKR 330,000 (2008 - LKR 266,000) and the payment of claims of LKR 28,000.00 (2008 - Nil)

36.4 Post employment benefit plans of the Company and its related parties

	2009 LKR '000	2008 LKR '000
Contributions made by the Company to the provident fund in respect of Key Management Personnel compensation	1,179	1,141
Contributions made by the Company to the Trust Fund in respect of Key Management Personnel compensation	236	228
	1,415	1,369

37 Contingent Liabilities**37.1 Assessments in respect of Value Added Tax (VAT)**

The Company has been issued with an assessment by the Department of Inland Revenue on the 23rd of July 2005 under the Value Added Tax Act, in relation to the taxable period ending 31st December 2003 for LKR 43.3 Mn. The Company has filed an appeal in August 2005 on the basis that the underlying computation includes items which are exempt/ out of scope of the VAT Act. The appeal made by the Company is currently with the Board of Review of the Department of Inland Revenue.

Additionally the Company has received VAT assessments to the value of LKR 25.5 Mn from the Department of Inland Revenue, in relation to which appeals have been filed.

Based on the information available and expert advice, the directors are confident that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the financial position of the Company. The Company has provided LKR 400,000 which is estimated to be the ultimate liability of the above.

37.2 Pending Litigation

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

37.3 Bank Guarantees

The Company has given bank guarantees amounting to LKR 1.8 Mn for bid bonds.

38 Capital Commitments

As at 31st December 2009, capital expenditure approved by the Board of Directors is as follows.

	2009 LKR '000	2008 LKR '000
Approved and contracted for	62,924	-
Approved but not contracted for	-	-
	62,924	-

39 Events after the Balance Sheet Date

The Board of Directors of the Company have recommended a declaration of a final dividend of LKR 9 per share for the financial year ended 31st December 2009, subject to approval by the shareholders.

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors have 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 proposing a final dividend of LKR 9 per share for this year to be paid on 5 April 2010.

In accordance with the Sri Lanka Accounting Standard 12 (revised 2005) - Events after the Balance sheet date, the final dividend proposed has not been recognised as a liability in the Financial Statements as at 31st December 2009.

40 Shareholders' Interest in Long Term Insurance Provision

The value of future profits on existing Long Term insurance business constitutes an asset and has not been accounted for.

Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Quarterly Analysis 2009

Group Statement of Income

	1st quarter Jan - Mar 09 LKR '000	2nd quarter Apr - Jun 09 LKR '000	3rd quarter Jul - Sep 09 LKR '000	4th quarter Oct - Dec 09 LKR '000	Total Jan - Dec 09 LKR '000
Revenue	1,926,509	2,412,115	2,403,362	2,912,813	9,654,799
Gross written premium	1,547,031	1,434,071	1,716,387	2,438,629	7,136,118
Reinsurance premium	(290,602)	(225,757)	(222,169)	(276,131)	(1,014,659)
Net written premium	1,256,429	1,208,314	1,494,218	2,162,498	6,121,459
(Increase) / decrease in net unearned premium	(47,741)	28,730	(82,774)	(334,970)	(436,755)
Net earned premium	1,208,688	1,237,044	1,411,444	1,827,528	5,684,704
Benefits, losses and expenses					
Net claims and benefits	(636,686)	(587,967)	(694,782)	(742,057)	(2,661,492)
Commission (net of reinsurance commission)	(131,867)	(145,134)	(134,677)	(190,641)	(602,319)
Deferred commission	3,076	8,115	22,573	8,152	41,916
Increase in Long Term insurance fund	(633,255)	(1,037,090)	(1,019,043)	(873,896)	(3,563,284)
	(190,044)	(525,032)	(414,485)	29,086	(1,100,475)
Other revenue					
Asset management fees and related income	4,247	2,986	33	55	7,321
Investment income	659,002	1,119,769	943,312	1,029,194	3,751,277
Other income	54,572	52,316	48,573	56,036	211,497
Expenses					
Operating and administrative expenses	(365,935)	(432,654)	(439,645)	(673,846)	(1,912,080)
Profit before taxation	161,842	217,385	137,788	440,525	957,540
Income tax expenses	(63,487)	(68,465)	(62,949)	(32,114)	(227,015)
Net profit for the period	98,355	148,920	74,839	408,411	730,525

Company Statement of Income

	1st quarter Jan - Mar 09 LKR '000	2nd quarter Apr - Jun 09 LKR '000	3rd quarter Jul - Sep 09 LKR '000	4th quarter Oct - Dec 09 LKR '000	Total Jan - Dec 09 LKR '000
Revenue	1,916,488	2,472,349	2,401,894	2,912,065	9,702,796
Gross written premium	1,547,031	1,434,071	1,716,387	2,438,629	7,136,118
Reinsurance premium	(290,602)	(225,757)	(222,169)	(276,131)	(1,014,659)
Net written premium	1,256,429	1,208,314	1,494,218	2,162,498	6,121,459
(Increase)/decrease in net unearned premium	(47,741)	28,730	(82,774)	(334,970)	(436,755)
Net earned premium	1,208,688	1,237,044	1,411,444	1,827,528	5,684,704
Benefits, losses and expenses					
Net claims and benefits	(636,686)	(587,967)	(694,782)	(742,057)	(2,661,492)
Commission (net of reinsurance commission)	(131,867)	(145,134)	(134,677)	(190,641)	(602,319)
Deferred commission	3,076	8,115	22,573	8,152	41,916
Increase in Long Term insurance fund	(633,255)	(1,037,090)	(1,019,043)	(873,896)	(3,563,284)
	(190,044)	(525,032)	(414,485)	29,086	(1,100,475)
Other revenue					
Investment income	653,933	1,184,976	943,144	1,029,040	3,811,093
Other income	53,867	50,329	47,306	55,497	206,999
Expenses					
Operating and administrative expenses	(365,849)	(433,585)	(438,581)	(672,882)	(1,910,897)
Profit before taxation	151,907	276,688	137,384	440,741	1,006,720
Income tax expenses	(59,857)	(65,090)	(62,790)	(32,163)	(219,900)
Net profit for the period	92,050	211,598	74,594	408,578	786,820

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Quarterly Analysis 2008

Group Statement of Income

	1st quarter Jan - Mar 08 LKR '000	2nd quarter Apr - Jun 08 LKR '000	3rd quarter Jul - Sep 08 LKR '000	4th quarter Oct - Dec 08 LKR '000	Total Jan - Dec 08 LKR '000
Revenue	1,593,983	1,747,258	1,776,179	2,147,898	7,265,318
Gross written premium	1,515,533	1,477,969	1,377,384	2,016,584	6,387,470
Reinsurance premium	(312,588)	(312,523)	(136,403)	(299,171)	(1,060,685)
Net written premium	1,202,945	1,165,446	1,240,981	1,717,413	5,326,785
(Increase) / decrease in net unearned premium	(53,059)	15,033	80,036	(109,663)	(67,653)
Net earned premium	1,149,886	1,180,479	1,321,017	1,607,750	5,259,132
Benefits, losses and expenses					
Net claims and benefits	(613,684)	(604,200)	(647,358)	(507,912)	(2,373,154)
Commission (net of reinsurance commission)	(135,435)	(149,339)	(151,271)	(116,454)	(552,499)
Deferred commission	6,592	4,695	6,992	(10,205)	8,074
Increase in Long Term insurance fund	(495,926)	(631,751)	(587,086)	(463,255)	(2,178,018)
	(88,567)	(200,116)	(57,706)	509,924	163,535
Other revenue					
Asset management fees and related income	4,550	5,582	7,078	6,542	23,752
Investment income	403,612	478,572	414,258	433,596	1,730,038
Other income	35,936	82,624	33,826	100,010	252,396
Expenses					
Operating and administrative expenses	(334,310)	(339,125)	(385,695)	(505,770)	(1,564,900)
Profit before taxation	21,221	27,537	11,761	544,302	604,821
Income tax expenses	(6,142)	(147)	(3,134)	(131,678)	(141,101)
Net profit for the period	15,079	27,390	8,627	412,624	463,720

Company Statement of Income

	1st quarter Jan - Mar 08 LKR '000	2nd quarter Apr - Jun 08 LKR '000	3rd quarter Jul - Sep 08 LKR '000	4th quarter Oct - Dec 08 LKR '000	Total Jan - Dec 08 LKR '000
Revenue	1,585,227	1,739,599	1,764,043	2,135,990	7,224,859
Gross written premium	1,515,533	1,477,969	1,377,384	2,016,584	6,387,470
Reinsurance premium	(312,588)	(312,523)	(136,403)	(299,171)	(1,060,685)
Net written premium	1,202,945	1,165,446	1,240,981	1,717,413	5,326,785
(Increase)/decrease in net unearned premium	(53,059)	15,033	80,036	(109,663)	(67,653)
Net earned premium	1,149,886	1,180,479	1,321,017	1,607,750	5,259,132
Benefits, losses and expenses					
Net claims and benefits	(613,684)	(604,200)	(647,358)	(507,912)	(2,373,154)
Commission (net of reinsurance commission)	(135,435)	(149,339)	(151,271)	(116,454)	(552,499)
Deferred commission	6,592	4,695	6,992	(10,205)	8,074
Increase in Long Term insurance fund	(495,926)	(631,751)	(587,086)	(463,255)	(2,178,018)
	(88,567)	(200,116)	(57,706)	509,924	163,535
Other revenue					
Investment income	400,241	477,165	410,322	429,024	1,716,752
Other income	35,100	81,955	32,704	99,216	248,975
Expenses					
Operating and administrative expenses	(332,482)	(337,618)	(383,547)	(505,702)	(1,559,349)
Profit before taxation	14,292	21,386	1,773	532,462	569,913
Income tax expenses	(3,956)	3,956	-	(126,274)	(126,274)
Net profit for the period	10,336	25,342	1,773	406,188	443,639

