



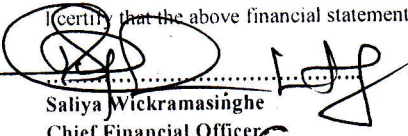
**INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013**

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2013 Rs. ' 000 <u>Unaudited</u>	2012 Rs. ' 000 <u>Audited</u>
Assets			
Property Plant & Equipment		158,041	116,104
Financial Investments		6,242,871	4,831,034
Policy Loans & Other Loans		107,089	81,398
Reinsurance Receivables		144,058	110,070
Premium Receivables		464,453	379,720
Amounts due from Related Companies		259	-
Other Assets		166,855	138,952
Deferred Expenses		89,304	68,192
Cash & Cash Equivalents		102,228	103,637
Total Assets		<u><u>7,475,158</u></u>	<u><u>5,829,106</u></u>
Liabilities & Equity			
Equity and Reserves			
Stated Capital		1,062,500	1,062,500
Other Reserves		114,663	104,477
Retained Reserves		654,531	294,526
Total Equity and Reserves		<u><u>1,831,694</u></u>	<u><u>1,461,503</u></u>
Liabilities			
Insurance Contract Liabilities - Life	9	3,938,030	3,055,724
Insurance Contract Liabilities - Non Life	10	921,221	681,514
Employee Benefits		46,154	34,398
Reinsurance Payable		137,583	77,974
Deferred Revenue		17,820	16,680
Amounts due to Related Companies		24	39,988
Other Liabilities		398,032	374,592
Current tax liabilities		15,537	-
Interest bearing liabilities		50,000	-
Bank overdraft		119,063	86,734
Total Liabilities		<u><u>5,643,464</u></u>	<u><u>4,367,603</u></u>
Total Liabilities & Equity		<u><u>7,475,158</u></u>	<u><u>5,829,106</u></u>

The notes form an integral part of these interim financial statements.

I certify that the above financial statements comply with the requirements of the Companies Act No. 7 of 2007.


Saliya Wickramasinghe
Chief Financial Officer

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

Signed for and on behalf of the Board By


Director

Colombo

11 February 2014


Director

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2013	2012	Change %
		Rs. ' 000	Rs. ' 000	
		Unaudited	Audited	
Gross Written Premium	5	4,076,669	3,224,476	26
Net Change in Reserve for unearned premium		(198,465)	(294,419)	(33)
Gross Earned Premium		3,878,204	2,930,057	32
Premium ceded to reinsurers		(635,878)	(561,571)	13
Net change in reserve for unearned reinsurance premium		(1,967)	24,010	(108)
Net Earned Premium		3,240,358	2,392,495	35
Other Revenue				
Net finance income		584,569	396,589	47
Realized Gains / (Losses)		224,186	52,426	328
Fair value Gains / (Losses)		167,858	2,612	6,327
Other operating revenue		19,951	14,549	37
		996,564	466,176	114
Total net revenue	6	4,236,922	2,858,671	48
Benefits, Losses & Expenses				
Net Insurance Benefits and Claims		(1,966,545)	(1,211,141)	62
Underwriting and net Acquisition Costs (including reinsurance)		(711,700)	(572,909)	24
Other Operating and Administrative expenses		(1,151,972)	(993,291)	16
Finance Cost		(12,569)	(6,627)	90
Total Benefits, Losses and Expenses		(3,842,786)	(2,783,968)	38
Profit Before Tax	7	394,136	74,703	428
Income tax expense	8	(31,802)	(1,410)	2,156
Profit for the year		362,335	73,293	394
Earnings per share				
		Rs.	Rs.	
Basic		9.66	1.95	
Diluted		9.66	1.95	

The notes form an integral part of these interim financial statements.

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	2013 Rs.' 000	2012 Rs.' 000
Profit for the period	362,335	73,293
Other Comprehensive Income		
Net change in fair value of available for sale financial assets	112,477	14,822
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	121,855	84,962
Net change in fair value of available for sale financial assets transferred to the statement of income	(224,146)	(51,159)
Actuarial (Losses) on Employee Benefits	(2,330)	(314)
Income Tax	7,856	48,311
	-	-
Total Other Comprehensive Income for the Year net of Income Tax	7,856	48,311
Total Comprehensive income for the Year attributable to the owners of the Company	370,191	121,604

The notes form an integral part of these interim financial statements.

