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SOFTLOGIC LIFE INSURANCE PLC

INTERIM FINANCIAL STATEMENTS - FOR THE PERIOD ENDED 30TH SEPTEMBER 2021

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

| For the nine months ended 30 September | Note | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited | Change % |
|--|-----------|------------------------------|---------------------------------|-------------|
| Gross written premiums | 5 | 14,332,764 | 10,891,904 | 32 |
| Premiums ceded to reinsurers | | (1,366,276) | (1,396,178) | (2) |
| Net earned premiums | | 12,966,488 | 9,495,726 | 37 |
| Other revenue | | | | |
| Net finance income | | 1,694,972 | 1,131,056 | 50 |
| Net realised gains | | 268,934 | 148,391 | 81 |
| Net fair value gains / (losses) | | (9,746) | 450,145 | (102) |
| Other operating income | | 17,461 | 3,928 | 345 |
| Total other revenue | | 1,971,621 | 1,733,520 | 14 |
| Total net revenue | 6 | 14,938,109 | 11,229,246 | 33 |
| Net benefits, claims and expenses | | | | |
| Net insurance benefits and claims paid | | (4,049,730) | (2,528,181) | 60 |
| Net change in insurance claims outstanding | | 13,339 | 7,856 | 70 |
| Change in insurance contracts liabilities | | (3,045,649) | (3,006,623) | 1 |
| Underwriting and net acquisition cost (Net of reinsurance) | | (3,080,758) | (2,429,705) | 27 |
| Other operating and administration expenses | | (2,612,944) | (2,351,218) | 11 |
| Finance cost | | (89,234) | (134,303) | (34) |
| Total benefits, claims and expenses | | (12,864,976) | (10,442,174) | 23 |
| Profit before tax | 7 | 2,073,133 | 787,072 | 163 |
| Income tax expenses | 8 | (662,236) | (250,376) | 164 |
| Profit for the period | | 1,410,897 | 536,696 | 163 |
| Profit attributable to; | | | | |
| Owners of the Company | | 1,410,897 | 536,696 | |
| Non controlling interest | | - | - | |
| | | 1,410,897 | 536,696 | 163 |
| Earnings per share | | | | |
| Basic earnings per share (Rs.) | 16 | 3.76 | 1.43 | 162 |
| Diluted earnings per share (Rs.) | 16 | 3.76 | 1.43 | 162 |

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 nine months ended 30 September | 2021 | 2020 | Change |
|---|------------------|-------------------|---------------|
| | Rs. ' 000 | Rs. ' 000 | % |
| | Audited | Un-audited | |
| Profit for the period | 1,410,897 | 536,696 | 163 |
| Other comprehensive income | | | |
| Items that will not be reclassified to income statement | | | |
| Equity investments at FVOCI - net change in fair value | (21,165) | (124,540) | |
| Equity investments at FVOCI - net change in fair value - life fund | (74,198) | (95,721) | |
| Related tax / deferred tax | - | - | |
| | (95,363) | (220,261) | (57) |
| Items that are or may be reclassified subsequently to income statement | | | |
| Debt investments at FVOCI - net change in fair value | (27,870) | 33,850 | |
| Debt investments at FVOCI - net change in fair value - life fund | (234,167) | 280,452 | |
| Debt investments at FVOCI - reclassified to income statement | 4,774 | 10,738 | |
| Related tax / deferred tax | - | - | |
| | (257,263) | 325,040 | (179) |
| Total other comprehensive income for the period, net of tax | (352,626) | 104,779 | (437) |
| Total comprehensive income for the period, net of tax | 1,058,271 | 641,475 | 65 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 1,058,271 | 641,475 | |
| Non - controlling interests | - | - | |
| | 1,058,271 | 641,475 | 65 |

