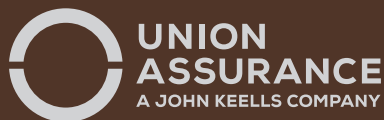


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Condensed Interim Financial Statements For The Year Ended 31 December 2020

INCOME STATEMENT

| For the year ended 31 December | Note | 2020 | 2019 | Change |
|---|------|---------------------|---------------------|-------------|
| | | Rs. '000 | Rs. '000 | % |
| Gross written premium | 6 | 13,108,605 | 11,647,756 | 13 |
| Premium ceded to reinsurers | | (589,877) | (525,782) | 12 |
| Net written premium | | 12,518,728 | 11,121,974 | 13 |
| Other revenue | | | | |
| Net investment income | | 5,032,432 | 4,564,844 | 10 |
| Net realised gains/(losses) | | (402,181) | 24,313 | (1,754) |
| Net fair value gains / (losses) | | 277,179 | (297,847) | 193 |
| Other income | | 43,584 | 48,644 | (10) |
| Total other revenue | | 4,951,014 | 4,339,954 | 14 |
| Total net revenue | | 17,469,742 | 15,461,928 | 13 |
| Benefits, claims and expenses | | | | |
| Net insurance benefits and claims paid | | (3,688,507) | (3,668,351) | 1 |
| Net change in insurance claims outstanding | | (105,072) | 164,467 | (164) |
| Change in contract liabilities - Life Fund | | (6,207,253) | (4,983,273) | 25 |
| Underwriting and net acquisition costs (net of reinsurance) | | (2,145,130) | (1,857,396) | 15 |
| Other operating, administrative and selling expenses | | (3,256,106) | (3,013,755) | 8 |
| Depreciation and amortisation | | (390,271) | (299,894) | 30 |
| Total benefits, claims and expenses | | (15,792,339) | (13,658,202) | 16 |
| Profit from operations | | 1,677,403 | 1,803,726 | (7) |
| Share of results of equity accounted investee, net of tax | | 116,438 | 104,736 | 11 |
| Profit before tax | | 1,793,841 | 1,908,462 | (6) |
| Income tax expenses | 7 | (873,245) | (750,432) | 16 |
| Profit for the year | | 920,596 | 1,158,030 | (21) |
| Earnings per share | | | | |
| Basic (Rs.) | | 15.62 | 19.65 | (21) |
| Diluted (Rs.) | | 15.62 | 19.65 | (21) |

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the year ended 31 December | 2020 | 2019 | Change |
|--|-----------|-----------|--------|
| | Rs. '000 | Rs. '000 | % |
| Profit for the year | 920,596 | 1,158,030 | (21) |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss | | | |
| Net gains on revaluation of land and buildings | - | 403,283 | |
| Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax | (2,314) | (2,397) | |
| Actuarial gain / (loss) on defined benefit plan | 7,730 | (15,969) | |
| Related tax | - | - | |
| | 5,416 | 384,917 | (99) |
| Items that are or may be reclassified to profit or loss | | | |
| Fair value reserve (available for sale financial assets) | | | |
| Net change in fair value of available for sale financial assets | 372,629 | 290,225 | |
| Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax | 26,915 | 13,234 | |
| Net change in fair value of available for sale financial assets transferred to the income statement | - | (6,207) | |
| Related tax | - | - | |
| | 399,544 | 297,252 | 34 |
| Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets | 314,921 | 275,545 | |
| Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement | (24,081) | 42,057 | |
| Related tax | - | - | |
| | 290,840 | 317,602 | (8) |
| | 690,384 | 614,854 | 12 |
| Other comprehensive income, net of tax | 695,800 | 999,771 | (30) |
| Total comprehensive income for the year, net of tax | 1,616,396 | 2,157,801 | (25) |

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

INCOME STATEMENT

| For the quarter ended 31 December | Note | 2020 | 2019 | Change |
|---|------|--------------------|--------------------|-------------|
| | | Rs. '000 | Rs. '000 | % |
| Gross written premium | | 4,183,956 | 3,565,766 | 17 |
| Premium ceded to reinsurers | | (162,459) | (192,219) | (15) |
| Net written premium | | 4,021,497 | 3,373,547 | 19 |
| Other revenue | | | | |
| Net investment income | | 1,279,828 | 1,185,762 | 8 |
| Net realised gains | | 61,110 | 25,001 | 144 |
| Net fair value gains | | 275,028 | 224,927 | 22 |
| Other income | | 15,827 | 15,845 | (0) |
| Total other revenue | | 1,631,793 | 1,451,535 | 12 |
| Total net revenue | | 5,653,290 | 4,825,082 | 17 |
| Benefits, claims and expenses | | | | |
| Net insurance benefits and claims paid | | (1,109,653) | (925,106) | 20 |
| Net change in insurance claims outstanding | | 9,113 | 43,648 | (79) |
| Change in contract liabilities - Life Fund | | (1,477,521) | (1,208,256) | 22 |
| Underwriting and net acquisition costs (net of reinsurance) | | (658,413) | (445,889) | 48 |
| Other operating, administrative and selling expenses | | (1,184,401) | (988,628) | 20 |
| Depreciation and amortisation | | (130,571) | (79,762) | 64 |
| Total benefits, claims and expenses | | (4,551,446) | (3,603,993) | 26 |
| Profit from operations | | 1,101,844 | 1,221,089 | (10) |
| Share of results of equity accounted investee, net of tax | | 15,938 | 17,941 | (11) |
| Profit before tax | | 1,117,782 | 1,239,030 | (10) |
| Income tax expenses | | (683,409) | (557,670) | 23 |
| Profit for the quarter | | 434,373 | 681,360 | (36) |
| Earnings per share | | | | |
| Basic (Rs.) | | 7.37 | 11.56 | (36) |
| Diluted (Rs.) | | 7.37 | 11.56 | (36) |

