

Condensed Consolidated Interim Financial Statements
31 December 2014



ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	Note	GROUP		COMPANY	
		31.12.2014 Rs. ' 000 Unaudited	31.12.2013 Rs. ' 000 Audited	31.12.2014 Rs. ' 000 Unaudited	31.12.2013 Rs. ' 000 Audited
Assets					
Intangible Assets		14,165	-	14,165	-
Property, Plant and Equipment		395,204	158,041	395,204	158,041
Investments in Subsidiary	9	-	-	100,000	-
Financial Investments		8,567,945	6,242,871	8,464,071	6,242,871
Loans to Life Policyholders and Others		133,846	107,089	133,846	107,089
Reinsurance Receivables		159,711	144,058	159,711	144,058
Premium Receivables		460,196	464,453	460,196	464,453
Amounts due from Related Companies		662	259	2,045	259
Other Assets		359,970	166,855	359,771	166,855
Deferred Acquisition Cost		100,956	89,304	100,957	89,304
Cash and Cash Equivalents		130,282	102,228	130,254	102,228
Total Assets		10,322,937	7,475,158	10,320,220	7,475,158
Equity and Liabilities					
Equity					
Stated Capital		1,062,500	1,062,500	1,062,500	1,062,500
Other Reserves		455,472	114,663	455,472	114,663
Retained Earnings		1,043,192	654,531	1,040,521	654,531
Total Equity		2,561,164	1,831,694	2,558,493	1,831,694
Liabilities					
Insurance Contract Liabilities - Life	10	5,223,695	3,938,030	5,223,695	3,938,030
Insurance Contract Liabilities - Non Life	11	1,138,694	921,221	1,138,694	921,221
Employee Benefits		53,029	46,154	53,029	46,154
Reinsurance Payable		131,308	137,583	131,308	137,583
Deferred Revenue		25,779	17,820	25,779	17,820
Amounts due to Related Companies		-	24	-	24
Other Liabilities		703,502	398,032	703,454	398,032
Current Tax Liabilities		11,980	15,537	11,980	15,537
Short Term Borrowings		154,482	50,000	154,483	50,000
Bank Overdraft		319,304	119,063	319,305	119,063
Total Liabilities		7,761,773	5,643,464	7,761,727	5,643,464
Total Equity and Liabilities		10,322,937	7,475,158	10,320,220	7,475,158

The Notes form an integral part of these Interim Financial Statements.

These Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

Saliya Wickramasinghe
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed and on behalf of the Board;

(Sgd.)

Director
Colombo
12th February 2015

(Sgd.)

Director

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF INCOME

For the twelve months ended 31 December	Note	Group		Company		Change %	
		2014	2013	2014	2013	Group*	Company
		Rs. ' 000 Unaudited	Rs. ' 000 Audited	Rs. ' 000 Unaudited	Rs. ' 000 Audited		
Gross Written Premium	5	4,773,295	4,076,669	4,773,295	4,076,669	17%	17%
Net Change in Reserve for Unearned Premium		(108,998)	(198,465)	(108,998)	(198,465)	-45%	-45%
Gross Earned Premium		4,664,297	3,878,204	4,664,297	3,878,204	20%	20%
Premiums ceded to Reinsurers		(552,563)	(635,879)	(552,563)	(635,879)	-13%	-13%
Net Change in Reserve for Unearned Reinsurance Premium		28,333	(1,967)	28,333	(1,967)		
Net Earned Premium		4,140,067	3,240,358	4,140,067	3,240,358	28%	28%
Other Revenue							
Finance Income		826,091	598,749	822,187	598,749	38%	37%
Net Realized Gains		82,849	224,186	82,849	224,186	-63%	-63%
Net Fair value Gains		1,041,702	167,858	1,041,702	167,858	521%	521%
Other Operating Income		15,638	5,773	15,638	5,773	171%	171%
		<u>1,966,280</u>	<u>996,566</u>	<u>1,962,376</u>	<u>996,566</u>	97%	97%
Total Net Revenue	6	6,106,347	4,236,924	6,102,443	4,236,924	44%	44%
Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,548,661)	(1,124,426)	(1,548,661)	(1,124,426)	38%	38%
Change in Insurance Contract liabilities - Life		(1,253,098)	(842,119)	(1,253,098)	(842,119)	49%	49%
Underwriting and net Acquisition Cost		(833,325)	(711,702)	(833,325)	(711,702)	17%	17%
Other Operating and Administration Expenses		(1,677,304)	(1,151,971)	(1,676,571)	(1,151,971)	46%	46%
Finance Cost		(25,840)	(12,569)	(25,840)	(12,569)	106%	106%
Total Benefits, Losses and Expenses		(5,338,228)	(3,842,787)	(5,337,495)	(3,842,787)	39%	39%
Profit Before Taxation	7	768,119	394,137	764,948	394,137	95%	94%
Income Tax Expenses	8	(12,838)	(31,802)	(12,838)	(31,802)	-60%	-60%
Profit for the Period		755,281	362,335	752,110	362,335	108%	108%
Earnings Per Share							
Basic Earnings Per Share (Rs.)		20.14	9.66	20.06	9.66		
Diluted Earnings Per Share (Rs.)		20.14	9.66	20.06	9.66		

