



WINNING WAYS

INCOME STATEMENT

For the period ended 30 September	Note	2019 Rs. '000	2018 Rs. '000	Change %
Gross written premium	6	8,081,990	7,903,686	2
Premium ceded to reinsurers		(333,563)	(454,819)	(27)
Net written premium		7,748,427	7,448,867	4
Other revenue				
Net investment income		3,379,082	3,036,350	11
Net realised gains / (losses)		(688)	91,940	(101)
Net fair value losses		(522,774)	(839,538)	(38)
Other income		32,799	130,004	(75)
Total other revenue		2,888,419	2,418,756	19
Total net revenue		10,636,846	9,867,623	8
Benefits, claims and expenses				
Net insurance benefits and claims paid		(2,743,245)	(2,620,683)	5
Net change in insurance claims outstanding		120,819	339,618	(64)
Change in contract liabilities - Life Fund		(3,775,017)	(2,874,096)	31
Underwriting and net acquisition costs (net of reinsurance)		(1,411,507)	(1,555,730)	(9)
Other operating, administrative and selling expenses		(2,025,127)	(2,333,977)	(13)
Depreciation and amortisation		(220,132)	(82,351)	167
Total benefits, claims and expenses		(10,054,209)	(9,127,219)	10
Profit from operations		582,637	740,404	(21)
Share of results of equity accounted investee, net of tax		86,795	78,010	11
Profit before tax		669,432	818,414	(18)
Income tax (expense) / reversal	8	(192,762)	1,423,344	(114)
Profit for the period		476,670	2,241,758	(79)
Earnings per share				
Basic (Rs.)		8.09	38.04	(79)
Diluted (Rs.)		8.09	38.04	(79)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September	2019 Rs. '000	2018 Rs. '000	Change %
Profit for the period	476,670	2,241,758	(79)
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	219,716	69,202	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	22,045	(8,936)	
Net change in fair value of available for sale financial assets transferred to the income statement	(6,207)	(11,703)	
Related tax	-	3,555	
	235,554	52,118	352
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	221,426	(311,753)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	32,095	21,412	
Related tax	-	(35,959)	
	253,521	(326,300)	(178)
Other comprehensive income, net of tax	489,075	(274,182)	(278)
Total comprehensive income for the period, net of tax	965,745	1,967,576	(51)

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

INCOME STATEMENT

For the quarter ended 30 September	2019 Rs. '000	2018 Rs. '000	Change %
Gross written premium	2,958,296	2,733,837	8
Premium ceded to reinsurers	(1,73,717)	(1,85,624)	(6)
Net written premium	2,784,579	2,548,213	9
Other revenue			
Net investment income	1,146,500	973,679	18
Net realised losses	(2,578)	(8,388)	(69)
Net fair value gains / (losses)	253,462	(465,050)	155
Other income	13,755	104,081	(87)
Total other revenue	1,411,139	604,322	134
Total net revenue	4,195,718	3,152,535	33
Benefits, claims and expenses			
Net insurance benefits and claims paid	(988,712)	(1,042,754)	(5)
Net change in insurance claims outstanding	123,179	92,704	33
Change in contract liabilities - Life Fund	(1,857,494)	(493,405)	276
Underwriting and net acquisition costs (net of reinsurance)	(500,280)	(525,682)	(5)
Other operating, administrative and selling expenses	(694,954)	(974,360)	(29)
Depreciation and amortisation	(88,193)	(27,627)	219
Total benefits, claims and expenses	(4,006,454)	(2,971,124)	35
Profit from operations	189,264	181,411	4
Share of results of equity accounted investee, net of tax	26,876	32,961	(18)
Profit before tax	216,140	214,372	1
Income tax (expense) / reversal	(63,134)	1,423,344	(104)
Profit for the period	153,006	1,637,716	(91)
Earnings per share			
Basic (Rs.)	2.60	27.79	(91)
Diluted (Rs.)	2.60	27.79	(91)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 September	2019 Rs. '000	2018 Rs. '000	Change %
Profit for the period	153,006	1,637,716	(91)
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	(31,437)	(49,159)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	128	(4,544)	
Net change in fair value of available for sale financial assets transferred to the income statement	-	-	
Related tax	-	3,555	
	(31,309)	(50,148)	(38)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	(23,024)	(57,143)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	11,096	9,182	
Related tax	-	(35,959)	
	(11,928)	(83,920)	(86)
Other comprehensive income, net of tax	(43,237)	(134,068)	(68)
Total comprehensive income for the period, net of tax	109,769	1,503,648	(93)

