

TOP of the LINE

INTERIM FINANCIAL STATEMENTS

For the Period Ended
30th June 2019

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the six months ended 30 June		2019	2018	CHANGE
	Note	Rs. ' 000	Rs. ' 000	%
		Audited	Audited	
Gross Written Premium	5	5,830,827	4,637,589	26%
Premiums ceded to Reinsurers		(445,001)	(306,256)	45%
Net Earned Premium		5,385,826	4,331,333	24%
Other Revenue				
Finance Income		639,154	466,138	37%
Net Realized Gains		73,617	140,332	-48%
Net Fair value Gains / (Losses)		121,685	(126,582)	196%
Other Operating Income		6,002	2,456	144%
		840,458	482,344	74%
Total Net Revenue	6	6,226,284	4,813,677	29%
Benefits, Claims and Expenses				
Net Insurance Benefits and Claims		(1,373,005)	(1,136,371)	21%
Change in Insurance Contracts Liabilities Life Fund		(100,587)	(309,902)	-68%
Underwriting and Net Acquisition Cost		(1,404,914)	(989,539)	42%
Other Operating and Administration Expenses		(1,602,358)	(1,439,334)	11%
Finance Cost		(60,687)	(13,818)	339%
Total Benefits, Losses and Expenses		(4,541,551)	(3,888,964)	17%
Profit Before Taxation	7	1,684,733	924,713	82%
Income Tax Expense	8	(476,058)	-	100%
Total Profit for the Period		1,208,675	924,713	31%
Profit Attributable To;				
Owners of the Parent		1,208,675	924,713	
Non Controlling Interest		-	-	
		1,208,675	924,713	31%
Basic/Diluted Earnings Per Share (Rs.)	16	3.22	2.47	

The Notes form an integral part of these Interim Financial Statements.

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	1,208,675	924,713
	1,208,675	924,713
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Equity Investments in FVOCI - net change in fair value	(155,904)	-
Equity Investments in FVOCI - net change in fair value -Life fund	(212,763)	-
	(368,667)	-
Items that are or may be reclassified to profit or loss		
Available for sale financial asset - net change in fair value	9,879	(99,831)
Available for sale financial asset - net change in fair value -Life fund	141,819	(124,132)
Available for sale financial assets reclassified to income statement	13,235	11,248
	164,934	(212,715)
Other Comprehensive Income from , net of tax	(203,733)	(212,715)
Total comprehensive income for the period	1,004,942	711,998
Total comprehensive income attributable to:		
Owners of the Company	1,004,942	711,998
Non - controlling interests	-	-
	1,004,942	711,998

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	Note	30.6.2019 Rs. ' 000 Audited	31.12.2018 Rs. ' 000 Audited
Assets			
Intangible Assets		323	2,089
Property, Plant and Equipment		1,042,092	619,059
Deferred Tax Asset		2,274,903	2,750,962
Financial Investments	9	12,687,417	12,065,241
Loans to Life Policyholders		185,837	161,001
Reinsurance Receivables		300,132	154,802
Premium Receivables		538,279	507,434
Other Assets		893,799	691,109
Cash and Cash Equivalents		377,166	381,270
Total Assets		18,299,948	17,332,967
Equity and Liabilities			
Equity			
Stated Capital		1,062,500	1,062,500
Retained Earnings		6,860,601	6,275,417
FVOCI /Available for Sale Reserve		(1,645,272)	(1,513,394)
Revaluation Reserve		48,436	48,436
Restricted Regulatory Reserve		798,004	798,004
Total Equity		7,124,269	6,670,963
Liabilities			
Insurance Contract Liabilities	10	9,174,026	9,021,521
Employee Benefits		120,072	107,404
Reinsurance Payable		484,029	320,824
Amounts due to Related Companies		5,424	4,167
Other Liabilities		1,131,788	837,666
Bank Overdraft		260,340	370,422
Total Liabilities		11,175,679	10,662,004
Total Equity and Liabilities		18,299,948	17,332,967
Net Asset per Share		19.00	17.79

The Notes form an integral part of these Interim Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

Nuwan Pushpakumara

Chief Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Signed and on behalf of the Board;

(Sgd.)