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

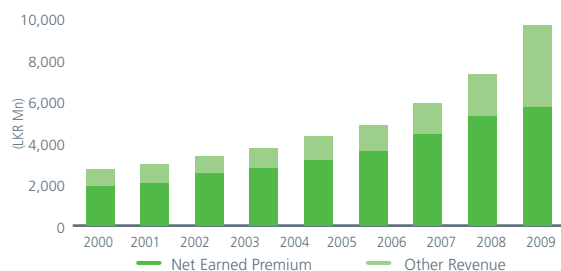
Decade at a Glance

Statement of Income

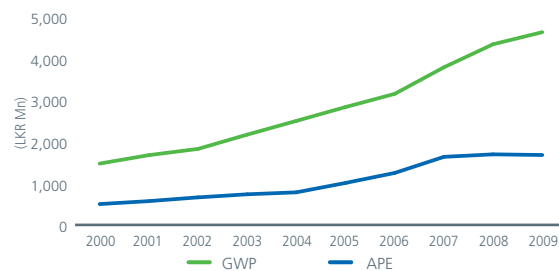
(Values are to the nearest rupees thousand)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Insurance										
Gross written premium	2,503,628	2,045,252	1,867,142	1,468,420	1,210,936	1,058,024	1,072,666	909,884	730,511	686,113
Net earned premium	1,271,952	1,133,314	813,334	589,299	465,779	404,482	449,357	338,869	317,073	289,883
Investment income and other income	621,252	331,981	230,996	222,713	184,125	240,162	129,242	148,052	117,052	76,585
Net claims	(902,653)	(938,076)	(581,669)	(430,829)	(252,243)	(312,811)	(261,756)	(189,128)	(151,554)	(139,089)
Reinsurance commission net of acquisition expenses	13,423	14,347	38,223	27,299	42,301	36,833	120,253	72,432	15,821	28,495
Operating and administrative expenses	(472,438)	(402,238)	(376,987)	(323,431)	(304,952)	(277,692)	(324,763)	(248,104)	(219,713)	(173,928)
Special Tsunami relief expenses	-	-	-	-	-	(89,000)	-	-	-	-
Expenditure on restructure and intangible items	-	-	-	-	-	-	-	-	-	(12,916)
Finance costs	-	-	-	-	-	(3,886)	(23,446)	(53,901)	(35,523)	(18,034)
Profit / (loss) before taxation	531,536	139,328	123,897	85,051	135,010	(1,912)	88,887	68,220	43,156	50,996
Long Term Insurance										
Annual premium equivalent	1,680,094	1,695,791	1,635,644	1,248,905	1,009,258	783,197	735,713	662,032	571,585	500,814
Gross written premium	4,632,490	4,342,218	3,788,103	3,150,042	2,832,541	2,500,131	2,169,842	1,827,208	1,677,344	1,473,964
Net written premium	4,412,752	4,125,818	3,573,317	2,972,593	2,680,092	2,368,051	2,052,715	1,725,379	1,597,206	1,409,948
Investment income and other income	3,396,840	1,633,746	1,222,411	999,717	920,132	690,128	689,580	716,614	654,091	442,844
Net claims and benefits	(1,758,839)	(1,435,078)	(1,105,713)	(1,058,236)	(917,336)	(564,232)	(780,660)	(463,224)	(408,472)	(273,451)
Commission (net of reinsurance commission)	(573,826)	(558,772)	(471,145)	(375,530)	(349,501)	(321,321)	(274,511)	(226,570)	(193,368)	(179,217)
Increase in Long Term insurance fund	(3,563,284)	(2,178,018)	(1,798,355)	(1,269,864)	(1,252,803)	(1,372,545)	(924,921)	(1,035,241)	(1,001,129)	(882,505)
Operating and administrative expenses	(1,438,459)	(1,157,021)	(1,020,515)	(833,680)	(705,584)	(550,081)	(547,203)	(524,054)	(503,123)	(408,764)
Tax expense	(155,184)	(150,675)	-	-	-	-	-	-	-	-
Surplus transfer to shareholders' fund	320,000	280,000	400,000	435,000	375,000	250,000	215,000	192,904	145,205	108,855
Total business (Group)										
Gross written premium	7,136,118	6,387,470	5,655,245	4,618,462	4,043,477	3,558,155	3,242,508	2,737,092	2,407,855	2,160,077
Revenue	9,654,799	7,265,318	5,874,842	4,813,426	4,276,524	3,728,323	3,347,232	2,950,453	2,711,696	2,242,911
Net earned premium	5,684,704	5,259,132	4,386,651	3,561,892	3,145,871	2,772,533	2,502,072	2,064,248	1,914,279	1,699,831
Benefits, losses and expenses	(6,785,179)	(5,095,597)	(3,918,659)	(3,107,160)	(2,729,582)	(2,534,076)	(2,121,595)	(1,841,731)	(1,738,702)	(1,445,767)
Other revenue	3,970,095	2,006,186	1,488,191	1,251,534	1,130,653	955,790	845,160	886,205	797,417	543,080
Operating and administrative expenses	(1,912,080)	(1,564,900)	(1,410,067)	(1,167,303)	(1,018,972)	(838,152)	(883,779)	(785,185)	(739,959)	(601,076)
Special Tsunami relief expenses	-	-	-	-	-	(89,000)	-	-	-	-
Expenditure on restructure and intangible items	-	-	-	-	-	-	-	-	-	(12,916)
Finance costs	-	-	-	-	-	(3,886)	(23,446)	(53,901)	(35,523)	(18,034)
Profit before taxation	957,540	604,821	546,116	538,963	527,970	263,209	318,412	269,636	197,512	165,118
Income tax expenses	(227,015)	(141,101)	(19,035)	(15,495)	(12,593)	(9,545)	-	(183)	(206)	(239)
Net profit for the year	730,525	463,720	527,081	523,468	515,377	253,664	318,412	269,453	197,306	164,879

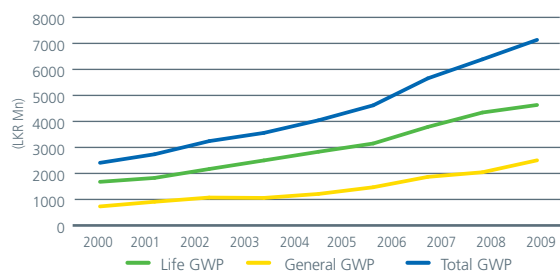
Revenue



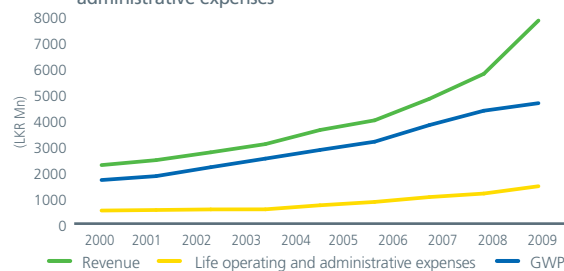
Life GWP & APE



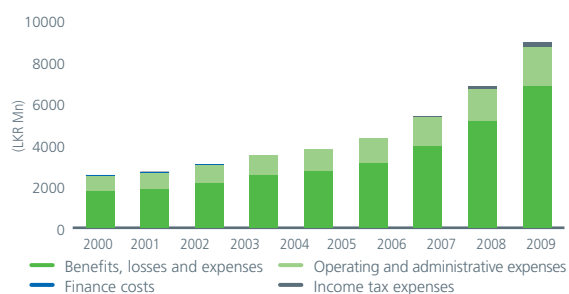
Total GWP



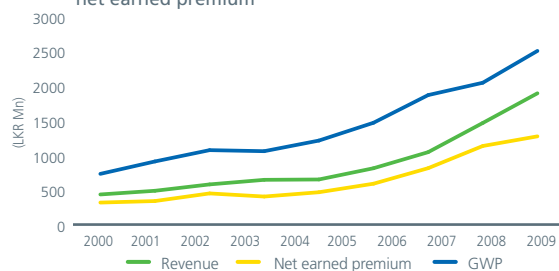
Life GWP, revenue & operating and administrative expenses



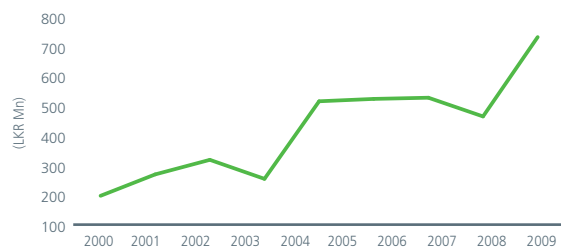
Expenses



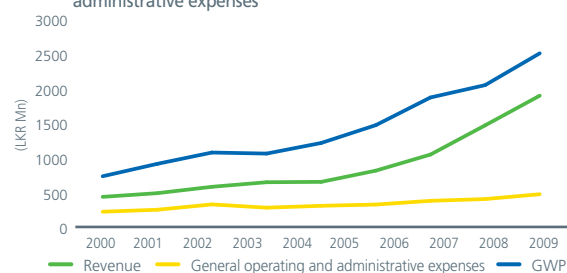
General GWP, revenue and net earned premium



Net profit for the year



General GWP, revenue & operating and administrative expenses



Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Decade at a Glance

Balance Sheet

(Values are to the nearest rupees thousand)

