

TOP of the LINE

INTERIM FINANCIAL STATEMENTS

For the Period Ended
30th September 2019

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the Nine months ended 30 September		2019	2018	CHANGE
	Note	Rs. ' 000	Rs. ' 000	%
		Audited	Audited	
Gross Written Premium	5	8,969,462	7,129,060	26%
Premiums ceded to Reinsurers		(704,657)	(473,031)	49%
Net Earned Premium		8,264,805	6,656,029	24%
Other Revenue				
Finance Income		913,014	701,431	30%
Net Realized Gains		99,634	134,909	-26%
Net Fair value Gains / (Losses)		123,392	(169,177)	173%
Other Operating Income		5,829	823	608%
		1,141,869	667,986	71%
Total Net Revenue	6	9,406,674	7,324,015	28%
Benefits, Claims and Expenses				
Net Insurance Benefits and Claims		(2,164,296)	(1,729,087)	25%
Change in Insurance Contracts Liabilities		(462,997)	(856,139)	-46%
Underwriting and Net Acquisition Cost		(2,142,976)	(1,510,195)	42%
Other Operating and Administration Expenses		(2,387,185)	(2,213,103)	8%
Impairment of Notional Tax Receivables		-	(149,791)	-100%
Finance Cost		(88,169)	(24,658)	258%
Total Benefits, Losses and Expenses		(7,245,623)	(6,482,973)	12%
Profit Before Taxation	7	2,161,051	841,042	157%
Income Tax Expense	8	(602,387)	2,401,663	100%
Total Profit for the Period		1,558,664	3,242,705	-52%
Profit Attributable To;				
Owners of the Parent		1,558,664	3,242,705	
Non Controlling Interest		-	-	
		1,558,664	3,242,705	-52%
Basic/Diluted Earnings Per Share (Rs.)	16	4.16	8.65	

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	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	1,558,664	3,242,705
	1,558,664	3,242,705
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Equity Investments in FVOCI - net change in fair value	(82,822)	-
Equity Investments in FVOCI - net change in fair value -Life fund	(173,673)	-
	(256,495)	-
Items that are or may be reclassified to profit or loss		
FVOCI financial asset - net change in fair value	10,833	(208,609)
FVOCI financial asset - net change in fair value -Life fund	136,483	(216,116)
FVOCI financial assets reclassified to income statement	18,023	14,363
	165,339	(410,363)
Other Comprehensive Income for the Period	(91,156)	(410,363)
Total comprehensive income for the period	1,467,508	2,832,342
Total comprehensive income attributable to:		
Owners of the Company	1,467,508	2,832,342
Non - controlling interests	-	-
	1,467,508	2,832,342

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	Note	30.9.2019 Rs. ' 000 Audited	31.12.2018 Rs. ' 000 Audited
Assets			
Intangible Assets		559	2,089
Property, Plant and Equipment		1,021,130	619,059
Deferred Tax Asset		2,148,574	2,750,962
Financial Investments	9	13,730,090	12,065,241
Loans to Life Policyholders		200,037	161,001
Reinsurance Receivables		383,876	154,802
Premium Receivables		546,235	507,434
Other Assets		883,701	691,109
Cash and Cash Equivalents		343,256	381,270
Total Assets		19,257,458	17,332,967
Equity and Liabilities			
Equity			
Stated Capital		1,062,500	1,062,500
Retained Earnings		7,169,379	6,275,417
Available for Sale Reserve		(1,491,484)	(1,513,394)
Revaluation Reserve		48,436	48,436
Restricted Regulatory Reserve		798,004	798,004
Total Equity		7,586,835	6,670,963
Liabilities			
Insurance Contract Liabilities	10	9,577,395	9,021,521
Employee Benefits		126,642	107,404
Reinsurance Payable		577,962	320,824
Amounts due to Related Companies		5,424	4,167
Other Liabilities		1,203,076	837,666
Bank Overdraft		180,124	370,422
Total Liabilities		11,670,623	10,662,004
Total Equity and Liabilities		19,257,458	17,332,967
Net Asset per Share		20.23	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 Withanage

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

15th November 2019

Sgd.