Director

Colombo

9th August 2019

(Sgd.)

Director

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the three months ended 30 June	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited	CHANGE %
Gross Written Premium	2,952,481	2,389,626	24%
Premiums ceded to Reinsurers	(228,180)	(165,919)	38%
Net Earned Premium	2,724,301	2,223,707	23%
Other Revenue			
Finance Income	281,030	210,077	34%
Net Realized Gains	26,684	17,394	53%
Net Fair value Gains / (Losses)	208,650	(65,498)	419%
Other Operating Income	2,301	1,072	115%
	518,665	163,045	218%
Total Net Revenue	3,242,966	2,386,752	36%
Benefits, Claims and Expenses			
Net Insurance Benefits and Claims	(658,611)	(632,745)	4%
Change in Insurance Contracts Liabilities Life Fund	(406,120)	(264,292)	54%
Underwriting and net Acquisition Cost	(726,926)	(470,306)	55%
Other Operating and Administration Expenses	(773,151)	(725,733)	7%
Finance Cost	(30,064)	(7,655)	293%
Total Benefits, Losses and Expenses	(2,594,872)	(2,100,731)	24%
Profit Before Taxation	648,094	286,021	127%
Income Tax Expense	(183,769)	-	100%
Total Profit for the Period	464,325	286,021	62%
Profit Attributable To;			
Owners of the Parent	464,325	286,021	
Non Controlling Interest	-	-	
	464,325	286,021	62%
Basic/Diluted Earnings Per Share (Rs.)	1.24	0.76	

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	464,325	286,021
	464,325	286,021
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Equity Investments in FVOCI - net change in fair value	(155,904)	-
Equity Investments in FVOCI - net change in fair value -Life fund	(212,763)	-
	(368,667)	-
Items that are or may be reclassified to profit or loss		
Available for sale financial asset - net change in fair value	121,873	(82,428)
Available for sale financial asset - net change in fair value -Life fund	122,187	(117,554)
Available for sale financial assets reclassified to income statement	4,923	11,248
	248,984	(188,734)
Other Comprehensive Income from , net of tax	(119,683)	(188,734)
Total comprehensive income for the period	344,642	97,287
Total comprehensive income attributable to:		
Owners of the Company	344,642	97,287
Non - controlling interests	-	-
	344,642	97,287

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June	Stated Capital	Retained Earnings	FVOCI/ Available for sale reserve	Revaluation reserves	Restricted Regulatory Reserve	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Balance as at 01 January 2018	1,062,500	2,942,245	(965,056)	48,436	798,004	3,886,129
Profit for the Period	-	924,713	-	-	-	924,713
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	(99,831)	-	-	(99,831)
Available for sale financial asset - net change in fair value - Life fund	-	-	(124,132)	-	-	(124,132)
Available for sale financial assets reclassified to income statement	-	-	11,248	-	-	11,248
Remeasurement of Defined Benefit (liability)/asset	-	-	-	-	-	-
Revaluation of Land and Buildings	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	(212,715)	-	-	(212,715)
Total Comprehensive Income for the period	-	924,713	(212,715)	-	-	711,998
Balance as at 30 June 2018	1,062,500	3,866,958	(1,177,771)	48,436	798,004	4,598,127
Profit for the Period	-	2,411,532	-	-	-	2,411,532
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	(97,838)	-	-	(97,838)
Available for sale financial asset - net change in fair value - Life fund	-	-	(244,831)	-	-	(244,831)
Available for sale financial assets reclassified to income statement	-	-	7,046	-	-	7,046
Remeasurement of Defined Benefit (liability)/asset	-	(3,073)	-	-	-	(3,073)
Total Other Comprehensive Income	-	(3,073)	(335,623)	-	-	(338,696)
Total Comprehensive Income for the period	-	2,408,459	(335,623)	-	-	2,072,836
Balance as at 31 December 2018 - Audited	1,062,500	6,275,417	(1,513,394)	48,436	798,004	6,670,963
Impact of adoption of SLFRS 09						
Recognition of SLFRS 9 Expected Credit Loss Excluding Participating Fund	-	(20,766)	-	-	-	(20,766)
Transfer of AFS Reserve build due to reclassification of AFS portfolio to FVTPL - Participating Fund	-	-	12,880	-	-	12,880
Balance as at 31 December 2018 - Restated	1,062,500	6,254,651	(1,500,514)	48,436	798,004	6,663,077
Profit for the Period	-	1,208,675	-	-	-	1,208,675
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	9,879	-	-	9,879
Available for sale financial asset - net change in fair value - Life fund	-	-	141,819	-	-	141,819
Available for sale financial assets reclassified to income statement	-	-	13,235	-	-	13,235
Equity Investments in FVOCI - net change in fair value	-	-	(155,904)	-	-	(155,904)
Equity Investments in FVOCI - net change in fair value -Life fund	-	-	(212,763)	-	-	(212,763)
Equity Investments in FVOCI - reclassified to retained earnings	-	(58,975)	58,975	-	-	-
Total Other Comprehensive Income	-	(58,975)	(144,758)	-	-	(203,733)
Total Comprehensive Income for the period	-	1,149,700	(144,758)	-	-	1,004,942
Transaction with the owners of the Company, recognised directly in equity						
Interim Dividend - 2018	-	(543,750)	-	-	-	(543,750)
Balance as at 30 June 2019	1,062,500	6,860,601	(1,645,272)	48,436	798,004	7,124,269