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

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

| For the three months ended 30 September | 2021 | 2020 | Change |
|--|--------------------|--------------------|---------------|
| | Rs. ' 000 | Rs. ' 000 | % |
| | Audited | Un-audited | |
| Gross written premiums | 5,149,289 | 4,458,900 | 15 |
| Premiums ceded to reinsurers | (485,221) | (526,722) | (8) |
| Net earned premiums | 4,664,068 | 3,932,178 | 19 |
| Other revenue | | | |
| Net finance income | 569,896 | 370,869 | 54 |
| Net realised gains | 91,197 | - | 100 |
| Net fair value gains | 9,833 | 19,485 | (50) |
| Other operating income | 14,289 | 1,349 | 959 |
| Total other revenue | 685,215 | 391,703 | 75 |
| Total net revenue | 5,349,283 | 4,323,881 | 24 |
| Net benefits, claims and expenses | | | |
| Net insurance benefits and claims paid | (1,690,493) | (1,131,633) | 49 |
| Net change in insurance claims outstanding | 28,510 | 101,041 | (72) |
| Change in insurance contracts liabilities | (943,096) | (1,679,697) | (44) |
| Underwriting and net acquisition cost (Net of reinsurance) | (1,125,570) | (938,800) | 20 |
| Other operating and administration expenses | (900,725) | (601,376) | 50 |
| Finance cost | (98,891) | (47,262) | 109 |
| Total benefits, claims and expenses | (4,730,265) | (4,297,727) | 10 |
| Profit before tax | 619,018 | 26,154 | 2,267 |
| Income tax expenses | (128,240) | (22,686) | 465 |
| Profit for the period | 490,778 | 3,468 | 14,052 |
| Profit attributable to; | | | |
| Owners of the Company | 490,778 | 3,468 | |
| Non controlling interest | - | - | |
| | 490,778 | 3,468 | 14,052 |
| Earnings per share | | | |
| Basic earnings per share (Rs.) | 1.31 | 0.01 | 14,052 |
| Diluted earnings per share (Rs.) | 1.31 | 0.01 | 14,052 |

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 three months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited | Change % |
|---|------------------------------|---------------------------------|--------------|
| Profit for the Period | 490,778 | 3,468 | 14,052 |
| Other comprehensive income | | | |
| Items that will not be reclassified to income statement | | | |
| Equity investments at FVOCI - net change in fair value | (55,921) | (20,976) | |
| Equity investments at FVOCI - net change in fair value - life fund | 24,439 | 139 | |
| Related tax / deferred tax | - | - | |
| | (31,482) | (20,837) | 51 |
| Items that are or may be reclassified subsequently to income statement | | | |
| Debt investments at FVOCI - net change in fair value | (19,960) | (964) | |
| Debt investments at FVOCI - net change in fair value - life fund | (174,321) | (20,802) | |
| Debt investments at FVOCI - reclassified to income statement | 712 | 3,364 | |
| Related tax / deferred tax | - | - | |
| | (193,569) | (18,402) | 952 |
| Total other comprehensive income for the period, net of tax | (225,051) | (39,239) | 474 |
| Total comprehensive income for the period, net of tax | 265,727 | (35,771) | (843) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 265,727 | (35,771) | |
| Non - controlling interests | - | - | |
| | 265,727 | (35,771) | (843) |

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

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

| As at | Note | 30.09.2021 Rs. ' 000 Audited | 31.12.2020 Rs. ' 000 Audited |
|-------------------------------------|-----------|------------------------------------|------------------------------------|
| Assets | | | |
| Intangible assets | | 1,448 | 404 |
| Property, plant and equipment | | 603,487 | 660,928 |
| Right of use assets | | 634,460 | 752,393 |
| Deferred tax assets | | 959,668 | 1,621,904 |
| Financial investments | 9 | 32,333,242 | 27,367,792 |
| Loans to life policyholders | | 231,196 | 234,462 |
| Reinsurance receivables | | 268,933 | 323,288 |
| Premium receivables | | 928,549 | 856,281 |
| Receivables and other assets | | 890,921 | 834,388 |
| Cash and cash equivalents | | 564,833 | 554,362 |
| Total assets | | 37,416,737 | 33,206,202 |
| Equity and liabilities | | | |
| Equity | | | |
| Stated capital | | 1,062,500 | 1,062,500 |
| Retained earnings | | 9,769,715 | 9,290,347 |
| Restricted regulatory reserve | | 798,004 | 798,004 |
| Other reserves | | (1,573,201) | (1,214,604) |
| Total equity | | 10,057,018 | 9,936,247 |
| Liabilities | | | |
| Insurance contract liabilities | 10 | 20,504,441 | 17,483,705 |
| Employee benefit liabilities | | 179,901 | 182,332 |
| Loans and borrowings | | 3,125,307 | 2,852,245 |
| Reinsurance payables | | 951,566 | 636,060 |
| Other liabilities | | 2,303,762 | 1,890,223 |
| Bank overdraft | | 294,742 | 225,390 |
| Total liabilities | | 27,359,719 | 23,269,955 |
| Total equity and liabilities | | 37,416,737 | 33,206,202 |
| Net asset per share (Rs.) | | 26.82 | 26.50 |

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 07 of 2007.

Sgd.

Nuwan Withanage

Chief Financial Officer

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

Approved and signed for and on behalf of the Board.

