

# 360° OF VALUE

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

# INCOME STATEMENT

For the year ended 31 December				
	Note	2021 Rs. '000	2020 Rs. '000	Change %
Gross written premium	6	15,406,161	13,108,605	18
Premium ceded to reinsurers		(725,809)	(589,877)	23
<b>Net written premium</b>		<b>14,680,352</b>	<b>12,518,728</b>	<b>17</b>
<b>Other revenue</b>				
Net investment income		5,276,130	5,032,432	5
Net realised gains / (losses)		431,225	(402,181)	207
Net fair value gains		235,848	277,179	(15)
Other income		27,528	43,584	(37)
<b>Total other revenue</b>		<b>5,970,731</b>	<b>4,951,014</b>	<b>21</b>
<b>Total net revenue</b>		<b>20,651,083</b>	<b>17,469,742</b>	<b>18</b>
<b>Benefits, claims and expenses</b>				
Net insurance benefits and claims paid		(5,001,938)	(3,688,507)	36
Net change in insurance claims outstanding		392,391	(105,072)	(473)
Change in contract liabilities - Life Fund		(7,076,481)	(6,207,253)	14
Underwriting and net acquisition costs (net of reinsurance)		(2,844,018)	(2,145,130)	33
Other operating, administrative and selling expenses		(3,209,731)	(3,256,106)	(1)
Depreciation and amortisation		(435,556)	(390,271)	12
<b>Total benefits, claims and expenses</b>		<b>(18,175,333)</b>	<b>(15,792,339)</b>	<b>15</b>
<b>Profit from operations</b>		<b>2,475,750</b>	<b>1,677,403</b>	<b>48</b>
Share of results of equity accounted investee, net of tax		151,557	116,438	30
<b>Profit before tax</b>		<b>2,627,307</b>	<b>1,793,841</b>	<b>46</b>
Income tax expenses	7	(573,722)	(873,245)	(34)
<b>Profit for the year</b>		<b>2,053,585</b>	<b>920,596</b>	<b>123</b>
<b>Earnings per share</b>				
Basic (Rs.)		34.85	15.62	123
Diluted (Rs.)		34.85	15.62	123

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	2021 Rs. '000	2020 Rs. '000	Change %
<b>Profit for the year</b>	<b>2,053,585</b>	<b>920,596</b>	<b>123</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Net gains on revaluation of land and buildings	190,254	-	
Share of net change in actuarial gain / (loss) on defined benefit plan of equity accounted investee, net of tax	7,138	(2,314)	
Actuarial gain / (loss) on defined benefit plan	(3,588)	7,730	
Related tax	-	-	
	<b>193,804</b>	<b>5,416</b>	<b>3,478</b>
<b>Items that are or may be reclassified to profit or loss</b>			
<b>Fair value reserve (available for sale financial assets)</b>			
Net change in fair value of available for sale financial assets	(566,990)	372,629	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	(32,656)	26,915	
Net change in fair value of available for sale financial assets transferred to the income statement	74	-	
Related tax	-	-	
	<b>(599,572)</b>	<b>399,544</b>	<b>(250)</b>
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	(400,388)	314,921	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	(82,116)	(24,081)	
Related tax	-	-	
	<b>(482,504)</b>	<b>290,840</b>	<b>(266)</b>
	<b>(1,082,076)</b>	<b>690,384</b>	<b>(257)</b>
<b>Other comprehensive income, net of tax</b>	<b>(888,272)</b>	<b>695,800</b>	<b>(228)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>1,165,313</b>	<b>1,616,396</b>	<b>(28)</b>