* Change information in group column represents the change with 2014 Group results against 2013 Company results

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December	Group		Company	
	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Audited	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Audited
Profit for the period	755,281	362,335	752,110	362,335
<u>Other Comprehensive Income</u>				
Net change in fair value of available for sale financial assets	15,783	112,476	15,783	112,476
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	407,875	121,854	407,875	121,854
Net change in fair value of available for sale financial assets transferred to the statement of income	(82,849)	(224,145)	(82,849)	(224,145)
Actuarial gains / (losses) on employee benefits	1,381	(2,330)	1,381	(2,330)
Total of other comprehensive income before tax	342,190	7,855	342,190	7,855
Income Tax	-	-	-	-
Total of other comprehensive income after tax	342,190	7,855	342,190	7,855
Total Comprehensive income for the period	1,097,471	370,189	1,094,300	370,189
Profit Attributable to:				
Equity Holders of the Company	755,281	362,335	752,110	362,335
Non Controlling Interest	-	-	-	-
Total Comprehensive Income Attributable to:				
Equity Holders of the Company	1,097,471	370,189	1,094,300	370,189
Non Controlling Interest	-	-	-	-

The Notes form an integral part of these Interim Financial Statements.

STATEMENT OF INCOME

For the three months ended 31 December	GROUP			COMPANY		
	2014	2013	Variance	2014	2013	Variance
	Rs. ' 000	Rs. ' 000	%	Rs. ' 000	Rs. ' 000	%
	Unaudited	Unaudited		Unaudited	Unaudited	
Gross Written Premium	1,319,097	1,083,603	22%	1,319,097	1,083,603	22%
Net Change in Reserve for Unearned Premium	(34,333)	4,149	-927%	(34,333)	4,149	-927%
Gross Earned Premium	1,284,764	1,087,752	18%	1,284,764	1,087,752	18%
Premiums ceded to Reinsurers	(195,516)	(139,771)	40%	(195,516)	(139,771)	40%
Net Change in Reserve for Unearned Reinsurance Premium	3,913	(15,836)	-125%	3,913	(15,836)	-125%
Net Earned Premium	1,093,161	932,145	17%	1,093,161	932,145	17%
Other Revenue						
Finance Income	218,159	161,819	35%	215,356	161,819	33%
Net Realized Gains	51,798	188,164	100%	51,798	188,164	-72%
Net Fair value Gains	(115,233)	121,053	-195%	(115,233)	121,053	-195%
Other Operating Income	1,187	1,190	0%	1,187	1,190	0%
	155,911	472,226	-67%	153,108	472,226	-68%
Total Net Revenue	1,249,072	1,404,371	-11%	1,246,269	1,404,372	-11%
Benefits, Claims and Expenses						
Net Insurance Benefits and Claims	(436,624)	(307,239)	42%	(436,624)	(307,239)	42%
Change in Insurance Contract liabilities - Life	70,813	(87,146)	-181%	70,813	(87,146)	-181%
Underwriting and net Acquisition Cost	(223,012)	(179,963)	24%	(223,012)	(179,963)	24%
Other Operating and Administration Expenses	(429,795)	(313,828)	37%	(429,658)	(313,828)	37%
Finance Cost	(8,160)	(3,481)	134%	(8,160)	(3,481)	134%
Total Benefits, Losses and Expenses	(1,026,778)	(891,657)	15%	(1,026,641)	(891,657)	15%
Profit Before Taxation	222,294	512,714	-57%	219,628	512,714	-57%
Income Tax Expenses	402	(31,803)	-101%	402	(31,803)	-101%
Profit for the Period	222,696	480,911	-54%	220,030	480,911	-54%
Earnings Per Share						
Basic Earnings Per Share (Rs.)	5.94	12.82		5.87	12.82	
Diluted Earnings Per Share (Rs.)	5.94	12.82		5.87	12.82	

STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December	GROUP		COMPANY	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
	Unaudited	Audited	Unaudited	Audited
Profit for the period	222,696	480,911	220,030	480,911
<u>Other Comprehensive Income</u>				
Net change in fair value of available for sale financial assets	(32,567)	77,167	(32,567)	77,167
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	33,366	97,486	33,366	97,486
Net change in fair value of available for sale financial assets transferred to the statement of income	(51,798)	(188,164)	(51,798)	(188,164)
Actuarial gains / (losses) on employee benefits	1,381	(2,330)	1,381	(2,330)
Total of other comprehensive income before tax	(49,618)	(15,843)	(49,618)	(15,843)
Income Tax	-	-	-	-
Total of other comprehensive income after tax	(49,618)	(15,843)	(49,618)	(15,843)
Total comprehensive income after tax	173,078	465,068	170,412	465,068
Profit Attributable to:				
Equity Holders of the Company	222,696	480,911	220,030	480,911
Non Controlling Interest	-	-	-	-
Total Comprehensive Income Attributable to:				
Equity Holders of the Company	173,078	465,068	170,412	465,068
Non Controlling Interest	-	-	-	-

The Notes form an integral part of these Interim Financial Statements.

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital	Other Reserves	Retained reserves	Total
	Fair Value reserve			
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Balance as at 01 January 2013	1,062,500	104,477	294,526	1,461,503
Profit for the Period	-	-	362,335	362,335
<u>Other Comprehensive Income for the Period</u>				
Net change in fair value of available for sale financial assets	-	112,477	-	112,477
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	121,855	-	121,855
Net change in fair value of available for sale financial assets transferred to the statement of income	-	(224,145)	-	(224,145)
Actuarial gains / (losses) on employee benefits	-	-	(2,330)	(2,330)
Total other Comprehensive income	-	10,186	(2,330)	7,856
Total Comprehensive income for the Period	-	10,186	360,005	370,191
Audited Balance as at 31 December 2013	1,062,500	114,663	654,531	1,831,694
Profit for the Period	-	-	755,281	755,281
<u>Other Comprehensive Income for the Period</u>				
Net change in fair value of available for sale financial assets	-	15,783	-	15,783
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	407,875	-	407,875
Net change in fair value of available for sale financial assets transferred to the statement of income	-	(82,849)	-	(82,849)
Actuarial gains/(losses) on employee benefits	-	-	1,381	1,381
Total Other Comprehensive income	-	340,808	1,381	342,189
Total Comprehensive income for the Period	-	340,808	756,662	1,097,470
<u>Transactions with the Owners of the Company, recognised directly in Equity</u>				
<u>Distributions to owners of the Company</u>				
First and Final Dividend - 2013	-	-	(180,000)	(180,000)
Interim Dividend - 2014	-	-	(187,500)	(187,500)
Share Issue Transactions cost	-	-	(500)	(500)
Unaudited Balance as at 31 December 2014	1,062,500	455,472	1,043,192	2,561,164