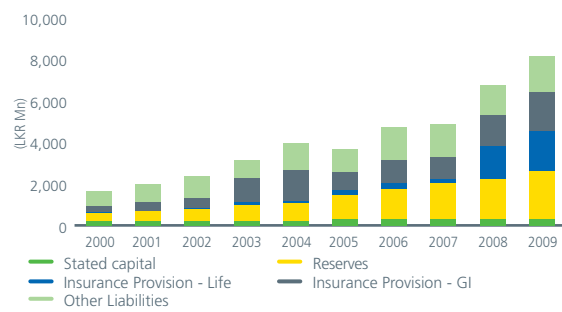
Group	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Assets										
Investments	17,760,977	14,834,964	12,753,342	11,467,119	9,970,620	8,646,435	7,034,788	6,217,796	4,917,869	3,916,167
Investments - Unit-linked	1,330,852	473,706	241,130	48,436	-	-	-	-	-	-
Property, plant and equipment	237,772	376,872	403,431	386,671	296,332	244,336	204,687	211,304	255,785	209,060
Other assets	5,096,277	4,105,475	3,570,828	3,028,835	2,391,279	2,983,017	2,397,225	1,576,405	1,418,273	1,128,671
Total assets	24,425,878	19,791,017	16,968,731	14,931,061	12,658,231	11,873,788	9,636,700	8,005,505	6,591,927	5,253,898
Equity and liabilities										
Stated capital	300,000	300,000	300,000	300,000	300,000	200,000	200,000	200,000	200,000	200,000
Revaluation reserve	39,916	39,916	39,916	-	-	-	-	-	-	-
Special reserve fund	-	-	315,510	279,820	268,036	235,588	-	-	-	-
Resilience reserve	289,000	289,000	237,000	161,500	135,000	65,000	-	-	-	-
General reserve	-	-	955,000	720,000	541,000	516,000	666,000	533,000	418,000	348,000
Retained earnings	1,950,561	1,595,036	177,806	281,915	223,231	60,302	117,226	46,814 **	42,361 **	35,055 **
Total capital and reserves	2,579,477	2,223,952	2,025,232	1,743,235	1,467,267	1,076,890	983,226	779,814	660,361	583,055
Liabilities										
Insurance provision - Long Term	16,686,639	13,989,661	12,063,506	10,453,542	9,238,184	7,985,381	6,612,836	5,687,915	4,652,674	3,651,545
Insurance provision - Unit-linked	1,361,066	494,760	242,897	54,507	-	-	-	-	-	-
Provision for Life fund solvency	175,000	175,000	-	-	-	-	-	-	-	-
Insurance provision - General	1,865,820	1,447,620	1,088,994	1,122,631	858,759	1,512,900	1,171,089	461,676	400,006	301,689
Other liabilities	1,757,876	1,460,024	1,548,102	1,557,146	1,094,021	1,298,617	869,549	1,076,100 **	878,886 **	717,609 **
Total liabilities	21,846,401	17,567,065	14,943,499	13,187,826	11,190,964	10,796,898	8,653,474	7,225,691	5,931,566	4,670,843
Total equity and liabilities	24,425,878	19,791,017	16,968,731	14,931,061	12,658,231	11,873,788	9,636,700	8,005,505	6,591,927	5,253,898
Long Term - supplemental Assets										
Investments	14,886,512	12,555,930	11,000,554	9,992,944	8,713,775	7,502,053	5,871,267	5,114,610	4,135,508	3,377,726
Investments - Unit-linked	1,330,852	473,706	241,130	48,436	-	-	-	-	-	-
Other assets	2,741,474	2,028,134	1,794,460	1,229,112	965,998	947,165	1,066,629	871,668	737,544	509,615
Total assets	18,958,838	15,057,770	13,036,144	11,270,492	9,679,773	8,449,218	6,937,896	5,986,278	4,873,052	3,887,341
Liabilities										
Insurance provision - Long Term	16,686,639	13,989,661	12,063,506	10,453,542	9,238,184	7,985,381	6,612,836	5,687,915	4,652,674	3,651,545
Insurance provision - Unit-linked	1,361,066	494,760	242,897	54,507	-	-	-	-	-	-
Other liabilities	911,133	573,349	729,741	762,443	441,589	463,837	325,060	298,363	220,378	235,796
Total liabilities	18,958,838	15,057,770	13,036,144	11,270,492	9,679,773	8,449,218	6,937,896	5,986,278	4,873,052	3,887,341
Investor Information										
Return on net assets (%)	37.12	27.20	26.97	30.92	35.98	24.44	32.38	34.58 **	29.91 **	28.32 **
Net assets per share (LKR)	85.98	74.13	67.51	58.11	48.91	35.90 *	32.77 *	25.99 **	22.01 **	19.44 **
Market price per share										
- 31st December (LKR)	178.00	115.00	150.75	135.50	85.00	110.00	120.00	62.50	43.00	34.00
Basic earnings per share (LKR)	24.35	15.46	17.57	17.45	17.18	8.46 *	10.61 *	8.98 *	6.58 *	5.50 *
Price earnings ratio (times)	7.31	7.44	8.58	7.77	4.95	13.01 *	11.31 *	6.96 *	6.54 *	6.19 *
Market capitalisation (LKR Mn)	5,340	3,450	4,523	4,065	2,550	2,200	2,400	1,250	860	680
Dividend per share (LKR)	12.50	3.00	9.50	8.25 *	4.17 *	5.34 *	7.83 *	4.00 **	3.00 **	2.00 **
Employee Information										
Revenue per employee (LKR Mn)	12.28	10.02	9.21	9.06	9.57	8.30	7.68	6.88	6.61	5.07
Net profit per employee (LKR '000)	929	640	826	986	1,153	565	730	628	481	373
Number of employees (nos.)	786	725	638	531	447	449	436	429	410	442

* Adjusted for subsequent bonus issues

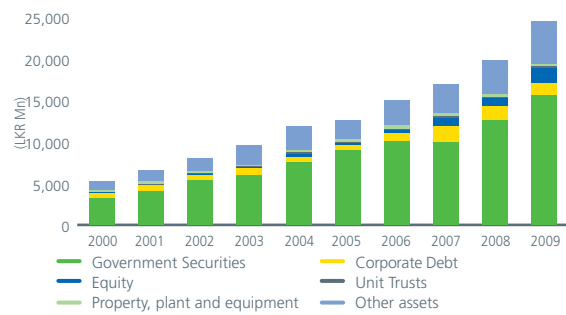
** Adjusted as stipulated by SLAS 12 (revised - applicable w.e.f. 01/01/2006)

■ known as AVIVA NDB Insurance PLC with effect from 12 February 2010

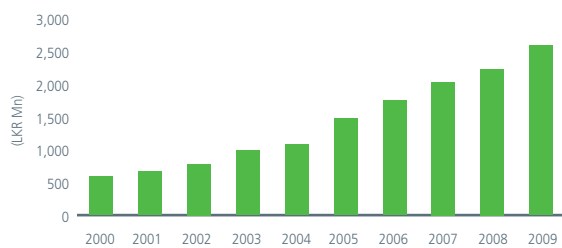
Total Liabilities



Total Assets



Total capital and reserves



Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

Share Information

Stock Exchange Listing

Eagle Insurance PLC is a public quoted company, whose shares are listed with the Colombo Stock Exchange.

Shareholdings

As at 31st December 2009 there were 2,153 registered shareholders.

Distribution of Ordinary Shares

Shareholding			Resident			Non-Resident			Total		
			No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	-	1000	1,849	514,436	1.71	7	2,199	0.01	1,856	516,635	1.72
1001	-	10,000	265	690,143	2.30	3	11,200	0.04	268	701,343	2.34
10,001	-	100,000	23	573,560	1.91	—	—	—	23	573,560	1.91
100,001	-	1,000,000	4	526,300	1.75	—	—	—	4	526,300	1.75
Over 1,000,000			2	27,682,162	92.27	-	-	-	2	27,682,162	92.27
Total			2,143	29,986,601	99.95	10	13,399	0.05	2,153	30,000,000	100.00

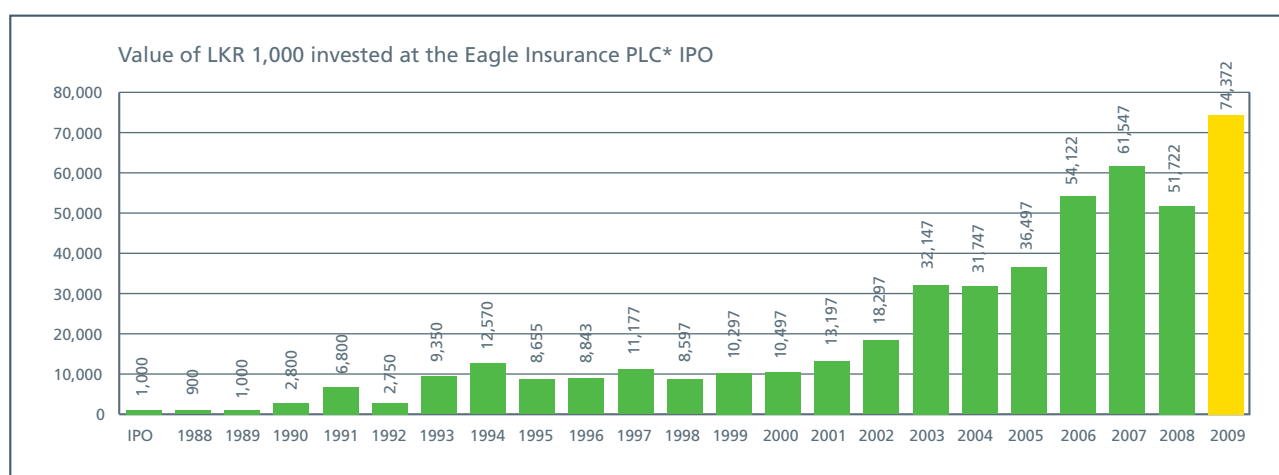
The percentage of shares held by the public 12.72%.

