ARPICO INSURANCE LIMITED

INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2014

Arpico Insurance Limited

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31st December 2014 ,

	Note	Year Ended 31st December 2014 (Un Audited) Rs	Year Ended 31st December 2013 (Audited) Rs
Revenue	3	361,093,955	284,417,562
Gross written premium	4 (a)	299,039,709	206,494,248
Premium ceded to reinsurers	4 (b)	(16,375,178)	(12,593,609)
Net written premium		282,664,531	193,900,640
Other Revenue			
Fee and Commission Income		2,987,628	2,153,764
Income from investments	5	73,303,028	85,848,693
Realise Gain		16,342	
Other Income		2,122,425	2,514,465
Total Other revenue		78,429,423	90,516,922
Net Income		361,093,955	284,417,562
Net insurance benefits and claims paid		(41,509,012)	(25,462,975)
Net change in insurance claims outstanding		1,393,393	(4,656,106)
Underwriting and Net Acquisition Costs		(121,777,520)	(90,786,151)
Change in Contract Liabilities - Life Fund		(95,308,267)	(110,543,800)
Other operating and administrative expenses		(92,053,474)	(86,314,272)
Net benefits and claims		(349,254,881)	(317,763,304)
Profit/(Loss) before tax		11,839,074	(33,345,742)
Income tax expense		-	-
Profit/(Loss) for the year		11,839,074	(33,345,742)
Earnings /(Loss) per Share-Basic	6	0.20	(0.59)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year ended 31st December 2014 ,

	Notes	Year Ended 31st December 2014 (Un Audited) Rs	Year Ended 31st December 2013 (Audited)
Profit / (Loss) for the year		11,839,074	(33,345,742)
Other Comprehensive Income			
Net change in fair value of available-for-sale assets		20,737,231	(7,017,038)
Net change in fair value of available-for-sale assets reclassified to income statement			
Fair value movement of AFS reserve transferred to life fund		(20,737,231)	5,765,646
Re-measurement gain on defined benefit Plan			1,046,323
Other Comprehensive Income		-	(205,069)
Total Comprehensive Income for the year		11,839,074	(33,550,811)

The accounting policies and notes as set out in pages 7 to 25 form an integral part of these financial statements.

Arpico Insurance Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs.
Assets			
Property, Plant and Equipment		15,751,371	11,270,647
Financial Assets	7	822,968,323	578,357,340
Loans to Life Policy Holders		19,697,180	17,754,622
Investment in Bond Trading with Entrust Ltd		20,000,000	-
Reinsurance Receivable		5,146,884	5,380,700
Amounts Due from Related Party		3,580,352	2,609,411
Premium Receivable		5,944,078	4,044,509
Other Assets		35,477,312	27,627,628
Cash and Cash Equivalents		44,299,372	76,520,726
Total Assets		**972,864,872**	**723,565,583**
Equity and liabilities			
Shareholders' Equity			
Stated capital		675,564,870	563,000,070
Revenue Reserves		(54,268,712)	(66,091,889)
Total Shareholders' Equity		**621,296,158**	**496,908,181**
Liabilities			
Insurance Provision - Life	8	284,423,190	168,377,691
Employee Benefit Obligation		1,691,816	1,069,194
Reinsurance Creditors		14,960,854	12,498,676
Amounts Due to Related Party	10	4,233,604	10,356,383
Financial Liabilities		42,703,136	29,647,658
Other liabilities		3,556,115	2,889,823
Bank Overdraft			1,817,977
Total Liabilities		351,568,715	226,657,402
Total Liabilities and Shareholders' Equity		**972,864,872**	**723,565,583**

These Financial Statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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Finance Manager
(Melanga A. Doolwala)

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board.

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Director
(W.J. Viville P. Perera)

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Director
(N. Jagath Dissanayake)

The accounting policies and notes as set out in pages 7 to 24 form an integral part of these financial statements.