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY - COMPANY

	Stated Capital	Other Reserves	Retained reserves	Total
	Fair Value reserve			
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Balance as at 01 January 2013	1,062,500	104,477	294,526	1,461,503
Profit for the Period	-	-	362,335	362,335
<u>Other Comprehensive Income for the Period</u>				
Net change in fair value of available for sale financial assets	-	112,477	-	112,477
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	121,855	-	121,855
Net change in fair value of available for sale financial assets transferred to the statement of income	-	(224,145)	-	(224,145)
Actuarial gains/(losses) on employee benefits	-	-	(2,330)	(2,330)
Total other Comprehensive income	-	10,186	(2,330)	7,856
Total Comprehensive income for the Period	-	10,186	360,005	370,191
Audited balance as at 31 December 2013	1,062,500	114,663	654,531	1,831,694
Profit for the Period	-	-	752,110	752,110
<u>Other Comprehensive Income for the Period</u>				
Net change in fair value of available for sale financial assets	-	15,783	-	15,783
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	407,875	-	407,875
Net change in fair value of available for sale financial assets transferred to the statement of income	-	(82,849)	-	(82,849)
Actuarial gains/ (losses) on employee benefits	-	-	1,381	1,381
Total Other Comprehensive income	-	340,808	1,381	342,190
Total Comprehensive income for the Period	-	340,808	753,491	1,094,300
<u>Transactions with the Owners of the Company, recognised directly in Equity</u>				
<u>Distributions to owners of the Company</u>				
First and Final Dividend - 2013	-	-	(180,000)	(180,000)
Interim Dividend - 2014	-	-	(187,500)	(187,500)
Unaudited Balance as at 31 December 2014	1,062,500	455,472	1,040,521	2,558,493

STATEMENT OF CASH FLOWS

For the period ended 31 December	GROUP		COMPANY	
	2014	2013	2014	2013
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
	Unaudited	Audited	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Insurance premium received	5,017,781	4,226,129	5,017,781	4,226,129
Reinsurance premium paid	(261,448)	(576,268)	(261,448)	(576,268)
Insurance claims and benefits paid	(1,686,042)	(1,293,089)	(1,686,042)	(1,293,089)
Reinsurance claims received	25,046	232,902	25,046	232,902
Payments to intermediaries to acquire insurance contracts	(923,591)	(807,641)	(923,591)	(807,641)
Cash paid to employees, intermediaries and other suppliers for services and goods	(549,611)	(373,704)	(549,611)	(373,704)
Cash received from sale of salvages	25,695	5,563	25,695	5,563
Interest received	440,897	397,397	436,994	397,397
Dividend Received	125,026	164,305	125,026	164,305
Other operating cash flows	(955,730)	(948,418)	(955,729)	(948,418)
Net Cash Inflow from Operating Activities (Note A)	1,258,022	1,027,176	1,254,120	1,027,176
Income tax paid (Economic Service Charge)	2,223	(3,354)	2,223	(3,354)
Gratuity paid	(6,554)	(1,767)	(6,554)	(1,767)
Interest Paid	(7,339)	(12,569)	(7,339)	(12,569)
Net Cash Generated from Operating Activities	1,246,351	1,009,486	1,242,449	1,009,486
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Intangible Assets	-	-	(100,000)	-
Investments in Subsidiary	-	-	(100,000)	-
Acquisition of Other Investments	(14,715,016)	(21,122,164)	(14,611,141)	(21,122,164)
Proceeds from sale of Investments	13,727,413	20,108,448	13,826,903	20,108,448
Acquisition of Property, Plant and Equipment	(283,767)	(79,571)	(283,767)	(79,571)
Proceeds from sale of Property, Plant and Equipment	-	63	-	63
Net cash (used) in investing activities	(1,271,370)	(1,093,224)	(1,168,005)	(1,093,224)
Net cash (used in) / Generated before Financing Activities	(25,019)	(83,738)	74,444	(83,738)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from share issue	100,000	-	-	-
Dividend paid	(346,598)	-	(346,598)	-
Short term borrowings	99,928	50,000	99,928	50,000
Share Issue Related Costs Paid	(500)	-	-	-
Net Cash (used in) / Generated from Financing Activities	(147,170)	50,000	(246,670)	50,000
Net Increase/(Decrease) in Cash and Cash Equivalents (Note B)	(172,188)	(33,738)	(172,226)	(33,738)
A. Reconciliation of profit before taxation with cash flows from operating activities				
Profit before Taxation	768,118	394,137	764,948	394,137
Adjustment for:				
Increase in Insurance Contract Liabilities - Life	1,253,098	842,119	1,253,098	842,119
Depreciation on Property, Plant and Equipment	46,604	37,611	46,604	37,611
Amortization of Intangible Assets	1,574	-	1,574	-
Provision for Employee benefits	13,429	11,193	13,429	11,193
Interest Expense	7,339	12,569	7,339	12,569
Net Realised Gains / (Losses)	(82,849)	(224,146)	(82,849)	(224,146)
Net Fair Value Gains / (Losses)	(1,041,702)	(167,858)	(1,041,702)	(167,858)
Profit on Sale of Property, Plant and Equipment	-	(41)	-	(41)
(Increase) / Decrease in Other Assets	(213,462)	(181,417)	(214,332)	(181,417)
Increase / (Decrease) in Insurance Contract Liabilities - Non life	217,473	239,707	217,473	239,707
(Increase) / Decrease in Deferred Acquisition Costs	(11,653)	(21,112)	(11,653)	(21,112)
Increase / (Decrease) in Deferred Revenue	7,958	1,140	7,958	1,140
Increase / (Decrease) in Payables and Other Liabilities	292,093	83,273	292,305	83,273
Cash Inflow / (Outflow) from Operating Activities	1,258,022	1,027,175	1,254,120	1,027,175
B. Increase / (Decrease) in Cash and Cash Equivalents				
Cash & Cash Equivalents	130,282	102,228	130,245	102,228
Bank Overdraft	(319,304)	(119,063)	(319,305)	(119,063)
Net Cash & Cash Equivalents as at the end of the Period	(189,022)	(16,835)	(189,059)	(16,835)
Net Cash & Cash Equivalents as at the Beginning of the Period	(16,835)	16,903	(16,835)	16,903
Increase / (Decrease) in Cash and Cash Equivalents	(172,188)	(33,738)	(172,225)	(33,738)