Sgd.

Director

Colombo

12th November 2021

Sgd.

Director

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY

| | Stated capital | Retained earnings | Restricted regulatory reserve | Otherreserve | | Total |
|--|------------------|-------------------|-------------------------------|--------------------|----------------------|-------------------|
| | Rs. ' 000 | Rs. ' 000 | Rs. ' 000 | Fair value reserve | Revaluation reserves | Rs. ' 000 |
| | Rs. ' 000 | Rs. ' 000 | Rs. ' 000 | Rs. ' 000 | Rs. ' 000 | Rs. ' 000 |
| Balance as at 01 January 2020 | 1,062,500 | 7,764,216 | 798,004 | (1,498,509) | 92,708 | 8,218,919 |
| Profit for the period | - | 536,696 | - | - | - | 536,696 |
| Other comprehensive income for the period | | | | | | |
| Equity investments at FVOCI - net change in fair value | - | - | - | (124,540) | - | (124,540) |
| Equity investments at FVOCI - net change in fair value - life fund | - | - | - | (95,721) | - | (95,721) |
| Debt investments at FVOCI - net change in fair value | - | - | - | 33,850 | - | 33,850 |
| Debt investments at FVOCI - net change in fair value - life fund | - | - | - | 280,452 | - | 280,452 |
| Debt investments at FVOCI - reclassified to income statement | - | - | - | 10,738 | - | 10,738 |
| Total other comprehensive income, net of tax | - | 536,696 | - | 104,779 | - | 104,779 |
| Total comprehensive income for the period | 1,062,500 | 8,300,912 | 798,004 | (1,393,730) | 92,708 | 641,475 |
| Balance as at 30 September 2020 | 1,062,500 | 8,300,912 | 798,004 | (1,393,730) | 92,708 | 8,860,394 |
| Profit for the period | - | 984,787 | - | - | - | 984,787 |
| Other Comprehensive Income for the Period | | | | | | |
| Equity investments at FVOCI - net change in fair value | - | - | - | (111,078) | - | (111,078) |
| Equity investments at FVOCI - net change in fair value - life fund | - | - | - | 221,163 | - | 221,163 |
| Debt investments at FVOCI - net change in fair value | - | - | - | (2,629) | - | (2,629) |
| Debt investments at FVOCI - net change in fair value - life fund | - | - | - | (24,567) | - | (24,567) |
| Debt investments at FVOCI - reclassified to income statement | - | - | - | 3,529 | - | 3,529 |
| Re-measurement gains / (losses) on defined benefit liabilities | - | 4,648 | - | - | - | 4,648 |
| Total other comprehensive income, net of tax | - | 4,648 | - | 86,418 | - | 91,066 |
| Total comprehensive income for the period | 1,062,500 | 989,435 | - | 86,418 | - | 1,075,853 |
| Balance as at 31 December 2020 | 1,062,500 | 9,290,347 | 798,004 | (1,307,312) | 92,708 | 9,936,247 |
| Profit for the period | - | 1,410,897 | - | - | - | 1,410,897 |
| Other comprehensive income for the period | | | | | | |
| Equity investments at FVOCI - net change in fair value | - | - | - | (21,165) | - | (21,165) |
| Equity investments at FVOCI - net change in fair value - life fund | - | - | - | (74,198) | - | (74,198) |
| Equity investments at FVOCI -reclassified to retained earnings | - | 5,971 | - | (5,971) | - | - |
| Debt investments at FVOCI - net change in fair value | - | - | - | (27,870) | - | (27,870) |
| Debt investments at FVOCI - net change in fair value - life fund | - | - | - | (234,167) | - | (234,167) |
| Debt investments at FVOCI - reclassified to income statement | - | - | - | 4,774 | - | 4,774 |
| Total other comprehensive income, net of tax | - | 5,971 | - | (358,597) | - | (352,626) |
| Total comprehensive income for the period | - | 1,416,868 | - | (358,597) | - | 1,058,271 |
| Transaction with owners of the Company | | | | | | |
| Contribution and distribution | | | | | | |
| Interim Dividend- 2020 | - | (937,500) | - | - | - | (937,500) |
| Total transaction with owners of the Company | - | (937,500) | - | - | - | (937,500) |
| Balance as at 30 September 2021 | 1,062,500 | 9,769,715 | 798,004 | (1,665,909) | 92,708 | 10,057,018 |

