

UNION ASSURANCE PLC  
CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019



# WINNING WAYS

# INCOME STATEMENT

For the period ended 30 June	Note	2019 Rs. '000	2018 Rs. '000	Change %
Gross written premium	6	5,123,694	5,169,849	(1)
Premium ceded to reinsurers		(159,846)	(269,195)	(41)
<b>Net written premium</b>		<b>4,963,848</b>	<b>4,900,654</b>	<b>1</b>
<b>Other revenue</b>				
Net investment income		2,232,582	2,062,671	8
Net realised gains		1,890	100,328	(98)
Net fair value losses		(776,236)	(374,488)	107
Other income		19,044	25,923	(27)
<b>Total other revenue</b>		<b>1,477,280</b>	<b>1,814,434</b>	<b>(19)</b>
<b>Total net revenue</b>		<b>6,441,128</b>	<b>6,715,088</b>	<b>(4)</b>
<b>Benefits, claims and expenses</b>				
Net insurance benefits and claims paid		(1,754,533)	(1,577,929)	11
Net change in insurance claims outstanding		(2,360)	246,914	(101)
Change in contract liabilities - Life Fund		(1,917,523)	(2,380,691)	(19)
Underwriting and net acquisition costs (net of reinsurance)		(911,227)	(1,030,048)	(12)
Other operating, administrative and selling expenses		(1,330,173)	(1,359,617)	(2)
Depreciation and amortisation		(131,939)	(54,724)	141
<b>Total benefits, claims and expenses</b>		<b>(6,047,755)</b>	<b>(6,156,095)</b>	<b>(2)</b>
<b>Profit from operations</b>		<b>393,373</b>	<b>558,993</b>	<b>(30)</b>
Share of results of equity accounted investee, net of tax		59,919	45,049	33
<b>Profit before tax</b>		<b>453,292</b>	<b>604,042</b>	<b>(25)</b>
Income tax expense	8	(129,629)	-	100
<b>Profit for the period</b>		<b>323,663</b>	<b>604,042</b>	<b>(46)</b>
<b>Earnings per share</b>				
Basic (Rs.)		5.49	10.25	(46)
Diluted (Rs.)		5.49	10.25	(46)

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 June	2019 Rs. '000	2018 Rs. '000	Change %
<b>Profit for the period</b>	323,663	604,042	(46)
<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	251,153	118,361	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	21,917	(4,392)	
Net change in fair value of available for sale financial assets transferred to the income statement	(6,207)	(11,703)	
Related tax	-	-	
	266,863	102,266	161
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	244,450	(254,610)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	20,999	12,230	
Related tax	-	-	
	265,449	(242,380)	210
<b>Other comprehensive income, net of tax</b>	532,312	(140,114)	480
<b>Total comprehensive income for the period, net of tax</b>	855,975	463,928	85

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

# INCOME STATEMENT

For the quarter ended 30 June	2019 Rs. '000	2018 Rs. '000	Change %
Gross written premium	2,595,437	2,618,684	(1)
Premium ceded to reinsurers	(161,456)	(137,917)	(17)
<b>Net written premium</b>	<b>2,433,981</b>	<b>2,480,767</b>	<b>(2)</b>
<b>Other revenue</b>			
Net investment income	1,149,024	1,079,438	6
Net realised gains / (losses)	(4,551)	23,951	(119)
Net fair value losses	(278,953)	(246,231)	13
Other income	9,863	10,405	(5)
<b>Total other revenue</b>	<b>875,383</b>	<b>867,563</b>	<b>1</b>
<b>Total net revenue</b>	<b>3,309,364</b>	<b>3,348,330</b>	<b>(1)</b>
<b>Benefits, claims and expenses</b>			
Net insurance benefits and claims paid	(729,118)	(792,177)	(8)
Net change in insurance claims outstanding	(101,962)	158,089	(164)
Change in contract liabilities - Life Fund	(1,085,768)	(1,056,212)	3
Underwriting and net acquisition costs (net of reinsurance)	(419,195)	(542,338)	(23)
Other operating, administrative and selling expenses	(727,378)	(809,029)	(10)
Depreciation and amortisation	(67,885)	(27,832)	144
<b>Total benefits, claims and expenses</b>	<b>(3,131,306)</b>	<b>(3,069,499)</b>	<b>2</b>
<b>Profit from operations</b>	<b>178,058</b>	<b>278,831</b>	<b>(36)</b>
Share of results of equity accounted investee, net of tax	29,401	21,355	38
<b>Profit before tax</b>	<b>207,459</b>	<b>300,186</b>	<b>(31)</b>
Income tax expense	(61,902)	-	100
<b>Profit for the period</b>	<b>145,557</b>	<b>300,186</b>	<b>(52)</b>
<b>Earnings per share</b>			
Basic (Rs.)	2.47	5.09	(51)
Diluted (Rs.)	2.47	5.09	(51)