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CASH FLOWS

For the six months ended 30 June	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Cash Flows Operating Activities		
Profit before Taxation	1,684,733	924,713
Adjustments for :		
Depreciation of Property, Plant and Equipments	65,885	55,040
Amortization of Intangible Assets	1,766	2,778
Amortization of Right of Use of Assets	58,452	-
Interest Expense of Lease Creditor	27,887	-
Provision for Employee Benefits	15,621	12,845
Net Realized (Gains)/Losses	(73,617)	(140,333)
Net Fair value (Gains)/Losses	(121,684)	126,582
Net Amortization of Financial Investments	(126,054)	(108,677)
Impairment Reversal of Financial Investments	2,682	-
	1,535,672	872,949
Change in Operating Assets	(857,591)	(219,175)
Change in Operating Liabilities	583,202	334,003
Cashflows from Operating Activities	1,261,283	987,777
Gratuity paid	(2,953)	(5,393)
Net Cash Generated from Operating Activities	1,258,330	982,384
Cash Flows Investing Activities		
Acquisition of Financial Securities	(12,098,574)	(10,704,179)
Consideration Received from Disposal of Investments	11,583,452	9,629,902
Net Acquisition / Capitalization of of Property, Plant and Equipment	(93,480)	(81,852)
Net Cash (used in)/ Generated from Investing Activities	(608,602)	(1,156,129)
Cash Flows Financing Activities		
Dividend Paid	(543,750)	-
Net Cash (used in)/ Generated from Financing Activities	(543,750)	-
Net Increase / (Decrease) in Cash and Cash Equivalents	105,978	(173,745)
Net cash and cash equivalents as at the Beginning of the year	10,848	242,205
Net cash and cash equivalents as at the end of the period	116,826	68,460
Notes to the Cashflow Statement		
A. Change in Operating Assets		
(Increase) / Decrease in Loans to Life Policyholders	(24,836)	(11,075)
(Increase) / Decrease in Reinsurance Receivables	(145,330)	(41,660)
(Increase) / Decrease in Premium Receivables	(30,845)	(41,159)
(Increase) / Decrease in Receivable and Other Assets	(656,580)	(125,281)
	(857,591)	(219,175)
B. Change in Operating Liabilities		
Increase / (Decrease) in Insurance Contract Liabilities	152,505	426,208
Increase / (Decrease) in Reinsurance Payables	163,205	(2,916)
Increase / (Decrease) in Other Liabilities	267,492	(89,289)
	583,202	334,003
C. Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents	377,166	338,352
Bank overdrafts	(260,340)	(269,892)
Net cash and cash equivalents as at 30 June	116,826	68,460
Net cash and cash equivalents as at the Beginning of the period	10,848	242,205
Increase / (Decrease) in Cash and Cash Equivalents	105,978	(173,745)