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

# INCOME STATEMENT

For the quarter ended 31 December	2021 Rs. '000	2020 Rs. '000	Change %
Gross written premium	4,901,921	4,183,956	17
Premium ceded to reinsurers	(190,320)	(162,459)	17
<b>Net written premium</b>	<b>4,711,601</b>	<b>4,021,497</b>	<b>17</b>
<b>Other revenue</b>			
Net investment income	1,335,201	1,279,828	4
Net realised gains	243,222	61,110	298
Net fair value gains	34,045	275,028	(88)
Other income	6,830	15,827	(57)
<b>Total other revenue</b>	<b>1,619,298</b>	<b>1,631,793</b>	<b>(1)</b>
<b>Total net revenue</b>	<b>6,330,899</b>	<b>5,653,290</b>	<b>12</b>
<b>Benefits, claims and expenses</b>			
Net insurance benefits and claims paid	(1,993,532)	(1,109,653)	80
Net change in insurance claims outstanding	57,704	9,113	533
Change in contract liabilities - Life Fund	(541,263)	(1,477,521)	(63)
Underwriting and net acquisition costs (net of reinsurance)	(825,414)	(658,413)	25
Other operating, administrative and selling expenses	(1,101,028)	(1,184,401)	(7)
Depreciation and amortisation	(132,311)	(130,571)	1
<b>Total benefits, claims and expenses</b>	<b>(4,535,844)</b>	<b>(4,551,446)</b>	<b>-</b>
<b>Profit from operations</b>	<b>1,795,055</b>	<b>1,101,844</b>	<b>63</b>
Share of results of equity accounted investee, net of tax	37,215	15,938	133
<b>Profit before tax</b>	<b>1,832,270</b>	<b>1,117,782</b>	<b>64</b>
Income tax expenses	(462,484)	(683,409)	(32)
<b>Profit for the quarter</b>	<b>1,369,786</b>	<b>434,373</b>	<b>215</b>
<b>Earnings per share</b>			
Basic (Rs.)	23.24	7.37	215
Diluted (Rs.)	23.24	7.37	215

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	2021 Rs. '000	2020 Rs. '000	Change %
<b>Profit for the quarter</b>	<b>1,369,786</b>	<b>434,373</b>	<b>215</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Net gains on revaluation of land and buildings	190,254	-	
Share of net change in actuarial gain / (loss) on defined benefit plan of equity accounted investee, net of tax	7,138	(2,314)	
Actuarial gain / (loss) on defined benefit plan	(3,588)	7,730	
Related tax	-	-	
	<b>193,804</b>	<b>5,416</b>	<b>3,478</b>
<b>Items that are or may be reclassified to profit or loss</b>			
<b>Fair value reserve (available for sale financial assets)</b>			
Net change in fair value of available for sale financial assets	(157,209)	(28,019)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	(2,427)	(10,909)	
Net change in fair value of available for sale financial assets transferred to the income statement	74	-	
Related tax	-	-	
	<b>(159,562)</b>	<b>(38,928)</b>	<b>310</b>
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	(104,375)	(24,126)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	(368)	(559)	
Related tax	-	-	
	<b>(104,743)</b>	<b>(24,685)</b>	
	<b>(264,305)</b>	<b>(63,613)</b>	<b>315</b>
<b>Other comprehensive income, net of tax</b>	<b>(70,501)</b>	<b>(58,197)</b>	<b>21</b>
<b>Total comprehensive income for the quarter, net of tax</b>	<b>1,299,285</b>	<b>376,176</b>	<b>245</b>