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the quarter ended 31 December | 2020 | 2019 | Change |
|--|----------|-----------|--------|
| | Rs. '000 | Rs. '000 | % |
| Profit for the quarter | 434,373 | 681,360 | (36) |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss | | | |
| Net gains on revaluation of land and buildings | - | 403,283 | |
| Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax | (2,314) | (2,397) | |
| Actuarial gain / (loss) on defined benefit plan | 7,730 | (15,969) | |
| Related tax | - | - | |
| | 5,416 | 384,917 | (99) |
| Items that are or may be reclassified to profit or loss | | | |
| Fair value reserve (available for sale financial assets) | | | |
| Net change in fair value of available for sale financial assets | (28,019) | 70,509 | |
| Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax | (10,909) | (8,811) | |
| Net change in fair value of available for sale financial assets transferred to the income statement | - | - | |
| Related tax | - | - | |
| | (38,928) | 61,698 | (163) |
| Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets | (24,126) | 54,119 | |
| Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement | (559) | 9,962 | |
| Related tax | - | - | |
| | (24,685) | 64,081 | |
| | (63,613) | 125,779 | (151) |
| Other comprehensive income, net of tax | (58,197) | 510,696 | (111) |
| Total comprehensive income for the period, net of tax | 376,176 | 1,192,056 | (68) |

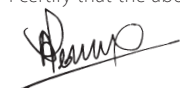
The notes form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

| As at 31 December | | 2020 | 2019 |
|--|------|-------------------|-------------------|
| | Note | Rs. '000 | Rs. '000 |
| Assets | | | |
| Intangible assets | | 1,247,057 | 1,306,922 |
| Property, plant and equipment | | 2,468,821 | 2,500,305 |
| Right of use assets | | 218,312 | 296,799 |
| Deferred tax assets | 7 | - | 528,614 |
| Investment in equity accounted investee | | 1,386,991 | 1,245,951 |
| Financial investments | 9 | 52,356,208 | 44,881,195 |
| Loans to life policyholders | | 1,793,470 | 1,555,759 |
| Reinsurance receivable | | 492,011 | 502,975 |
| Premiums receivable | | 376,723 | 344,785 |
| Receivables and other assets | | 1,300,545 | 1,452,885 |
| Cash in hand and at bank | | 960,270 | 632,962 |
| Total assets | | 62,600,408 | 55,249,152 |
| Equity and liabilities | | | |
| Equity | | | |
| Stated capital | | 1,000,000 | 1,000,000 |
| Available for sale reserve | | 1,219,852 | 529,468 |
| Revaluation reserve | | 2,085,688 | 2,089,404 |
| Restricted regulatory reserve | 10 | 3,381,934 | 3,381,934 |
| Other reserves | | 65,406 | 52,228 |
| Retained earnings | | 7,355,609 | 7,609,868 |
| Total equity | | 15,108,489 | 14,662,902 |
| Liabilities | | | |
| Insurance contract liabilities | 11 | 41,881,657 | 35,489,751 |
| Insurance contract liabilities - Unit Linked | | 1,061,701 | 1,246,075 |
| Lease liabilities | | 232,259 | 289,176 |
| Employee benefit liabilities | | 194,753 | 162,957 |
| Reinsurance payables | | 533,023 | 812,930 |
| Other liabilities | | 3,427,721 | 2,416,933 |
| Bank overdraft | | 160,805 | 168,428 |
| Total liabilities | | 47,491,919 | 40,586,250 |
| Total equity and liabilities | | 62,600,408 | 55,249,152 |

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. 07 of 2007.