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CASH FLOWS

| For the nine months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited |
|---|------------------------------|---------------------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 2,073,133 | 787,072 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 103,076 | 105,736 |
| Amortisation of intangible assets | 156 | 115 |
| Depreciation of right of use asset | 180,997 | 134,332 |
| Interest expenses on lease liabilities and loans and borrowings | 222,163 | 51,234 |
| Provision for employee benefit liabilities | 27,211 | 23,565 |
| Gain on property, plant and equipment | (12,162) | - |
| Net realised gains | (268,934) | (148,391) |
| Net fair value (gains) / losses | 9,746 | (450,145) |
| Net unrealised (gain) / losses on foreign currency transactions | (181,947) | 29,841 |
| Net amortisation of financial investments | (626,004) | (151,994) |
| Impairment Provision / (Reversal) of Financial Investments | (62,573) | 31,877 |
| | 1,464,862 | 413,242 |
| Change in operating assets | | |
| (Increase) / Decrease in loans to life policyholders | 3,266 | (6,235) |
| (Increase) / Decrease in reinsurance receivables | 54,355 | (155,932) |
| (Increase) / Decrease in premium receivables | (72,268) | (178,009) |
| (Increase) / Decrease in receivables and other assets | (119,597) | (584,164) |
| | (134,244) | (924,340) |
| Change in operating liabilities | | |
| Increase / (Decrease) in insurance contract liabilities | 3,020,736 | 6,358,489 |
| Increase / (Decrease) in reinsurance payables | 315,506 | 280,583 |
| Increase / (Decrease) in other liabilities | 497,937 | 551,453 |
| | 3,834,179 | 7,190,525 |
| Cash flows from operating activities | 5,164,797 | 6,679,427 |
| Gratuity paid | (29,642) | (3,630) |
| Interest paid | (116,330) | - |
| Net cash generated from operating activities | 5,018,825 | 6,675,797 |
| Cash flows from investing activities | | |
| Acquisition of investment securities | (23,206,829) | (25,735,612) |
| Consideration received from disposal of investments | 19,278,879 | 19,200,933 |
| Acquisition of property, plant and equipment | (45,955) | (96,139) |
| Acquisition of intangible assets | (1,200) | (107) |
| Consideration received from disposal of property, plant and equipment | 12,482 | - |
| Net cash used in investing activities | (3,962,623) | (6,630,925) |
| Cash flows from financing activities | | |
| Dividend paid | (937,500) | - |
| Payment of lease liabilities | (177,583) | (139,066) |
| Net cash used in financing activities | (1,115,083) | (139,066) |
| Net increase / (Decrease) in cash and cash equivalents | (58,881) | (94,194) |
| Net cash and cash equivalents as at 1 January | 328,972 | 200,822 |
| Net cash and cash equivalents as at 30 September | 270,091 | 106,628 |
| Analysis of cash and cash equivalents | | |
| Cash in hand and at bank | 564,833 | 300,232 |
| Bank overdrafts | (294,742) | (193,604) |
| Total cash and cash equivalents as at 30 September | 270,091 | 106,628 |

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

| As at | Note | 30.09.2021 | 31.12.2020 |
|-------------------------------------|-------------|-------------------|-------------------|
| | | Rs. ' 000 | Rs. ' 000 |
| | | Audited | Audited |
| Assets | | | |
| Property, plant and equipment | | 252,982 | 258,544 |
| Right of use assets | | 608,584 | 752,393 |
| Financial investments | | 22,227,153 | 19,308,100 |
| Loans to life policyholders | | 231,196 | 234,462 |
| Reinsurance receivables | | 268,933 | 323,288 |
| Premium receivables | | 928,549 | 856,281 |
| Receivables and other assets | | 751,190 | 717,616 |
| Cash and cash equivalents | | 560,243 | 435,723 |
| Total assets | | 25,828,830 | 22,886,407 |
| Equity and liabilities | | | |
| Equity | | | |
| Other reserves | | (366,137) | (56,497) |
| Total equity | | (366,137) | (56,497) |
| Liabilities | | | |
| Insurance contract liabilities | 10 | 20,504,441 | 17,483,705 |
| Employee benefit liabilities | | 179,901 | 182,332 |
| Reinsurance payables | | 951,566 | 636,060 |
| Other liabilities | | 4,264,317 | 4,415,417 |
| Bank overdraft | | 294,742 | 225,390 |
| Total liabilities | | 26,194,967 | 22,942,904 |
| Total equity and liabilities | | 25,828,830 | 22,886,407 |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 REPORTING ENTITY

Softlogic Life Insurance PLC (“the Company”) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re – registered under the Companies Act No. 07 of 2007 and the registered office is situated at Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

2 APPROVAL OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The interim condensed Financial Statements for the nine months ended 30 September 2021 were authorised for issue by the Board of Directors on 12th November 2021.