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

# STATEMENT OF FINANCIAL POSITION

As at	Note	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>Assets</b>			
Intangible assets		1,545,529	1,247,057
Property, plant and equipment		2,746,114	2,468,821
Right of use assets		421,885	218,312
Investment in equity accounted investee		1,513,031	1,386,991
Financial investments	9	59,329,071	52,356,208
Loans to life policyholders		1,932,079	1,793,470
Reinsurance receivable		969,446	492,011
Premiums receivable		532,975	487,959
Receivables and other assets		801,758	1,189,309
Cash in hand and at bank		969,748	960,270
<b>Total assets</b>		<b>70,761,636</b>	<b>62,600,408</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital		1,000,000	1,000,000
Available for sale reserve		137,776	1,219,852
Revaluation reserve		2,272,226	2,085,688
Restricted regulatory reserve	10	3,381,934	3,381,934
Other reserves		75,247	65,406
Retained earnings		8,587,910	7,355,609
<b>Total equity</b>		<b>15,455,093</b>	<b>15,108,489</b>
<b>Liabilities</b>			
Insurance contract liabilities	11	48,918,147	41,881,657
Insurance contract liabilities - Unit Linked		916,192	1,061,701
Lease liabilities		421,300	232,259
Employee benefit liabilities		239,915	194,753
Reinsurance payables		1,038,267	533,023
Other liabilities		3,523,390	3,427,721
Bank overdraft		249,332	160,805
<b>Total liabilities</b>		<b>55,306,543</b>	<b>47,491,919</b>
<b>Total equity and liabilities</b>		<b>70,761,636</b>	<b>62,600,408</b>

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  
28 February 2022

# 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		
<b>Balance as at 1 January 2020</b>	1,000,000	3,381,934	2,089,404	16,752	529,468	35,476	14,662,902
Profit for the year	-	-	-	-	-	-	920,596
<b>Other comprehensive income for the year, net of tax</b>							
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	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-	690,384	5,416	695,800
<b>Total comprehensive income for the year</b>	-	-	-	-	690,384	5,416	1,616,396
<b>Transactions with owners, transfers, recorded directly in equity</b>							
<b>Contributions and distributions</b>							
First and final dividend 2019	-	-	-	-	-	-	(1,178,571)
Share based payments	-	-	-	-	-	7,762	7,762
Transfer from revaluation reserve to retained earnings	-	-	(3,716)	-	-	-	3,716
<b>Total contributions and distributions</b>	-	-	(3,716)	-	-	7,762	(1,170,809)
<b>Balance as at 31 December 2020</b>	1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	15,108,489
<b>Balance as at 1 January 2021</b>	1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	15,108,489
Profit for the year	-	-	-	-	-	-	2,053,585
<b>Other comprehensive income for the year, net of tax</b>							
Net change in fair value of available for sale financial assets	-	-	-	-	(566,916)	-	(566,916)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	(482,504)	-	(482,504)
Revaluation gain on land and buildings	-	-	190,254	-	-	-	190,254
Actuarial loss on defined benefit plan	-	-	-	-	-	(3,588)	(3,588)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	(32,656)	-	(32,656)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	-	-	-	-	-	7,138	7,138
Tax on other comprehensive income	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	190,254	-	(1,082,076)	3,550	(888,272)
<b>Total comprehensive income for the year</b>	-	-	190,254	-	(1,082,076)	3,550	1,165,313
<b>Transactions with owners, transfers, recorded directly in equity</b>							
<b>Contributions and distributions</b>							
First and final dividend 2020	-	-	-	-	-	-	(825,000)
Share based payments	-	-	-	-	-	6,291	6,291
Transfer from revaluation reserve to retained earnings	-	-	(3,716)	-	-	-	3,716
<b>Total contributions and distributions</b>	-	-	(3,716)	-	-	6,291	(818,709)
<b>Balance as at 31 December 2021</b>	1,000,000	3,381,934	2,272,226	16,752	137,776	58,495	15,455,093