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December	2013	2012	Change %
	Rs. ' 000	Rs. ' 000	
	Unaudited	Audited	
Gross Written Premium	1,083,603	944,265	15%
Net Change in Reserve for unearned premium	4,149	(109,939)	-104%
Gross Earned Premium	1,087,753	834,326	30%
Reinsurance Premium	(139,771)	(108,646)	29%
Net Change in Reserve for unearned Reinsurance premium	(15,836)	8,144	-294%
Net Earned Premium	932,146	733,824	27%
Other Revenue			
Net finance income	153,810	108,902	41%
Realized Gains/ (Losses)	188,165	51,523	265%
Fair value Gains / (Losses)	121,052	21,343	467%
Other operating revenue	9,114	1,521	499%
	472,141	183,289	158%
Total Net Income	1,404,287	917,113	53%
Benefits, Losses & Expenses			
Net Insurance benefits and claims	(394,385)	(277,629)	42%
Underwriting and net Acquisition Costs (including reinsurance)	(179,880)	(173,518)	4%
Operating & Administration Expenses	(313,828)	(322,956)	-3%
Finance Cost	(3,481)	(2,797)	24%
Total Benefits, Losses and Expenses	(891,575)	(776,900)	15%
Profit Before Tax	512,712	140,213	266%
Income tax expense	(31,802)	(1,410)	2155%
Profit for the year	480,910	138,803	246%
Earnings per share			
	Rs.	Rs.	
Basic	12.82	3.70	
Diluted	12.82	3.70	

The notes form an integral part of these interim financial statements.

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 December	2013	2012
	Rs.' 000	Rs.' 000
Profit for the period	480,910	138,803
Other Comprehensive Income		
Net change in fair value of available for sale financial assets	35,765	4,812
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	88,988	95,884
Net change in fair value of available for sale financial assets transferred to the statement of income	(188,164)	(51,149)
Actuarial (Losses) on Employee Benefits	(2,330)	(314)
Total of other comprehensive income before tax	(65,741)	49,233
Income Tax Effect	-	-
Total Other Comprehensive Income for the Year net of Income Tax	(65,741)	49,233
Total Comprehensive income for the Year attributable to the owners of the Company	415,169	188,036

The notes form an integral part of these interim financial statements.

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs. ' 000	Other Reserves		Retained reserves Rs. ' 000	Total Rs. ' 000
		Available for sale reserve Rs. ' 000	Provision for Life Solvency Rs. ' 000		
Balance as at 1 January 2012	1,062,500	55,852	175,000	121,548	1,414,900
Profit for the Period	-	-	-	73,293	73,293
<u>Other Comprehensive Income for the Year</u>					
Net change in fair value of available for sale financial assets	-	14,822	-	-	48,625
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets		84,962			
Net change in fair value of available for sale financial assets transferred to the statement of income		(51,159)			
Actuarial (Losses) on employee Benefits				(314)	(314)
Total Other Comprehensive income		48,625	-	(314)	48,311
Total Comprehensive income for the Year	-	48,625	-	72,979	121,604
Transactions with owners					
Dividend Paid	A	-	-	(75,000)	(75,000)
Transfer of life solvency reserve to retained earnings		-	(175,000)	175,000	-
Balance as at 31 December 2012	1,062,500	104,477	-	294,526	1,461,503
Profit for the Period	-	-	-	362,335	362,335
<u>Other Comprehensive Income for the Year</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		(224,146)			(224,146)
Actuarial (Losses) on employee Benefits				(2,330)	(2,330)
Total Other Comprehensive income	-	10,186	-	(2,330)	7,856
Total Comprehensive income for the Year	-	10,186	-	360,005	370,191
Unaudited Balance as at 31 December 2013	1,062,500	114,663	-	654,531	1,831,694

Note A

Dividend declared during the period was not taken for calculation of dividend per share in 2012 as it represents the dividend for 2011.