Categories of Shareholdings

	No. of Shareholders	No. of Shares	%
Individual	2,094	1,623,471	5.41
Institutional	59	28,376,529	94.59
Total	2,153	30,000,000	100.00

Substantial Shareholdings

	No. of Shares	%
AVIVA NDB Finance Lanka (Private) Limited	26,182,162	87.27
National Development Bank PLC	1,500,000	5.00



* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Major Shareholders

The 20 largest shareholders as at 31 December 2009 are given below:

	No. of shares	%
AVIVA NDB Finance Lanka (Private) Limited	26,182,162	87.27
National Development Bank Plc	1,500,000	5.00
Mr. Senathirajah	300,000	1.00
Jacey Trust Services (Private) Limited	115,000	0.38
Union Investments Ltd	111,300	0.37
Colonial Motors Ltd	90,750	0.30
Merchant Bank of Sri Lanka Limited / Union Investments Ltd.,	83,700	0.28
Alliance Finance Company Plc	52,000	0.17
Mr. Srikantha	37,498	0.12
Mr. Hathiramani	37,248	0.12
Mr. Dalpethado	28,712	0.10
Waldock Mackenzie Limited / Mr. Lalith Prabash Hapangama	21,200	0.07
Mr. Perera	20,598	0.07
Mr. De Silva	19,100	0.06
Dr. Ratnaweera	16,999	0.06
Mrs. Wickremesinghe	15,000	0.05
Mr. Nawinne	15,000	0.05
Miss. Gunaratne	15,000	0.05
Mr. Gunaratne	15,000	0.05
The Ceylon Desiccated Coconut & Oil Co.	15,000	0.05
	28,691,267	95.62

Share Valuation

The market value of the Company's ordinary shares as at 31 December 2009 was LKR 178.00 (31 December 2008 - LKR 115.00).

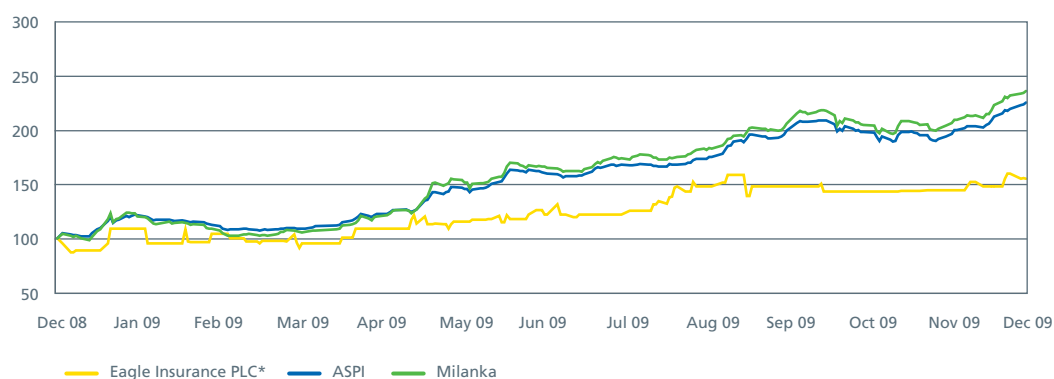
Record of Scrip Issues

Year of issue	Type of issue	Ratio
1994	Bonus	1 : 5
1995	Bonus	1 : 4
1996	Bonus	1 : 4
1997	Bonus	1 : 15
2005	Bonus	1 : 2

Share Performance

	2009	2008
No. of transactions	370	284
No. of shares traded	193,200	179,900
Total value of shares traded (LKR)	29,489,400	26,004,550
CSE Turnover (LKR Mn)	142,463	110,454
Eagle Insurance PLC* market cap. (LKR Mn)	5,340	3,450
CSE market cap. (LKR Mn)	1,092,137	488,813
All Share Price Index - 31 December	3,385.55	1,503.02
Eagle Insurance PLC* Share Price - 31 December (LKR)	178.00	115.00
Eagle Insurance PLC* Share Price - High (LKR)	187.50	160.00
Eagle Insurance PLC* Share Price - Low (LKR)	100.25	98.00
Earnings per share (LKR)	24.35	15.46
P/E Ratio (times)	7.31	7.44
Net assets per share (LKR)	85.98	74.13
Return on net assets (%)	37.12	27.20

CSE Indices Vs Eagle Insurance PLC* Share Price
Indexed to 31 December 2008



* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

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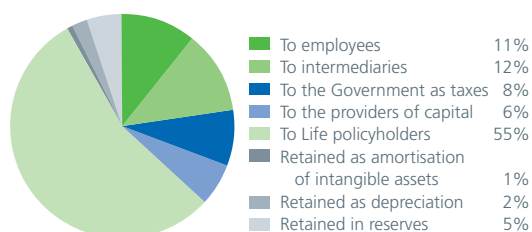
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Pages 8 - 9 more on the events of 2009. Pages 22 - 25 more on our people. Pages 28 - 33 more on Social Responsibility.

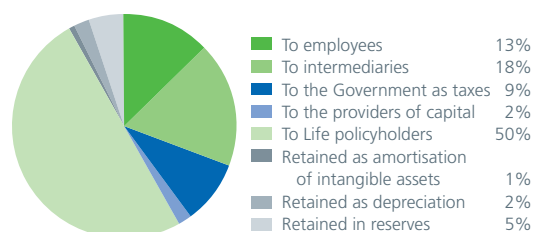
Group Value Added Statement

	2009 LKR '000		2008 LKR '000	
Net earned premium	5,684,704		5,259,132	
Investment income and other income	3,970,095		2,006,186	
	9,654,799		7,265,318	
Net claims and benefits	(2,661,492)		(2,373,154)	
Cost of external services	(476,903)		(507,786)	
Value added	6,516,404		4,384,378	
		%		%
To employees	733,830	11	575,763	13
To intermediaries	847,683	12	812,248	18
To the Government as taxes	502,350	8	387,824	9
To the providers of capital	375,000	6	90,000	2
To the Life policyholders as Long Term reserves	3,563,284	55	2,178,018	50
Retained within the business				
- as amortisation of intangible assets	40,934	1	42,890	1
- as depreciation	97,798	2	98,915	2
- in reserves	355,525	5	198,720	5
	6,516,404	100	4,384,378	100

Distribution of Value Added
2009



Distribution of Value Added
2008



Distribution Network

<p>Head Office 75 Kumaran Ratnam Road Colombo 2 E-mail: info@avivandb.com www.avivandb.com Tel: 231 0300 / 231 0000 Fax: 231 0076 Eagle 24 - Hour Hotline: 231 0310 Fax: 471 5892</p> <p>General insurance Division UPTO Building 95 Sir Chittampalam A Gardiner Mw Colombo 2 Tel: 2310 400 Fax: 2310 011</p> <p>AVIVA NDB Life Link No. 1 Kumaran Ratnam Road Colombo 2 Tel: 2 310 310 Fax: 4 715 892</p> <p>City Office 101/1 Sir Chittampalam A Gardiner Mw Colombo 2 Tel: 231 0200 Fax: 231 0259</p>	<p>Batticaloa 42 / 1 Trincomalee Road Batticaloa Tel 065 222 7975 Fax 065 222 7988</p> <p>Chilaw 109 / 1 Colombo Road Chilaw Tel 032 222 3027 Fax 032 222 1217</p> <p>Dambulla 734 / 1 Anuradhapura Road Dambulla Tel 066 228 3335</p> <p>Embilipitiya 1st Floor Lakmini Supermarket Bldg 51 Main Street Embilipitiya Tel 047 226 1919 Tel/Fax 047 223 0416</p> <p>Galle 16 1 / 1 Colombo Road Kaluwella Galle Tel 091 224 6733 Fax 091 223 2261</p>	<p>Kotte 119 Pannipitiya Road Battaramulla Tel 287 5258 / 288 9809 -11 Fax 552 5394</p> <p>Kuliyapitiya 149 / 7 Main Street Kuliyapitiya Tel/Fax 037 228 1867</p> <p>Kurunegala 110 / 1 Noel Seneviratne Mw Colombo Road Kurunegala Tel/Fax 037 222 3540 / 222 7707 / 222 9998</p> <p>Maharagama 140 /1 High Level Road Maharagama Tel 283 7611 / 283 7612 Fax 283 7488</p> <p>Matale 181 Nimali Bldg Trincomalee Street Matale Tel/Fax 066 223 2401-3</p> <p>Matara 26 1/2 Anagarika Dharmapala Mw Matara Tel 041 222 2844 / 222 1051 / 222 0674 Fax 041 222 7344</p>
<p>AVIVA NDB Regional Offices - Distribution Network</p> <p>Ambalangoda 118A / 2 / 1 GMA Building Galle Road Ambalangoda Tel 091 225 8969 Fax 225 8994</p> <p>Ambalantota 143 Main Street Ambalantota Tel 047 222 3359 Fax 047 222 5022</p> <p>Ampara 149 Nidahas Mw Ampara Tel 063 222 3664 Fax 063 222 3663</p> <p>Anuradhapura 213 / 5 Maithripala Senanayake Mw Anuradhapura Tel 025 222 0858 Fax 025 222 3102</p> <p>Avissawella 68 / 1 / 1 Yatiyantota Road Avissawella Tel 036 223 2597 Fax 036 223 3550</p> <p>Badulla 72 Sagarika Bldg Lower Street Badulla Tel 055 222 2848 Fax 055 223 0772</p> <p>Bandarawela 3 / 126 Main Street Bandarawela Tel/Fax 057 222 4869</p>	<p>Gampaha 85 Bauddhaloka Mw Gampaha Tel 033 222 7393 / 222 1177 / 223 4700 Fax 033 222 6840</p> <p>Horana 135 Panadura Road Horana Tel/Fax 034 226 2359</p> <p>Ja-Ela 59A Negombo Road Ja-Ela Tel/Fax 224 8222 / 224 8223 / 224 8224</p> <p>Jaffna 62 / 6 Stanley Road Jaffna Tel 021 222 1215 Fax 021 222 1216</p> <p>Kalutara 183 1 / 1 Main Street Kalutara Tel 034 222 2820 Fax 034 222 9783</p> <p>Kandy Commercial Bank Bldg 6th Floor 90-92 Kotugodella Veediya Kandy Tel 081 222 2321 / 220 0100 / 220 0101 / 222 2322 Fax 081 223 2668</p> <p>Kegalle 447 / 8 Main Street Kegalle Tel 035 222 3141 Fax 035 223 1780</p> <p>Kiribathgoda 412 / 2 Gaala Junction Kandy Road Kiribathgoda Tel/Fax 290 1660 / 290 1664 / 2901666</p>	<p>Moneragala 308A Kachcheri Junction Wellawaya Road Moneragala Tel/Fax 055 227 6496</p> <p>Moratuwa 529 /1 Galle Road Rawathawatte Moratuwa Tel/Fax 264 8020 / 264 8021 / 264 8022</p> <p>Negombo 349 /17 Main Street Negombo Tel/Fax 031 222 2266 / 223 5115</p> <p>Nuwara Eliya 1st Floor Siva Shopping Complex 48 Lawson Street Nuwara Eliya Tel/Fax 052 222 3478</p> <p>Polonnaruwa 68/1 Batticaloa Road Polonnaruwa Tel/Fax 027 222 3108</p> <p>Ratnapura 23A Bandaranayake Mw Ratnapura Tel/Fax 045 223 0946 / 222 4417 / 045 222 2601</p> <p>Trincomalee 5A Main Street Trincomalee Tel/Fax 026 222 7949 / 026 222 6095/6</p> <p>Vavuniya 66 Station Road Viravapuliyanikulam Vavuniya Tel Mobile 024 222 5672 Tel/Fax 024 222 5673</p>