Director

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the three months ended 30 September	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited	CHANGE %
Gross Written Premium	3,138,635	2,491,471	26%
Premiums ceded to Reinsurers	(259,656)	(166,775)	56%
Net Earned Premium	2,878,979	2,324,696	24%
Other Revenue			
Finance Income	273,860	235,293	16%
Net Realized Gains	26,017	(5,423)	-580%
Net Fair value Gains / (Losses)	1,707	(42,595)	104%
Other Operating Income	(173)	(1,633)	-89%
	301,411	185,642	62%
Total Net Revenue	3,180,390	2,510,338	27%
Benefits, Claims and Expenses			
Net Insurance Benefits and Claims	(791,291)	(592,716)	34%
Change in Insurance Contracts Liabilities Life Fund	(362,410)	(546,237)	-34%
Underwriting and net Acquisition Cost	(738,062)	(520,656)	42%
Other Operating and Administration Expenses	(784,827)	(773,769)	1%
Impairment of Notional Tax Receivables	-	(149,791)	
Finance Cost	(27,482)	(10,840)	154%
Total Benefits, Losses and Expenses	(2,704,072)	(2,594,009)	4%
Profit Before Taxation	476,318	(83,671)	-669%
Income Tax Expense	(126,329)	2,401,663	100%
Total Profit for the Period	349,989	2,317,992	-85%
Profit Attributable To;			
Owners of the Parent	349,989	2,317,992	
Non Controlling Interest	-	-	
	349,989	2,317,992	-85%
Basic/Diluted Earnings Per Share (Rs.)	0.93	6.18	

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

For the three months ended 30 September	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	349,989	2,317,992
	349,989	2,317,992
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Equity Investments in FVOCI - net change in fair value	73,082	-
Equity Investments in FVOCI - net change in fair value -Life fund	39,090	-
	112,172	-
Items that are or may be reclassified to profit or loss		
FVOCI financial asset - net change in fair value	954	(108,778)
FVOCI financial asset - net change in fair value -Life fund	(5,336)	(91,984)
FVOCI financial assets reclassified to income statement	4,788	3,115
	406	(197,648)
Other Comprehensive Income for the Period	112,578	(197,648)
Total comprehensive income for the period	462,567	2,120,344
Total comprehensive income attributable to:		
Owners of the Company	462,567	2,120,344
Non - controlling interests	-	-
	462,567	2,120,344

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY

For the Nine months ended 30 September	Stated Capital	Retained Earnings	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	-	3,242,705	-	-	-	3,242,705
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	(208,609)	-	-	(208,609)
Available for sale financial asset - net change in fair value - Life fund	-	-	(216,116)	-	-	(216,116)
Available for sale financial assets reclassified to income statement	-	-	14,363	-	-	14,363
Remeasurement of Defined Benefit (liability)/asset	-	-	-	-	-	-
Revaluation of Land and Buildings	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	(410,362)	-	-	(410,362)
Total Comprehensive Income for the period	-	3,242,705	(410,362)	-	-	2,832,343
Balance as at 30 September 2018	1,062,500	6,184,950	(1,375,418)	48,436	798,004	6,718,472
Profit for the Period	-	93,540	-	-	-	93,540
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	10,940	-	-	10,940
Available for sale financial asset - net change in fair value - Life fund	-	-	(152,847)	-	-	(152,847)
Available for sale financial assets reclassified to income statement	-	-	3,931	-	-	3,931
Remeasurement of Defined Benefit (liability)/asset	-	(3,073)	-	-	-	(3,073)
Total Other Comprehensive Income	-	(3,073)	(137,976)	-	-	(141,049)
Total Comprehensive Income for the period	-	90,467	(137,976)	-	-	(47,509)
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	-	1,558,664	-	-	-	1,558,664
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	10,833	-	-	10,833
Available for sale financial asset - net change in fair value - Life fund	-	-	136,483	-	-	136,483
Available for sale financial assets reclassified to income statement	-	-	18,023	-	-	18,023
Equity Investments in FVOCI - net change in fair value	-	-	(82,822)	-	-	(82,822)
Equity Investments in FVOCI - net change in fair value -Life fund	-	-	(173,673)	-	-	(173,673)
Equity Investments in FVOCI - reclassified to retained earnings	-	(100,186)	100,186	-	-	-
Total Other Comprehensive Income	-	(100,186)	9,030	-	-	(91,156)
Total Comprehensive Income for the period	-	1,458,478	9,030	-	-	1,467,508
Transaction with the owners of the Company, recognised directly in equity						
Interim Dividend - 2018	-	(543,750)	-	-	-	(543,750)
Balance as at 30 September 2019	1,062,500	7,169,379	(1,491,484)	48,436	798,004	7,586,835