ASIAN ALLIANCE INSURANCE PLC
CASH FLOW STATEMENT

For the year ended 31 December

	2013 Rs. ' 000 <u>Unaudited</u>	2012 Rs. ' 000 <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance premium received	4,226,129	3,195,989
Reinsurance premium paid	(576,268)	(486,149)
Insurance benefits and claims paid	(1,293,089)	(803,118)
Reinsurance claims received	232,902	140,068
Payments to intermediaries to acquire insurance contracts	(807,641)	(614,447)
Cash paid to and on behalf of employees	(373,704)	(396,332)
Salvage income	5,563	6,431
Interest received	397,397	409,070
Dividend Received	164,305	37,298
Other operating cash flows	(902,757)	(653,872)
Cash Inflow from Operating Activities (Note A)	1,072,837	834,939
Income tax paid (Economic Service Charge)	(3,355)	(4,810)
Retiring gratuity paid	(1,767)	(2,283)
Interest Paid	(4,300)	(2,052)
Net Cash flows from Operating Activities	1,063,415	825,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial investments	(21,103,974)	(11,620,086)
Proceeds from financial investments	20,036,334	10,889,859
Acquisition of property, plant and equipments	(79,575)	(50,596)
Proceeds on sale of property, plant and equipments	62	1,380
Net cash (used) in investing activities	(1,147,153)	(779,442)
Net Cash Flow before Financing Activities	(83,738)	46,352
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	-	(73,050)
Short term borrowings	50,000	-
Net Cash from (used in) Financing Activities	50,000	(73,050)
Net Increase/(Decrease) in Cash and Cash Equivalents (Note B)	(33,738)	(26,699)
A. Reconciliation of profit before taxation with cash from operating activities		
Profit before Taxation	394,136	74,703
Adjustment for:		
Increase in Insurance Laibilities - Life	842,119	551,339
Depreciation on property and equipments	37,611	30,727
Provision for Employee benefits	11,191	8,504
Interest Paid	4,300	2,052
Realised Gains / (Losses)	(224,145)	(51,150)
Fair Value Gains/ (Losses)	(165,700)	(2,612)
Profit on Sale of Fixed Assets	(41)	(1,277)
(Increase) / Decrease in Receivables and Other Assets	(176,674)	(182,171)
Increase / (Decrease) in Insurance Contracts - Non life	239,708	288,737
(Increase) / Decrease in Deferred Expenses	(21,112)	(28,894)
Increase / (Decrease) in Deferred Revenue	1,140	(32)
Increase / (Decrease) in Payables & Other Liabilities	130,303	145,012
Cash Inflow / (Outflow) from Operating Activities	1,072,837	834,939
B. Increase / (Decrease) in Cash and Cash Equivalents		
Cash In Hand and at Bank	102,228	103,637
Bank Overdraft	(119,063)	(86,734)
Net Cash & Cash Equivalents as at 31 December 2013	(16,835)	16,903
Net Cash & Cash Equivalents as at the Beginning of the Period	16,903	43,602
Increase / (Decrease) in Cash and Cash Equivalents	(33,738)	(26,699)

ASIAN ALLIANCE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION - LIFE FUND
SUPPLEMENTARY INFORMATION

As at 31 December	2013 Rs. ' 000 Unaudited	2012 Rs. ' 000 Audited
Assets		
Property Plant & Equipments	92,820	70,073
Financial Investments	4,220,428	3,143,117
Policy Loans & Other Loans	106,618	79,794
Reinsurance Receivables	61,775	61,141
Premium Receivables	46,085	7,679
Other Assets	95,047	72,129
Cash & Cash Equivalents	94,254	90,663
Total Assets	4,717,027	3,524,596
Liabilities & Equity		
Reserves		
Other Reserves	101,979	36,552
Liabilities		
Insurance Contract Liabilities - Life	3,938,030	3,055,724
Employee Benefits	20,502	14,851
Reinsurance Payable	81,989	25,103
Amounts due to Related Companies	-	33,567
Other Liabilities	476,937	289,946
Interest bearing liabilities	50,000	-
Bank overdraft	47,589	68,853
Total Liabilities	4,615,048	3,488,044
Total Liabilities & Equity	4,717,027	3,524,596

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 7 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 interim financial statements for the twelve months ended 31 December 2013 were authorised for issue by the Board of Directors on 11 February 2014.