Introduction to Insurance Accounting

Introduction to Insurance Accounting

Insurance Accounting is different from the accounting for a manufacturing or trading organisation, due to the uniqueness of the business and terminology associated with the transactions. As a result, understanding the accounts of an insurance company is a challenge from a layman's point of view.

This brief note is to facilitate the reviewer in understanding our financials and is to be read with the additional information provided in the glossary.

Statement of Income

Industry Segment Data - Statement of Income 2009

For the year ended 31st December

	Notes	General Insurance LKR. '000	Long Term Insurance LKR. '000
Revenue	1	1,893,204	7,809,592
Gross written premium	2	2,503,628	4,632,490
Reinsurance premium	3	(794,921)	(219,738)
Net written premium	4	1,708,707	4,412,752
Increase in net unearned premium	5	(436,755)	-
Net earned premium	6	1,271,952	4,412,752
Benefits, losses and expenses			
Net claims and benefits	7	(902,653)	(1,758,839)
Commission (net of reinsurance commission)	8	(28,493)	(573,826)
Deferred commission	9	41,916	-
Increase in Long Term Insurance Fund	10	-	(3,563,284)
		382,722	(1,483,197)

Note: Only the insurance specific part of the segmental income statement is extracted.

1. Revenue

Revenue consists of the net earned premium, investment income and other income.

2. Gross Written Premium

The main source of income of an insurance company consists of the premiums paid by customers for the risk/s which they transfer to the Company. This consists of premiums for Life insurance policies and General insurance policies.

Life insurance income is accounted for when premiums are received whereas, General insurance income is accounted on commencement of the insurance cover, even if premiums are

not received by the Company. A General insurance policy is issued for a period of one year or less. For example, a motor insurance policy is generally issued for a period of one year whereas; a marine insurance policy is issued for a lesser period to cover the duration of the voyage.

3. Reinsurance Premium

Reinsurance is the process whereby part of the risk/s undertaken by the insurance company is transferred to another entity called the re-insurance company, for which the insurance company pays a premium known as the Reinsurance Premium.

4. Net Written Premium

Gross written Premium net of reinsurance premium is known as the Net Written Premium and is the premium from risk retained within the business.

5. Earned Premium / Unearned Premium

The premium received is distributed across the period covered by the policy, generally a period of twelve months, and amount applicable for the reporting period is taken as premium income. This portion of premium taken as income is known as the Earned Premium. The balance portion is maintained in a reserve and is known as the Unearned Premium Reserve.

6. Net Earned Premium

The portion of premium which is applicable for the financial year and earned by the insurer.

7. Net Claims and Benefits

If the incident against which the insurance cover was obtained occurs, the insurance company indemnifies the insured with an agreed sum, which is known as a Claim.

In addition to claims which are common to both businesses, claims for General insurance relate to property, accident and liability whilst claims for Life insurance include in addition to death, disability and hospitalisation claims, other benefits paid to Life policyholders such as gratuity, surrenders, policy maturities, disability benefits, annuities and interim payments.

8. Reinsurance Recoveries

Part of the claim payment is reimbursed by the reinsurance company to the insurance company based on the proportion of risk/s transferred to the reinsurer. This is known as the Reinsurance Recoveries.

9. (i) Commission

Insurance business is predominantly transacted through intermediaries such as brokers and direct agents. When policies are sold by intermediaries, the insurance company pays a commission based on a specified percentage of the premium and this is a key expense item.

9. (ii) Reinsurance Commission

The agreed risk transfer to a reinsurer takes place at the same rate as the rate charged for the policy. In view of this, the reinsurer offers a discount to the insurer to cover expenses incurred in acquiring the business. In insurance accounting, this is known as the Reinsurance Commission, which is an income to the insurance company.

10. Deferred Commission / Deferred Acquisition Cost

As a General Insurance policy may extend beyond the financial year end, only the portion of commission applicable for the reporting period is taken as the commission charge. The balance portion is maintained in a reserve and is known as the Deferred Acquisition Expenses Reserve.

11. Increase in Long Term Insurance Fund

For the purpose of meeting the policyholders' future liabilities the insurer is required to maintain a separate fund with sufficient assets to cover an actuarially determined provision which is known as the Long Term Insurance Provision. The amount added to the provision during the current year will appear in the statement of income as Increase in Long Term Insurance Fund.

The terms Written Premium, Earned premium, Commission and Claims when stated as "Gross" refers to the absolute amount and "Net" refers to the amount left after deducting the reinsurance portion.

The Underwriting Process / Underwriting Result

Insurance Revenue Account

For the year ended 31st December

	2009 LKR. '000
General insurance	
Gross written premium	2,503,628
Net earned premium	1,271,952
Net claims incurred	(902,653)
Reinsurance commission net of acquisition expenses	13,423
Operating and administrative expenses excluding non technical expenses	(463,208)
Other technical income	923
Net underwriting result	(79,563)

Note: Only the insurance specific part of the Insurance Revenue account is extracted.

The term "underwriting" refers to the process of an insurance company evaluating and accepting the risks which customers wish to transfer and determining a price for such risks.

In General insurance, the profit or loss of the underwriting process is known as the 'Underwriting Result' which is the net of earned premium, claims, acquisition and other expenses.

The underwriting result can be derived from the Insurance Revenue Account.

Balance Sheet

As at 31st December

	Notes	2009 LKR. '000
Liabilities		
Insurance provision		
- Long Term Conventional	1	16,686,639
Insurance provision		
- Long Term Unit-linked	1	1,361,066
Provision for Life Fund Solvency	2	175,000
Insurance provision - General	3	1,865,820

Note: Only the insurance specific part of the Balance Sheet is extracted.

1. The Long Term Insurance Fund

In Long Term insurance business, due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policy holders' obligations. This is known as the "Insurance Provision - Long Term Insurance". The size of the fund that needs to be maintained is determined by the actuarial valuation which is carried out annually. This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year end. The excess is generally known as the Life Surplus. The amount that is determined to be transferred to the shareholder from this Life surplus is recorded as "Transfer to Shareholders' Funds" in the financial statements.

The Life fund of the Conventional Life business and that of Unit-linked Life business are reported separately in line with the reporting requirements.

2. Provision for Life Fund Solvency

This is a reserve created by an appropriation from profits to support the solvency position of the Long Term insurance business.

3. Insurance Provisions – General insurance

The reserve that is maintained in respect of General insurance business consisting of unearned premium reserve, claims outstanding and deferred acquisition expenses is known as the "Insurance Provision – General Insurance".

Glossary

Accidental death benefit

An additional payment made under a Life insurance policy if death is caused by an accident. The extra amount is usually equal to the face value of the policy.

Actuary

A person who provides solutions to insurance related problems using applied mathematics (in particular, probability) to provide solutions to insurance-related problems. Actuarial techniques are used to design new insurance products and to assess the profitability of new and existing business.

Agent

An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

Amortisation

An accountancy term for the gradual reduction in value of an asset caused by the passage of time. If something is amortised, it is written off. If the cause is not solely related to time, the effect is described as depreciation.

Annual Premium Equivalent (APE)

A method for calculating levels of life, pensions and investment new business levels, to smooth out the effect of large, one-off payments.

Annual report

A document issued once a year by a company to report its financial position. Annual reports normally include the company's accounts, a statement of assets, liabilities and recent earnings, a description of business operations, and a comment on the outlook for the future. Public companies quoted on the Colombo Stock Exchange are required to issue an annual report to all shareholders.