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
<b>Cash flows from operations</b>			
Insurance premiums received		15,361,145	12,965,627
Reinsurance premiums paid		(22,730)	(417,820)
Insurance benefits and claims paid		(5,014,304)	(4,001,539)
Reinsurance claim received		12,366	313,032
Payments to intermediaries to acquire insurance contracts		(2,836,536)	(2,074,820)
Cash paid to and on behalf of employees		(1,547,262)	(1,256,593)
Interest received		5,012,043	4,436,756
Dividends received		159,636	89,862
Other operating cash flows		(1,612,116)	(1,768,890)
<b>Cash generated from operating activities</b>	A	<b>9,512,242</b>	<b>8,285,615</b>
Income tax paid		(237,310)	-
Employee benefits paid		(19,141)	(21,887)
<b>Net cash flow from operating activities</b>		<b>9,255,791</b>	<b>8,263,728</b>
<b>Cash flows used in investing activities</b>			
Purchase of investments		(19,958,137)	(15,922,271)
Maturity proceeds of investments		5,174,448	5,130,089
Proceeds from sale of investments		7,509,773	4,310,036
Purchase of property, plant and equipment		(178,732)	(51,587)
Purchase of intangible assets		(923,693)	(120,125)
Proceeds on sale of property, plant and equipment		443	821
<b>Net cash used in investing activities</b>		<b>(8,375,898)</b>	<b>(6,653,037)</b>
<b>Net cash inflow before financing activities</b>		<b>879,893</b>	<b>1,610,691</b>
<b>Cash flows used in financing activities</b>			
Dividends paid to equity holders of the company		(825,000)	(1,178,571)
Settlement of lease liabilities		(133,942)	(97,189)
Obligation to repurchase securities		-	2,029,856
Settlement of obligation to repurchase securities		-	(2,029,856)
<b>Net cash used in financing activities</b>		<b>(958,942)</b>	<b>(1,275,760)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(79,049)</b>	<b>334,931</b>
Cash and cash equivalents at the beginning of the year		799,465	464,534
<b>Cash and cash equivalents at the end of the year</b>	B	<b>720,416</b>	<b>799,465</b>

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



For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
<b>NOTE A.</b>		
<b>Reconciliation of profit before taxation with cash from operating activities</b>		
Profit before tax	2,627,307	1,793,841
<b>Non - cash items included in profit before tax</b>		
Depreciation and amortisation	435,556	390,271
Provision for employee benefits	57,664	60,635
Provision for doubtful debts	(11,093)	8,326
Net realised (gains) / losses	(431,225)	402,181
Net fair value gains	(235,848)	(277,179)
Gains on sale of property, plant and equipment	(385)	(651)
Amortisation of financial investments	(23,100)	(83,308)
Amortisation of lease liabilities	61,485	33,922
Scrip dividend income	(33,439)	(34,162)
Share of results of equity accounted investee	(151,557)	(116,438)
Interest expense on obligation to repurchase securities	-	2,088
Share based payment expenses	6,291	7,762
<b>Profit before working capital changes</b>	<b>2,301,656</b>	<b>2,187,288</b>
<b>Net change in operational assets</b>		
Net change in reinsurance assets	(477,435)	10,964
Net change in premiums receivable	(45,016)	(142,978)
Net change in receivables and other assets	294,056	(658,325)
<b>Net change in operational liabilities</b>		
Net change in life insurance contract liabilities	6,890,981	6,207,533
Net change in reinsurance liabilities	505,244	(279,907)
Net change in other liabilities	42,756	961,040
<b>Cash generated from operating activities</b>	<b>9,512,242</b>	<b>8,285,615</b>
<b>NOTE B.</b>		
<b>Cash and cash equivalents at the end of the year</b>		
Cash in hand and at bank	969,748	960,270
Bank overdraft	(249,332)	(160,805)
<b>Cash and cash equivalents</b>	<b>720,416</b>	<b>799,465</b>

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	Note	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>Assets</b>			
Intangible assets		631,315	604,217
Property, plant and equipment		2,746,114	2,468,821
Right of use assets		421,885	218,312
Financial investments		49,704,931	42,354,151
Loans to life policyholders		1,932,079	1,793,470
Reinsurance receivable		969,446	492,011
Premiums receivable		532,975	487,959
Receivables and other assets		398,750	754,710
Cash in hand and at bank		954,827	951,139
<b>Total assets</b>		<b>58,292,322</b>	<b>50,124,790</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Available for sale reserve		75,554	558,057
Revaluation reserve		1,796,366	1,609,828
Other reserves		(2,270)	1,318
<b>Total reserves</b>		<b>1,869,650</b>	<b>2,169,203</b>
<b>Liabilities</b>			
Insurance contract liabilities	11	48,918,147	41,881,657
Insurance contract liabilities - Unit Linked		916,192	1,061,701
Lease liabilities		421,300	232,259
Employee benefit liabilities		239,915	194,753
Reinsurance payables		1,038,267	533,023
Other liabilities		4,639,519	3,891,389
Bank overdraft		249,332	160,805
<b>Total liabilities</b>		<b>56,422,672</b>	<b>47,955,587</b>
<b>Total reserves and liabilities</b>		<b>58,292,322</b>	<b>50,124,790</b>

# 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 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 2021 were authorised for issue by the Board of Directors on 28 February 2022.

