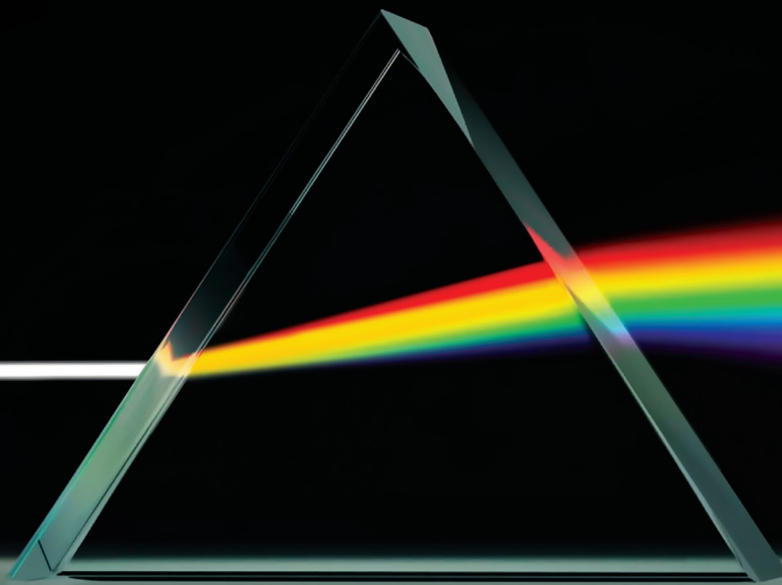


PARTNERSHIPS THAT LIGHT UP LIVES

UNION ASSURANCE PLC

CONDENSED INTERIM FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018



INCOME STATEMENT

For the year ended 31 December	Note	2018 Rs. '000	2017 Rs. '000	Change %
Gross written premium	6	11,243,915	10,117,630	11
Premium ceded to reinsurers		(716,441)	(497,612)	44
Net written premium		10,527,474	9,620,018	9
Other revenue				
Net investment income	7	4,638,140	3,636,008	28
Net realised gains		123,474	75,591	63
Net fair value gains / (losses)		(803,075)	258,360	(411)
Other income		42,960	63,176	(32)
Total other revenue		4,001,499	4,033,135	(1)
Total net revenue		14,528,973	13,653,153	6
Benefits, claims and expenses				
Net insurance benefits and claims paid		(3,350,600)	(2,673,733)	25
Net change in insurance claims outstanding		442,761	(5,302)	(8,451)
Change in contract liabilities - Life Fund		(3,905,191)	(2,709,661)	44
Change in contract liability due to transfer of one off surplus		-	3,381,934	100
Underwriting and net acquisition costs (net of reinsurance)		(2,055,051)	(1,841,151)	12
Other operating, administrative and selling expenses		(3,523,372)	(2,504,333)	41
Depreciation and amortisation		(154,935)	(104,623)	48
Total benefits, claims and expenses		(12,546,388)	(6,456,869)	94
Profit from operations		1,982,585	7,196,284	(72)
Share of results of equity accounted investee, net of tax		149,807	187,844	(20)
Profit before tax		2,132,392	7,384,128	(71)
Income tax reversal	8	1,111,450	-	100
Profit for the year		3,243,842	7,384,128	(56)
Earnings per share				
Basic (Rs.)		55.05	125.31	(56)
Diluted (Rs.)		55.05	125.31	(56)

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	2018 Rs. '000	2017 Rs. '000	Change %
Profit for the year	3,243,842	7,384,128	(56)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net gains on revaluation of land and buildings	-	539,365	
Share of net change in actuarial gains / (losses) on defined benefit plan of equity accounted investee, net of tax	433	(2,291)	
Actuarial gains / (losses) on defined benefit plan	6,643	(4,271)	
Related tax	3,555	-	
	10,631	532,803	(98)
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	(54,762)	80,850	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	(15,583)	32,823	
Net change in fair value of available for sale financial assets transferred to the income statement	(11,729)	-	
Related tax	-	-	
	(82,074)	113,673	(172)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	(416,275)	652,979	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	35,479	23,666	
Related tax	(35,959)	-	
	(416,755)	676,645	162
	(498,829)	790,318	163
Other comprehensive income, net of tax	(488,198)	1,323,121	(137)
Total comprehensive income for the year, net of tax	2,755,644	8,707,249	(68)