Annuity

Another word for "pension". An annuity is a regular payment from an insurance company designed to give the policyholder an income for life after retirement. It is paid for by a lump sum saved during the policyholders' working lifetime. Annuity rates are based on yields on gilt-edged securities at the time of purchase. On death, any remaining investments usually become the property of the annuity provider.

Asset

Anything of value owned by a business that can be set against its liabilities. Assets are usually divided into four types: fixed assets (typically land, buildings and machines); current assets (cash, stock, investments, work in progress and payments owing); liquid assets (cash or funds held in a form that can be quickly converted into cash); and intangible assets (goodwill, trademarks, patents, etc).

Assurance

A term sometimes used instead of "insurance", generally in connection with Life business, since assurance implies the certainty of an event (such as death) and insurance only the probability.

Balance Sheet

A statement showing the financial position of a business on a specific date by listing its assets (what it owns) and its liabilities (the claims on its assets, or what it owes).

Bancassurance

An arrangement whereby banks sell insurance and investment products to their customers on behalf of other financial providers.

Benchmark

A market index or rate against which an investment fund compares its performance and mix of assets.

Beneficiary

A person, organisation or estate that receives, or may become eligible to receive, benefits from a will, insurance policy, retirement plan or other contract.

Blue chip

A description applied to the biggest and most highly regarded companies quoted on the stock market. Shares in such companies are usually considered a reliable and profitable investment.

Board of Directors

Decision-making body legally responsible for overseeing the management of a company. In a listed company the directors are elected by the shareholders. Executive directors are usually employees responsible for managing the day-to-day business of the company. Non-executive directors are independent outsiders (not on the company payroll) and normally carry out their duties on a part-time basis.

Bond

A bond is technically a certificate of debt issued by a government or company in return for a loan from an investor. Bonds are sometimes known as fixed interest securities, as they often have a fixed rate of interest and a predetermined repayment date. Examples include gilt-edged securities issued by the government of Sri Lanka, and corporate bonds issued by companies as investment products.

Broker

An individual or firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

Capital

Any form of wealth capable of being employed in the production of more wealth.

Capital structure

The manner in which a company finances itself, including issuing shares, long term borrowings and retained earnings.

Central bank

The major regulatory bank in a country, usually controlled by the government. Its role can include setting interest rates, note issue, supervision of commercial banks,

management of exchange reserves and the national currency's value, as well as acting as the government banker.

CEO

Abbreviation for Chief Executive Officer. The CEO is the head of a company and oversees strategic planning and operational activities.

CFO

Abbreviation for Chief Financial Officer. The CFO is responsible for a company's accounting and financial activities, and usually reports to the Chief Executive Officer.

Claim

Notification to an insurance company of a call by a policyholder to the benefits due under the terms of an insurance policy or scheme.

Claims expenses

Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

Claims incurred

The total of all claims sustained during an accounting period, whether paid or not. Also known as losses incurred.

Claims ratio

Claims incurred, adjusted for any reinsurance, expressed as a percentage of net premiums earned. Sometimes referred to as loss ratio.

Combined Operating Ratio (COR)

A financial measure of insurance underwriting profitability that expresses the total of claim costs, commission and expenses as a percentage of premiums. A COR below 100% indicates profitable underwriting. Companies with a COR over 100% can still be profitable if they earn sufficient investment income from the premiums paid by policyholders.

Commission

Payment made to an agent or other intermediary, normally in return for selling an insurance or investment policy.

Compliance

The requirement to operate in accordance with statutory or regulatory guidelines.

Consumer price index

An indicator of inflation that measures the percentage change in the cost of a representative "basket" of products and services bought by the average household.

Contract

A legally binding document between two parties. In the case of insurance, a common name for a scheme or policy.

Corporate Social Responsibility (CSR)

A company's approach to how they engage with issues such as environmental management, local communities, employees, human rights, health and safety at work, suppliers, customers and standards of business conduct.

Credit rating

A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA, and the lowest D. These are usually issued by a credit rating agency or credit bureau.

Critical illness cover

A Life insurance policy with the benefits payable on diagnosis of one of a number of specified medical conditions.

Debenture

A fixed interest security issued by a company or government agency, usually secured on its assets, with a long term redemption (repayment) date typically between 5 and 10 years ahead. If a company files for bankruptcy, debenture stockholders are first in line to be repaid before the other stockholders and shareholders.

Dependent

A person who depends upon another for financial support. A minor (child) is normally a dependent at least until reaching the age of majority.

Depreciation

Reduction in the worth of an asset in a company's accounts to reflect its loss of value through age and use.

Diversification

For an investor, a method of reducing exposure to risk by investing in a range of sectors and financial products. For an insurer, it involves off-setting or counter-balancing risks across business lines, geographies, etc.

Dividend

An amount based on a company's profits paid out to shareholders for each share they hold based on the profits of a company. Usually paid as cash, but they can also take the form of non-cash benefits.

Earnings

Another word for profit. Broadly calculated as revenues minus costs, operating expenses and taxes, minority interests, extraordinary items and dividends on preference stock.

Earnings Per Share (EPS)

Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued - is a guide to how well a company is performing. Companies often use a weighted average of shares outstanding over the reporting term.

Economic value added

A financial performance measure used to evaluate a company's true profit and the creation of wealth for shareholders.

Endowment assurance

A policy combining Life assurance and investment under which the sum assured is paid at a pre-agreed date, or on the death of the policyholder if earlier.

Equity

Another word for "share". Shareholders' equity is the value of the shares they hold.

Exchange rate

The rate at which one currency may be converted into another. Often quoted as an indicator of the relative strength of a currency or the attractiveness of the market in which it is used.

Expense ratio

Expenses associated with running an insurance business, such as commission,

Glossary

professional fees and other administrative costs, expressed as a percentage of premiums. Also the annual operating costs of an investment fund, expressed as a percentage of assets.

Extraordinary item

A non-recurring event that materially affects a company's finances in a reporting period.

Extraordinary items

Gains and losses in a company's accounts resulting from one-off or unusual events.

Fair market value

The price that a reasonable buyer would be willing to pay and a reasonable seller would be willing to accept for a product on the open market.

Final dividend

The dividend paid by a company to shareholders at the end of the financial year.

Fiscal policy

A means by which a government can influence the national economy through changes in tax and public spending.

Fixed interest

A guaranteed rate of interest paid over the term of an investment or loan. A fixed interest security is an investment such as a government bond that provides a set level of income and usually has a redemption value, paid at maturity.

Gilt-edged securities

Bonds or securities issued by the Sri Lankan government to raise funds, and are considered the safest form of Rupee lending.

Gross

Before tax has been deducted. The opposite of net.

Gross domestic product (GDP)

The total value of all goods and services produced domestically by a country each year. Can be calculated as gross national product minus income from abroad. A key measure of national economic health.

Gross premium income

Income from business written during the year, before any reinsurance is taken into account.

Gross written premia

The total earnings or revenue generated by sales of insurance products, before any reinsurance is taken into account. Not all premiums written will necessarily be treated as income in the current financial year, because some of them could relate to insurance cover for a subsequent period.

Health insurance

Provides cover against loss from illness or bodily injury. The policy can cover expenses for medicine, visits to the doctor, hospital stays, other medical expenses and loss of earnings, depending on the conditions covered and the benefits and choices of treatment available on the policy.

IFRS

International Financial Reporting Standards. These are accounting regulations designed to ensure comparable balance sheet preparation and disclosure, and are the standards that all public listed companies in the European Union are required to use.

In force

An insurance policy is "in force" from its start date until the date it is terminated.

Index

An index is the weighted value of a group of securities used to measure the ups and downs of a market, market sector or asset class, and to provide a performance benchmark against which other investments in that category can be measured.

Inflation

An increase in the general level of prices over a period of time.

Institutional investor or shareholder

Large financial organisation, such as a bank, insurance company, pension fund or investment trust, that holds and trades substantial volumes of stocks and shares for its own benefit or on behalf of others.

Insurance

A contract taken out with an insurer to protect against loss from a perceived risk. The person taking out the insurance is called the insured. Payments for the policy are called premiums.

Intangible assets

The theoretical value to a company of its non-physical assets, such as its brand name, patents, royalties, trademarks, copyright and goodwill.

Interest

The fee charged by a lender for the use of borrowed money, or the return earned on an investment, such as savings in a deposit account. It can also mean part or total ownership of an asset.

Interest rate

Percentage rate at which money is added to savings or borrowings. The cost of borrowing or lending money.

Interim results

Figures issued during the financial year to indicate business performance since the last full-year accounts were published. Usually announced quarterly or half-yearly.

Intermediary

An individual or organisation who introduces business to an insurance company on behalf of a customer and represents them in dealings with the company. Types of intermediaries include financial advisers, agents, brokers, dealers and traders.

Investment

Buying and holding assets, such as shares, bonds, property and commodities, to earn income or to make capital gains.

Investment bank

A financial organisation involved in corporate finance, advice on mergers, takeovers and acquisitions, the launch of new stocks and shares and investment management.

Investment income

Earnings or revenue (such as share dividends and interest payments) arising from the ownership of assets.

Joint life

An insurance contract where two people are insured against death.

Liabilities

A company's debts and obligations, shown on the balance sheet as claims on its assets.

Liability insurance

Insurance designed to protect the policyholder in the event of a claim by a third party alleging that negligence or inappropriate action has resulted in bodily injury or damage to property. Can cover a range of personal, professional and commercial risks.

Life insurance

Promises the payment of an agreed sum of money upon the death of the insured within a specified period of time. Also known as Life assurance.

Liquidity

Ease with which an asset can be bought or sold without significantly affecting its price. A liquid asset is one easily convertible into cash.

Listed

A company whose shares are traded on a stock exchange is said to be listed. It means the same as quoted.