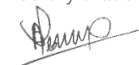
The notes form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

As at	Note	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Assets			
Intangible assets		1,311,732	1,392,191
Property, plant and equipment		2,093,931	2,082,990
Right of use asset	4	267,123	-
Deferred tax assets	8	886,284	1,079,046
Investment in equity accounted investee		1,239,220	1,130,379
Financial investments	10	42,214,829	39,138,073
Loans to life policyholders		1,437,968	1,218,949
Reinsurance receivable		514,133	371,126
Premiums receivable		352,665	331,539
Receivables and other assets		1,672,184	1,675,601
Cash in hand and at bank		525,024	696,835
Total assets		52,515,093	49,116,729
Equity and liabilities			
Equity			
Stated capital		1,000,000	1,000,000
Restricted regulatory reserve	11	3,381,934	3,381,934
Reserves		2,162,646	1,663,960
Retained earnings		6,923,893	7,625,794
Total equity		13,468,473	13,671,688
Liabilities			
Insurance contract liabilities	12	34,447,360	30,599,881
Insurance contract liabilities - Unit Linked		1,244,544	1,501,271
Employee benefit liabilities		117,524	115,516
Reinsurance payables		755,017	669,314
Other liabilities		2,290,910	2,314,884
Bank overdraft		191,265	244,175
Total liabilities		39,046,620	35,445,041
Total equity and liabilities		52,515,093	49,116,729

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

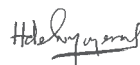
The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board:



K. N. J. Balendra

Chairman



H. A. J. De Silva Wijeyeratne

Director

Colombo

13 November 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 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 period	-	-	-	-	-	-	2,241,758	2,241,758
Other comprehensive income for the period, net of tax								
Net change in fair value of available for sale financial assets	-	-	-	-	57,499	-	-	57,499
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	(290,341)	-	-	(290,341)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	(8,936)	-	-	(8,936)
Tax on other comprehensive income	-	-	7,042	-	(35,959)	(3,487)	-	(32,404)
Total other comprehensive income	-	-	7,042	-	(277,737)	(3,487)	-	(274,182)
Total comprehensive income for the period	-	-	7,042	-	(277,737)	(3,487)	2,241,758	1,967,576
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	-	-	-	-	-	8,427	-	8,427
Total contributions and distributions	-	-	-	-	-	8,427	(1,060,715)	(1,056,707)
Balance as at 30 September 2018	1,000,000	3,381,934	1,695,351	16,752	135,706	31,164	6,619,095	12,880,002
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 period	-	-	-	-	-	-	476,670	476,670
Other comprehensive income for the period, net of tax								
Net change in fair value of available for sale financial assets	-	-	-	-	213,509	-	-	213,509
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	253,521	-	-	253,521
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	22,045	-	-	22,045
Tax on other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	489,075	-	-	489,075
Total comprehensive income for the period	-	-	-	-	489,075	-	476,670	965,745
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	-	-	-	-	-	9,611	-	9,611
Total contributions and distributions	-	-	-	-	-	9,611	(1,178,571)	(1,168,960)
Balance as at 30 September 2019	1,000,000	3,381,934	1,690,736	16,752	403,689	51,469	6,923,893	13,468,473