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CASH FLOWS

For the Nine months ended 30 September

2019	2018
Rs. ' 000	Rs. ' 000
Audited	Audited

Cash Flows Operating Activities

Profit before Taxation	2,161,051	841,042
Adjustments for :		
Depreciation of Property, Plant and Equipments	106,923	84,868
Amortization of Intangible Assets	1,864	4,073
Amortization of Right of Use of Assets	91,638	-
Interest Expense of Lease Creditor	28,881	-
Provision for Employee Benefits	23,432	19,268
Net Realized (Gains)/Losses	(99,635)	(134,909)
Net Fair value (Gains)/Losses	(123,391)	169,177
Net Amortization of Financial Investments	(254,345)	(201,410)
Impairment Reversal of Financial Investments	(2,864)	-
	1,933,553	782,108
Change in Operating Assets	(990,809)	(168,945)
Change in Operating Liabilities	1,150,798	1,007,781
Cashflows from Operating Activities	2,093,542	1,620,944
Gratuity paid	(4,194)	(5,861)
Net Cash Generated from Operating Activities	2,089,348	1,615,083
Cash Flows Investing Activities		
Acquisition of Financial Securities	(19,965,121)	(15,036,974)
Consideration Received from Disposal of Investments	18,681,466	13,359,934
Net Acquisition / Capitalization of of Property, Plant and Equipment	(109,325)	(112,996)
Net Acquisition of of Intangible Assets	(334)	-
Net Cash (used in)/ Generated from Investing Activities	(1,393,314)	(1,790,036)
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	152,284	(174,953)
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	163,132	67,252

Notes to the Cashflow Statement

A. Change in Operating Assets

(Increase) / Decrease in Loans to Life Policyholders	(39,036)	(17,582)
(Increase) / Decrease in Reinsurance Receivables	(229,074)	(62,659)
(Increase) / Decrease in Premium Receivables	(38,801)	(14,381)
(Increase) / Decrease in Receivable and Other Assets	(683,898)	(74,323)
	(990,809)	(168,945)

B. Change in Operating Liabilities

Increase / (Decrease) in Insurance Contract Liabilities	555,874	955,237
Increase / (Decrease) in Reinsurance Payables	257,138	88,777
Increase / (Decrease) in Other Liabilities	337,786	(36,233)
	1,150,798	1,007,781

C. Increase in Cash and Cash Equivalents

Cash and Cash Equivalents	343,256	350,323
Bank overdrafts	(180,124)	(283,071)
Net cash and cash equivalents as at 30 Sep	163,132	67,252
Net cash and cash equivalents as at the Beginning of the period	10,848	242,205
Increase / (Decrease) in Cash and Cash Equivalents	152,284	(174,953)

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

As at	30.9.2019 Rs. ' 000 Audited	31.12.2018 Rs. ' 000 Audited
Assets		
Property, Plant and Equipment	623,196	228,864
Financial Investments	10,062,065	8,944,095
Loans to Life Policyholders	200,037	161,001
Reinsurance Receivables	383,876	154,802
Premium Receivables	546,235	507,434
Other Assets	725,019	594,724
Cash and Cash Equivalents	341,594	380,143
Total Assets	12,882,022	10,971,063
Equity and Liabilities		
Equity		
Other Reserves	(567,104)	(660,920)
Revaluation Reserve	48,436	48,436
Total Equity	(518,668)	(612,484)
Liabilities		
Insurance Contract Liabilities	9,577,395	9,021,521
Employee Benefits	126,642	107,404
Reinsurance Payable	577,962	320,824
Amounts due to Related Companies	20,738	15,408
Other Liabilities	2,917,829	1,747,968
Bank Overdraft	180,124	370,422
Total Liabilities	13,400,690	11,583,547
Total Equity and Liabilities	12,882,022	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 nine months ended 30 September 2019 were authorised for issue by the Board of Directors on 15th November 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 September 2019 are audited .