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION - LIFE INSURANCE FUND

As at	30.6.2019 Rs. ' 000 Audited	31.12.2018 Rs. ' 000 Audited
Assets		
Property, Plant and Equipment	620,763	228,864
Financial Investments	9,446,911	8,944,095
Loans to Life Policyholders	185,837	161,001
Reinsurance Receivables	300,132	154,802
Premium Receivables	538,279	507,434
Other Assets	755,356	594,724
Cash and Cash Equivalents	375,889	380,143
Total Assets	12,223,167	10,971,063
Equity and Liabilities		
Equity		
Other Reserves	(646,843)	(660,920)
Revaluation Reserve	48,436	48,436
Total Equity	(598,407)	(612,484)
Liabilities		
Insurance Contract Liabilities	9,174,026	9,021,521
Employee Benefits	120,072	107,404
Reinsurance Payable	484,029	320,824
Amounts due to Related Companies	20,738	15,408
Other Liabilities	2,762,369	1,747,968
Bank Overdraft	260,340	370,422
Total Liabilities	12,821,574	11,583,547
Total Equity and Liabilities	12,223,167	10,971,063

1 REPORTING ENTITY

Softlogic Life Insurance PLC (The Company) is a public limited liability Company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The Company has the registered office at No 283, R. A. De Mel Mawatha, Colombo 03. The Company is primarily involved in the Life insurance business. The Company’s ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

2 APPROVAL OF FINANCIAL STATEMENTS

The condensed Interim Financial Statements for the six months ended 30 June 2019 were authorised for issue by the Board of Directors on 9th August 2019.

3 BASIS OF PREPARATION

The Condensed 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.

The same Accounting Policies and methods of computation as stated in the Annual Financial Statements - 2018 have been followed in preparation of these Interim Financial Statements except for explained below. Further, the provisions of the Companies Act no.7 of 2007, the Regulation of the Insurance Industry Act No 43 of 2000 and Colombo Stock Exchange have been considered in preparing these Interim Financial Statements.

New Accounting Policy adopted for SLFRS 16 – Leases with effective from 1.1.2019

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate. Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

New Accounting Policy adopted for SLFRS 9 – Financial Instruments with effective from 1.1.2019

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. This standard replaces LKAS 39 Financial Instruments.

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The following table summarises the impact of transition to SLFRS 9 on the opening balance of reserves, retained earnings (1st January 2019)

Description	Amount Rs. Mn
Recognition of expected credit losses under SLFRS 9	(21)
Transfer of AFS Reserve build due to reclassification of AFS portfolio to FVTPL - Participating Fund	13

Equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by SLFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Unlike LKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss. Under LKAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis.

3 BASIS OF PREPARATION (Cont.)

Corporate debt securities that were previously classified as held-to-maturity & loans and receivable are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied as follows.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1 January 2019. Accordingly, the information presented for 2018 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

New SLFRS and Interpretations issued but not effective have not been early adopted during the period.

4 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures in the Condensed Interim Financial Statements for the period ended 30 June 2019 are audited .

5 GROSS WRITTEN PREMIUM

For the Six months ended 30 June	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
First Year Premium	1,563,219	1,377,441
Renewal Premium	2,961,546	2,468,999
Group Life Premium	685,737	340,787
Single Premium	620,325	450,362
Total Life Insurance Gross Written Premium	5,830,827	4,637,589

6 TOTAL NET REVENUE

For the Six months ended 30 June	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
Net Earned Premium	5,385,826	4,331,333
Other Revenue	840,458	482,344
Net Revenue	6,226,284	4,813,677

7 PROFIT BEFORE TAXATION

For the Six months ended 30 June	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
Profit Before Taxation	1,684,733	924,713
Total	1,684,733	924,713

For the period ended 30 June 2019 the Company has transferred a surplus of Rs. 1,546 Mn from Non participating Fund to Shareholder fund.(2018- Rs. 851 Mn). (For the quarter ended 30 June 2019 - Rs. 618 Mn (2018- Rs. 266 Mn) and quarter ended 31 March 2019 - Rs. 928 Mn (2018- Rs. 585 Mn)

8 INCOME TAX EXPENSE

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.