STATEMENT OF CASH FLOWS

For the period ended 30 September	Note	2019 Rs. '000	2018 Rs. '000
Cash flows from operations			
Insurance premiums received		8,060,863	7,822,017
Net reinsurance premiums paid		(166,616)	(155,454)
Insurance benefits and claims paid		(2,824,490)	(2,646,830)
Payments to intermediaries to acquire insurance contracts		(1,482,220)	(2,007,577)
Cash paid to and on behalf of employees		(886,523)	(848,905)
Interest received		3,161,271	2,677,672
Dividends received		81,981	70,512
Other operating cash flows		(1,628,495)	(2,321,166)
Cash generated from operating activities	A	4,315,771	2,590,269
Employee benefits paid		(15,718)	(15,172)
Interest paid on obligation to repurchase securities		(5,574)	(3,107)
Net cash flow from operating activities		4,294,479	2,571,990
Cash flows used in investing activities			
Acquisition of investments		(8,768,431)	(19,214,124)
Maturity proceeds of investments		4,514,451	15,140,835
Proceeds from sale of investments		1,175,771	2,300,513
Acquisition of property, plant and equipment		(72,207)	(86,085)
Acquisition of intangible assets		(22,242)	(6,188)
Proceeds on sale of property, plant and equipment		-	660
Net cash used in investing activities		(3,172,658)	(1,864,389)
Net cash inflow before financing activities		1,121,821	707,601
Cash flows used in financing activities			
Dividends paid to equity holders of the company		(1,020,762)	(956,327)
Dividend tax paid		(150,672)	-
Settlement of lease liabilities		(69,288)	-
Obligation to repurchase securities		1,386,080	1,998,230
Settlement of obligation to repurchase securities		(1,386,080)	(1,998,230)
Net cash used in financing activities		(1,240,722)	(956,327)
Net increase in cash and cash equivalents		(118,901)	(248,726)
Cash and cash equivalents at the beginning of the year		452,660	384,820
Cash and cash equivalents at the end of the period	B	333,759	136,094

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

For the period ended 30 September	2019 Rs. '000	2018 Rs. '000
NOTE A.		
Reconciliation of profit before taxation with cash from operating activities		
Profit before tax	669,432	818,414
Non - cash items included in profit before tax		
Depreciation and amortisation	220,132	82,351
Provision for employee benefits	17,726	16,955
Net realised (gains) / losses	688	(91,940)
Net fair value losses	522,774	839,538
losses on sale of property, plant and equipment	(34)	(293)
Amortisation of financial investments	(122,744)	(142,427)
Amortisation of lease liabilities	53,591	-
Scrip dividend income	(62,705)	(57,769)
Share of results of equity accounted investee	(86,795)	(78,010)
Share based payment expenses	9,611	8,427
Interest expense on obligation to repurchase securities	5,574	3,107
Profit before working capital changes	1,227,250	1,398,353
Net change in operational assets		
Net change in reinsurance assets / liabilities	(57,305)	120,911
Net change in premiums receivable	(21,127)	(23,484)
Net change in receivables and other assets	(397,176)	(1,266,919)
Net change in operational liabilities		
Net change in life insurance contract liabilities	3,590,752	2,261,835
Net change in other liabilities	(26,623)	99,573
Cash generated from operating activities	4,315,771	2,590,269
NOTE B.		
Cash and cash equivalents at the end of the period		
Cash in hand and at bank	525,024	625,600
Bank overdraft	(191,265)	(509,506)
Short term deposits	-	20,000
Cash and cash equivalents	333,759	136,094

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at	Note	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Assets			
Intangible assets		588,413	630,319
Property, plant and equipment		2,093,931	2,082,990
Right of use asset		267,123	-
Financial investments		33,770,107	31,024,453
Loans to life policyholders		1,437,968	1,218,949
Reinsurance receivable		514,133	371,126
Premiums receivable		352,665	331,539
Receivables and other assets		789,499	1,270,836
Cash in hand and at bank		516,717	682,430
Total assets		40,330,556	37,612,642
Reserves and liabilities			
Reserves			
Other reserves		1,427,572	1,174,051
Total reserves		1,427,572	1,174,051
Liabilities			
Insurance contract liabilities	12	34,447,360	30,599,881
Insurance contract liabilities - Unit Linked		1,244,544	1,501,271
Employee benefit liabilities		117,524	115,516
Reinsurance payables		755,017	669,315
Other liabilities		2,147,274	3,308,433
Bank overdraft		191,265	244,175
Total liabilities		38,902,984	36,438,591
Total reserves and liabilities		40,330,556	37,612,642

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 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 nine months ended 30 September 2019 were authorised for issue by the Board of Directors on 13 November 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 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 2018. 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 2018, except for the adoption of new standard (SLFRS 16 - Leases) effective from 1 January 2019.