Asha Perera
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board:



K. N. J. Balendra
Chairman



W. M. De F. Arsakularatne
Director

Colombo
25 February 2021

STATEMENT OF CHANGES IN EQUITY

| Rs. '000 | Stated capital | Restricted regulatory reserve | Reserves | | | | Retained earnings | Total |
|---|----------------|-------------------------------|---------------------|-------------------|---|------------------------|-------------------|-------------|
| | | | Revaluation reserve | Reserve on merger | Other reserves Available for sale reserve | Other capital reserves | | |
| Balance as at 1 January 2019 | 1,000,000 | 3,381,934 | 1,690,736 | 16,752 | (85,386) | 41,858 | 7,625,794 | 13,671,688 |
| Profit for the year | - | - | - | - | - | - | 1,158,030 | 1,158,030 |
| Other comprehensive income for the year, net of tax | | | | | | | | |
| Net change in fair value of available for sale financial assets | - | - | - | - | 284,018 | - | - | 284,018 |
| Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets | - | - | - | - | 317,602 | - | - | 317,602 |
| Revaluation gain on land and buildings | - | - | 403,283 | - | - | - | - | 403,283 |
| Actuarial loss on defined benefit plan | - | - | - | - | - | (15,969) | - | (15,969) |
| Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax | - | - | - | - | 13,234 | - | - | 13,234 |
| Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax | - | - | - | - | - | (2,397) | - | (2,397) |
| Tax on other comprehensive income | - | - | - | - | - | - | - | - |
| Total other comprehensive income | - | - | 403,283 | - | 614,854 | (18,366) | - | 999,771 |
| Total comprehensive income for the year | - | - | 403,283 | - | 614,854 | (18,366) | 1,158,030 | 2,157,801 |
| Transactions with owners, transfers, recorded directly in equity | | | | | | | | |
| Contributions and distributions | | | | | | | | |
| First and final dividend 2018 | - | - | - | - | - | - | (1,178,571) | (1,178,571) |
| Share based payments | - | - | - | - | - | 11,984 | - | 11,984 |
| Transfer from revaluation reserve to retained earnings | - | - | (4,615) | - | - | - | 4,615 | - |
| Total contributions and distributions | - | - | (4,615) | - | - | 11,984 | (1,173,956) | (1,166,587) |
| Balance as at 31 December 2019 | 1,000,000 | 3,381,934 | 2,089,404 | 16,752 | 529,468 | 35,476 | 7,609,868 | 14,662,902 |
| Balance as at 1 January 2020 | 1,000,000 | 3,381,934 | 2,089,404 | 16,752 | 529,468 | 35,476 | 7,609,868 | 14,662,902 |
| Profit for the year | - | - | - | - | - | - | 920,596 | 920,596 |
| Other comprehensive income for the year, net of tax | | | | | | | | |
| Net change in fair value of available for sale financial assets | - | - | - | - | 372,629 | - | - | 372,629 |
| Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets | - | - | - | - | 290,840 | - | - | 290,840 |
| Actuarial gain on defined benefit plan | - | - | - | - | - | 7,730 | - | 7,730 |
| Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax | - | - | - | - | 26,915 | - | - | 26,915 |
| Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax | - | - | - | - | - | (2,314) | - | (2,314) |
| Tax on other comprehensive income | - | - | - | - | - | - | - | - |
| Total other comprehensive income | - | - | - | - | 690,384 | 5,416 | - | 695,800 |
| Total comprehensive income for the year | - | - | - | - | 690,384 | 5,416 | 920,596 | 1,616,396 |
| Transactions with owners, transfers, recorded directly in equity | | | | | | | | |
| Contributions and distributions | | | | | | | | |
| First and final dividend 2019 | - | - | - | - | - | - | (1,178,571) | (1,178,571) |
| Share based payments | - | - | - | - | - | 7,762 | - | 7,762 |
| Transfer from revaluation reserve to retained earnings | - | - | (3,716) | - | - | - | 3,716 | - |
| Total contributions and distributions | - | - | (3,716) | - | - | 7,762 | (1,174,855) | (1,170,809) |
| Balance as at 31st December 2020 | 1,000,000 | 3,381,934 | 2,085,688 | 16,752 | 1,219,852 | 48,654 | 7,355,609 | 15,108,489 |

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

STATEMENT OF CASH FLOWS

| For the year ended 31 December | | 2020 | 2019 |
|---|------|--------------|--------------|
| | Note | Rs. '000 | Rs. '000 |
| Cash flows from operations | | | |
| Insurance premiums received | | 13,076,667 | 11,634,510 |
| Reinsurance premiums paid | | (417,820) | (207,177) |
| Insurance benefits and claims paid | | (4,001,539) | (3,760,837) |
| Reinsurance claim received | | 313,032 | 92,486 |
| Payments to intermediaries to acquire insurance contracts | | (2,074,820) | (1,953,383) |
| Cash paid to and on behalf of employees | | (1,256,593) | (1,228,363) |
| Interest received | | 4,436,756 | 4,163,440 |
| Dividends received | | 89,862 | 86,559 |
| Other operating cash flows | | (1,879,930) | (2,121,266) |
| Cash generated from operating activities | A | 8,285,615 | 6,705,969 |
| Employee benefits paid | | (21,887) | (34,902) |
| Net cash flow from operating activities | | 8,263,728 | 6,671,067 |
| Cash flows used in investing activities | | | |
| Acquisition of investments | | (15,922,271) | (12,407,970) |
| Maturity proceeds of investments | | 5,130,089 | 5,664,253 |
| Proceeds from sale of investments | | 4,310,036 | 1,507,192 |
| Acquisition of property, plant and equipment | | (51,587) | (97,601) |
| Acquisition of intangible assets | | (120,125) | (36,971) |
| Proceeds on sale of property, plant and equipment | | 821 | 583 |
| Net cash used in investing activities | | (6,653,037) | (5,370,514) |
| Net cash inflow before financing activities | | 1,610,691 | 1,300,553 |
| Cash flows used in financing activities | | | |
| Dividends paid to equity holders of the company | | (1,178,571) | (1,178,571) |
| Settlement of lease liabilities | | (97,189) | (110,108) |
| Obligation to repurchase securities | | 2,029,856 | 1,386,080 |
| Settlement of obligation to repurchase securities | | (2,029,856) | (1,386,080) |
| Net cash used in financing activities | | (1,275,760) | (1,288,679) |
| Net increase in cash and cash equivalents | | 334,931 | 11,874 |
| Cash and cash equivalents at the beginning of the year | | 464,534 | 452,660 |
| Cash and cash equivalents at the end of the year | B | 799,465 | 464,534 |