For the Six months ended 30 June

	2019 Rs.' 000 Audited	2018 Rs.' 000 Audited
Tax Recognised in Income Statement		
Taxable Income	1,700,207	-
Utilisation of Tax credit on Brought Forward Tax Losses	(1,700,207)	-
Income Tax Expense for the Year	-	-
Deferred Income Tax		
Origination of Deferred Tax Assets (Net)	-	-
Reversal of Deferred Tax Asset on Utilisation of b/f Tax losses	(476,058)	-
Net Deferred Tax	(476,058)	-
Net Income Tax Expense	(476,058)	-

9 FINANCIAL INVESTMENTS

As at

	Jun-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
Amortised Cost (AC)/ Held to Maturity (HTM) Note 9.1	248,402	245,115
Amortised Cost (AC) / Loans and Receivables (L & R) Note 9.2	5,619,113	5,614,236
Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS) Note 9.3	3,835,897	4,394,870
Fair Value Through Profit or Loss (FVTPL) Note 9.4	2,984,005	1,811,020
Total Financial Investments	12,687,417	12,065,241

As at

	Jun-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
9.1 Amortised Cost (AC) / Held to Maturity (HTM)		
Treasury Bonds	248,402	245,115
	248,402	238,803
9.2 Amortised Cost (AC) / Loans and Receivables (L & R)		
Debt Securities - Bank Deposits Note 9.2.a	1,330,815	1,803,160
- Commercial Papers Note 9.2.b	827,911	656,794
Debt Securities -Debentures	3,169,529	2,635,728
- Quoted	290,858	518,554
Overnight Reverse Repo	5,619,113	5,614,236
	5,619,113	5,614,236
9.2.a Bank Deposits		
Licensed Commercial Banks	1,115,738	1,662,721
Licensed Specialized Banks	215,077	140,439
	1,330,815	1,803,160
9.2.b Commercial Papers		
First Capital Holdings PLC	319,251	224,382
Lanka Orix Leasing Company PLC	508,660	432,412
	827,911	656,794
9.3 Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS)		
Equity Securities		
- Quoted	1,796,140	1,427,100
- Un Quoted	369,700	369,700
Treasury Bonds	1,670,057	2,598,070
	3,835,897	4,394,870
9.4 Fair Value Through Profit or Loss (FVTPL)		
Equity Securities	-	655,423
Treasury Bonds	1,694,995	221,584
Unit Trust	1,289,010	934,013
	2,984,005	1,811,020

10 INSURANCE CONTRACT LIABILITIES

As at	Jun-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
Insurance Contract Liabilities	7,643,200	7,556,032
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	1,056,535
Claim Payables/Unclaimed Benefits	474,291	408,954
	9,174,026	9,021,521

Note 10.1 & 10.2

10.1 Surplus created due to Change in Valuation Method - One off Surplus Zeroed at Product Level

Insurance Contract Liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016. However period up to 31st December 2015, the Company used Net Premium Valuation (NPV) methodology to calculate insurance contract liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

Surplus created due to change in Valuation Method of Policy Liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31st December 2015 according to the Direction 16 "Identification and Treatment of One off Surplus" issued by IRCSL. According to Direction 16, the Company has determined the One off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

10.2 Transfer of One-off Surplus from Policy Holder Fund to Share Holder Fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guidelines Life Insurance Companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate line item in the Income Statement as "Change in contract liability due to transfer of One-off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with above Direction. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

"Further 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 as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Share Holder Fund will remain invested in government debt securities and deposits as disclosed in Note 10.3 as per the directions of the IRCSL".

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Share Holder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000". Please refer Note 10.3 for details of assets supporting the restricted regulatory reserve as at 30 June 2019.