## 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 Sri Lanka Accounting Standard, LKAS 28 - Investments in Associates and Joint Ventures.

## 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 2020. 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 2020.

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 Fair value measurement and related fair value disclosures

The fair values of all the financial assets and financial liabilities recognised during the year 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 2021 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 period.

## 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 financial period beginning on or after 1 January 2023.

The Company has used the above temporary exemption.

## 6 GROSS WRITTEN PREMIUM

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Conventional	15,394,921	13,093,838
Unit linked	11,240	14,767
<b>Total gross written premium</b>	<b>15,406,161</b>	<b>13,108,605</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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 24%.

Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 24%.

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 24%.

### 7.1 Amount Recognised in the Profit or Loss

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Reversal of deferred tax assets	-	(528,614)
Notional tax and ESC written-off	-	(270,900)
Current tax expense for the year	(607,535)	(73,731)
Over/(under) provision of current tax of previous years	33,813	-
	(573,722)	(873,245)

## 8 PROFITS FROM LIFE INSURANCE

The valuation of the life insurance fund as at 31 December 2021 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. 1,600 million to be transferred from the life fund to the shareholder's fund for the year 2021.

## 9 FINANCIAL INVESTMENTS

As at	31.12.2021 Rs. '000	31.12.2020 Rs. '000
Held to maturity financial assets (HTM)	28,941,570	22,160,419
Loans and receivables (L&R)	17,078,442	17,084,128
Available for sale financial assets (AFS)	7,055,752	7,954,413
Financial assets at fair value through profit or loss (FVTPL)	6,253,307	5,157,248
<b>Total financial investments</b>	<b>59,329,071</b>	<b>52,356,208</b>

## 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	31.12.2021 Rs. '000	31.12.2020 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)
	<b>3,381,934</b>	<b>3,381,934</b>

## 11 INSURANCE CONTRACT LIABILITIES

As at	31.12.2021 Rs. '000	31.12.2020 Rs. '000
Life insurance fund	48,044,816	41,066,208
One - off surplus arising from changing policy liability valuation relating to participating fund	435,046	435,046
Tax Payable	(27,162)	-
	48,452,700	41,501,254
Claim payables	465,447	380,403
<b>Total insurance contract liabilities</b>	<b>48,918,147</b>	<b>41,881,657</b>

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.

### 11.1 Movement In Insurance Contract Liabilities

As at	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>Conventional life insurance fund</b>		
Balance as at 1 January	41,826,947	35,448,033
Increase in life insurance fund before surplus transfer to shareholders	8,525,435	7,061,324
Transfer to shareholders	(1,600,000)	(825,000)
Effect of taxation on surplus / Bonus transferred to - policyholders	(27,162)	51,059
Net change in unclaimed benefits	23,751	91,531
<b>Balance as at 31 December - Conventional Life insurance</b>	<b>48,748,971</b>	<b>41,826,947</b>
<b>Non Unit Fund of Linked Life Insurance Contracts</b>		
Balance as at 1 January	54,710	41,718
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	53,173	10,416
Transfer to shareholders	-	-
Net change in unclaimed benefits	61,293	2,576
<b>Balance as at 31 December - Non unit fund of linked Life insurance</b>	<b>169,176</b>	<b>54,710</b>
	<b>48,918,147</b>	<b>41,881,657</b>

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2020.