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

INCOME STATEMENT

For the quarter ended 31 December	2018 Rs. '000	2017 Rs. '000	Change %
Gross written premium	3,340,229	2,893,052	15
Premium ceded to reinsurers	(261,622)	(129,468)	102
Net written premium	3,078,607	2,763,584	11
Other revenue			
Net investment income	1,601,790	941,822	70
Net realised gains / (losses)	31,534	(5,572)	666
Net fair value gains	36,463	8,274	341
Other income	(87,044)	18,416	(573)
Total other revenue	1,582,743	962,940	64
Total net revenue	4,661,350	3,726,524	25
Benefits, claims and expenses			
Net insurance benefits and claims paid	(729,917)	(995,615)	(27)
Net change in insurance claims outstanding	103,143	(74,439)	239
Change in contract liabilities - Life Fund	(1,031,095)	2,502,550	(141)
Change in contract liability due to transfer of one off surplus	-	3,381,934	100
Underwriting and net acquisition costs (net of reinsurance)	(499,321)	(555,348)	(10)
Other operating, administrative and selling expenses	(1,189,395)	(914,620)	30
Depreciation and amortisation	(72,584)	(24,564)	195
Total benefits, claims and expenses	(3,419,169)	3,319,898	(203)
Profit from operations	1,242,181	7,046,422	(82)
Share of results of equity accounted investee, net of tax	71,797	71,108	1
Profit before tax	1,313,978	7,117,530	(82)
Income tax expenses	(311,894)	-	100
Profit for the year	1,002,084	7,117,530	(86)
Earnings per share			
Basic (Rs.)	17.00	120.78	(86)
Diluted (Rs.)	17.00	120.78	(86)

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	2018 Rs. '000	2017 Rs. '000	Change %
Profit for the quarter	1,002,084	7,117,530	(56)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net gains on revaluation of land and buildings	-	539,365	
Share of net change in actuarial gains / (losses) on defined benefit plan of equity accounted investee, net of tax	433	(2,291)	
Actuarial gains / (losses) on defined benefit plan	6,643	(4,271)	
Related tax	-	-	
	7,076	532,803	(98)
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	(123,964)	1,427	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	(6,647)	7,335	
Net change in fair value of available for sale financial assets transferred to the income statement	(26)	-	
Related tax	-	-	
	(130,637)	8,762	(1,632)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	(104,522)	20,336	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	14,067	23,643	
Related tax	-	-	
	(90,455)	43,979	306
	(224,647)	52,741	526
Other comprehensive income, net of tax	(214,016)	585,544	(137)
Total comprehensive income for the year, net of tax	788,068	7,703,074	(90)

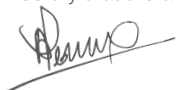
The notes form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Assets			
Intangible assets		1,392,191	212,817
Property, plant and equipment		2,082,990	2,000,716
Deferred tax assets		1,079,046	-
Investment in equity accounted investee		1,130,379	995,722
Financial investments, including derivatives	10	39,138,073	36,792,921
Loans to life policyholders		1,218,949	1,001,538
Reinsurance receivable		371,126	267,417
Premiums receivable		331,539	268,511
Receivables and other assets		1,675,601	947,239
Cash in hand and at bank		696,835	580,126
Total assets		49,116,729	43,067,007
Equity and liabilities			
Equity			
Stated capital		1,000,000	1,000,000
Restricted regulatory reserve	11	3,381,934	3,381,934
Reserves		1,663,960	2,144,728
Retained earnings		7,625,794	5,438,052
Total equity		13,671,688	11,964,714
Liabilities			
Insurance contract liabilities	12	30,599,881	26,949,613
Insurance contract liabilities - Unit Linked		1,501,271	2,121,609
Employee benefit liabilities		115,516	122,588
Reinsurance payables		669,314	345,146
Other liabilities		2,314,884	1,368,031
Bank overdraft		244,175	195,306
Total liabilities		35,445,041	31,102,293
Total equity and liabilities		49,116,729	43,067,007