4.2 New standards, interpretations and amendments adopted by the Company

The Company applies, for the first time, SLFRS 16 Leases. As required by LKAS 34, the nature and effect of these changes are disclosed below.

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Company has adopted SLFRS 16 using modified retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

4.2 (a) Nature of the effect of adoption of SLFRS 16

The Company has lease contracts for branches, typically made in between 1 to 7 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. On adoption of SLFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of the transition date.

Leases previously accounted for as operating leases

The Company recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

4.2 (b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of SLFRS 16, which have been applied from the date of initial application:

Right of use assets

The Company recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities included under other liabilities.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right of use assets and lease liabilities and the movements for the period ended 30 September 2019.

For the period ended 30 September	Right of Use Assets Rs. '000	Lease Liabilities Rs. '000
As at 1 January 2019	305,139	280,528
Amortisation expense	(56,099)	-
Additions	18,083	18,083
Interest expense	-	22,255
Payments	-	(69,288)
As at 30 September 2019	267,123	251,578

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 period ended 30 September	2019 Rs. '000	2018 Rs. '000
Conventional	8,055,716	7,837,861
Unit linked	26,274	65,825
Total gross written premium	8,081,990	7,903,686

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 realisable value based on internal projections.

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

As at	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Unutilized Notional tax credits as at 1 Jan	1,071,133	1,598,960
Notional tax credits arising during the period	-	80,176
Notional tax recognized as income during the period	-	(608,003)
Unutilized Notional tax credits	1,071,133	1,071,133

NOTES TO THE FINANCIAL STATEMENTS

8 INCOME TAX EXPENSE

Current tax

The Company was 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, 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%.

Deferred tax asset

With the introduction of the new Tax base in terms of Section 67 of the Inland Revenue Act No. 24 of 2017, the Company experienced availability of taxable income from the year ending 31 December 2018. 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.1,079 million 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.

	Amount Rs.000'		
	Tax Expense / (Reversal)	DT Assets	DT Liabilities
Balanceas at 1 January 2018	-	105,390	105,390
Origination of deferred tax assets on tax losses	(1,532,212)	1,532,212	-
Reversal of identified deferred tax assets / liabilities - previous year	(32,404)	(105,390)	(105,390)
Tax provision for the period	141,272	-	-
Deferred tax asset as at 30 September 2018	(1,423,344)	1,532,212	-
Tax provision for the period	351,390	(492,662)	-
Effect from unrecognised tax losses from 2017	(2,927)	2,927	-
Effect from Loss incurred in the business of life insurance - 2018	(36,569)	36,569	-
Balance as at 31 December 2019	(1,111,450)	1,079,046	-
Balanceas at 1 January 2019	-	1,079,046	-
Reversal during the period due to utilisation of tax losses	192,762	(192,762)	-
Deferred tax asset as at 30 September 2019	192,762	886,284	-

9 PROFITS FROM LIFE INSURANCE

No transfer has been made from the life insurance fund to the Income Statement during the period under review.

10 FINANCIAL INVESTMENTS

As at	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Held to maturity financial assets (HTM)	20,619,816	19,261,339
Loans and receivables (L&R)	10,447,311	7,644,568
Available for sale financial assets (AFS)	8,062,752	8,603,633
Financial assets at fair value through profit or loss (FVTPL)	3,084,950	3,628,533
Total financial investments	42,214,829	39,138,073

11 RESTRICTED REGULATORY RESERVE

Based on the direction issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) dated 20 March 2018, the Company has transferred Rs. 3,382 million attributable to non - participating 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, 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	30.09.2019 Rs. '000	31.12.2018 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