23 February 2015
Colombo

Arpico Insurance Limited

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2014

	Notes	For the year Ended 31-Dec-14 (Un Audited)Rs.	For the year Ended 31-Dec-13 (Un Audited)Rs.
Operating activities			
Receipts from Policyholders		297,140,140	203,501,023
Payments to Reinsurers		(12,498,676)	(10,863,210)
Claims Paid		(43,527,218)	(29,053,153)
Reinsurance receipts in respect of claims		233,816	3,411,682
Payments to Suppliers and Employees		(116,035,243)	(103,347,412)
Cash Inflow from Operating Activities		125,312,819	63,648,931
Income Tax Paid		(4,984,063)	(7,356,876)
Net Cash Flows from Operating Activities		120,328,756	56,292,055
Investing activities			
Purchase of property and equipment		(8,520,707)	(4,738,321)
Disposal of Property Plant and Equipment			594,546
Net drawdown of Investments		(254,611,026)	(60,094,728)
Net cash flows generated / (used) in investing activities		(263,131,732)	(64,238,503)
Financing Activities			
Proceeds from Share issue		112,564,800	60,000,000
Stamp Duty on Share Allotment		(165,200)	
Net cash flows used in financing activities		112,399,600	60,000,000
Net (decrease)/increase in cash and cash equivalents		(30,403,376)	52,008,552
Cash and cash equivalents at 1 January 14		74,702,748	22,694,196
Cash and cash equivalents at 31 Dec 14		44,299,372	74,702,748
Analysis of Cash and Cash Equivalents			
Favourable Balances			
Cash at Hand		88,608	43,852
Cash at Bank		36,889,652	50,650,776
Short Term Investments		7,321,112	25,826,097
		44,299,372	76,520,725
Unfavourable Balances			
Bank Overdrafts		-	(1,817,977)
Total Cash and Cash Equivalents		44,299,372	74,702,748

Arpico Insurance Limited

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December 2014 ,

	Stated Capital	AFS reserve	Revenue Reserve	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2013	503,000,070	1,251,392	(33,792,470)	470,458,992
Issue of share capital	60,000,000			60,000,000
Other Comprehensive Income		*(1,251,392)*		*(1,251,392)*
Net loss for the period			(32,315,316)	(32,315,316)
Balance as at 31 December 2013	563,000,070	-	(66,107,786)	496,892,284
Issue of share capital	*112,564,800*			*112,564,800*
Other Comprehensive Income		-		-
Net loss for the period			11,839,074	11,839,074
Un Audited Balance as at 31 December 2014	**675,564,870**	**-**	**(54,268,712)**	**621,296,158**
Balance as at 1 January 2012	503,000,070	(96,650)	8,698,318	511,601,738
Other Comprehensive Income				
Net loss for the period		1,348,042	(42,490,788)	(41,142,746)
Balance as at 31 December 2012	503,000,070	1,251,392	(33,792,470)	470,458,992
Issue of share capital	60,000,000			60,000,000
Net loss for the period			(33,345,742)	(33,345,742)
Other Comprehensive Income		(1,251,392)	1,046,323	(205,069)
Audited Balance as at 31 December 2013	***563,000,070***	**-**	***(66,091,889)***	***496,908,181***

Arpico Insurance Limited
For the Year ended 31st December 2014 ,

1. Figures in the these Condensed Interim Financial Statements for the year ended 31st December 2014 are provisional and unaudited.

2. The Condensed Interim Financial Statements have been prepared in accordance with Sri Lanka Accounting and Auditing Standards, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka) and comply with the requirements of the Companies Act, No. 7of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and the listing rules of the Colombo Stock Exchange. The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2013 have been followed in preparation of these Condensed Interim Financial Statements Comparative information have been re-valued/re-classified where necessary, to conform to the current period recognition, measurement and presentations.

3. REVENUE

	Notes	For the Three Months Ended 31st December 2014 (Un Audited)Rs.	For the Three Months Ended 31st December 2013 (Un Audited)Rs.	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Gross Written Premium	3(a)	131,173,979	79,696,357	299,039,709	206,494,248
Premium Ceded to Reinsurers	3(b)	(3,430,127)	(10,162,826)	(16,375,178)	(12,593,609)
Net Written Premium		127,743,852	69,533,532	282,664,531	193,900,640
Fees and commission income		1,494,783	980,484	2,987,628	2,153,764
Investment income		16,472,344	20,255,418	73,303,028	85,848,693
Other operating revenue		550,374	636,566	2,122,425	2,514,465
Realise Gain		16,432		16,342	
Total Revenue		146,277,786	91,406,000	361,093,955	284,417,562

4. NET WRITTEN PREMIUMS

4(a) Gross premiums on insurance contracts

	For the Three Months Ended 31st December 2014 (Un Audited)Rs.	For the Three Months Ended 31st December 2013 (Un Audited)Rs.	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Conventional Policies	131,173,979	79,696,357	299,039,709	206,494,248
Total gross written premiums	131,173,979	79,696,357	299,039,709	206,494,248

4 (b). Premiums ceded to reinsurers on insurance contracts

	For the Three Months Ended 31st December 2014 (Un Audited)Rs.	For the Three Months Ended 31st December 2013 (Un Audited)Rs.	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Conventional Policies	(3,430,127)	(10,162,826)	(16,375,178)	(12,593,609)
Total premiums ceded to reinsurers	(3,430,127)	(10,162,826)	(16,375,178)	(12,593,609)
Total net written premiums	127,743,852	69,533,532	282,664,531	193,900,639