3 BASIS OF PREPARATION

The interim condensed Financial Statements for the nine months ended 30 September 2021 have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These interim condensed Financial Statements do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020. 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 condensed Financial Statements. The same Accounting Policies and methods of computation as stated in the Annual Financial Statements - 2020 have been followed in preparing these interim condensed Financial Statements.

In preparing these condensed quarterly financial statements, management has made judgements and estimates that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial statements.

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

3.1 Fair value measurement and related fair value disclosures

The fair values of all the financial assets and financial liabilities recognised during the period were not materially different from the transaction prices at the date of initial recognition. During the period there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 categories as per the fair value hierarchy. The fair value changes on financial instruments in Level 3 category was properly recorded in the statement of other comprehensive income. As at the reporting date, fair value would not significantly change if one or more of the inputs of financial assets classified at level 3 were changed.

4 AUDIT OF THE INTERIM CONDENCED FINANCIAL STATEMENTS

Figures in the interim condensed Financial Statements for the period ended 30 September 2021 are audited.

5 GROSS WRITTEN PREMIUM

| For the nine months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited |
|--|------------------------------|---------------------------------|
| First Year Premium | 3,042,039 | 2,418,613 |
| Renewal Premium | 6,771,344 | 5,099,544 |
| Group Life Premium | 1,928,294 | 1,259,202 |
| Single Premium | 2,591,087 | 2,114,545 |
| Total Gross Written Premium | 14,332,764 | 10,891,904 |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

6 TOTAL NET REVENUE

| For the nine months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited |
|--|------------------------------|---------------------------------|
| Net Earned Premium | 12,966,488 | 9,495,726 |
| Other Revenue | 1,971,621 | 1,733,520 |
| Total Net Revenue | 14,938,109 | 11,229,246 |

7 PROFIT BEFORE TAXATION

| For the nine months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited |
|--|------------------------------|---------------------------------|
| Profit Before Taxation | 2,073,133 | 787,072 |
| Total | 2,073,133 | 787,072 |

The Company transferred Rs.1,568 Mn from Non participating fund to shareholder fund as surplus transfer for the period ended 30th September 2021 (2020- 498.8 Mn). For the quarter ended 30 September 2021 - Rs. 469 Mn (2020 - Nil)

8 INCOME TAX EXPENSE

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. Accordingly, gains and profits on which tax is payable is the aggregate of;

| Taxable Income Source | Applicable Tax Rate |
|---|---|
| Surplus distributed to shareholders from the Life Insurance policyholders fund as certified by the actuary | 24% |
| Investment income of the shareholder fund less any expenses incurred in the production of such income | 24% |
| Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance | 14% (Up to 3 years from 2018 and thereafter at 24%) |

Change in the income tax rate of a company from 28% to 24% has been approved and implemented to Act with effect from 1 January 2020. Accordingly, the income tax rate of 24% was applied for current tax and deferred tax computation and the Company reversed deferred tax assets of Rs.231.7 Mn for the period ended 30 September 2021.

| For the nine months ended 30 September | 2021 Rs. ' 000 Audited | 2020 Rs. ' 000 Un-audited |
|---|------------------------------|---------------------------------|
| Tax Recognised in Income Statement | | |
| Taxable Income | 1,793,896 | 894,200 |
| Utilisation of Tax credit on Brought Forward Tax Losses | (1,793,896) | (894,200) |
| Income Tax Expense for the Period | - | - |
| Deferred Income Tax | | |
| Reversal of Deferred Tax Asset on Utilisation of b/f Tax losses | (430,535) | (250,376) |
| Reversal of Deferred Tax Asset on change in applicable tax rate | (231,701) | - |
| Net Deferred Tax | (662,236) | (250,376) |
| Net Income Tax Expense | (662,236) | (250,376) |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