NOTES TO THE FINANCIAL STATEMENTS

12 INSURANCE CONTRACT LIABILITIES

As at	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Life insurance fund	33,697,639	29,872,348
One - off surplus arising from changing policy liability valuation relating to participating fund	435,046	435,046
Tax payable	(26,428)	(26,428)
Unclaimed benefits	341,103	318,915
Total insurance contract liabilities	34,447,360	30,599,881

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	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	30,557,320	26,912,057
Increase in life insurance fund before surplus transfer to shareholders	3,815,251	5,106,818
Transfer to shareholders	-	(1,084,874)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	-	(26,428)
Net change in unclaimed benefits	31,467	(350,253)
Balance as at period end - Conventional Life insurance	34,404,038	30,557,320
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	42,561	37,556
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	10,040	8,929
Transfer to shareholders	-	(15,126)
Net change in unclaimed benefits	(9,279)	11,202
Balance as at period end - Non unit fund of linked Life insurance	43,322	42,561
	34,447,360	30,599,881

13 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures for the nine 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 2018.

For the period ended 30 September	2019 Rs. '000	2018 Rs. '000
Transactions with the Ultimate Parent		
Sales / (Purchases) of goods	-	-
Rendering / (Receiving) of services	(76,777)	(87,805)
Sales / (Purchases) of property, plant and equipment	-	-
Loans received / (Given)	-	-
Rent received / (Paid)	-	-
Transactions with companies under common control		
Sales / (Purchases) of goods	(6,892)	(7,559)
Rendering / (Receiving) of services	(102,208)	(107,830)
Sales / (Purchases) of property, plant and equipment	(11,305)	(14,435)
Loans received / (Given)	-	-
Interest received / (Paid)	-	-
Rent received / (Paid)	-	-
Transactions with Subsidiary		
Equity investment	-	-
Transfer of assets and liabilities	-	-
Transactions with Associates		
Sales / (Purchases) of goods	-	-
Sales / (Purchases) of property, plant and equipment	-	-
Rendering / (Receiving) of services	(43,667)	(339,887)
Loans received / (Given)	-	-
Interest received / (Paid)	57,137	74,626
Rent received / (Paid)	-	-
Financial investment	-	287,500
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 other than the following

As at 30 September	2019 Rs. Mn	2018 Rs. Mn
Capital commitment contracted	861	201

17 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 2018 other than following;

The Department of Inland Revenue issued its determination for Y/A 2014/15, assessing the Company to pay an income tax liability of Rs. 887 million along with 50% penalty totalling to Rs. 1,330 million and the Company lodged a valid appeal against the said determination with the Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the Y/A 2016/17, assessing the life insurance business to pay an income tax liability of Rs. 472 million along with a 50% penalty totalling to Rs. 708 million and the Company has lodged a valid appeal against the said assessment.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of 2016, assessing the life insurance business to pay Value Added Tax (VAT) on financial services liability of Rs. 59 million along with a 56% penalty totalling Rs. 92 million, Nation Building Tax (NBT) on financial services liability of Rs. 9 million along with 50% penalty totalling Rs. 14 million and Value Added Tax (VAT) liability for nine months period from 01/04/2016 to 31/12 2016 of Rs.8.4 million along with a penalty of Rs. 6.6 million totaling Rs.15 million. The Company has lodged valid appeals against said assessments.

18 SHARE INFORMATION

Market Price Per Share

For the quarter ended 30 September	2019 Rs. '000	2018 Rs. '000
Last traded	325.70	319.90
Highest price per share for the period	375.00	364.00
Lowest price per share for the period	310.00	210.00

19 NET ASSETS PER SHARE

As at	30.09.2019 Rs. '000	31.12.2018 Rs. '000
Net assets per share	228.56	232.00

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	30.09.2019	31.12.2018
Ordinary shares	58,928,572	58,928,572