Long term savings

Collective term for Life insurance, pensions, savings, investments and related business.

Lump sum benefit

A benefit arising in the form of a single, once-and-for-all payment rather than a series of payments.

Margin

Profit margin as a percentage of trading profit. Reflects the underlying profitability of the business, but not whether the company is making money for shareholders. It is calculated before interest charges and tax.

Market

The place where transactions take place in a particular type of commodity, such as a stock exchange.

Market capitalisation

The value of a company calculated by multiplying the number of shares the company has in circulation by the market price of those shares.

Maturity

The date that an insurance policy or other financial contract finishes or "matures", and the proceeds, sometimes known as the maturity value, become payable.

Monetary policy

Regulation of the money supply and interest rates by a central bank, with the aim of controlling inflation and stabilising the national currency. Monetary policy enables a government to affect the amount of money spent by consumers and businesses.

Money market instrument

A short term debt obligation, such as a banker's certificate of deposit, commercial paper or government security, generally regarded as a low-risk, low-return investment for the holder.

Money supply

Total amount of money in circulation in an economy. There are several ways this can be measured such as M0, M1, M2, M2b. Financial authorities use these measures to set targets for monetary growth.

Net

After tax has been deducted. The opposite of gross.

Net asset value

The value of a company calculated by subtracting its liabilities from its assets. The difference is the capital, that is, the funds that would be available to ordinary shareholders if the company were wound up.

Net premiums earned

The proportion of net written premiums recognised for accounting purposes as income in a given period.

Net written premia

Total gross written premia for a given period, minus premiums paid over or "ceded" to reinsurers.

Net profit

The amount left over after deducting tax, interest, depreciation, fees, minority interests and extraordinary charges from sales revenue. Also known as net earnings, or net income.

New business

Term used to describe the value of Long Term savings policies sold to new and existing customers. Includes premium increases on existing business.

New business strain

The technical name given to an initial depletion of cash and/or erosion of shareholders' net assets at the moment an insurance contract is sold. This "strain" arises because, in addition to meeting costs associated with the sale of contracts, insurance companies must make actuarial provisions at the outset of a contract that are often significantly higher than the premiums received. To begin with, therefore, cash outflows exceed inflows, creating a strain.

Operating profit

The difference between total income/revenue and total running costs/operating expenses from continuing operations. Excludes non-operational items, such as one-off gains or losses from the sale of assets or acquisition costs. Also called earnings before interest and taxes (EBIT), or operating income.

Ordinary share

Where ownership of a company is divided into a number of equal parts or "shares", ordinary shareholders are entitled to a distribution of the profits (known as dividends) and have the right to vote at company meetings. If the company is wound up, ordinary shareholders are entitled to any assets left after all other obligations have been met. These residual assets are known as the equity of the company, hence the term "equities" sometimes used to describe ordinary shares. Ordinary shares rank after debentures and preference shares.

Glossary

Per capita

Average per person. Per capita income represents the average earnings for each person in a population, and is often used to measure a country's standard of living.

Policy document

A document that details the full product information and terms and conditions of an insurance policy, and the policy schedule(s) which provides the specific benefits/premiums/payment conditions covered. It provides evidence that a contract exists between the insured and insurer.

Portfolio

A collection of financial assets - investments in shares, fixed interest stocks, cash and property - held by an investor.

Premium

The monetary amount paid for an insurance policy. The payment a policyholder makes in return for insurance cover. Usually paid monthly, annually or as a single lump sum. Also, if the market price of a new share is higher than its issue price, it is said to be trading at a premium.

Price/earnings ratio (P/E ratio)

Share price divided by earnings per share over the latest 12-month period. The result offers investors a way of comparing companies' prospects. For example, a high P/E ratio might suggest a company has strong growth potential, and investors will pay more for a share if they think that the company's earnings will rise rapidly.

Price sensitive information

Information about a business which, if made public, would be likely to have a significant effect on the company's share price. Listed companies must report such information to the stock exchange.

Principal

A term for the original investment, or the amount borrowed, or the part of the amount borrowed that remains unpaid (excluding interest).

Private company

A company which is not allowed to offer its shares to the general public.

Profit

Excess of income over expenses for a particular period. Figures may be given as gross profit, net profit before tax, net profit after tax, and earnings.

Profit and loss account

An account compiled at the end of the financial year showing that year's revenue and expense items, and indicating gross and net profit or loss.

Profit before tax

All profits earned in a period, including investment gains.

Property and casualty insurance

Also known as Non-life or General insurance. Casualty insurance primarily covers losses arising from accidents that cause injury to other people or damage to the property of others. Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks.

Proxy

A method by which a shareholder may vote without attending a meeting by appointing someone else to vote on their behalf.

Public company

A company whose shares are available to members of the public.

Quoted

If a company has a quote (or is "quoted"), its shares can be traded on the stock exchange. It means the same as listed.

Rate of return

The change in value of an investment over a period of time, taking into account income from it and any change in its market value. Normally expressed as an equivalent annual percentage of the total amount invested. Also the yield from a fixed income security.

Recession

A period of general economic decline. Specifically, a decline in gross domestic

product (GDP) for two or more consecutive quarters.

Regulatory body

An organisation with statutory powers to lay down a framework within which member companies must operate.

Reinsurance

A form of insurance bought by insurance companies to protect themselves from the risk of large losses. One insurer pays to place part of an insured risk or an entire book of business with one or more other insurance companies, known as the reinsurers.

Return

For savings, the difference between the original sum invested and the final value of income or capital growth, given as a percentage. For shares, the overall investment performance based on the movement in the price of the shares (gain or loss) and the dividend income from the shares.

Return on capital employed (ROCE)

Usually calculated as pre-tax profit divided by capital employed (total assets minus current liabilities), expressed as a percentage. Indicates how efficiently a company's management uses its assets to generate profits over a period of time.

Rights issue

An invitation from a company to their existing shareholders to buy new shares, usually for less than the prevailing share price, to raise additional capital.

Risk

The measurable probability of loss or less-than-expected returns from an investment, asset or business activity.

Risk based capital

Capital allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments. For example, banks may be required to set aside capital to cover their exposure to the risk of

customers defaulting on the repayment of loans.

Run-off

The process of managing accounts and settling claims for an insurance business or investment fund that has stopped accepting new risks or has been closed to new business. It can also be a termination condition of a reinsurance contract that the reinsurer remains liable for losses after the contract ends until policies in force at the time have been "run-off", either for a specified period or until they have expired.

Scrip issue

A free issue of new shares to existing shareholders in proportion to their holdings. Can make shares more attractive to investors because there are more of them at a lower price. Also known as stock split or capitalisation issue.

Sector

Part of a market or industry whose components share similar characteristics. Stocks are often grouped into sectors.

Securities

General term for financial instruments traded on a stock exchange, such as stocks and shares, and the notes, certificates and bearer warrants that signify ownership of them.

Securities and Exchange Commission of Sri Lanka (SEC)

Official Sri Lankan regulatory body responsible for investor protection and regulation of the securities industry and companies quoted on Colombo Stock Exchanges.

Share

Common term for equity. Specifically, a certificate conferring ownership rights in a company. Ordinary shares (or common stock) provide voting rights at company meetings and entitle the holder to a proportional share of the profits.

Shareholder

Someone who owns shares or stock in a company or mutual fund. Shareholders also

have the right to declared dividends and the right to vote on company matters, including the Board of Directors.

Shareholders funds

Shareholders' funds represent the assets that remain once all a company's liabilities have been accounted for. This also equates to the capital of the company, plus any profits that have been retained by the business.

Stakeholder

Any individual or organisation with an interest in a company.

Statutory accounts

The accounts that every public limited company is required by law to produce and publish.

Statutory basis

The valuation basis and approach used for reporting financial statements to local regulators.

Stock

Often used as an alternative word for share, especially in the US. However, it can refer specifically to fixed-interest investments, such as bonds and gilt-edged stocks, which represent a loan to the issuer, rather than shares, which signify part ownership of a company.

Stock exchange

A marketplace where stocks and shares and other financial instruments can be traded.

Subordinated debt, loan or security

A fixed interest issue or debt that ranks below other debt in order of priority for repayment if the issuer is liquidated. Holders are compensated for the added risk through higher rates of interest.

Sum assured

The lump sum benefit payable under an insurance policy or contract in circumstances defined within the policy (usually it represents an amount payable on death or maturity).

Surrender

The act of cancelling or cashing in the proceeds of an insurance contract before it becomes payable or reaches its maturity date for a surrender value.

Surrender value

The amount of money payable on cancellation ("surrender") of a policy with an investment element, before the benefit becomes payable (normally on death or maturity). Surrender values will depend on premiums paid and time elapsed.

Tax year

The annual accounting period, also known as the fiscal year or the financial year.

Technical provisions

Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

Technical result

The insurance profit of Life, Pensions and General insurance business. Measures performance in the core businesses.

Term insurance

Also known as temporary insurance. A type of Life insurance where the benefit (sum assured) is paid only if death occurs during a specific period of time.

Total return

Total return is the change in value of an investment over a given period, including income from dividends and interest, as well as any capital gains or losses, expressed as a percentage of the initial investment.

Total shareholder return

A measure of company performance based on the overall value to shareholders of their investment in a stock over a given period of time. Includes movement in the share price and dividends paid and reinvested, expressed as a percentage of the initial value of the investment or share price at the beginning of the period.

Treasury bill/Treasury bond

Loan or debt securities issued by a government to help pay for its financial

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needs. Investors receive a guaranteed return over a fixed period. In Sri Lanka, treasury bills (also known as T-bills) are short-term securities issued for up to one year. They are sold at a discount, the difference between the purchase price and the face value representing the holder's profit at the end of the term. Treasury bonds (T-bonds) also pay a fixed rate of interest and are long term securities issued with a term of more than 1 year. Treasury bills and Treasury bonds are usually known as gilt-edged securities.