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



H. A. J. De Silva Wijeyeratne
Director

Colombo
27 February 2019

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 2017	1,000,000	-	1,154,363	16,752	(376,875)	22,763	2,049,189	3,866,192
Profit for the year	-	-	-	-	-	-	7,384,128	7,384,128
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	-	-	-	-	80,850	-	-	80,850
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	676,645	-	-	676,645
Revaluation gains on land and buildings	-	-	539,365	-	-	-	-	539,365
Actuarial loss on defined benefit plan	-	-	-	-	-	(4,271)	-	(4,271)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	32,823	-	-	32,823
Share of net change in actuarial losses on defined benefit plan of equity accounted investee, net of tax	-	-	-	-	-	(2,291)	-	(2,291)
Tax on other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	539,365	-	790,318	(6,562)	-	1,323,121
Total comprehensive income for the year	-	-	539,365	-	790,318	(6,562)	7,384,128	8,707,249
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividend 2016	-	-	-	-	-	-	(618,750)	(618,750)
Share based payments	-	-	-	-	-	10,023	-	10,023
Transfer of one - off surplus	-	3,381,934	-	-	-	-	(3,381,934)	-
Transfer from revaluation reserve to retained earnings	-	-	(5,419)	-	-	-	5,419	-
Total contributions and distributions	-	3,381,934	(5,419)	-	-	10,023	(3,995,265)	(608,727)
Balance as at 31 December 2017	1,000,000	3,381,934	1,688,309	16,752	413,443	26,224	5,438,052	11,964,714
Balance as at 1 January 2018	1,000,000	3,381,934	1,688,309	16,752	413,443	26,224	5,438,052	11,964,714
Profit for the year	-	-	-	-	-	-	3,243,842	3,243,842
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	-	-	-	-	(66,491)	-	-	(66,491)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	(380,796)	-	-	(380,796)
Actuarial gain on defined benefit plan	-	-	-	-	-	6,643	-	6,643
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	(15,583)	-	-	(15,583)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	-	-	-	-	-	433	-	433
Tax on other comprehensive income	-	-	7,042	-	(35,959)	(3,487)	-	(32,404)
Total other comprehensive income	-	-	7,042	-	(498,829)	3,589	-	(488,198)
Total comprehensive income for the year	-	-	7,042	-	(498,829)	3,589	3,243,842	2,755,644
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividend 2017	-	-	-	-	-	-	(1,060,715)	(1,060,715)
Share based payments	-	-	-	-	-	12,045	-	12,045
Transfer from revaluation reserve to retained earnings	-	-	(4,615)	-	-	-	4,615	-
Total contributions and distributions	-	-	(4,615)	-	-	12,045	(1,056,100)	(1,048,670)
Balance as at 31 December 2018	1,000,000	3,381,934	1,690,736	16,752	(85,386)	41,858	7,625,794	13,671,688

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2018 Rs. '000	2017 Rs. '000
Cash flows from operations		11,180,888	10,095,919
Insurance premiums received		(392,273)	(361,208)
Net reinsurance premiums paid		(3,509,084)	(2,828,188)
Insurance benefits and claims paid		158,484	154,455
Payments to intermediaries to acquire insurance contracts		(2,498,772)	(1,793,544)
Cash paid to and on behalf of employees		(1,031,559)	(925,873)
Interest received		3,559,184	2,990,027
Dividends received		95,803	121,026
Other operating cash flows		(2,366,805)	(2,139,507)
Cash generated from operating activities	A	5,195,866	5,313,107
Retiring gratuity paid		(25,705)	(12,408)
Net cash flow from operating activities		5,170,161	5,300,699
Cash flows used in investing activities			
Acquisition of investments		(26,186,414)	(30,401,850)
Maturity proceeds of investments		20,315,433	24,067,766
Proceeds from sale of investments		2,712,014	1,986,068
Acquisition of property, plant and equipment		(153,751)	(40,357)
Proceeds on sale of property, plant and equipment		(866,840)	(151,196)
Acquisition of intangible assets		1,298	36
Net cash used in investing activities		(4,178,260)	(4,539,533)
Net cash inflow before financing activities		991,901	761,166
Cash flows used in financing activities			
Dividends paid to equity holders of the company		(956,495)	(559,272)
Dividend tax paid		-	(23,699)
Net cash used in financing activities		1,998,230	(582,971)
Net increase / (decrease) in cash and cash equivalents		35,406	178,195
Cash and cash equivalents at the beginning of the year		417,254	239,059
Cash and cash equivalents at the end of the period	B	452,660	417,254