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

| For the year ended 31 December | 2020 | 2019 |
|---|-----------|-----------|
| | Rs. '000 | Rs. '000 |
| NOTE A. | | |
| Reconciliation of profit before taxation with cash from operating activities | | |
| Profit before tax | 1,793,841 | 1,908,462 |
| Non - cash items included in profit before tax | | |
| Depreciation and amortisation | 390,271 | 299,894 |
| Provision for employee benefits | 60,635 | 63,832 |
| Provision for doubtful debts | 8,326 | 35,622 |
| Net realised (gains)/losses | 402,181 | (24,313) |
| Net fair value (gains) / losses | (277,179) | 297,847 |
| Gains on sale of property, plant and equipment | (651) | (572) |
| Amortisation of financial investments | (83,308) | (156,336) |
| Amortisation of lease liabilities | 33,922 | 84,668 |
| Scrip dividend income | (34,162) | (62,705) |
| Share of results of equity accounted investee | (116,438) | (104,736) |
| Interest expense on obligation to repurchase securities | 2,088 | 5,574 |
| Share based payment expenses | 7,762 | 11,984 |
| Profit before working capital changes | 2,187,288 | 2,359,221 |
| Net change in operational assets | | |
| Net change in reinsurance assets | 10,964 | (131,849) |
| Net change in premiums receivable | (31,938) | (13,246) |
| Net change in receivables and other assets | (769,365) | (688,940) |
| Net change in operational liabilities | | |
| Net change in life insurance contract liabilities | 6,207,533 | 4,634,675 |
| Net change in reinsurance liabilities | (279,907) | 143,616 |
| Net change in other liabilities | 961,040 | 402,492 |
| Cash generated from operating activities | 8,285,615 | 6,705,969 |
| NOTE B. | | |
| Cash and cash equivalents at the end of the year | | |
| Cash in hand and at bank | 960,270 | 632,962 |
| Bank overdraft | (160,805) | (168,428) |
| Cash and cash equivalents | 799,465 | 464,534 |

For the purpose of the cash flow statement, cash and cash equivalent consist of cash in hand & at bank, net of outstanding bank overdraft as shown above.

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

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

| As at 31 December | | 2020 | 2019 |
|--|------|-------------------|-------------------|
| | Note | Rs. '000 | Rs. '000 |
| Assets | | | |
| Intangible assets | | 604,217 | 581,438 |
| Property, plant and equipment | | 2,468,821 | 2,500,305 |
| Right of use assets | | 218,312 | 296,799 |
| Financial investments, including derivatives | | 42,354,151 | 36,142,412 |
| Loans to life policyholders | | 1,793,470 | 1,555,759 |
| Reinsurance receivable | | 492,011 | 502,975 |
| Premiums receivable | | 376,723 | 344,785 |
| Receivables and other assets | | 865,946 | 768,128 |
| Cash in hand and at bank | | 951,139 | 624,552 |
| Total assets | | 50,124,790 | 43,317,153 |
| Reserves and liabilities | | | |
| Reserves | | | |
| Available for sale reserve | | 558,057 | 267,219 |
| Revaluation reserve | | 1,609,828 | 1,613,544 |
| Other reserves | | 1,318 | (6,411) |
| Total reserves | | 2,169,203 | 1,874,352 |
| Liabilities | | | |
| Insurance contract liabilities | 11 | 41,881,657 | 35,489,751 |
| Insurance contract liabilities - Unit Linked | | 1,061,701 | 1,246,075 |
| Lease liabilities | | 232,259 | 289,176 |
| Employee benefit liabilities | | 194,753 | 162,957 |
| Reinsurance payables | | 533,023 | 812,930 |
| Other liabilities | | 3,891,389 | 3,273,484 |
| Bank overdraft | | 160,805 | 168,428 |
| Total liabilities | | 47,955,587 | 41,442,801 |
| Total reserves and liabilities | | 50,124,790 | 43,317,153 |

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Union Assurance PLC ('the Company') is a public limited liability company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at Union Assurance, No. 20, St. Michael's Road, Colombo 03.

The Company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

2 APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements for the twelve months ended 31 December 2020 were authorised for issue by the Board of Directors on 25 February 2021.