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 June	2019 Rs. '000	2018 Rs. '000	Change %
<b>Profit for the period</b>	145,557	300,186	(52)
<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	156,473	139,099	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	11,739	(4,392)	
Related tax	-	-	
	168,212	134,707	25
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	143,457	(173,312)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	10,389	5,787	
Related tax	-	-	
	153,846	(167,525)	192
<b>Other comprehensive income, net of tax</b>	322,058	(32,818)	1,081
<b>Total comprehensive income for the period, net of tax</b>	467,615	267,368	75

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

# STATEMENT OF FINANCIAL POSITION

As at	Note	30.06.2019 Rs. '000	31.12.2018 Rs. '000
<b>Assets</b>			
Intangible assets		1,334,730	1,392,191
Property, plant and equipment		2,086,709	2,082,990
Right of use asset		269,832	-
Deferred tax assets		949,417	1,079,046
Investment in equity accounted investee		1,212,215	1,130,379
Financial investments	10	40,208,157	39,138,073
Loans to life policyholders		1,382,320	1,218,949
Reinsurance receivable		436,266	371,126
Premiums receivable		300,789	331,539
Receivables and other assets		1,700,357	1,675,601
Cash in hand and at bank		458,964	696,835
<b>Total assets</b>		<b>50,339,756</b>	<b>49,116,729</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital		1,000,000	1,000,000
Restricted regulatory reserve	11	3,381,934	3,381,934
Reserves		2,203,508	1,663,960
Retained earnings		6,770,886	7,625,794
<b>Total equity</b>		<b>13,356,328</b>	<b>13,671,688</b>
<b>Liabilities</b>			
Insurance contract liabilities	12	32,730,785	30,599,881
Insurance contract liabilities - Unit Linked		1,210,291	1,501,271
Employee benefit liabilities		108,876	115,516
Reinsurance payables		583,300	669,314
Other liabilities		2,197,334	2,314,884
Bank overdraft		152,842	244,175
<b>Total liabilities</b>		<b>36,983,428</b>	<b>35,445,041</b>
<b>Total equity and liabilities</b>		<b>50,339,756</b>	<b>49,116,729</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



**H. A. J. De Silva Wijeyeratne**  
Director

# 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 2018</b>	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	-	-	-	-	-	-	604,042	604,042
<b>Other comprehensive income for the period, net of tax</b>								
Net change in fair value of available for sale financial assets	-	-	-	-	106,658	-	-	106,658
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	(242,380)	-	-	(242,380)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	(4,392)	-	-	(4,392)
Tax on other comprehensive income	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-	(140,114)	-	-	(140,114)
<b>Total comprehensive income for the period</b>	-	-	-	-	(140,114)	-	604,042	463,928
<b>Transactions with owners, transfers, recorded directly in equity</b>								
<b>Contributions and distributions</b>								
First and final dividend 2017	-	-	-	-	-	-	(1,060,715)	(1,060,715)
Share based payments	-	-	-	-	-	4,008	-	4,008
<b>Total contributions and distributions</b>	-	-	-	-	-	4,008	(1,060,715)	(1,056,707)
<b>Balance as at 30 June 2018</b>	1,000,000	3,381,934	1,688,309	16,752	273,329	30,232	4,981,379	11,371,935
<b>Balance as at 1 January 2019</b>	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	-	-	-	-	-	-	323,663	323,663
<b>Other comprehensive income for the period, net of tax</b>								
Net change in fair value of available for sale financial assets	-	-	-	-	244,946	-	-	244,946
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	-	265,449	-	-	265,449
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	-	21,917	-	-	21,917
Tax on other comprehensive income	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-	532,312	-	-	532,312
<b>Total comprehensive income for the period</b>	-	-	-	-	532,312	-	323,663	855,975
<b>Transactions with owners, transfers, recorded directly in equity</b>								
<b>Contributions and distributions</b>								
First and final dividend 2018	-	-	-	-	-	-	(1,178,571)	(1,178,571)
Share based payments	-	-	-	-	-	7,236	-	7,236
<b>Total contributions and distributions</b>	-	-	-	-	-	7,236	(1,178,571)	(1,171,335)
<b>Balance as at 30 June 2019</b>	1,000,000	3,381,934	1,690,736	16,752	446,926	49,094	6,770,886	13,356,328