21 TWENTY LARGEST SHAREHOLDERS

	As at 30 September 2019		As at 30 June 2019	
	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	1,350,000	2.3	1,044,442	1.8
3 Suktam Holdings (Pvt) Ltd	609,000	1.0	609,000	1.0
4 Citibank New York S/A Norges Bank Account 2	580,294	1.0	580,294	1.0
5 Rubber Investment Trust Limited A/C # 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	150,524	0.3
8 Dr. (Mrs.) V. Bandaranayake	120,038	0.2	120,038	0.2
9 People's Leasing & Finance PLC / L.P.Hapangama	117,480	0.2	117,219	0.2
10 Mrs. A. Selliah	100,000	0.2	100,000	0.2
11 People's Leasing & Finance PLC / L.H.L.M.P.Haradasa	88,392	0.1	88,392	0.1
12 People's Leasing & Finance PLC / Dr. H.S.D.Soyasa & Mrs. G. Soyasa	83,135	0.1	83,135	0.1
13 Mr. H.A.D. Ratnapala	56,250	0.1	56,250	0.1
14 Mr. J.W. Nanayakkara	56,250	0.1	56,250	0.1
15 Mrs. R.Z. Wikramanayake (Deceased)	53,585	0.1	53,585	0.1
16 Mr. N.I. Wikramanayake	53,059	0.1	53,059	0.1
17 Mr. H.A. Rehmanjee	50,001	0.1	50,001	0.1
18 Dr. S. Selliah	50,000	0.1	50,000	0.1
19 Mr. V. Sharda	44,200	0.1	44,200	0.1
20 Mr. N.D. Kurukulasuriya	39,000	0.1	-	-
Other	1,955,305	3.3	2,288,095	3.9
	58,928,572	100	58,928,572	100

22 DIVIDENDS PAID

For the period ended 30 September	2019 Rs. '000	2018 Rs. '000
Final dividend for 2018 - Rs.20.00 (2017 - Rs. 18.00)	1,178,571	1,060,715

NOTES TO THE FINANCIAL STATEMENTS

23 DIRECTORS' SHAREHOLDINGS

No. of shares as at	30.09.2019	31.12.2018
Mr. K. N. J. Balendra (Chairman) (Appointed w.e.f 01.01.2019)	Nil	N/A
Mr. S. C. Ratnayake (Chairman) [Resigned w.e.f. 31.12.2018]	N/A	Nil
Mrs. D. C. Alagaratnam	Nil	Nil
Mr. S. Rajendra	Nil	Nil
Mr. G. F. C. De Saram [Resigned w.e.f. 31.12.2018]	N/A	Nil
Mr. H. A. J. De S. Wijeyeratne	Nil	Nil
Mr. A. D. Pereira [Resigned w.e.f. 31.10.2019]	Nil	Nil
Mr. S. A. Appleyard (Appointed w.e.f 01.01.2019)	Nil	N/A
Mr. D. H. Fernando	Nil	Nil

24 CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

No. of shares as at	30.09.2019	31.12.2018
Mr. A. D. Pereira [Resigned w.e.f. 31.10.2019]	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	30.09.2019	30.06.2019
Public shareholding (%)	10.00	10.00
Public shareholders	1,417	1,464
Compliant under option 1 - float adjusted market capitalization (Rs. Bn)	1.92	1.93

26 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date, which require disclosure in the interim financial statements, other than the following;

- 26.1 Mr. Dirk Pereira, Executive Director and Chief Executive Officer of the Company resigned with effect from 31 October 2019.
- 26.2 Mr. Jude Gomes has been appointed as CEO of the Company with effect from 1st December 2019. Mr. Gomes is a senior financial service professional with demonstrated skills in Life insurance and Banking industry.

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

K. N. J. Balendra - Chairman
(Appointed w.e.f 01.01.2019)
D. C. Alagaratnam
S. Rajendra
H. A. J. De Silva Wijeyeratne
A. D. Pereira [Resigned w.e.f. 31.10.2019]
D. H. Fernando
S. Appleyard (Appointed w.e.f 01.01.2019)

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

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

Board Supervisory Committee

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

Investment Committee

J. G. A. Cooray - Chairman
Dirk Pereira [Resigned w.e.f. 31.10.2019]
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
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC

Reinsurance Panel

RGA
Hannover Re
Munich Re
Partner Re

Registered Office of the Company

20, St Michaels' Road,
Colombo 3

Investor Relations

All investor queries should be directed to;
Investor relations hotline 011-2990314
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