For the year ended 31 December	2018	2017
	Rs. '000	Rs. '000
NOTE A.		
Reconciliation of profit before taxation with cash from operating activities		
Profit before tax	2,132,392	7,384,128
Non - cash items included in profit before tax		
Depreciation and amortisation	154,935	104,623
Provision for employee benefits	22,557	22,762
Provision for doubtful debts	2,847	541
Net realised (gains)	(123,474)	(75,591)
Net fair value (gains) / losses	803,075	(258,360)
losses on sale of property, plant and equipment	(759)	413
Amortisation of financial investments	(144,150)	(310,000)
Scrip dividend income	(57,151)	(24,499)
Share of results of equity accounted investee	(149,807)	(187,844)
Share based payment expenses	3,179	-
Interest expense on obligation to repurchase securities	12,045	10,023
Profit before working capital changes	2,655,689	6,666,196
Net change in operational assets		
Net change in reinsurance assets / liabilities	220,459	47,168
Net change in premiums receivable	(63,028)	(21,711)
Net change in receivables and other assets	(1,152,379)	(443,034)
Net change in operational liabilities		
Net change in life insurance contract liabilities	3,029,930	(1,196,167)
Net change in other liabilities	505,195	260,655
Cash generated from operating activities	5,195,866	5,313,107
NOTE B.		
Cash and cash equivalents at the end of the period		
Cash in hand and at bank	696,835	580,126
Bank overdraft	(244,175)	(195,306)
Short term deposits	-	32,434
Cash and cash equivalents	452,660	417,254

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at	Note	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Assets			
Intangible assets		630,319	212,817
Property, plant and equipment		2,082,990	2,000,716
Financial investments including derivatives		31,024,453	34,596,558
Loans to life policyholders		1,218,949	1,001,538
Reinsurance receivable		371,126	267,417
Premiums receivable		331,539	268,511
Receivables and other assets		1,270,836	616,905
Cash in hand and at bank		682,430	580,120
Total assets		37,612,642	39,544,582
Reserves and liabilities			
Reserves			
Other reserves		1,174,051	1,585,223
Total reserves		1,174,051	1,585,223
Liabilities			
Insurance contract liabilities	12	30,599,881	26,949,613
Insurance contract liabilities - Unit Linked		1,501,271	2,121,609
Employee benefit liabilities		115,516	122,588
Reinsurance payables		669,315	345,146
Other liabilities		3,308,433	8,225,097
Bank overdraft		244,175	195,306
Total liabilities		36,438,591	37,959,359
Total reserves and liabilities		37,612,642	39,544,582

NOTES TO THE INTERIM 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 Centre, 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 2018 were authorised for issue by the Board of Directors on 27 February 2019.

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

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 2017. 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 2017.

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 earlier of 2022 or adoption of SLFRS 17, which is currently expected to commence in 2022.

The Company has used the above temporary exemption.

6 Gross Written Premium

For the year ended 31 December	2018 Rs. '000	2017 Rs. '000
Conventional	11,157,255	9,948,845
Unit linked	86,660	168,785
Total gross written premium	11,243,915	10,117,630

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7 Notional Tax Credit for Withholding Tax on Treasury Bills and Bonds

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in government securities on or after 1 April 2002 would be entitled to a notional tax credit being one ninth of the net interest income, provided such interest income forms part of the statutory income of the Company.

As per the Inland Revenue Act No 24 of 2017, the notional taxes (withholding tax) on the interest of government securities have been withdrawn. Based on the transition provisions issued, the Company is allowed to carry forward the notional tax credits up to 3 years from 1 April 2018.

The Company had not recognised notional tax credit in the past, due to the uncertainty on realising the notional tax credits due to unavailability of taxable profits. Based on the amendments to the tax base by the IRD Act No 24 of 2017, the Company is liable for income tax from the year ended 31 Dec 2018. Accordingly, the Company has started recognising notional tax credits up to the realizable value based on internal projections.

The unrealized notional tax credit available for set off against the future tax liability of the Company is as follows;

As at	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Unutilized Notional tax credits as at 1 Jan	1,598,960	1,383,636
Notional tax credits during the year	801,76	215,324
Notional tax recognized as income during the year (Note 7.1)	(608,003)	-
Unutilized Notional tax credits as at 31 Dec	1,071,133	1,598,960

7.1 Notional tax recognized as income during the year

As at	31.12.2018 Rs. '000
Participating fund	71,304
Non participating fund	470,000
Shareholder fund	66,699
	608,003

8 Income Tax Expense

Current tax

The Company is liable for income tax at 28%, in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto till 31st March 2018.