As at	31.12.2014 Rs. ' 000 Unaudited	31.12.2013 Rs. ' 000 Audited
Assets		
Intangible Assets	14,165	-
Property, Plant and Equipment	290,569	92,820
Investments in Subsidiary	100,000	-
Financial Investments	5,736,359	4,220,428
Loans to Life Policyholders and Others	134,352	106,618
Reinsurance Receivables	73,316	61,775
Premium Receivables	50,169	46,085
Amounts due from Related Companies	1,381	-
Other Assets	238,252	95,047
Cash and Cash Equivalents	105,025	94,254
Total Assets	6,743,589	4,717,027
Equity and Liabilities		
Equity		
Other Reserves	449,139	101,979
Total Equity	449,139	101,979
Liabilities		
Insurance Contract Liabilities - Life	5,223,695	3,938,030
Employee Benefits	25,725	20,502
Reinsurance Payable	14,704	81,990
Other Liabilities	728,974	476,937
Short Term Borrowings	154,483	50,000
Bank Overdraft	146,869	47,589
Total Liabilities	6,294,450	4,615,048
Total Equity and Liabilities	6,743,589	4,717,027

1 REPORTING ENTITY

Asian Alliance Insurance PLC (The Company) is a public limited liability Company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The Company has the registered office at 7th Floor, Millenium House, 46 / 58, Nawam Mawatha, Colombo 02. The Company is primarily involved in the Life and Non Life insurance business. The company's ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

2 APPROVAL OF FINANCIAL STATEMENTS

The condensed interim financial statements for the twelve months ended 31 December 2014 were authorised for issue by the Board of Directors on 12th February 2015.

3 BASIS OF PREPARATION

The Condensed Consolidated Interim Financial Statements have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2013.

The same Accounting Policies and methods of computation as stated in the Annual Financial Statements - 2013 have been followed in preparation of these consolidated Interim Financial Statements except for the change in accounting policy explained in Note number 11. Further, the provisions of the Companies Act no.7 of 2007, the Regulation of the Insurance Industry Act No 43 of 2000 and Colombo Stock Exchange have been considered in preparing these consolidated Interim Financial Statements.

New SLFRs and Interpretations issued but not effective have not been early adopted during the period.

4 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures in the Condensed Consolidated Interim Financial Statements for the period ended 31 December 2014 are provisional and unaudited.