5 GROSS WRITTEN PREMIUM

For the Nine months ended 30 September	2019 Rs.' 000 Audited	2018 Rs.' 000 Audited
First Year Premium	2,421,471	2,104,438
Renewal Premium	4,536,654	3,801,849
Group Life Premium	990,997	465,005
Single Premium	1,020,340	757,768
Total Life Insurance Gross Written Premium	8,969,462	7,129,060

6 TOTAL NET REVENUE

For the Nine months ended 30 September	2019 Rs.' 000 Audited	2018 Rs.' 000 Audited
Net Earned Premium	8,264,805	6,656,029
Other Income	1,141,869	667,986
Net Revenue	9,406,674	7,324,015

7 PROFIT BEFORE TAXATION

For the Nine months ended 30 September	2019 Rs.' 000 Audited	2018 Rs.' 000 Audited
Profit Before Taxation	2,161,051	841,042
Total	2,161,051	841,042

For the period ended 30 September 2019 the Company has transferred a surplus of Rs. 1,933 Mn from Non participating Fund to Shareholder fund.(2018- Rs. 851 Mn).

8 INCOME TAX EXPENSE

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 Nine months ended 30 September

	2019 Rs.' 000 Audited	2018 Rs.' 000 Audited
Tax Recognised in Income Statement		
Taxable Income	2,151,382	338,834
Utilisation of Tax credit on Brought Forward Tax Losses	(2,151,382)	(338,834)
Income Tax Expense for the Year	-	-
Deferred Income Tax		
Origination of Deferred Tax Assets (Net)	-	2,496,537
Reversal of Deferred Tax Asset on Utilisation of b/f Tax losses	(602,387)	(94,874)
Net Deferred Tax	(602,387)	2,401,663
Net Income Tax Expense	(602,387)	2,401,663

9 FINANCIAL INVESTMENTS

As at

	Sep-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
Amortised Cost (AC)/ Held to Maturity (HTM) Note 9.1	246,306	245,115
Amortised Cost (AC) / Loans and Receivables (L & R) Note 9.2	5,621,000	5,614,236
Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS) Note 9.3	3,626,137	4,394,870
Fair Value Through Profit or Loss (FVTPL) Note 9.4	4,236,647	1,811,020
Total Financial Investments	13,730,090	12,065,241

As at

	Sep-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
9.1 Amortised Cost (AC) / Held to Maturity (HTM)		
Treasury Bonds	246,306	245,115
	246,306	245,115
9.2 Amortised Cost (AC) / Loans and Receivables (L & R)		
Debt Securities - Bank Deposits Note 9.2.a	423,369	1,803,160
- Commercial Papers Note 9.2.b	1,061,034	656,794
Debt Securities -Debentures		
- Quoted	4,011,597	2,635,728
Overnight Reverse Repo	125,000	518,554
	5,621,000	5,614,236
9.2.a Bank Deposits		
Licensed Commercial Banks	269,091	1,662,721
Licensed Specialized Banks	154,278	140,439
	423,369	1,803,160
9.2.b Commercial Papers		
First Capital Holdings PLC	330,517	224,382
Lanka Orix Leasing Company PLC	730,517	432,412
	1,061,034	656,794
9.3 Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS)		
Equity Securities		
- Quoted	1,551,633	1,427,100
- Un Quoted	369,700	369,700
Treasury Bonds	1,704,804	2,598,070
	3,626,137	4,394,870
9.4 Fair Value Through Profit or Loss (FVTPL)		
Equity Securities	181,020	655,423
Treasury Bonds	2,147,100	221,584
Unit Trust	1,908,527	934,013
	4,236,647	1,811,020

10 INSURANCE CONTRACT LIABILITIES

As at		Jun-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
Insurance Contract Liabilities		8,005,610	7,556,032
Surplus Created due to Change in Valuation method from NPV to GPV	Note 10.1 & 10.2	1,056,535	1,056,535
Claim Payables/Unclaimed Benefits		515,250	408,954
		9,577,395	9,021,521

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 September 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 September 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 September 2019

		Face Value Rs.	Market Value as at 30 September 2019 Rs. '000
Government Securities			
Treasury Bond	LKB03044A010	100,000,000	123,832
	LKB01534I155	50,000,000	47,869
	LKB01534I155	50,000,000	47,869
	LKB01534I155	50,000,000	47,869
	LKB01027F156	100,000,000	109,677
Repo			5,000
Deposits			
Seylan Bank PLC			154,278
Seylan Bank PLC			114,787
National Savings Bank			102,852
Regional Development Bank			51,426
Total Market Value of the Assets			805,460

10 INSURANCE CONTRACT LIABILITIES (Cont.)

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

The valuation of life insurance fund as at 30 September 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. 387 million to transfer from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund as surplus transfer for the quarter ended 30 September 2019 further to surplus declared for previous quaters of Rs. 1,546 million (2018- Rs. 851 million) .The Financial Statements as at 30th September 2019 were audited by Messrs. KPMG.