# STATEMENT OF CASH FLOWS

For the period ended 30 June	Note	2019 Rs. '000	2018 Rs. '000
<b>Cash flows from operations</b>			
Insurance premiums received		5,154,443	5,178,281
Net reinsurance premiums paid		(152,954)	(125,380)
Insurance benefits and claims paid		(1,754,533)	(1,577,929)
Payments to intermediaries to acquire insurance contracts		(984,480)	(1,222,875)
Cash paid to and on behalf of employees		(605,088)	(600,094)
Interest received		2,251,608	1,889,003
Dividends received		61,865	51,995
Other operating cash flows		(1,312,370)	(1,745,812)
<b>Cash generated from operating activities</b>	A	2,658,491	1,847,189
Employee benefits paid		(18,369)	(15,380)
Interest paid on obligation to repurchase securities		(5,174)	(3,056)
<b>Net cash flow from operating activities</b>		2,634,948	1,828,753
<b>Cash flows used in investing activities</b>			
Acquisition of investments		(5,785,258)	(12,217,742)
Maturity proceeds of investments		3,365,001	9,298,335
Proceeds from sale of investments		916,924	1,992,499
Acquisition of property, plant and equipment		(43,909)	(45,162)
Acquisition of intangible assets		(10,890)	(4,732)
<b>Net cash used in investing activities</b>		(1,558,132)	(976,802)
<b>Net cash inflow before financing activities</b>		1,076,816	851,951
<b>Cash flows used in financing activities</b>			
Dividends paid to equity holders of the company		(1,028,205)	(962,155)
Dividend tax paid		(150,672)	-
Settlement of lease liabilities		(44,477)	-
Obligation to repurchase securities		1,286,080	1,998,230
Settlement of obligation to repurchase securities		(1,286,080)	(1,998,230)
<b>Net cash used in financing activities</b>		(1,223,354)	(962,155)
<b>Net increase in cash and cash equivalents</b>		(146,538)	(110,204)
Cash and cash equivalents at the beginning of the year		452,660	384,820
<b>Cash and cash equivalents at the end of the period</b>	B	306,122	274,616

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

For the period ended 30 June	2019 Rs. '000	2018 Rs. '000
<b>NOTE A.</b>		
<b>Reconciliation of profit before taxation with cash from operating activities</b>		
Profit before tax	453,292	604,042
<b>Non - cash items included in profit before tax</b>		
Depreciation and amortisation	108,541	54,724
Amortisation of right of use assets	23,398	-
Provision for employee benefits	11,729	11,030
Net realised gains	(1,890)	(100,328)
Net fair value losses	776,236	374,488
Amortisation of financial investments	(77,889)	(90,835)
Scrip dividend income	(60,301)	(57,250)
Share of results of equity accounted investee	(59,919)	(45,049)
Share based payment expenses	7,236	4,008
Interest expense on obligation to repurchase securities	5,174	3,056
<b>Profit before working capital changes</b>	<b>1,185,607</b>	<b>757,886</b>
<b>Net change in operational assets</b>		
Net change in reinsurance assets / liabilities	(151,154)	17,974
Net change in premiums receivable	30,750	8,432
Net change in receivables and other assets	(165,506)	(764,894)
<b>Net change in operational liabilities</b>		
Net change in life insurance contract liabilities	1,839,924	1,987,518
Net change in other liabilities	(81,130)	(159,727)
<b>Cash generated from operating activities</b>	<b>2,658,491</b>	<b>1,847,189</b>
<b>NOTE B.</b>		
<b>Cash and cash equivalents at the end of the period</b>		
Cash in hand and at bank	458,964	574,649
Bank overdraft	(152,842)	(300,033)
<b>Cash and cash equivalents at the end of the period</b>	<b>306,122</b>	<b>274,616</b>