9 FINANCIAL INVESTMENTS

| As at | Note | 30.09.2021 Rs. ' 000 Audited | 31.12.2020 Rs. ' 000 Audited |
|---|-------------|------------------------------------|------------------------------------|
| Amortised Cost (AC) | 9.1 | 20,985,981 | 19,213,703 |
| Fair Value through Other Comprehensive Income (FVOCI) | 9.2 | 3,559,384 | 4,050,055 |
| Fair Value Through Profit or Loss (FVTPL) | 9.3 | 7,787,877 | 4,104,034 |
| Total Financial Investments | | 32,333,242 | 27,367,792 |
| 9.1 Amortised Cost (AC) | | | |
| Treasury Bonds | | 2,328,232 | 2,350,518 |
| Sri Lanka Development Bonds | | 3,389,551 | 2,796,206 |
| International Sovereign Bonds | | 3,194,557 | 2,723,500 |
| Bank Deposits | 9.1.a | 1,213,176 | 1,654,837 |
| Commercial Papers | 9.1.b | 1,828,500 | 1,990,258 |
| Securitized Papers | | 306,624 | - |
| Quoted Debentures | | 7,543,823 | 5,442,447 |
| Unquoted Debentures | | 294,675 | - |
| Overnight -Reverse Repo | | 886,843 | 2,255,937 |
| | | 20,985,981 | 19,213,703 |
| 9.1.a Bank Deposits | | | |
| Licensed Commercial Banks | | 380,132 | 1,020,069 |
| Licensed Specialised Banks | | - | 634,768 |
| Licensed Finance Companies | | 833,044 | - |
| | | 1,213,176 | 1,654,837 |
| 9.1.b Commercial Papers | | | |
| First Capital Holdings PLC | | 770,271 | 337,295 |
| Lanka Orix Leasing Company PLC | | 657,666 | 1,150,696 |
| Softlogic Holding PLC | | 400,563 | 502,267 |
| | | 1,828,500 | 1,990,258 |
| 9.2 Fair Value through Other Comprehensive Income (FVOCI) | | | |
| Equity Securities | | | |
| Quoted | | 1,983,019 | 2,182,609 |
| Unquoted | | 270,522 | 281,428 |
| Treasury Bonds | | 1,305,843 | 1,586,018 |
| | | 3,559,384 | 4,050,055 |
| 9.3 Fair Value Through Profit or Loss (FVTPL) | | | |
| Equity Securities | | 93,369 | - |
| Treasury Bonds | | 196,781 | 243,286 |
| Treasury Bills | | 395,441 | 956,035 |
| Unlisted Perpetual Debenture | | 763,726 | 515,381 |
| Unit Trust | | 6,338,560 | 2,389,332 |
| | | 7,787,877 | 4,104,034 |
| 10 INSURANCE CONTRACT LIABILITIES | | | |
| As at | Note | 30.09.2021 Rs. ' 000 Audited | 31.12.2020 Rs. ' 000 Audited |
| Insurance Contract Liabilities | | 18,811,931 | 15,784,544 |
| Surplus Created due to Change in Valuation method from NPV to GPV | 10.1 & 10.2 | 1,056,535 | 1,056,535 |
| Claim Payables | | 635,975 | 642,626 |
| | | 20,504,441 | 17,483,705 |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

10.1 Transfer of One-off Surplus from Policyholder Fund to Shareholder 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 shareholder 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 shareholder fund will remain invested in government debt securities and deposits as disclosed in Note 10.2 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 shareholder fund by means of bonuses to policyholders in line with Section 38 of the “Regulation of Insurance Industry Act.

| Movement of One-off Surplus After Transfer | Participating Fund | Non-Participating Fund | Total |
|--|---------------------------|-------------------------------|------------------|
| | Rs. ' 000 | Rs. ' 000 | 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. | - | (798,004) | (798,004) |
| Surplus created due to Change in Valuation Method - One-off Surplus as at 30th September 2021 | 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.

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

10.2 Composition of Investments Supporting the Restricted Regulatory Reserve as at 30 September 2021

| Asset Category | ISIN No | As at 30 September 2021 | |
|---|--------------|-------------------------|---------------------------|
| | | Face Value Rs. | Market Value Rs. ' 000 |
| Government Securities | | | |
| Treasury Bond | LKB03044A010 | 100,000,000 | 131,040 |
| | LKB01534I155 | 50,000,000 | 49,195 |
| | LKB01528I017 | 100,000,000 | 108,783 |
| | LKB01529E014 | 50,000,000 | 59,946 |
| | LKB01529E014 | 50,000,000 | 59,946 |
| | LKB01529E014 | 50,000,000 | 59,946 |
| | LKB00322K152 | 200,000,000 | 202,004 |
| Total Market Value of the Assets | | | 818,445 |
| Restricted Regulatory Reserve | | | 798,004 |

10.3 Valuation of Life Insurance Fund -(Zeroed Basis of Negative Liabilities- Product Level) as at 30 September 2021

The valuation of life insurance fund as at 30 September 2021 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited, who approved to transfer from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund as surplus transfer as disclosed below.