3 PRESENTATION OF FINANCIAL STATEMENTS

The results of equity accounted investee of the Company, Fairfirst Insurance Limited has been presented in the financial statements in accordance with amendments to LKAS 27 - Separate Financial Statements.

4 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

4.1 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 2019. Further, provisions of the Companies Act No.7 of 2007 have been considered in preparing the interim financial statements of the Company. The same accounting policies have been followed in preparation of these interim financial statements as stated in the Audited Financial Statements for the year ended 31 December 2019.

The interim condensed financial statements are presented in Sri Lankan Rupees (LKR) and all values are rounded to the nearest thousand except when otherwise indicated.

4.2 Going Concern

Notwithstanding the Company concluding the reporting period on a positive note the Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The management has also assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

4.3 Fair value measurement and related fair value disclosures

The fair values of all the financial assets and financial liabilities recognised during the period were not materially different from the transaction prices at the date of initial recognition. All listed equity instruments were measured based on the market prices as at 31 December 2020 and classified as level 1 as per the fair value hierarchy. There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 categories as per the fair value hierarchy during the reporting quarter.

5 SLFRS 9 - FINANCIAL INSTRUMENTS AND SLFRS 17 - INSURANCE CONTRACTS

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018. It replaces LKAS 39 - Financial Instruments: Recognition and Measurement.

Based on the proposed amendments to SLFRS 4 - Insurance contracts (to be replaced by SLFRS 17), the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 9 until the adoption of SLFRS 17, which is in 2023.

The Company has used the above temporary exemption.

NOTES TO THE FINANCIAL STATEMENTS

6 GROSS WRITTEN PREMIUM

| For the year ended 31 December | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| | Rs. '000 | Rs. '000 |
| Conventional | 13,093,838 | 11,613,265 |
| Unit linked | 14,767 | 34,491 |
| Total gross written premium | 13,108,605 | 11,647,756 |

7 INCOME TAX EXPENSE

Current tax

Gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, gains and profits on which tax is payable is the aggregate of;

Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 28%.

Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 28%.

Surplus distributed to a Life insurance policyholder who shares profits of an entity engaged in the business of life insurance at a rate of 14% up to 3 years from 2018 and thereafter at 28%.

As per the proposed changes by the government, the tax rate for insurance companies has changed from 28% to 24% with effect from 1 January 2020. However, as the changes have not been gazetted and enacted as at the reporting date, the prevailing income tax rate of 28% has been used for the income tax computation as at 31 December 2020.

7.1 Amount Recognised in the Profit or Loss

| For the year ended 31 December | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| | Rs. '000 | Rs. '000 |
| Reversal of deferred tax assets | 528,614 | 550,432 |
| Notional tax and ESC written-off | 270,900 | 200,000 |
| Current tax expense for the year | 73,731 | - |
| | 873,245 | 750,432 |

7.2 Deferred tax asset

The company recognizes a deferred tax asset on unused tax losses which is expected to reduce the future tax expense.

| | Amount Rs.000' | | |
|---|-----------------------------|----------------|----------------|
| | Tax Expense / (Reversal) | DT Assets | DT Liabilities |
| Balance as at 1 January 2019 | - | 1,079,046 | - |
| Reversal during the period due to utilisation of tax losses | 550,432 | (550,432) | - |
| Balance as at 31 December 2019 | 550,432 | 528,614 | - |
| Balance as at 1 January 2020 | - | 528,614 | - |
| Reversal during the period due to utilisation of tax losses | 528,614 | (528,614) | - |
| Balance as at 31 December 2020 | 528,614 | - | - |

8 PROFITS FROM LIFE INSURANCE

The valuation of the life insurance fund as at 31 December 2020 was carried out by Mr. Vivek Jalan FIA, FIAI of Towers Watson India Private Limited, appointed actuaries of the Company who recommended a sum of Rs. 825 mn to be transferred from the life fund to the shareholder's fund for the year 2020.

9 FINANCIAL INVESTMENTS

| As at 31 December | 2020 | 2019 |
|---|-------------------|-------------------|
| | Rs. '000 | Rs. '000 |
| Held to maturity financial assets (HTM) | 22,160,419 | 20,376,303 |
| Loans and receivables (L&R) | 17,084,128 | 13,199,658 |
| Available for sale financial assets (AFS) | 7,954,413 | 7,848,043 |
| Financial assets at fair value through profit or loss (FVTPL) | 5,157,248 | 3,457,191 |
| Total financial investments | 52,356,208 | 44,881,195 |

10 RESTRICTED REGULATORY RESERVE

Based on the direction issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) dated 20 March 2018 and subsequent approval, the Company has transferred Rs. 3,382 million attributable to non-participating fund and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF). The distribution of one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve under equity in the statement of financial position is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

| As at | 31.12.2020 | 31.12.2019 |
|---|------------|------------|
| | Rs. '000 | Rs. '000 |
| Transfer of one - off surplus from non participating fund | 3,393,900 | 3,393,900 |
| Transfer from shareholder fund for the one - off deficit created in the non-unit fund of unit linked life insurance contracts | (11,966) | (11,966) |
| | 3,381,934 | 3,381,934 |

11 INSURANCE CONTRACT LIABILITIES

| As at | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | Rs. '000 | Rs. '000 |
| Life insurance fund | 41,066,208 | 34,819,468 |
| One - off surplus arising from changing policy liability valuation relating to participating fund | 435,046 | 435,046 |
| Tax payable | - | (51,059) |
| Unclaimed benefits | 380,403 | 286,296 |
| Total insurance contract liabilities | 41,881,657 | 35,489,751 |

The one off surplus retained in Insurance Contract Liabilities comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to unit linked fund.