3 BASIS OF PREPARATION

The 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 2012. Further, provisions of the Companies Act no.7 of 2007 have been considered in preparing the interim financial statements of the company.

4 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures for the twelve months are unaudited.

5 GROSS WRITTEN PREMIUM

For the year ended 31 st December	2013 Rs.' 000	2012 Rs.' 000
Life Insurance	Unaudited	Audited
First Year Premium	819,836	678,745
Renewal Premium	1,687,633	1,338,800
Group Life Premium	11,269	11,794
Single Premium	1,545	4,745
	<u>2,520,283</u>	<u>2,034,084</u>
Non life Insurance		
Fire	137,309	162,902
Marine	45,534	61,290
Miscellaneous	523,507	346,495
Motor	850,036	619,705
	<u>1,556,386</u>	<u>1,190,392</u>
Consolidated Gross Written Premium	<u>4,076,669</u>	<u>3,224,476</u>

6 TOTAL NET REVENUE

For the year ended 31 st December	2013 Rs.' 000	2012 Rs.' 000
Life segment	2,847,937	2,054,536
Non life segment	1,388,985	804,135
	<u>4,236,922</u>	<u>2,858,671</u>

Non life 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 INCOME TAX

For the year ended 31 st December	2013 Rs.' 000	2012 Rs.' 000
Life segment	433,573	155,877
Non life segment	(39,437)	(81,174)
Total	<u>394,136</u>	<u>74,703</u>

8 INCOME TAX

The Company is liable to pay income tax at the rate of 28% (2012 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

For the year ended 31st December	2013	2012
	Rs.' 000	Rs.' 000
Life segment	-	-
Non life segment	31,802	1,410
	<u>31,802</u>	<u>1,410</u>

9 INSURANCE CONTRACT LIABILITIES - LIFE

As at 31st December	2013	2012
	Rs.' 000	Rs.' 000
Insurance contract liabilities - life	3,746,464	2,904,345
Unclaimed benefits	191,566	151,379
	<u>3,938,030</u>	<u>3,055,724</u>

The valuation of life insurance fund as at 31 December 2013 was made by Mr. Poopalanathan of Actuarial & Management Consultants (Pvt) Limited, who recommended a sum of Rs 300 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 2013 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.

9a Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

As at the reporting date, liability adequacy test performed by the Pinnacle Consulting Group Limited and concluded that, the liability value provided in the financial statement is sufficient to meet future benefits and expenses. Hence no provision was made for premium deficiency.

10 INSURANCE CONTRACT LIABILITIES - NON LIFE

As at 31st December	2013	2012
	Rs.' 000	Rs.' 000
10a Reserves for Net Unearned Premium	764,658	564,235
Gross Claims Payable	156,563	117,279
	<u>921,221</u>	<u>681,514</u>

10b Valuation of IBNR

The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting as at 31 st December 2013.

10c 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.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

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

As at 31st December	2013
	Rs.' 000
Authorised by the Board, and Contracted	17,397

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.

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.

12 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.

13 COMPARATIVE INFORMATION

Comparative information has been restated in line with the changes to the Sri Lanka Accounting Standards (SLFRS / LKASs) which are effective from 1 January 2012.

14 SHARE INFORMATION

As at 31st December	2013 Rs	2012 Rs
Net Assets Per Share	48.85	38.97
Market Price Per Share		
Last traded	85.50	89.00
Highest price per share for the period	93.50	181.00
Lowest price per share for the period	80.00	66.00

15 STATED CAPITAL

As at 31st December	2013 Rs.' 000	2012 Rs.' 000
Stated capital represented by fully paid ordinary shares carry equal voting rights		
Ordinary shares	37,500,000	37,500,000