	Participating Fund Rs. '000	Non-Participating Fund Rs. '000	Total Rs. '000
Value of Insurance Contract Liability based on Independent Actuary-NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance Contract Liability based on Independent Actuary-GPV as at 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus Created due to Change in Valuation method from NPV to GPV- One off Surplus as at 1st January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve as at 31 December 2017		(798,004)	(798,004)
Surplus Created due to Change in Valuation method from NPV to GPV- One off Surplus as at 30 June 2019	1,056,535	-	1,056,535

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business.

10.3 Composition of Investments Supporting the Restricted Regulatory Reserve as at 30 June 2019

	Face Value Rs.	Market Value as at 30 June 2019 Rs. '000
Government Securities		
Treasury Bond	LKB03044A010 100,000,000	126,312
Deposits		
Sampath Bank PLC		136,990
Seylan Bank PLC		191,768
Seylan Bank PLC		150,090
Seylan Bank PLC		111,671
National Savings Bank		100,060
Total Market Value of the Assets		816,891

10 INSURANCE CONTRACT LIABILITIES (Cont.)

10.4 Valuation of Life Insurance Fund - (Zeroed Basis of Negative Liabilities- Product Level) as at 30 June 2019

The valuation of life insurance fund as at 30 June 2019 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited, who approved a sum of Rs. 618 million to transfer from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund as surplus transfer for the quarter ended 30 June 2019 in addition to the surplus transfer for the quarter ended 31 March 2019 of Rs. 928 million. The Financial Statements as at 30th June 2019 were audited by Messrs, KPMG.

	Participating Fund	Non-Participating Fund	Total
	Rs. '000	Rs. '000	Rs. '000
Insurance Contract Liabilities	5,049,567	2,593,633	7,643,200
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	-	1,056,535
Total Life Fund	6,106,102	2,593,633	8,699,735

10.5 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Liability Adequacy Test (LAT) in respect of the Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts are carried out annually.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

11.1 Capital Commitments

The capital commitments approved and contracted as at the reporting date were Rs. 109 million.

11.2 Contingencies

The Contingent Liability of the Company as at 30 June 2019, relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

The Company has been issued with an assessment by the Department of Inland Revenue on 26 April 2013 and 10 March 2016 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2010 and quarter ending 31 March 2014 for Rs. 45.9 Million and Rs. 57.4 Million respectively.

The Company has filed an appeal to the Tax appeals commissions on 03 July 2015 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act for the vat assessment issued for the period ending 31 December 2010. The appeal hearing was held at the Tax Appeals Commissions on 22 August 2017 in respect of the assessment issued, and Company has made a written submission to the tax appeals commissions on 22 September 2017 as requested at the said appeal hearing. The Company is awaiting the final decision.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 08 April 2016 for the vat assessment issued for the quarter ending 31 March 2014 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Company is awaiting the CGIR

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

The Company has been issued with an assessment by the Department of Inland Revenue on 10 July 2018 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2014 amounting to Rs. 68.7 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 24 August 2018 on the basis that the underlying computation includes items which are out of scope of the VAT Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2010 amounting to Rs. 3.93 Million, in favor of the Softlogic Life Insurance PLC and The Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and has requested the Tax Appeals Commission to have a case stated for the opinion of the Honourable Court of Appeal.

The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2011/12 and 2012/13 amounting to Rs. 56.4 Million, in favor of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on Softlogic Life Insurance PLC for the year of assessment 2013/14, 2014/15, 2015/16 and 2016/17, assessing the life insurance business to pay an income tax liability of Rs.579.53 Million along with a penalty totaling to Rs.714.52 Million (before deducting the available Tax credits) and the Company has lodged a valid appeal against the said assessment.

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

Pending Litigations

In the opinion of Directors and in consultation with the company Lawyers, litigation currently pending against the company will not have a material impact on the reported results or future operations of the company. All pending litigation for claims have been evaluated and adequate provisions have been made in the interim financial statements.

12 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

13 COMPARATIVE INFORMATION

Comparative information has been restated to ensure comparability with the current year information.