### Transactions with the Ultimate Parent

As at 31 December	2021 Rs. '000	2020 Rs. '000
Investment in shares	799,762	707,894
payable for shared services	(19,435)	(210,696)
	Transaction amount during the year	
For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Receiving of services	(104,304)	(111,575)
Rent received	-	59
Dividends paid	(735,311)	(1,055,767)
Purchase of Intangible assets	-	189,677
Net Purchase / (Sale) of share Investments	109,673	486,352

### Transactions with companies under common control

As at 31 December	2021 Rs. '000	2020 Rs. '000
Debenture, share Investments and Distribution rights	1,583,380	1,145,600
payable for shared services	(13,663)	(3,941)
	Transaction amount during the year	
For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Purchase of goods	(14,070)	(4,395)
Receiving of services	(136,769)	(45,260)
Interest received	124,386	130,012
Dividend received	1,513	193
Purchase of property, plant & equipment and intangible assets	813,780	5,831
Net Purchase / (Sale) of share Investments	(48,966)	91,235
Gratuity transfer	3,051	778

### Transactions with Associates

As at 31 December	2021 Rs. '000	2020 Rs. '000
Amount receivable / (payable)	-	-

For the year ended 31 December	Transaction amount during the year	
	2021 Rs. '000	2020 Rs. '000
Receiving of services	(44,422)	(40,089)

### Companies controlled / jointly controlled / significantly influenced by KMP and their close family members

As at 31 December	2021 Rs. '000	2020 Rs. '000
Investment in Unit Trusts	59,169	-

For the year ended 31 December	Transaction amount during the year	
	2021 Rs. '000	2020 Rs. '000
Receiving of services	(6,909)	-
Purchase of Unit trust investments	82,000	-

### Transactions with Key Management Personnel (KMP)

Rendering / (Receiving) of services	-	-
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### Transactions with Close Family Members of KMP

Rendering / (Receiving) of services	-	-
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## 16 CAPITAL AND OTHER COMMITMENTS

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2020 other than the following;

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

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the year of assessment 2010 / 11 and 2011 / 12, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Rs. 132 million respectively. Company lodged appeals against the said assessments with the Tax Appeals Commission (TAC) and TAC issued its determinations in favour of the Inland Revenue Department. Cases were filed at the Court of Appeal against said determinations.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2012 / 13, 2013 / 14, 2014 / 15, 2015/16 and 2016/17 assessing the Life insurance business to pay income tax liabilities of 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, Rs. 832 million together with a Rs. 416 million penalty totaling to Rs. 1,248 million and Rs. 472 million together with a Rs. 236 million penalty totaling Rs. 708 million respectively. The Company has lodged valid appeals against said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on the Company for the year of assessment 2017 / 18, assessing the Life insurance business to pay an income tax liability of Rs. 749 million along with a Rs. 368 million penalty totaling to Rs. 1,117 million. The company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

### VAT assessments relating to years of assessments 2016, 2017 & 2018

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2016, 2017 & 2018, 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, Rs. 5.4 million along with a Rs. 4.5 million penalty totaling to Rs. 9.9 million and Rs.0.01 million along with a Rs. 0.009 million penalty totaling Rs. 0.02 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 assessments 2016 and 2017

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2016, 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. The Company has lodged valid appeals against the said assessment with the Tax Appeal Commission.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2017, assessing the Life insurance business to pay a VAT & NBT on Financial Services liability of Rs. 336 million along with a Rs. 168 million penalty totaling to Rs. 504 million. The Company has lodged valid appeal with the Commissioner General of Inland Revenue against the said assessment.