For the quarter ended 30th September 2021 – Rs. 469 million (2020 - Nil)

For the nine months period ended 30th September 2021 - Rs. 1,568 million (2020 - Rs. 498.8 million)

The financial statements as at 30 September 2021 were audited by Messrs. KPMG for surplus declaration purpose.

| As at 30th September 2021 | Participating | Non- | Total |
|--|------------------|-------------------|-------------------|
| | Fund | Participating | |
| | Rs. ' 000 | Fund Rs. ' 000 | Rs. ' 000 |
| Insurance Contract Liabilities | 7,421,599 | 11,390,332 | 18,811,931 |
| Surplus Created due to Change in Valuation method from NPV to GPV | 1,056,535 | - | 1,056,535 |
| Total Life Fund | 8,478,134 | 11,390,332 | 19,868,466 |

10.4 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. 8.03 million.

11.2 Contingencies

The Contingent Liability of the Company as at 30 September 2021, relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

1) The Company has been issued with VAT assessments by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commissions on 22nd August 2019. Out of total 11 assessments, 08 assessments were determined in favor of Commissioner General of Inland Revenue amounting to Rs. 46.5 Million including the penalty and 03 assessments were determined in favor of Softlogic Life Insurance PLC amounting to Rs. 24.8 Million including the penalty.

The Company transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favor of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honorable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 million including the penalty.

The Commissioner General of Inland Revenue, transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favor of Softlogic Life Insurance PLC and case is stated for the opinion of the Honorable Court of Appeal. The Total tax exposure of this appeal is Rs. 24.8 million including the penalty.

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

2) The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15 and 2016/17 amounting to Rs. 68.7 Million and Rs. 28.0 Million respectively in favor of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

3) The Company has been issued with assessments by the Department of Inland Revenue on 03 February 2020 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2017 amounting to Rs.102.4 Million. The Company has filed an appeal to the Commissioner General of Inland Revenue on 25 February 2020 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.

11 CAPITAL COMMITMENTS AND CONTINGENCIES (Cont.)

11.2 Contingencies (Cont.)

Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

4) The Company has been issued with an assessment by the Department of Inland Revenue on 30 December 2019 under the Nation Building Tax Act, in relation to the taxable period ending 31 December 2017 amounting to Rs. 13.7 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 13 February 2020 on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR determination.

Economic Service Charge (ESC)

5) The Company has been issued with an assessment by the Department of Inland Revenue on 27 August 2020 under the Economic Service Charge Act, in relation to the taxable period ending 31 December 2017 amounting to Rs. 7.3 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 16 October 2020 on the basis that the underlying computation includes items which are out of scope of the ESC Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

6) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2010/11 amounting to Rs. 679,000/- , 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 case is stated for the opinion of the Honorable Court of Appeal. The Company is awaiting the decision of the Court of appeal.

7) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2012/13 amounting to Rs. 12.4 Million , in favor of CGIR and The Company has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honorable Court of Appeal. The Company is awaiting the decision of the Court of appeal.

8) 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, 2014/15, 2015/16 and 2016/17 amounting to Rs. 485.5 Million along with penalty, in favor of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

9) The Department of Inland Revenue has raised assessments on Softlogic Life Insurance PLC for the year of assessment 2017/18 assessing the life insurance business to pay an income tax liability of 327.8 Million along with penalty (before deducting the available Tax credits) and the Company has lodged a valid appeal against the said assessments. The Company is awaiting the CGIR determination.

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 probability of company having to settle any of this tax assessments are very low.

12 EVENTS AFTER THE REPORTING PERIOD

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

13 COMPARATIVE INFORMATION

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

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

14 SHARE INFORMATION

14.1 Net Assets Per Share

| As at | 30.09.2021 | 31.12.2020 |
|---|------------|------------|
| Net Assets Per Share (Rs.) | 26.82 | 26.50 |
| Net Asset per Share (Rs.) - Excluding One-off Surplus | 24.69 | 24.37 |

14.2 Market Price Per Share

| For the quarter ended 30 September | 2021 Rs | 2020 Rs |
|---|------------|------------|
| Last traded price (Last trade date - 30th September 2021) | 30.30 | 34.00 |
| Highest traded price per share for the quarter | 32.50 | 37.50 |
| Lowest traded price per share for the quarter | 29.00 | 28.00 |

15 STATED CAPITAL

| As at | 30.09.2021 | 31.12.2020 |
|---------------------------|-------------|-------------|
| Stated Capital (Rs.' 000) | 1,062,500 | 1,062,500 |
| No of Ordinary Shares | 375,000,000 | 375,000,000 |