5 GROSS WRITTEN PREMIUM - GROUP / COMPANY

For the twelve months ended 31 December	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Unaudited
Life Insurance		
First Year Premium	930,524	819,837
Renewal Premium	2,085,613	1,687,633
Group Life Premium	27,137	11,269
Single Premium	4,873	1,543
Total Life Insurance Gross Written Premium	3,048,147	2,520,283
General Insurance		
Fire	185,245	137,309
Marine	51,269	45,534
Miscellaneous	601,841	523,507
Motor	886,793	850,036
Total General Insurance Gross Written Premium	1,725,147	1,556,386
Consolidated Gross Written Premium	4,773,295	4,076,669

6 TOTAL NET REVENUE - GROUP

For the twelve months ended 31 December	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Unaudited
Life segment	4,293,870	2,847,938
General segment*	1,812,478	1,388,986
Consolidated Net Revenue	6,106,347	4,236,925

* General Insurance net revenue includes the revenue of the subsidiary

TOTAL NET REVENUE - COMPANY

For the twelve months ended 31 December	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Unaudited
Life segment	4,293,870	2,847,938
General segment	1,808,529	1,388,986
Consolidated Net Revenue	6,102,399	4,236,925

General segment net revenue consists of net earned premium, income from financial instruments and other operating income.

Life segment net revenue consists of net written premium, income from financial instruments and other operating income.

7 PROFIT BEFORE TAXATION - GROUP

For the twelve months ended 31 December	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Unaudited
Life Segment	840,099	433,574
General Segment*	(71,980)	(39,437)
Total	768,119	394,137

* General Insurance profit includes the profit of the subsidiary (Asian Alliance General Insurance Ltd.) of Rs. 3 Million

7a PROFIT BEFORE TAXATION - COMPANY

For the twelve months ended 31 December	2014 Rs.' 000 Unaudited	2013 Rs.' 000 Unaudited
Life Segment	840,098	433,574
Non Life Segment	(75,149)	(39,437)
Total	764,948	394,137

8 INCOME TAX

The Company and the Group is liable to pay income tax at the rate of 28% (2013 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No 10 of 2006 and subsequent amendments there to.

9 INVESTMENT IN SUBSIDIARY**9a Segregation of Composite Insurance Company**

The Company incorporated a fully owned subsidiary, Asian Alliance General Insurance Limited, on 31st March 2014 in order to transfer the General Insurance business W.E.F. 1st January 2015 in line with the requirement to segregate Life and General Insurance business as required by the RII (Amendment) Act No. 03 of 2011.

Asian Alliance Insurance PLC invested Rs.100 Million in line with the regulatory requirements in the said subsidiary Company subsequent to incorporation on 31st March 2014. In addition to above Asian Alliance Insurance PLC invested a further Rs.700 Million in the Company on 1st January 2015 in order to meet its regulatory and business capital requirements. Accordingly, total stated capital of Asian Alliance General Insurance Limited is Rs. 800 million.

Having increased the capital and obtained all regulatory and other approvals, Asian Alliance Insurance PLC transferred its General Insurance business to Asian Alliance General Insurance Limited, w.e.f. 1st January 2015 in line with the IBSL guidelines for segregation of Insurance companies and relevant disclosures to Colombo Stock Exchange (CSE) were also made as appropriate.

Accordingly, Asian Alliance Insurance PLC is now a Life Insurance Company whilst Asian Alliance General Insurance Limited is a licenced General Insurance company 100% owned by Asian Alliance Insurance PLC

9b The Accounting policy for Consolidation of Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by subsidiary company has been adjusted to conform with the group's accounting policies when necessary.

9c Disclosure relating to Segregation of Insurance Company

Asian Alliance Insurance does not apply requirement of SLFRS 5 - Non-current Assets Held for Sale and Discontinued Operations as this will not be applicable to the segregation of insurance business under section 53 of the Regulation of the Insurance Industry (Amendment) Act No. 3 of 2011 as confirmed by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

10 INSURANCE CONTRACT LIABILITIES - LIFE (GROUP / COMPANY)

As at	1 December 2014 Rs.' 000 Unaudited	31 December 2013 Rs.' 000 Audited
Insurance Contract Liabilities	4,999,563	3,746,464
Unclaimed benefits	224,132	191,566
	<u>5,223,695</u>	<u>3,938,030</u>

10a Valuation of Life Insurance Fund

The valuation of life insurance fund as at 31 December 2014 was made by Mr. Poopalanathan of Actuarial & Management Consultants (Pvt) Limited, who recommended a sum of Rs 536.8 Million to be transferred from life fund to the shareholder's fund for the year.