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 assessments 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	2021 Rs.	2020 Rs.
Last traded	294.00	305.00
Highest price per share for the period	309.00	320.00
Lowest price per share for the period	262.00	287.00

## 19 NET ASSETS PER SHARE

As at	31.12.2021 Rs.	31.12.2020 Rs.
Net assets per share	262.27	256.39

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

## 20 STATED CAPITAL

Number of shares as at	31.12.2021	31.12.2020
Ordinary shares	58,928,572	58,928,572

## 21 TWENTY LARGEST SHAREHOLDERS

	As at 31 December 2021		As at 30 September 2021	
	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 Hatton National Bank PLC / Suktam Holdings (Pvt) Ltd	593,804	1.0	608,526	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 Merchant Finance PLC / P.T.S. De Silva	82,100	0.1	74,383	0.1
11 People's Leasing & Finance PLC / L.H.L.M.P. Haradasa	78,494	0.1	78,494	0.1
12 People's Leasing Finance PLC / Dr. H.S.D. Soysa & Mrs. G. Soysa	73,135	0.1	73,135	0.1
13 Mr. J.D. Bandaranayake & Miss. N. Bandaranayake & Dr. (Mrs.) V. Bandaranayake	59,019	0.1	59,019	0.1
14 Mr. J.D. Bandaranayake & Dr. (Mrs.) V. Bandaranayake & Miss. I. Bandaranayake	59,019	0.1	59,019	0.1
15 Mr. H.A.D. Ratnapala	56,250	0.1	56,250	0.1
16 Mr. J.W. Nanayakkara	56,250	0.1	56,250	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 Mrs. L. Amaradasa	33,750	0.1	33,750	0.1
Other	1,997,792	3.3	1,990,787	3.3
	58,928,572	100	58,928,572	100

# NOTES TO THE FINANCIAL STATEMENTS

## 22 DIVIDENDS PAID

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Final dividend for 2020 - Rs.14.00 (2019 - Rs. 20.00)	825,000	1,178,571

## 23 DIRECTORS' SHAREHOLDINGS

No. of shares as at	31.12.2021	30.09.2021
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	Nil	Nil
Mr. W. M. De F. Arsakularatne	Nil	Nil

## 24 CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

No. of shares as at	31.12.2021	30.09.2021
Mr. Jude Gomes	500	500

## 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	31.12.2021	30.09.2021
Public shareholding (%)	10.00	10.00
Public shareholders	1,491	1,525
Compliant under option 1 - float adjusted market capitalization (LKR Bn)	1.7	1.6

## 26 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which require disclosure in the interim financial statements or, which would have any material effect on the Company, other than following.

### 26.1

The Board of Directors of the Company has declared a first and final dividend of Rs. 22 per share out of retained earnings for the financial year ended 31 December 2021. The dividend will be paid on or before 31 March 2022.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57 prior to declaring the first and final dividend. A statement of solvency duly completed and signed by the Directors has been audited by Messrs. KPMG.

In accordance with LKAS 10, Events After the Reporting Period the first and final dividend has not been recognised as a liability in the financial statement as at 31 December 2021.

### 26.2

The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 07 February 2022. The Surcharge Tax was proposed in the Budget 2022, as a one-time tax. Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold as specified in the Bill. There shall be levied a Surcharge Tax any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of twenty five per centum on the taxable income of such individual, partnership or company, for such year of assessment.

As an individual entity, Union Assurance is not liable for above one-off tax. However, applicability of the taxation on the company being a subsidiary of John Keells Holdings PLC is currently evaluated and computation in progress.

Since the enabling legislation for the proposed Surcharge Tax, is yet to be legislated, the Company has not provided for any potential liability that may arise therefrom in the Financial Statements for the period ended 31 December 2021.

# 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  
D. H. Fernando  
S. A. Appleyard  
D. P. Gamlath  
W. M. De F. Arsakularatne

## 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. Arsakularatne - Chairman  
D. H. Fernando  
S. Rajendra

## Investment Committee

J. G. A. Cooray - Chairman  
Jude Gomes  
Asha Perera  
Jayaraman Muthukrishnan  
Angelo Keil

## 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

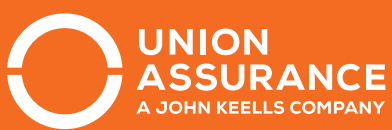
RGA  
Hannover Re  
Munich Re  
Partner Re

## 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](mailto:investorrelations@unionassurance.com)



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