NOTES TO THE FINANCIAL STATEMENTS

11.1 Movement in insurance contract liabilities

| As at | 31.12.2020 | 31.12.2019 |
|--|-------------------|-------------------|
| | Rs. '000 | Rs. '000 |
| Conventional life insurance fund | | |
| Balance as at 1 January | 35,448,033 | 30,557,320 |
| Increase in life insurance fund before surplus transfer to shareholders | 7,061,324 | 5,940,278 |
| Transfer to shareholders | (825,000) | (1,000,000) |
| Effect of taxation on surplus / Bonus transferred to - policyholders | 51,059 | (24,631) |
| Net change in unclaimed benefits | 91,531 | (24,934) |
| Balance as at 31 December - Conventional Life insurance | 41,826,947 | 35,448,033 |
| Non Unit Fund of Linked Life Insurance Contracts | | |
| Balance as at 1 January | 41,718 | 42,561 |
| Increase in non unit fund of linked life insurance before surplus transfer to shareholders | 10,416 | 6,841 |
| Transfer to shareholders | - | - |
| Net change in unclaimed benefits | 2,576 | (7,684) |
| Balance as at 31 December - Non unit fund of linked Life insurance | 54,710 | 41,718 |
| | 41,881,657 | 35,489,751 |

12 LIABILITY ADEQUACY TEST (LAT)

As at the reporting date, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

13 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures for the twelve months are provisional and unaudited.

14 COMPARATIVE INFORMATION

The presentation and classification in the financial statements are amended where appropriate to ensure comparability with the current period.

15 RELATED PARTY TRANSACTIONS

The nature of the related parties in the current period is similar to those reported in the audited financial statements for the year ended 31 December 2019.

| For the year ended 31 December | 2020 | 2019 |
|---|-------------|-------------|
| | Rs. '000 | Rs. '000 |
| Transactions with the Ultimate Parent | | |
| Sales / (Purchases) of goods | - | - |
| Rendering / (Receiving) of services | (301,252) | (115,174) |
| Sales / (Purchases) of property, plant and equipment | - | - |
| Loans received / (Given) | - | - |
| Rent received / (Paid) | 59 | - |
| Dividends Received / (Paid) | (1,055,767) | (1,060,714) |
| Financial investments | 707,894 | 66,491 |
| Amount receivable / (payable) as at 31 December | (210,696) | (22,398) |
| Transactions with Companies under Common Control | | |
| Sales / (Purchases) of goods | (4,395) | (4,683) |
| Rendering / (Receiving) of services | (45,260) | (165,484) |
| Sales / (Purchases) of property, plant and equipment | (5,831) | (17,119) |
| Loans received / (Given) | - | - |
| Interest received / (Paid) | 130,012 | 75,089 |
| Dividend received / (Paid) | 193 | - |
| Rent received / (Paid) | - | - |
| Financial investments | 1,145,600 | 1,044,966 |
| Gratuity transfer | 778 | 2,542 |
| Cash at Bank | 66,322 | 79,865 |
| Amount receivable / (payable) as at 31 December | (3,941) | (15,169) |
| Transactions with Associate | | |
| Sales / (Purchases) of goods | - | - |
| Sales / (Purchases) of property, plant and equipment | - | - |
| Rendering / (Receiving) of services | (40,089) | (46,842) |
| Loans received / (Given) | - | - |
| Interest received / (Paid) | - | - |
| Rent received / (Paid) | - | - |
| Financial investments | - | - |
| Amount receivable / (payable) as at 31 December | - | - |
| Transactions with Key Management Personnel (KMP) | | |
| Rendering / (Receiving) of services | - | - |
| Transactions with Close Family Members of KMP | | |
| Rendering / (Receiving) of services | - | - |
| Companies controlled / jointly controlled / significantly influenced by KMP and their close family members | | |
| Sales / (Purchases) of goods | - | - |
| Rendering / (Receiving) of services | - | - |

NOTES TO THE FINANCIAL STATEMENTS

16 CAPITAL AND OTHER COMMITMENTS

There were no significant capital commitments as at the reporting date.