14 SHARE INFORMATION

	30.06.2019	31.12.2018
Net Assets Per Share (Rs)	19.00	17.79
Market Price Per Share		
Last traded price as at 30 June 2019	32.30	
Highest traded price per share for the Quarter (Apr-June)	36.50	
Lowest traded price per share for the Quarter (Apr-June)	30.10	

15 STATED CAPITAL

As at	30.06.2019 Rs.' 000	31.12.2018 Rs.' 000
Stated Capital	1,062,500	1,062,500
No of Ordinary Shares	375,000,000	375,000,000

16 BASIC & DILUTED EARNING PER SHARE (EPS)

	30.06.2019	31.12.2018
Profit attributable to Ordinary Shareholders (Rs. 000)	1,208,675	924,713
Weighted Average No of shares as at 30 June	375,000,000	375,000,000
Basic/Diluted Earning per share (Rs.)	3.22	2.47

17 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	30.06.2019	
	No. of Shares	%
1 Softlogic Capital Plc	193,820,760	51.69
2 Dalvik Inclusion Private Limited	71,250,000	19.00
3 State Street Munich C/O SsbT-Deg-Deutsche Investitions-Und Entwicklungsgesellschaft MbH	71,250,000	19.00
4 SsbT- Global Macro Portfolio	25,625,000	6.83
5 Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
6 SsbT-Global Macro Capital Opportunities Portfolio	2,500,000	0.67
7 Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
8 Mr. Ananda Rajapaksha Rathnayaka Sarath	808,170	0.22
9 J.B. Cocoshell (Pvt) Ltd	484,503	0.13
10 Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
11 Softlogic Holdings Plc	175,550	0.05
12 Hsbc Bank Plc-Mckinley Capital Measa Fund Oeic Limited	168,331	0.04
13 Mr. Raheem Tuan Faizal	149,090	0.04
14 Mr. Rambukwella Ravindra Earl	137,710	0.04
15 Mr. Elankumaran Sarvananthan	120,000	0.03
16 Striders Corporation	106,842	0.03
17 Mr. Mather Sujendra Ranjanan	105,000	0.03
18 Union Investments Private Ltd	100,000	0.03
19 Mr. Gunatunga Edgar (Deceased)	100,000	0.03
20 People'S Leasing & Finance Plc/Dr.H.S.D.Soyso & Mrs.G.Soyso	92,000	0.02
Others	371,385,035	99.04
Total	375,000,000	100.00

18 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 30 June 2019 was 10.27 % (31 December 2018 - 10.27 %) and a number of public shareholders as at 30 June 2019 was 1,263. (31 December 2018 - 1,135) .

Float Adjusted Market Capitalisation

As at 30th June 2019 the Float Adjusted Market Capitalisation is Rs. 1,243,953,750/-

The Company is comply with minimum public holding requirement as at the reporting date based on "Option 1" of Rule 7.13.1.b .

19 DIRECTORS' SHARE HOLDINGS

As at 30 June Name of The Director	2019	
	No of Shares	%
Mr. A. K. Pathirage (Chairman)	Nil	Nil
Mr. J. H. Paul Ratnayeke (Deputy Chairman)	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil
Mr. S. Rajapakse- Director	Nil	Nil
Mr. M. R. Abeywardena - Director	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil
Mr. H.K.Kaimal - Director	Nil	Nil
Mr. Rudiger Will - Director	Nil	Nil
Mr. H.C. Hettiarachchi - Director	Nil	Nil

20 RELATED PARTY DISCLOSURES

20.1 Transactions with Key Management Personnel of the Company or its parent

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs.

For the six months ended 30 June	2019 Rs.' 000	2018 Rs.' 000
Transactions with the Ultimate Parent & Parent		
Receiving of services	47,422	44,409
Expenses	7	-
Dividend Paid	270,127	-
GWP	256	-
Claims Paid	2	-
Advances	28,265	-
Transactions with Companies under Common Control		
Investments	406,878	118,953
Insurance Premiums	-	663
Purchases of property plant & equipment	18,626	24,250
Dividend received	11,646	3,574
Expenses	56,392	43,109
Claims Paid	5,792	5,000
GWP	27,376	-
Transactions with other Related Entities		
Investments	11,616	-
Expenses	-	7
Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)		
Insurance Premiums	-	908
Professional Charges	464	-