5. INVESTMENT INCOME

	For the Three Months Ended 31st December 2014 (Un Audited)Rs.	For the Three Months Ended 31st December 2013 (Un Audited)Rs.	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Available-for-sale financial assets				
Interest income	4,398,791	2,880,548	16,069,312	11,050,903
Loans and receivables interest income	12,089,985	17,710,375	57,233,716	74,797,790
Total investment income	16,488,776	20,590,923	73,303,028	85,848,693

6. EARNINGS /(LOSS) PER SHARE

Basic earnings per share amounts is calculated by dividing the net profit/ loss for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

	Year Ended 31st December 2014 (Un Audited) Rs	Year Ended 31st December 2013 (Audited) Rs
Profit /(Loss) for the year	11,839,074	(33,345,742)
Weighted Average Number of Ordinary Shares (Nos)	59,252,265	56,300,007
Basic earnings / (loss) per ordinary share Rs	0.20	(0.59)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

7. FINANCIAL ASSETS

The Company's financial instruments are summarised by categories as follows:

	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Loans and receivables	543,119,627	453,869,997
Available-for-sale financial assets	279,848,696	124,487,343
Total financial instruments	*822,968,323*	*578,357,340*

The following table consists of the fair values of the financial investments together with their carrying val

		Year Ended 31st December 2014 Carrying value (Un Audited)Rs.	Year Ended 31st December 2014 Fair value (Un Audited)Rs.	Year Ended 31st December 2013 Carrying value (Audited) Rs	Year Ended 31st December 2013 Fair value (Audited) Rs
Loans and receivables	7 (a).	543,119,627	543,119,627	453,869,997	453,869,997
Available-for-sale financial assets	7 (b).	279,848,696	279,848,696	124,487,343	124,487,343
Total financial instruments		822,968,323	822,968,323	578,357,340	578,357,340

7 (a). Loans and receivables

	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Investment in Corporate Debt	220,069,061	413,869,997
Investment in Fixed Deposit	64,832,876	-
Investment in Repos	258,217,691	40,000,000
	543,119,627	*453,869,997*

7 (b). Available for sale financial assets

	Year Ended 31st December 2014 (Un Audited)Rs.	Year Ended 31st December 2013 (Audited) Rs
Investments in Government Securities	*279,848,696*	*124,487,343*
	279,848,696	124,487,343

8. INSURANCE CONTRACT LIABILITIES

	Notes	Year Ended 31st December 2014 (Un Audited) Rs.	Year Ended 31st December 2013 (Audited) Rs
Baginning			
Balance as at beginning		168,377,691	63,599,537
Change in contract liabilities life fund			
Increase in Life insurance fund before surplus transfer	9 (a)	75,106,088	89,988,687
Surplus transferred from share holders		20,202,179	20,555,113
Increase in Life insurance fund		95,308,267	110,543,800
Movement in AFS reserve transferred to life fund		20,737,231	(5,765,646)
Balance as at end		**284,423,190**	**168,377,691**

8 (a) Increase in Life insurance fund before surplus transfer

	2014 December (Un Audited)		
	Gross Insurance Contract Liabilities Rs	Reinsurance on insurance contract liabilities Rs	Net Insurance Contract Liabilities Rs
Premiums received	299,039,709	(16,375,178)	282,664,531
Liabilities paid for death, benefits and claims	(43,149,277)	3,033,657	(40,115,619)
Underwriting and Net Acquisition Costs	(121,777,520)		(121,777,520)
Fees (deducted)/received	5,079,250		5,079,250
Investment return	37,251,784		37,251,784
Realise Gain	16,342		16,342
Other operating and administrative expenses	(88,012,678)		(88,012,678)
As at 30 June 2014	88,447,609	(13,341,520)	75,106,088

	2013 December (Audited)		
	Gross Insurance Contract Liabilities Rs	Reinsurance on insurance contract liabilities Rs	Net Insurance Contract Liabilities Rs
Premiums received	206,494,248	(12,593,609)	193,900,639
Liabilities paid for death, benefits and claims	(35,269,625)	5,150,545	(30,119,080)
Underwriting and Net Acquisition Costs	(90,786,151)		(90,786,151)
Fees (deducted)/received	*3,458,947*		*3,458,947*
Investment return	13,702,310		13,702,310
Other operating and administrative expenses	(167,978)		(167,978)
As at 31 December 2013 Audited	97,431,751	(7,443,064)	89,988,687

INSURANCE CONTRACT LIABILITIES - LIFE

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditionall nonparticipating Life Insurance products. The actuarial reserves have been established based upon the following.