17 CONTINGENCIES

There has been no change in the contingencies and other commitments, which were disclosed in the audited financial statements for the year ended 31 December 2019 other than the following;

17.1 Income tax assessment relating to years of assessment 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016 /17 and 2017/18

The Department of Inland Revenue has raised assessment on Union Assurance PLC for the year of assessment 2010 / 11, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Company lodged an appeal against the said assessment with the Tax Appeals Commission (TAC). TAC issued its determination in favor of the Inland Revenue Department and a case was filed at the Court of Appeal on 20 December 2018 against the said determination. The case is to be mentioned in the Court on 23 March 2021.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2011 / 12, 2012 / 13, 2013 / 14, 2014/ 15 and 2015/16 assessing the Life insurance business to pay income tax liabilities of Rs. 132 million, Rs. 411 million together with a Rs. 233 million penalty totaling to Rs. 644 million, Rs. 175 million together with a Rs. 88 million penalty totaling to Rs. 263 million, Rs. 887 million together with a Rs. 443 million penalty totaling to Rs. 1,330 million and Rs. 832 million together with a Rs. 416 million penalty totaling to Rs. 1,248 million respectively. The Company has lodged valid appeals against the said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 / 17 and 2017 / 18, assessing the Life insurance business to pay an income tax liability of Rs. 472 million along with a 50% penalty totaling to Rs. 708 million and Rs. 749 million along with a Rs. 368 million penalty totaling to Rs. 1,117 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

VAT assessment relating to years of assessment 2016 and 2017

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 and 2017, assessing the Life insurance business to pay a VAT liability of Rs. 8.4 million along with a Rs. 6.6 million penalty totaling to Rs. 15 million and Rs. 5.4 million along with a Rs. 4.5 million penalty totaling to Rs. 9.9 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

VAT and NBT on Financial Services assessment relating to years of assessment 2016 and 2017

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 and 2017, assessing the Life insurance business to pay a VAT & NBT on Financial Services liability of Rs. 69 million along with a Rs. 37 million penalty totaling to Rs. 106 million and Rs. 336 million along with a Rs. 168 million penalty totaling to Rs. 504 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for above years of assessment and therefore, the above assessments have no rationale or basis in law.

17.2 The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business.

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the company's results and financial position. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

17.3 The Company is also subject to insurance solvency regulations and has complied with all solvency regulations

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

18 SHARE INFORMATION

Market Price Per Share

| For the quarter ended 31 December | 2020 | 2019 |
|--|--------|--------|
| | Rs. | Rs. |
| Last traded | 305.00 | 330.00 |
| Highest price per share for the period | 320.00 | 350.00 |
| Lowest price per share for the period | 287.00 | 305.50 |

19 NET ASSETS PER SHARE

| As at | 31.12.2020 | 31.12.2019 |
|----------------------|------------|------------|
| | Rs. | Rs. |
| Net assets per share | 256.39 | 248.83 |

Net assets per share has been calculated based on the number of shares in issue as at each reporting date.

20 STATED CAPITAL

| No. of shares as at | 31.12.2020 | 31.12.2019 |
|---------------------|------------|------------|
| Ordinary shares | 58,928,572 | 58,928,572 |

21 TWENTY LARGEST SHAREHOLDERS

| | As at 31 December 2020 | | As at 30 September 2020 | |
|--|------------------------|------|-------------------------|------|
| | No. of Shares | % | No. of Shares | % |
| 1 John Keells Holdings PLC | 53,035,715 | 90.0 | 53,035,715 | 90.0 |
| 2 Mr. S.N.P. Palihena | 1,400,000 | 2.4 | 1,400,000 | 2.4 |
| 3 Suktam Holdings (Pvt) Ltd | 609,000 | 1.0 | 609,000 | 1.0 |
| 4 Citibank Newyork S/A Norges Bank Account 2 | 580,294 | 1.0 | 580,294 | 1.0 |
| 5 Rubber Investment Trust Limited A/C No.01 | 199,000 | 0.3 | 199,000 | 0.3 |
| 6 Corporate Holdings (Private) Limited A/C No.01 | 149,373 | 0.3 | 149,373 | 0.3 |
| 7 Captain D.V.H. Palihena | 138,495 | 0.2 | 138,495 | 0.2 |
| 8 People's Leasing & Finance PLC / L.P. Hapangama | 102,882 | 0.2 | 102,882 | 0.2 |
| 9 Mrs. A. Selliah | 100,000 | 0.2 | 100,000 | 0.2 |
| 10 People's Leasing & Finance PLC / L.H.L.M.P. Haradasa | 78,494 | 0.1 | 78,494 | 0.1 |
| 11 People's Leasing & Finance PLC / Dr. H.S. D.Soyasa & Mrs. G. Soysa | 73,135 | 0.1 | 73,135 | 0.1 |
| 12 Mr. J.D. Bandaranayake & Miss. N. Bandaranayake & Dr. (Mrs.) V. Bandaranayake | 59,019 | 0.1 | 59,019 | 0.1 |
| 13 Mr. J.D. Bandaranayake & Dr. (Mrs.) V. Bandaranayake & Miss. I. Bandaranayake | 59,019 | 0.1 | 59,019 | 0.1 |
| 14 Mr. H.A.D. Ratnapala | 56,250 | 0.1 | 56,250 | 0.1 |
| 15 Mr. J.W. Nanayakkara | 56,250 | 0.1 | 56,250 | 0.1 |
| 16 People's Merchant Finance PLC / P.T.S De Silva | 55,415 | 0.1 | 55,012 | 0.1 |
| 17 Dr. S. Selliah | 50,000 | 0.1 | 50,000 | 0.1 |
| 18 Mr. V. Sharda | 44,200 | 0.1 | 44,200 | 0.1 |
| 19 Mr. N.D.Kurukulasuriya | 39,000 | 0.1 | 39,000 | 0.1 |
| 20 Dr. T. Senthilvel | 34,876 | 0.1 | - | - |
| Other | 2,008,155 | 3.4 | 2,043,434 | 3.5 |
| | 58,928,572 | 100 | 58,928,572 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