From 1st April 2018 onwards the 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, the 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 the profits of a person engaged in the business of life insurance at a rate of 14% (Up to 3 years from 2018 and thereafter at 28%).

Deferred tax asset

Upto the year ended 31 December 2017, the Company had not recognized a Deferred Tax asset against tax losses due to uncertainty regarding availability of taxable profits .

With the introduction of the new Tax base in terms of Section 67 of the Inland Revenue Act No. 24 of 2017, the Company will have taxable income from the year ending 31 December 2018, based on the Company's historical experience and future plans. As such, the Company will be eligible to claim its brought forward tax losses against its taxable income within a period of 6 years. Accordingly, during the year ended 31 December 2018, the Company recognized a deferred tax asset amounting to Rs.1,572 billion arising from brought forward tax losses as at 31 March 2018 after assessing the availability of future taxable profits for utilization.

Deferred tax liability

In terms of Section 67 of the Inland Revenue Act No. 24 of 2017, the Company is of the view that there will not be material temporary differences arising, which will result in a Deferred Tax Liability.

Deferred tax is an estimate computed based on the assessment of available information as at the reporting date. Hence these estimates are subject to changes based on future developments / changes to any information, which the assumptions are based on, at the time of estimation. Such changes to the estimates will be adjusted during the period in which changes occur.

Movement in Deferred Tax Balances

As at 31 December 2018 Rs. '000	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Current Income Tax						
Provision for the period	-	492,663	-	492,663	-	-
	-	492,663	-	492,663	-	-
Deferred tax charge / (Reversal)						
Deferred tax liabilities						
Property, plant and equipment	98,713	(91,671)	(7,042)	-	-	-
Intangible assets	6,677	(6,677)	-	-	-	-
Employee benefits	(30,231)	26,744	3,487	-	-	-
Staff bonus provisions	(39,200)	39,200	-	-	-	-
Available-for-sale financial assets	(35,959)	-	35,959	-	-	-
Tax Losses	-	(1,571,709)	-	(1,571,709)	(1,571,709)	-
	-	(1,604,113)	32,404	(1,571,709)	(1,571,709)	-
Net tax liabilities/ (assets)	-	(1,111,450)	32,404	(1,079,046)	(1,571,709)	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS

9 Profits From Life Insurance

The valuation of the life insurance fund as at 31 December 2018 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. 1.1 billion be transferred from the life fund to the shareholder's fund for the year 2018

10 Financial Investments

As at	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Held to maturity financial assets (HTM)	19,261,339	18,319,379
Loans and receivables (L&R)	7,644,568	5,883,031
Available for sale financial assets (AFS)	8,603,633	8,065,997
Financial assets at fair value through profit or loss (FVTPL)	3,628,533	4,524,514
Total financial investments	39,138,073	36,792,921

11 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	31.12.2018 Rs. '000	31.12.2017 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

12 Insurance Contract Liabilities

As at	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Insurance contract liabilities	29,845,920	25,856,601
Adjusted surplus created due to changes in valuation method from NPV to GPV	3,816,980	3,816,980
Transfer of one - off surplus attributable to non - participating and non unit fund of unit linked business from policyholder fund to shareholder fund	(3,381,934)	(3,381,934)
	435,046	435,046
Unclaimed benefits	318,915	657,966
Total insurance contract liabilities	30,599,881	26,949,613

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.

12.1 Movement In Insurance Contract Liabilities

As at	31.12.2018 Rs. '000	31.12.2017 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	26,912,057	27,703,410
Increase in life insurance fund before surplus transfer to shareholders	5,106,818	5,950,069
Transfer to shareholders	(1,084,874)	(3,438,283)
Transfer of one - off surplus from non participating fund	-	(3,393,900)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	(26,428)	-
Net change in unclaimed benefits	(350,253)	90,761
Balance as at 31 December - Conventional Life insurance	30,557,320	26,912,057
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	37,556	186,272
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	8,929	39,259
Transfer from shareholders fund for the one - off deficit created in the non unit fund	-	11,966
Transfer to shareholders	(15,126)	(203,717)
Net change in unclaimed benefits	11,202	3,776
Balance as at 31 December - Non unit fund of linked Life insurance	42,561	37,556
	30,599,881	26,949,613

13 Liability Adequacy Test (LAT)

As at the reporting date, the liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of 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.

14 Audit of the Interim Financial Statements

Figures for the twelve months are provisional and unaudited

15 Comparative Information

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

16 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 2017.