- Interest rates which vary by product and as required by regulations issued by the Insurance Board of Sri Lanka.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the

The valuation of the Life Insurance business as at 31st December 2014 was made by Mr. M Poopalanathan, of M/S Actuarial and Management Consultants (Pvt.) Ltd. In accordance with the Consultant Actuary's report, the reserve for the year amounted to Rs. *244,053,000 In the opinion of the Consultant Actuary, the reserve is adequate to cover the liabilities pertaining to the Life* Insurance business.

In the opinion of the Actuary, the Life Insurance Fund as included in the Audited Financial Statements exceeds the required actuarial reserves as at 31st December 2014 by Rs. 54,563,000 before any transfer to the shareholders.

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Independent Consultant Actuary Mr Arunachalam Rajaraman, FIA FIAI FCMA FIII Bsc.(Mathematics), as at 31st December 2014 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

9. TAXATION AND DEFERRED TAX

The company is liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provision of the Inland *Revenue Act, No 10of 2006* and subsequent amendment thereto *Life Insurance Business does not have an income tax expense so* far.

Thus, no deferred tax assets is recognized in the financial Statements as it is not probable that the future taxable profit will be adequate to utilize the available tax losses fully in the foreseeable future.

10.	AMOUNTS DUE TO RELATED PARTY			Year Ended 31st December 2014 (Un Audited)	Year Ended 31st December 2013 (Audited)
				Rs.	Rs
			10 (a)	4,233,604	10,356,383

10 (a)	Related Party	Relationship		
	Richard Pieris & Company PLC	Ultimate Parent	893,391	10,157,312
	Richard Pieris Disributors Limited	Affiliate	350,328	12,750
	Arpitech (pvt) Ltd	Affiliate	343,475	61,377
	Arpico Interiors (Pvt) Ltd	Affiliate	577,635	-
	Arpico Ataraxia Asset Management (Pvt) Ltd	Affiliate	2,068,775	124,944
			4,233,604	**10,356,383**

11. CONTINGENT LIABILITIES

Contingent liabilities are not recognized in the Statement of Financial Position but disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated as at the date of Statement of Financial Position.As at the 31st December 2014 ,end of the interim period no material capital commitment and contingengencies approved by the board and contracted for which no provision has been made in interim financial statements.

12. EVENTS OCCURRING AFTER THE REPORTING DATE

The directors give due consideration to and where necessary adjustments or disclosures are made in the current Financial Statements in respect of material post Statement of financial position events as appropriate.There have been no material event occurring after the reporting date that require adjustments to or disclosure in the interrim financial statements.

Arpico Insurance Limited
For the Year ended 31st December 2014 ,

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2014	
	Shareholding	% on Issued Shares
1 Kegalla Plantation	26,685,001	40.29
2 Richard Pieris Distributers Limited	17,790,001	26.86
3 Richard Pieris and company PLC	15,125,001	22.84
4 Dawi Investment Trust (Pvt) Ltd	764,700	1.15
5 Mr. S.Msenthinandhanan	764,700	1.15
6 Mr.S Senthi Maaran	764,700	1.15
7 Mr.P.R.B.Perera	535,900	0.81
8 Mrs .M.P.B.Fernando	383,400	0.58
9 Mr H.V .Senaweera	368,100	0.58
10 Mr.W.A.K.D.Saparamadu	154,500	0.23
11 Mr.T.R.Moonemalle	154,500	0.23
12 Mr K V Hewavitarne	116,400	0.18
13 Mr.F.N.Herft	116,400	0.18
14 Mr.B.A.R.Dissanayake	78,300	0.12
15 Mr.K.D.D.H.Dayaratne	78,300	0.12
16 Spice Of Life (Pvt) Ltd	78,300	0.12
17 Mr.J.Liyanage	78,300	0.12
18 C.J.A.Edirisinghe	78,300	0.12
19 Mr.S.A.Obeyesekere	78,300	0.12
20 Mr.S.M.Wijesinghe	78,300	0.12
	64,271,403	97.07

Public Shareholding

	As at 31st December 2014	
	No. of Shares	% on Issued Shares
Number of Shares	6,630,400	10.10

	As at 31st December 2014	
	No. of Shares	% on Issued Shares
Number of Shareholders	493	98.60

Directors' Shareholdings

There is no share holding by the directors as at 31 st December 2014

Number of Shares

No. of shares representing the Stated Capital	66,230,407
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

Net Asset Value Per Share as at 31st December 2014	9.38
Highest Price Per Share for the Interim Period	N/A
Lowest Price Per Share for the Interim Period	N/A
Last traded Price Per Share as at 31st December 2014	N/A