16 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	As at 31 December 2013	
	No. of Shares	%
Soft Logic Capital Plc		
Nederlandse Financierings - Maatschappij Voor Ontwikkelingslan	21,646,123	57.72
HSBC Intl Nominees Ltd / State Street Munich c/o SSBT- Deg-Deutsche	7,125,000	19.00
Soft Logic Finance Plc	7,125,000	19.00
A. L. F. De Mel	547,158	1.46
G. C. Goonetilleke	132,421	0.35
P. D. R. Weeraratne	76,550	0.20
Waldock Mackenzie Ltd / C. D. Kohombanwickrama	57,400	0.15
Waldock Mackenzie Ltd / L. P. Hapangama	44,200	0.12
N. W. S. Financial Services (Pvt) Ltd / Divasa Equity (Pvt) Ltd	36,000	0.10
A. S. R. Silva	35,340	0.09
M. F. Farook	31,100	0.08
F. R. Muzammil	28,000	0.07
C. N. Pakianathan	24,500	0.07
Waldock Mackenzie Ltd / Dr.H.S.D. Soysa	23,387	0.06
Waldock Mackenzie Ltd / Mr.M.Z.M.Wafik	19,406	0.05
Soft Logic Holdings Plc	17,700	0.05
Pan Asia Banking Corporation Plc / Mr.D.G.Wirasekara	17,555	0.05
C. R. Perera	14,739	0.04
Waldock Mackenzie Ltd / Mrs. G. Soysa	13,440	0.04
	13,100	0.03
Others	37,028,119	98.73
Total	471,881	1.27
	37,500,000	100.00

17 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 31 December 2013 was 2.77 % (31 December 2012 - 4.68 %).

18 DIRECTORS' SHARE HOLDINGS

As at 31st December Name of The Director	2013 No of Shares	2012 No of Shares
Mr.A.K. Pathirage (Chairman)	-	-
Mr. J. H. Paul Ratnayake (Deputy Chairman)	-	-
Mr. T.M.I.Ahamed (Managing Director)	-	-
Mr. Ramal G. Jasinghe (CEO)	-	-
Mr.S.Rajapakse	-	-
Mr.M.R. Abeywardena	-	-
Mr.J.K.Mukhi	-	-
Mr.J.W.H.Richters	-	-

ASIAN ALLIANCE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

19 RELATED PARTY DISCLOSURES

19.1 Transactions with Group Companies and Director related entities

Company	Relationship	Nature Of Transaction	For the year 2013 Rs. ' 000 Unaudited	For the year 2012 Rs. ' 000 Audited
Softlogic Holdings PLC & Group	Softlogic Holdings Plc owns 42.04% of the Company's issued Share Capital	Insurance Premiums Claims Incurred	85,327 19,716	41,979 23,992
Softlogic Holdings PLC	do	Investments in Equity Shares as at Investments in Debentures as at Interest income on Debentures	38,570 130,284 6,351	50,050 - -
Softlogic Capital PLC	Softlogic Capital Plc owns 57.72% of the Company's issued Share Capital	Management Fees Other Consultancy Fees	41,102 24,490	35,784 24,490
Softlogic Information Technologies (Pvt) Ltd	Group Company of Softlogic Holdings Plc	Purchase of Fixed Assets	17,967	8,740
Softlogic Communications (Pvt) Ltd	do	Interest Income	4,509	9,415
Softlogic Retail (Pvt) Ltd	do	Purchase of Fixed Assets Interest Income	10,180 15,783	6,740 15,693
Softlogic Finance Plc	do	Investments in Debentures Interest income on Debentures Interest Income	148,420 4,409 9,632	- - 26,220
Softlogic Stockbrokers (Pvt) Ltd	do	Broker Charges	5,251	720
Softlogic Destination Management (Pvt) Ltd	do	Foreign Travelling Expenses Paid	6,199	10,882
Asiri Hospital Holdings Plc	do	Investments in Equity Shares as at	80	-
Nextage (Pvt) Ltd	do	Advertising Expenses Paid	27,847	-

19.2 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	For the year 2013 Rs. ' 000 Unaudited	For the year 2012 Rs. ' 000 Audited
Paul Rathnayake Associates	Director Related Entity	Claims Incurred Legal Fees Paid	142 1,018	70 702
P.R.Secretarial Services (Pvt) Ltd	Director Related Entity	Secretarial Fees paid	198	312
Acquity Partners (Pvt) Ltd	Director Related Entity	Fees paid on Financial Advisory	561	-