Trust

A legal arrangement where one or more people are appointed to look after property or investments on behalf of someone else (the beneficiary). The Trustees are legally responsible for how the assets are managed.

Trustee

Someone appointed to hold or administer assets for the benefit of other people.

Underwriting

The process of selecting which risks an insurance company can cover, and deciding the premiums and terms of acceptance. On the stock exchange, an arrangement by which a company is guaranteed that an issue of shares will raise a given amount of money, because the underwriters promise to buy any of the issue not taken up by the public.

Underwriting profit

The difference between insurance premiums earned and claims and expenses paid over a given period. If premiums are the higher figure, there is an underwriting profit; if they are lower, there is an underwriting loss. Underwriting profit excludes investment income, so is a commonly used method of evaluating the performance of a General insurance company.

Unearned premiums

Premiums received by an insurer relating to cover provided outside the current accounting period. Such premiums are not normally treated as income until they have

been "earned" during the period to which they relate.

Unit trust

Fund of stocks and shares held by a manager for the benefit of investors. Individuals buy units in the fund, which then invests in a wide range of shares. This approach offers small investors the opportunity to pool their money with others and benefit from a greater spread of risk and investment opportunities. British equivalent of an American mutual fund.

Unitised

Investment policy under which contributions are used to buy units in a chosen investment fund.

Unit-linked

A type of long term savings plan where premiums are used to buy units in an investment fund, such as a unit trust. The assets in the fund can be a mix of stocks, shares, bonds, property or other securities. The value of the units and the return from them can fluctuate in line with the investment performance of the assets in the fund, and there is no guarantee on the amount of capital that will be returned.

Unrealised

A notional profit or loss that has not yet been achieved through a transaction. The profit or loss is "realised" when the investor sells the security or asset in question. Unrealised gains are usually not taxable.

Volatility

The variable amount by which a share price or market value rises and falls during a period of time. If it moves up and down rapidly or unpredictably, it has high volatility; if it is more stable or rarely changes, it has low volatility.

Warrant

A tradable security that gives the holder the right to buy a share or bond at a fixed price on a future date.

Whole Life insurance

An insurance contract where the benefit is payable on death, whenever it occurs. Distinct from term insurance, which pays out only if death occurs within a specific period.

Withholding tax

Withholding tax is an amount withheld by the party making payment to another (payee) and paid to the taxation authorities.

Write down

To reduce the value of an asset or investment in a balance sheet to reflect its current market value. An accounting action sometimes used to reflect the effect of depreciation on the book value of an asset.

Write off

To cancel a debt, or to acknowledge the loss or worthlessness of an asset. Also to remove an asset or holding entirely from a balance sheet. The reduction in value, or loss, is said to be "written off".

Yield

Rate of return on an investment in percentage terms, taking into account annual income and any change in capital value. Also the dividend payable on a share expressed as a percentage of the market price.

Yield to maturity (YTM)

Yield to maturity is the rate of return expected if a bond or other dated investment is held for the full term of the contract, or until the maturity date.

YTD

Abbreviation for "year to date". Usually means the period starting 1st January of the current year and ending today.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of Eagle Insurance PLC* will be held on Tuesday, 23 March, 2010 at 10.00 a.m at "King's Court", Cinnamon Lakeside Hotel, No 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02, for the following purposes:

Ordinary Business:

1. To receive and consider the audited financial statements for the year ended 31 December 2009 together with the Reports of the Auditors and Directors thereon.
2. To declare a final dividend of LKR 9 (Sri Lankan Rupees Nine only) per share as recommended by the Directors.
3. To re-elect Mr D S P Wikramanayake as a Director who retires by rotation in terms of Article 30 of the Articles of Association of the Company.
4. To re-elect Mr L de Mel as a Director who retires by rotation in terms of Article 30 of the Articles of Association of the Company.
5. To Ratify the total donations of LKR 3,094,480 which had been made by the Company during the year ended 31 December 2009 which amount is within the aggregate thereof amounting to 1% of the average profit after tax for the preceding 3 years.
6. To authorise the Directors, to make on behalf of the Company, in pursuance of the provisions of the Companies (Donations) Act No 26 of 1951, donations during the year 2010 not exceeding 1% of the average profit after tax of the Company for the preceding 3 years.
7. To re-appoint the retiring Auditors and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

(Ms) Chathuri Munaweera

Company Secretary

Colombo

9 February 2010

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Notes

Form of Proxy

I/We of
 being a member / members of
 Eagle Insurance PLC* do hereby appoint of
 whom failing :

Mr B Lisle	whom failing
Mr S Rouf	whom failing
Mr D Sooriyaarachchi	whom failing
Mr H Chamberlain	whom failing
Mr D Hope	whom failing
Mr E Wickramaratne	whom failing
Mr D S P Wikramanayake	whom failing
Mr L de Mel	whom failing
Mr I Wickramasinghe	

as my/our proxy to represent me/us and vote on my/our behalf at the 24th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, 23 March 2010 at 10.00 a.m. 'King's Court', Cinnamon Lakeside Hotel, No 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02, and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

* Please delete the inappropriate words

* In favour of Against	the ordinary resolution numbered (1) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (2) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (3) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (4) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (5) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (6) set out in the Notice convening the aforesaid meeting.
* In favour of Against	the ordinary resolution numbered (7) set out in the Notice convening the aforesaid meeting.

Signed this day of Two Thousand and Ten.

.....
 Signature of Shareholder

Notes:

1. If no words are struck out or there is in the view of the proxyholder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxyholder should vote, the proxyholder shall vote as he thinks fit.
2. A proxy need not be a member of the Company.
3. Instructions as to completion appear overleaf.

* known as AVIVA NDB Insurance PLC with effect from 12 February 2010

Form of Proxy

Instructions As To Completion

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address by signing on the space provided and please fill in the date of signature.
2. The persons mentioned on the reverse hereof, are Directors of the Company and they are willing to represent any shareholders as proxy, and vote as directed by the shareholder. They will not, however be willing to speak or move or second any amendments to the resolutions or make any statement in regard thereto on behalf of any shareholder.
3. If another proxy is preferred, delete the names printed, add the name of the proxy preferred and initial the alteration.
4. Kindly return the completed Form of Proxy to the Company after deleting one or other of the alternate words indicated by an asterisk in the body of the same.
5. In the case of a corporate member the proxy should either be signed by two Directors or by any one Director and the Company Secretary or by its Attorney or by an officer on behalf of the corporation and may additionally, if so required by its constitutional documents, be executed under its common seal. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
6. The completed Form of Proxy should be deposited at the registered office of the company at No. 75, Kumaran Ratnam Road, Colombo 02 not less than 48 hours before the time appointed for the holding of the Meeting.

Corporate Information

Name of the Company

AVIVA NDB Insurance PLC
Company Registration No – PQ 18

Legal Form

- Public Company with limited liability.
- Incorporated in Sri Lanka on 12th December 1986 under the Companies Act No. 17 of 1982.
- Re - registered under the Companies Act No 07 of 2007.
- A composite Insurance Company licensed by the Insurance Board of Sri Lanka.
- The shares of the Company are listed on the Colombo Stock Exchange.

Tax Payer Identification Number (TIN)

134001356

VAT Registration Number

134001356 7000

Directors

Bill Lisle - Chairman
Shah Rouf - Managing Director*
Deepal Sooriyaarachchi
Harvey Chamberlain
David Hope
Eran Wickramaratne
Sarath Wikramanayake
Lal de Mel
Indrajit Wickramasinghe
Nihal Welikala (alternate director)

* effective 1 March 2010

Accounting year

31 December

Subsidiaries

<u>Name of the Company</u>	<u>Holding</u>	<u>Principal Activity</u>
Rainbow Trust Management Limited	100%	Trust Management

Registered Office/ Head Office

No. 75, Kumaran Ratnam Road, Colombo 02
Telephone : 2310000
Fax : 2447620, 2310076
E-mail : info@avivandb.com
Web : www.avivandb.com

Company Secretary

Ms Chathuri Munaweera – LLB, Attorney-at-Law

Company Registrars

SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road, Colombo 03
Telephone: 2573894, 2576871

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place
Colombo 10

Consultant Actuary – Life insurance

Mr Wong Chun Fai
Aviva Asia Pte Ltd
Suntec Tower Four
6 Temasek Boulevard,
#22-01,
Singapore 038986

Consultant Actuaries – General insurance

Watson Wyatt Insurance Consulting (Private) Limited
No. 135, Cecil Street
09-01,
Singapore 069536

Lawyers

Julius & Creasy
Attorneys-at-Law & Solicitors
No. 41, Janadhipathi Mawatha
Colombo 01

Reinsurance Panel - Life insurance

Munich Re-insurance Company
Zurich Financial Services (Isle of Man) Re-insurance Company Ltd

Reinsurance Panel – General insurance

Treaty Reinsurers

AVIVA Re
National Insurance Trust Fund
Munich Reinsurance Company

Facultative Reinsurers

Zurich Insurance Company Ltd
Swiss Reinsurance Company Ltd
Chartis Insurance UK Limited
R+V Versicherung AG – Reinsurance
China International Reinsurance Co. Ltd
Hanoo Re (Bermuda) Ltd
ACE American Insurance Company

Bankers

Standard Chartered Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
The Hongkong & Shanghai Banking Corporation Limited
People's Bank
Sampath Bank PLC
National Development Bank PLC
Citi Bank NA
Nations Trust Bank
National Savings Bank

Custodian Banks

The Hongkong & Shanghai Banking Corporation Limited
Bank of Ceylon