22 DIVIDENDS PAID

| For the year ended 31 December | 2020 | 2019 |
|---|-----------|-----------|
| | Rs. '000 | Rs. '000 |
| Final dividend for 2019 - Rs.20.00 (2018 - Rs. 20.00) | 1,178,571 | 1,178,571 |

23 DIRECTORS' SHAREHOLDINGS

| No. of shares as at | 31.12.2020 | 30.09.2020 |
|--|------------|------------|
| Mr. K. N. J. Balendra (Chairman) | Nil | Nil |
| Mr. S. Rajendra | Nil | Nil |
| Mr. D. H. Fernando | Nil | Nil |
| Mr. S. A. Appleyard | Nil | Nil |
| Mr. D. P. Gamlath [Appointed w.e.f 10.06.2020] | Nil | Nil |
| Mr. W. M. De F. Arsakularatne [Appointed w.e.f 14.07.2020] | Nil | Nil |

24 CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

| No. of shares as at | 31.12.2020 | 30.09.2020 |
|---------------------|------------|------------|
| Mr. Jude Gomes | Nil | Nil |

25 PUBLIC SHAREHOLDING

Company is listed on the Colombo Stock Exchange and the percentage of shares held by the public, the number of public shareholders and the float adjusted market capitalization is as given below:

| As at | 31.12.2020 | 30.09.2020 |
|--|------------|------------|
| Public shareholding (%) | 10.00 | 10.00 |
| Public shareholders | 1,511 | 1,428 |
| Compliant under option 1 - float adjusted market capitalization (Rs. Bn) | 1.80 | 1.74 |

26 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date, which require disclosure in the interim financial statements.

CORPORATE INFORMATION

Name of Company

Union Assurance PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 8 January 1987 and registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange since 1988.

Company Registration Number

PQ 12

Tax Payer Identification Number (TIN)

134001372

Directors

K. N. J. Balendra - Chairman

S. Rajendra

H. A. J. De Silva Wijeyeratne

[Resigned w.e.f 06.09.2020]

D. H. Fernando

S. A. Appleyard

D. P. Gamlath [Appointed w.e.f 10.06.2020]

W. M. De F. Arakularatne

[Appointed w.e.f 14.07.2020]

Board Human Resource and Compensation Committee

The Board Human Resource and Compensation Committee (BHRCC) of John Keells Holdings PLC (the Parent) represents the BHRCC of the Company.

Nominations Committee

The Nominations Committee (NC) of John Keells Holdings PLC (the Parent) represents the NC of the Company.

Related Party Transaction Review Committee

The Related Party Transaction Review Committee (RPTRC) of John Keells Holdings PLC (the Parent) represents the RPTRC of the Company.

Project Risk Assessment Committee

The Project Risk Assessment Committee (PRAC) of John Keells Holdings PLC (the Parent) represents the PRAC of the Company.

Board Audit and Compliance Committee

W. M. De F. Arakularatne - Chairman

[Appointed w.e.f 14.07.2020]

D. H. Fernando

S. Rajendra

Investment Committee

J. G. A. Cooray - Chairman

Jude Gomes

Asha Perera

Nalin Subasinghe [Appointed w.e.f 15.08.2020]

Angelo Keil

Aruni Fernando

Secretaries and Registrars

Keells Consultants (Private) Limited

117, Sir Chittampalam A. Gardiner Mawatha,

Colombo 2.

Auditors

Messrs. KPMG (Chartered Accountants)

PO Box 186,

32A, Sir Mohamed Macan Markar Mawatha,

Colombo 3.

Appointed Actuaries

Willis Towers Watson India Private Limited

Unitech Business Park, 2nd Floor

Tower-B, South City 1, Sector 41

Gurgaon-122002

India.

Lawyers

The Legal Department

John Keells Holdings PLC

117, Sir Chittampalam A Gardiner Mawatha,

Colombo 2.

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Deutsche Bank AG

DFCC Bank PLC

Hatton National Bank PLC

Housing Development Finance Corporation

National Development Bank PLC

National Savings Bank

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Union Bank Colombo PLC

Reinsurance Panel

RGA

Hannover Re

Munich Re

Partner Re

Registered Office of the Company

20, St Michael's Road,

Colombo 3.

Investor Relations

All investor queries should be directed to;

Investor relations hotline 011-2990314

e-mail: investorrelations@unionassurance.com