# LIFE INSURANCE FUND

## STATEMENT OF FINANCIAL POSITION

As at	30.06.2019 Rs. '000	31.12.2018 Rs. '000
<b>Assets</b>		
Intangible assets	598,560	630,319
Property, plant and equipment	2,086,709	2,082,990
Right of use asset	269,832	-
Financial investments	31,950,716	31,024,453
Loans to life policyholders	1,382,320	1,218,949
Reinsurance receivable	436,266	371,126
Premiums receivable	300,789	331,539
Receivables and other assets	817,015	1,270,836
Cash in hand and at bank	450,671	682,430
<b>Total assets</b>	<b>38,292,878</b>	<b>37,612,642</b>
<b>Reserves and liabilities</b>		
<b>Reserves</b>		
Other reserves	1,439,500	1,174,051
<b>Total reserves</b>	<b>1,439,500</b>	<b>1,174,051</b>
<b>Liabilities</b>		
Insurance contract liabilities	32,730,785	30,599,881
Insurance contract liabilities - Unit Linked	1,210,291	1,501,271
Employee benefit liabilities	108,876	115,516
Reinsurance payables	583,300	669,315
Other liabilities	2,074,817	3,308,433
Bank overdraft	145,309	244,175
<b>Total liabilities</b>	<b>36,853,378</b>	<b>36,438,591</b>
<b>Total reserves and liabilities</b>	<b>38,292,878</b>	<b>37,612,642</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 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 six months ended 30 June 2019 were authorised for issue by the Board of Directors on 06 August 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. Right of use assets included under intangible assets.

#### 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 June 2019.

For the period ended 30 June	Right of Use Assets Rs. '000	Lease Liabilities Rs. '000
<b>As at 1 January 2019</b>	293,230	293,230
Amortisation expense	(23,398)	-
Interest expense	-	14,258
Payments	-	(44,477)
<b>As at 30 June 2019</b>	<b>269,832</b>	<b>263,011</b>

## 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 June	2019 Rs. '000	2018 Rs. '000
Conventional	5,105,291	5,119,976
Unit linked	18,403	49,873
<b>Total gross written premium</b>	<b>5,123,694</b>	<b>5,169,849</b>

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

As at	30.06.2019 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)
<b>Unutilized Notional tax credits</b>	<b>1,071,133</b>	<b>1,071,133</b>

## 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.

For the period ended 30 June	2019 Rs. '000
<b>Tax expense recognised</b>	
<b>Tax on taxable income</b>	
Taxable income	462,961
Utilisation of tax losses	(462,961)
<b>Tax expense on taxable income</b>	-
<b>Deferred income tax</b>	
Origination of deferred tax assets / liabilities	-
Reversal of deferred tax assets on tax losses	129,629
<b>Deferred tax for the period</b>	129,629
<b>Income tax expense</b>	129,629
	2019 Rs. '000
<b>Movement in deferred tax asset on tax losses</b>	
Deferred tax asset as at 1 Jan	1,079,046
Reversal during the period due to utilisation of tax losses	(129,629)
<b>Deferred tax asset as at 30 June</b>	949,417

## 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	30.06.2019 Rs. '000	31.12.2018 Rs. '000
Held to maturity financial assets (HTM)	19,939,915	19,261,339
Loans and receivables (L&R)	8,776,012	7,644,568
Available for sale financial assets (AFS)	8,653,206	8,603,633
Financial assets at fair value through profit or loss (FVTPL)	2,839,024	3,628,533
<b>Total financial investments</b>	<b>40,208,157</b>	<b>39,138,073</b>

## 11 RESTRICTED REGULATORY RESERVE

Based on the direction issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL) 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 IRC SL and can only be released upon receiving approval from the IRC SL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRC SL.

As at	30.06.2019 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)
	<b>3,381,934</b>	<b>3,381,934</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12 INSURANCE CONTRACT LIABILITIES

As at	30.06.2019 Rs. '000	31.12.2018 Rs. '000
Life insurance fund	31,935,752	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	386,415	318,915
<b>Total insurance contract liabilities</b>	<b>32,730,785</b>	<b>30,599,881</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.

#### 12.1 Movement In Insurance Contract Liabilities

As at	30.06.2019 Rs. '000	31.12.2018 Rs. '000
<b>Conventional life insurance fund</b>		
Balance as at 1 January	30,557,320	26,912,057
Increase in life insurance fund before surplus transfer to shareholders	2,053,759	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	77,602	(350,253)
<b>Balance as at period end - Conventional Life insurance</b>	<b>32,688,681</b>	<b>30,557,320</b>
<b>Non Unit Fund of Linked Life Insurance Contracts</b>		
Balance as at 1 January	42,561	37,556
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	9,645	8,929
Transfer to shareholders	-	(15,126)
Net change in unclaimed benefits	(10,102)	11,202
<b>Balance as at period end - Non unit fund of linked Life insurance</b>	<b>42,104</b>	<b>42,561</b>
	<b>32,730,785</b>	<b>30,599,881</b>