In the opinion of the consultant actuary, the admissible assets of the life insurance fund at 31 December 2014 is adequate to cover margin requirement prescribed the liabilities of the funds and the solvency under section 26 of the Regulation of Insurance Industry Act No 43 of 2000 and subsequent amendments thereto.

10b Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Liability Adequacy Test (LAT) in respect of the Insurance Contract Liabilities as required by SLFRs 4 - Insurance Contract as at 31 December 2014 is pending to date.

11 INSURANCE CONTRACT LIABILITIES - NON LIFE (GROUP / COMPANY)

As at	1 December 2014 Rs.' 000 Unaudited	31 December 2013 Rs.' 000 Audited
11a Reserves for Net Unearned Premium	845,323	764,658
Gross Claims Payable	293,371	156,563
	<u>1,138,694</u>	<u>921,221</u>

11b Valuation of Incurred But Not Reported (IBNR / IBNER)

The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting as at 31st December 2014 and necessary provision provided during the year.

11c Liability Adequacy Test (LAT) - Non Life Insurance Contract Liabilities

As per the liability adequacy test performed by the NMG Financial Services Consulting, it was concluded that the liability value is sufficient to meet future benefits and expenses. Hence no provision was made for premium deficiency.

12 CAPITAL COMMITMENTS AND CONTINGENCIES**12.1 Capital Commitments**

The Company has commitments for acquisition of Property, Plant & Equipments and details are as follows;

As at 31st December	2014 Rs.' 000
Authorised by the Board, and Contracted for	200

As at the end of the interim period, except for above there are no material capital expenditure approved by the Board and contracted for which no provision has been made in the Interim Financial Statements.

12.2 Contingencies

The Contingent Liability of the Company as at 31 December 2014 , relates to the followings;

The Company has been issued with an assessment by the Department of Inland Revenue on 28 October 2011 and 26 April 2013 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2009 and 2010 for Rs. 4.5 Million and Rs. 26.9 Million respectively.

The Company has filed an appeal in November 2011 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Commissioner General of Inland Revenue has determined the assessment and the Company has appealed to the Tax Appeals Commission. The Company is awaiting the final decision.

Based on the information available and the Tax expert advice, the Directors are confident that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the Statement of Financial Position of the Company.

12.3 Pending Litigations

In the opinion of Directors and in consultation with the company lawyers, litigation currently pending against the company will not have a material impact on the reported results or future operations of the company. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

13 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date, which require adjustments to or disclosure in the Interim Financial Statements except for note number 9 (a).

14 COMPARATIVE INFORMATION

Comparative information has been restated to ensure comparability with the current year information.

15 SHARE INFORMATION

	31.12.2014 Rs	31.12.2013 Rs
Net Assets Per Share	68.30	48.85
<u>Market Price Per Share</u>		
Last traded price	144.80	105.00
Highest price per share for the period	143.00	107.00
Lowest price per share for the period	141.20	87.00

16 STATED CAPITAL

As at 31st December	2014 No. of Shares	2013 No. of Shares
Stated capital represented by fully paid ordinary shares carry equal voting rights		
Ordinary shares	37,500,000	37,500,000

17 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	As at 31 December 2014	
	No. of Shares	%
Softlogic Capital PLC	22,193,281	59.18
Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden	7,125,000	19.00
HSBC Intl Nominees Ltd / State Street Munich c/o SSBT - Deg - Deutsche	7,125,000	19.00
A.L.F.De Mel	102,019	0.27
Teruaki Ono	166,000	0.44
G.C.Goonetilleke	76,550	0.20
M.F.Farook	28,000	0.07
Murugesu Mahibalan	40,690	0.11
Asha Financial Services Limited/ C.N.Pakistanat	26,525	0.07
Hotel International Ltd	20,389	0.05
Waldock Mackenzie Ltd / M.Z.M.Wafik	18,935	0.05
Julia Anne De Mel	18,857	0.05
Kazuo Kondo	18,390	0.05
SoftLogic Holdings Plc	17,555	0.05
P.D.R.Weeraratne	14,000	0.04
Waldock Mackenzie Ltd / G. Soysa	12,500	0.03
Moiz Najmudeen	11,448	0.03
Warnakulasuriya Samira Sethsiri Rajindra Fernando	11,000	0.03
Chokshanada Kumara Sangakkara	10,314	0.03
	37,036,453	98.75
Others	463,547	1.25
Total	37,500,000	100.00

18 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 31 December 2014 was 2.77 % (31 December 2013 - 2.77 %) and a number of public shareholders as at 31 December 2014 is six hundred and fifty three only.