16 BASIC & DILUTED EARNING PER SHARE (EPS)

| | 30.09.2021 | 30.09.2020 |
|--|-------------|-------------|
| Profit attributable to Ordinary Shareholders (Rs. 000) | 1,410,897 | 536,696 |
| Weighted Average No of shares as at 30 September | 375,000,000 | 375,000,000 |
| Basic / Diluted Earning per share (Rs.) | 3.76 | 1.43 |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

17 TWENTY LARGEST SHAREHOLDERS

| Name of Shareholder | 30.09.2021 | |
|--|--------------------|---------------|
| | No. of Shares | % |
| 1 Softlogic Capital PLC | 193,945,760 | 51.72 |
| 2 Milford Ceylon (pvt) Ltd | 71,250,000 | 19.00 |
| 3 Dalvik Inclusion Private Limited | 71,250,000 | 19.00 |
| 4 Sampath Bank PLC / Dr. T . Senthilverl | 5,000,000 | 1.33 |
| 5 Pershing Llc S/A Averbach Grauson & Co. | 3,282,079 | 0.88 |
| 6 J.B Cocoshell (Pvt) Ltd | 2,108,122 | 0.56 |
| 7 Mr I.S.P Perera | 1,278,032 | 0.34 |
| 8 A.L.F De Mel | 1,000,000 | 0.27 |
| 9 Seylan Bank PLC / Andaradeniya estate (Pvt) Ltd | 1,000,000 | 0.27 |
| 9 Mr. G.C Goonetilleke | 979,765 | 0.26 |
| 10 Amaliya Private Limited | 805,902 | 0.21 |
| 11 Commercial Bank of Ceylon PLC | 750,000 | 0.20 |
| 13 Sanasa General Insurance Company Ltd | 600,000 | 0.16 |
| 14 Deutsche Bank AG- National Equity Fund | 583,318 | 0.16 |
| 15 Phoenix ventures Private Limited | 560,000 | 0.15 |
| 16 Deutsche Bank AG- Capital alliance quantitative equity fund | 525,154 | 0.14 |
| 17 Thread Capital (Private) Limited | 520,183 | 0.14 |
| 18 Seylan Bank PLC/ W.D.N.H.Perera | 515,000 | 0.14 |
| 19 Seylan Bank PLC/ Senthilverl Holding (Pvt) Ltd | 505,370 | 0.13 |
| 20 Keystone Private limited | 500,000 | 0.13 |
| | 356,958,685 | 95.19 |
| Others | 18,041,315 | 4.81 |
| Total | 375,000,000 | 100.00 |

18 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 30 September 2021 was 10.23 % (30 September 2020 - 10.27 %) and a number of public shareholders as at 30 September 2021 was 2,516. (30 September 2020 -1,531).

Float Adjusted Market Capitalisation

Float Adjusted Market Capitalisation is Rs. 1,162,838,250/- as at 30th September 2021.

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 September Name of The Director | 2021 | |
|---|---------------|-----|
| | No. of Shares | % |
| Mr. A. K. Pathirage (Chairman) | Nil | Nil |
| Mr. T. M. I. Ahamed (Managing Director / CEO) | Nil | Nil |
| Mr. H.K.Kaimal - Director | Nil | Nil |
| Ms. Fernanda Lima - Director | Nil | Nil |
| Mr.V. Govindasamy - Director | Nil | Nil |
| Mr. R . Snyders - Director | Nil | Nil |
| Mr. P.L.P. Withana - Director | Nil | Nil |
| Mr. S.W. Mohottala - Director | Nil | Nil |

SOFTLOGIC LIFE INSURANCE PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

20 RELATED PARTY DISCLOSURES

The nature of the related parties in the current period and terms and conditions of transactions with related parties are similar to those reported in the audited Financial Statements for the year ended 31 December 2020.

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 nine months ended 30 September | 2021 | 2020 |
|---|-----------------|-----------------|
| | Rs.' 000 | Rs.' 000 |
| Transactions with the Ultimate Parent & Parent | | |
| Investments | 504,544 | 607,142 |
| Receiving of services | 160,305 | 133,291 |
| Dividend Paid | 484,991 | - |
| Interest Income | 41,516 | 60,890 |
| Net Premiums | 8,209 | 6,858 |
| Transactions with Companies under Common Control | | |
| Investments | 615,398 | 394,659 |
| Purchases of property plant & equipment | 6,366 | 20,023 |
| Dividend received | 11,966 | - |
| Expenses | 107,154 | 53,245 |
| Claims Paid | 16,280 | 6,210 |
| Net Premiums | 142,944 | 150,225 |
| Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM) | Nil | Nil |