### 13 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures for the six 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 June	2019 Rs. '000	2018 Rs. '000
<b>Transactions with the Ultimate Parent</b>		
Sales / (Purchases) of goods	-	-
Rendering / (Receiving) of services	(50,131)	(46,566)
Sales / (Purchases) of property, plant and equipment	-	-
Loans received / (Given)	-	-
Rent received / (Paid)	-	-
<b>Transactions with companies under common control</b>		
Sales / (Purchases) of goods	(4,626)	(7,258)
Rendering / (Receiving) of services	(70,064)	(79,038)
Sales / (Purchases) of property, plant and equipment	(5,627)	(4,822)
Loans received / (Given)	-	-
Interest received / (Paid)	-	-
Rent received / (Paid)	-	-
<b>Transactions with Subsidiary</b>		
Equity investment	-	-
Transfer of assets and liabilities	-	-
<b>Transactions with Associates</b>		
Sales / (Purchases) of goods	-	-
Sales / (Purchases) of property, plant and equipment	-	-
Rendering / (Receiving) of services	(21,810)	(322,788)
Loans received / (Given)	-	-
Interest received / (Paid)	75,785	45,716
Rent received / (Paid)	-	-
Financial investment	-	287,500
<b>Transactions with Key Management Personnel (KMP)</b>		
Rendering / (Receiving) of services	-	-
<b>Transactions with Close Family Members of KMP</b>		
Rendering / (Receiving) of services	-	-
<b>Companies controlled / jointly controlled / significantly influenced by KMP and their close family members</b>		
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 June	2019 Rs. Mn	2018 Rs. Mn
Capital commitment contracted	671	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 year of assessment 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 and Nation Building Tax (NBT) on financial services liability of Rs 9 million along with 50% penalty totalling Rs. 14 million and the Company is in the process of appealing valid appeals against said assessments.

### 18 SHARE INFORMATION

#### Market Price Per Share

For the quarter ended 30 June	2019 Rs. '000	2018 Rs. '000
Last traded	328.00	222.90
Highest price per share for the period	329.00	244.50
Lowest price per share for the period	260.00	149.10

### 19 NET ASSETS PER SHARE

As at	30.06.2019 Rs. '000	31.12.2018 Rs. '000
Net assets per share	226.65	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	30.06.2019	31.12.2018
Ordinary shares	58,928,572	58,928,572

**21 TWENTY LARGEST SHAREHOLDERS**

	As at 30 June 2019		As at 31 March 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	1,044,442	1.8	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	580,294	1.0	580,294	1.0
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. Palihena	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 Dr. (Mrs.) V. Bandaranayake	120,038	0.2	120,038	0.2
10 People's Leasing & Finance PLC / L.P. Hapangama	117,219	0.2	117,219	0.2
11 Mrs. A. Selliah	100,000	0.2	100,000	0.2
12 People's Leasing & Finance PLC / L.H.L.M.P. Haradasa	88,392	0.1	88,392	0.1
13 People's Leasing & Finance PLC / Dr. H.S.D. Soysa & Mrs. G. Soysa	83,135	0.1	83,035	0.1
14 Mr. H.A.D. Ratnapala	56,250	0.1	56,250	0.1
15 Mr. J.W. Nanayakkara	56,250	0.1	56,250	0.1
16 Mrs. R.Z. Wikramanayake (Deceased)	53,585	0.1	53,585	0.1
17 Mr. N.I. Wikramanayake	53,059	0.1	53,059	0.1
18 Mr. H.A. Rehmanjee	50,001	0.1	50,000	0.1
19 Dr. S. Selliah	50,000	0.1	50,000	0.1
20 Mr. V. Sharda	44,200	0.1	44,200	0.1
Other	2,041,735	3.5	2,086,278	3.5
	58,928,572	100	58,928,572	100

**22 DIVIDENDS PAID**

For the period ended 30 June	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	30.06.2019	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	Nil	Nil
Mr. D. H. Fernando	Nil	Nil
Mr. S. Appleyard (Appointed w.e.f 01.01.2019)	Nil	N/A

### 24 CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

No. of shares as at	30.06.2019	31.12.2018
Mr. A. D. Pereira	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 are as given below:

As at	30.06.2019	31.12.2018
Public shareholding (%)	10.00	10.00
Public shareholders	1,464	1,475
Compliant under option 1 - float adjusted market capitalization (Rs. Bn)	1.93	2.05

### 26 EVENTS AFTER THE REPORTING PERIOD

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

# CORPORATE INFORMATION

## Name of Company

Union Assurance PLC

## Legal Form

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

## Company Registration Number

PQ 12

## Tax Payer Identification Number (TIN)

134001372

## 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  
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

## 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  
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  
e-mail: investorrelations@ualink.lk



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