19 DIRECTORS' SHARE HOLDINGS

Name of The Director	As at 31st December	
	2014 No of Shares	2014 %
Mr.A. K. Pathirage (Chairman)	-	-
Mr. J. H. Paul Ratnayake (Deputy Chairman)	-	-
Mr. T. M. I. Ahamed (Managing Director)	-	-
Mr. Ramal . G. Jasinghe (Director / CEO)	-	-
Mr.S. Rajapakse	-	-
Mr.M. R. Abeywardena	-	-
Mr.J. K. Mukhi	-	-
Mr.J. W.H. Richters	-	-

20 RELATED PARTY DISCLOSURES

20.1 Transactions with Group Companies and Director related entities

Company	Relationship	Nature Of Transaction	For the period Ended	
			31.12.2014	31.12.2013
			Rs. ' 000	Rs. ' 000
			Unaudited	Unaudited
Softlogic Holdings PLC & Group	Softlogic Holdings PLC owns 47.18% of the Company's issued Share Capital	Insurance Premiums	79,915	85,327
		Claims Incurred	64,114	19,716
Softlogic Holdings PLC	Softlogic Holdings PLC owns 47.18% of the Company's issued Share Capital	Investments in Equity Shares as at	-	38,570
		Investments in Debentures as at	143,621	130,284
		Interest income on Debentures	44,697	6,351
Softlogic Capital PLC	Softlogic Capital PLC owns 59.18% of the Company's issued Share Capital	Asset Management Fee	68,911	41,102
		Other Consultancy Fees	30,000	24,490
Softlogic Information Technologies (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Purchase of Fixed Assets	13,639	17,967
		Insurance Premiums	6,667	-
		Claims Incurred	10,147	-

20 RELATED PARTY DISCLOSURES

20.1 Transactions with Group Companies and Director related entities (Cont)

Company	Relationship	Nature of Transaction	For the period Ended 31.12.2014 Rs. ' 000	For the period Ended 31.12.2013 Rs. ' 000
			Unaudited	Unaudited
Softlogic Communications (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Interest Income	4,014	4,509
Softlogic Retail (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Purchase of Fixed Assets Insurance Premiums Claims Incurred	28,187 21,474 32,683	10,180 15,783
Softlogic Finance PLC	Group Company of Softlogic Holdings PLC	Investments in Debentures Interest Income on Debentures Short Term Borrowing	82,914 24,263 154,483	148,420 4,409 9,632
Softlogic Stockbrokers (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Broker Charges	961	5,251
Softlogic Destination Management (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Foreign Travelling Expenses Paid	3,679	6,199
Asiri Hospital Holdings PLC	Group Company of Softlogic Holdings PLC	Investments in Equity Shares as at Dividend Income	108,000 2,750	80
Asian Alliance General Insurance Ltd	Subsidiary Company	Investment in Subsidiary	100,000	-
Softlogic Computers (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Purchase of Fixed Assets	14,026	-
Nextage (Pvt) Ltd	Group Company of Softlogic Holdings PLC	Advertising	303	27,847

20.2 Transactions with Key Management Personnel

Mr. Ramal Jasinghe, a Director / CEO of Asian Alliance Insurance PLC resigned from his position as the Chief Executive Officer of the Company to take up the appointment as the Chief Executive Officer of Asian Alliance General Insurance Limited as of 1st January 2015. However he will remain as a Non-Executive Director in the Company

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2013 except for the above change

20.3 A number of key management personnel or the related parties holds positions in other entities that results in them having control or significant influence over the financial or operating policies of the following entities.

Company	Relationship	Nature of Transaction	Period Ended 31.12.2014 Rs. ' 000 Unaudited	Period Ended 31.12.2013 Rs. ' 000 Unaudited
Paul Rathnayake Associates	Director Related Entity	Insurance Placed	48	142
		Legal Fees Paid	627	1,018
P.R.Secretarial Services (Pvt) Ltd	Director Related Entity	Secretarial Fees paid	719	198