16.1 For the year ended 31 December	2018 Rs. '000	2017 Rs. '000
Transactions with the Ultimate Parent		
Sales / (Purchases) of goods	-	-
Rendering / (Receiving) of services	(67,894)	(72,113)
Sales / (Purchases) of property, plant and equipment	-	-
Loans received / (Given)	-	-
Rent received / (Paid)	-	-
Amount receivable / (payable) as at 31 December	(5,616)	(6,954)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

16.1 For the year ended 31 December	2018 Rs. '000	2017 Rs. '000
Transactions with companies under common control		
Sales / (Purchases) of goods	(8,315)	(7,695)
Rendering / (Receiving) of services	(134,196)	(121,206)
Sales / (Purchases) of property, plant and equipment	(18,436)	(15,191)
Loans received / (Given)	-	-
Interest received / (Paid)	102,178	77,338
Rent received / (Paid)	-	-
Financial investment	287,500	-
Amount payable as at 31 December	(1,852)	(3,902)
Transactions with Subsidiary		
Equity investment	-	-
Transfer of assets and liabilities	-	-
Transactions with Associate		
Sales / (Purchases) of goods	-	-
Sales / (Purchases) of property, plant and equipment	-	-
Rendering / (Receiving) of services	(50,521)	(34,761)
Loans received / (Given)	-	-
Interest received / (Paid)	-	-
Rent received / (Paid)	-	12,379
Amount receivable / (payable) as at 31 December	15,578	11,954
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	-	-

17 Capital and Other Commitments

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

As at 31 December	2018 Rs. '000	2017 Rs. '000
Capital commitment contracted	429	241

Operating Lease

The Company has leased a number of branches under operating leases. These leases have an average tenure between one to five years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to reflect market conditions. There are no restrictions placed upon the Company by entering into these leases.

The Company does not have any non cancellable operating leases as at the reporting date.

18 Contingencies

There has been no significant change in the contingencies and other commitments, which were disclosed in the audited financial statements for the year ended 31 December 2017 other than the following;

18.1 Income tax assessment relating to years of assessment 2010/11, 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16

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 it's determination in favour of the Inland Revenue Department and a case was filled at the Court of Appeal on 20 December 2018 against the said determination. The case was postponed on 23 January 2019 and fixed for support at Court of Appeal on 29 March 2019.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2011 / 12, 2012 / 13 and 2013 / 14, assessing the Life insurance business to pay income tax liabilities of Rs. 132 million, Rs. 411 million together with a Rs. 233 million penalty totalling to Rs. 644 million and Rs. 175 million together with a Rs. 88 million penalty totalling to 263 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 2014 / 15 and 2015 / 16, assessing the Life insurance business to pay an income tax liability of Rs. 862 million along with a 50% penalty totalling to Rs. 1,294 million for each year of assessment . The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 / 11, 2011/ 12, 2012 / 13, 2013 / 14, 2014 / 15 and 2015 / 16 and therefore, the above assessments have no rationale or basis in law.

18.2 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.

18.3 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.

19 Share Information

Market Price Per Share

For the quarter ended 31 December	2018 Rs.	2017 Rs.
Last traded	347.30	135.00
Highest price per share for the period	360.00	145.00
Lowest price per share for the period	300.00	134.00

NOTES TO THE INTERIM FINANCIAL STATEMENTS

20 Net Assets Per Share

As at	31.12.2018 Rs.	31.12.2017 Rs.
Net assets per share	232.00	203.04

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

21 Stated Capital

Number of shares as at	31.12.2018	31.12.2017
Ordinary shares	58,928,572	58,928,572

22 Twenty Largest Shareholders

	As at 31 December 2018		As at 30 September 2018	
	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. Paliheha	1,000,000	1.7	-	-
3 Suktam Holdings (Pvt) Ltd	609,000	1.0	609,000	1.0
4 Citibank Newyork S/A Norges Bank Account 2	402,549	0.7	373,159	0.6
5 People'S Leasing & Finance PLC / Hi Line Trading (Pvt) Ltd	246,360	0.4	246,360	0.4
6 Rubber Investment Trust Limited A/C # 01	199,000	0.3	199,000	0.3
7 Captain D.V.H. Paliheha	150,524	0.3	150,524	0.3
8 Corporate Holdings (Private) Limited A/C No.01	149,373	0.3	149,373	0.3
9 People'S Leasing & Finance PLC / L.P.Hapangama	124,719	0.2	124,719	0.2
10 Dr. (Mrs.) V. Bandaranayake	120,038	0.2	120,038	0.2
11 Mrs. A. Selliah	100,000	0.2	100,000	0.2
12 J.B. Cocoshell (Pvt) Ltd	94,966	0.2	94,966	0.2
13 People'S Leasing & Finance PLC / L.H.L.M.P.Haradasa	88,392	0.1	88,392	0.1
14 People'S Leasing & Finance PLC / Dr.H.S.D.Soyasa & Mrs.G.Soyasa	82,701	0.1	82,701	0.1
15 Mr. M.M.M. Mizver	70,177	0.1	69,673	0.1
16 Mr. H.A.D. Ratnapala	56,250	0.1	56,250	0.1
17 Mr. J.W. Nanayakkara	56,250	0.1	56,250	0.1
18 Mrs. R.Z. Wikramanayake (Deceased)	53,585	0.1	53,585	0.1
19 Mr. N.I. Wikramanayake	53,059	0.1	53,059	0.1
20 Dr. S. Selliah	50,000	0.1	50,000	0.1
Other	2,185,914	3.7	3,215,808	5.5
	58,928,572	100	58,928,572	100

23 Dividends Paid

For the year ended 31 December	2018 Rs. '000	2017 Rs. '000
Final dividend for 2017 - Rs.18.00 (2016 - Rs. 10.50)	1,060,715	618,750

24 Directors' Shareholdings

No. of shares as at	31.12.2018	30.09.2018
Mr. S. C. Ratnayake (Chairman) [Resigned w.e.f. 31.12.2018]	Nil	Nil
Mrs. D. C. Alagaratnam	Nil	Nil
Mr. S. Rajendra	Nil	Nil
Mr. A. S. De Zoysa [Resigned w.e.f. 03.08.2018]	Nil	Nil
Mr. G. F. C. De Saram [Resigned w.e.f. 31.12.2018]	Nil	Nil
Mr. H. A. J. De S. Wijeyeratne	Nil	Nil
Mr. A. D. Pereira	Nil	Nil
Mr. D. H. Fernando [Appointed w.e.f. 03.08.2018]	Nil	Nil

25 Chief Executive Officer's Shareholding

No. of shares as at	31.12.2018	30.09.2018
Mr. A. D. Pereira	Nil	Nil

26 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	31.12.2018	30.09.2018
Public shareholding (%)	10.00	10.00
Public shareholders	1,475	1,438
Compliant under option 1 - float adjusted market capitalisation (Rs. Bn)	2.05	1.88

27 Events After The Reporting Period

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

27.1 Mr. Krishan Balendra has been appointed to the Board of Directors of the Company with effect from 1 January 2019 as Chairman and Non - Executive Director.

Mr. Stephen Appleyard has been appointed to the Board of Directors of the Company with effect from 1 January 2019 as Independent Non - Executive Director.

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

VAT Registration Number

134001372 7000

Directors

S. C. Ratnayake - Chairman
(Resigned w.e.f. 31.12.2018)
K. N. J. Balendra - Chairman
(Appointed w.e.f 01.01.2019)
D. C. Alagaratnam
G. F. C. De Saram
(Resigned w.e.f. 31.12.2018)
S. Rajendra
H. A. J. De Silva Wijeyeratne
A. D. Pereira
D. H. Fernando (Appointed w.e.f 03.08.2018)
S. Appleyard (Appointed w.e.f 01.01.2019)
A. S. De Zoysa (Resigned w.e.f. 03.08.2018)

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 (RPTC) of John Keells Holdings PLC (the Parent) represents the RPTC of the Company

Board Audit and Compliance Committee

H. A. J. De Silva Wijeyeratne - Chairman
S. Rajendra
D. H. Fernando

Investment Committee

J. G. A. Cooray - Chairman
Dirk Pereira
Asha Perera
Nimesha Liyanage
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, 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
Bank of Sri Lanka
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC
Cargills Bank

Reinsurance Panel

RGA
Hannover Re
Munich Re
Partner Re

Registered Office of the Company

Union Assurance Centre
20, St Michaels' Road,
Colombo 3

Investor Relations

All investor queries should be directed to;
Investor relations hotline 011-2990314
e-mail: investorrelations@ualink.lk