	Participating Fund	Non-Participating Fund	Total
	Rs. '000	Rs. '000	Rs. '000
Insurance Contract Liabilities	5,148,696	2,856,914	8,005,610
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	-	1,056,535
Total Life Fund	6,205,231	2,856,914	9,062,145

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. 66 million.

11.2 Contingencies

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

Assessment in Respect of Value Added Tax (VAT)

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 favour of Commissioner General of Inland Revenue amounting to Rs. 46.5 Million including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs. 24.8 Million including the penalty.

The Company transmitted this 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 Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 million including the penalty.

The Company has been issued with an assessment by the Department of Inland Revenue on 10 March 2016 under the Value Added Tax Act, in relation to the quarter ending 31 March 2014 for Rs. 57.4 Million.

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 determination.

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

The Company has been issued with an assessment by the Department of Inland Revenue on 08 August 2019 under the Nation Building Tax Act, in relation to the taxable period ending 31 December 2016 amounting to Rs. 4.3 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 20 September 2019 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.

Life Insurance Taxation

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 Honourable Court of Appeal. The Company is awaiting the hearing from the 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, 2012/13 and 2014/15 amounting to Rs. 73.1 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, 2015/16, 2016/17 and 2017/18, assessing the life insurance business to pay an income tax liability of 669 Million along with penalty (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

	30.09.2019	31.12.2018
Net Assets Per Share (Rs)	20.23	17.79
Market Price Per Share		
Last traded price as at 30 September 2019	39.40	
Highest traded price per share for the Quarter (June-Sep)	44.80	
Lowest traded price per share for the Quarter (June-Sep)	32.30	

15 STATED CAPITAL

As at	30.09.2019 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)

	30.09.2019	31.12.2018
Profit attributable to Ordinary Shareholders (Rs. 000)	1,558,664	3,242,705
Weighted Average No of shares as at 30 September	375,000,000	375,000,000
Basic/Diluted Earning per share (Rs.)	4.16	8.65

17 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	30.09.2019	
	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	24,939,288	6.65
5 Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
6 SsbT-Global Macro Capital Opportunities Portfolio	2,305,000	0.61
7 Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
8 Mr. Ananda Rajapaksha Rathnayaka Sarath	861,255	0.23
9 Amaliya Private Limited	449,633	0.12
10 J.B. Cocoshell (Pvt) Ltd	373,357	0.10
11 Mr.Mather Sujendra Ranjanan	300,000	0.08
12 Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
13 Softlogic Holdings Plc	175,550	0.05
14 Hsbc Bank Plc-Mckinley Capital Measa Fund Oeic Limited	168,331	0.04
15 Mr. Raheem Tuan Faizal	160,000	0.04
16 Mr. Rambukwella Ravindra Earl	151,265	0.04
17 Elgin Investments Limited	150,000	0.04
18 Mr Elankumaran Sarvananthan	120,000	0.03
19 People's Merchant Finance Plc/P.T.S De Silva	115,871	0.03
20 Mr Perera Illangage Shantha Prasad	110,000	0.03
Others	371,092,389	98.96
Total	375,000,000	100.00

18 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 30 September 2019 was 10.27 % (31 December 2018 - 10.27 %) and a number of public shareholders as at 30 September 2019 was 1,245. (31 December 2018 - 1,135) .

Float Adjusted Market Capitalisation

As at 30th September 2019 the Float Adjusted Market Capitalisation is Rs. 1,517,392,500/-

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	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

* Retired w.e.f. 25th October 2019

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 Nine months ended 30 September

	2019 Rs.' 000	2018 Rs.' 000
Transactions with the Ultimate Parent & Parent		
Receiving of services	75,469	67,562
Expenses	724	763
Dividend Paid	270,127	-
GWP	6,004	-
Claims Paid	2	-
Advances	28,265	-
Transactions with Companies under Common Control		
Investments	391,575	247,234
Insurance Premiums	-	1,008
Purchases of property plant & equipment	24,614	31,566
Dividend received	11,646	3,574
Expenses	82,884	86,175
Claims Paid	5,792	5,000
GWP	97,995	-
Transactions with other Related Entities		
Investments	10,182	-
Expenses	-	7
Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)		
Insurance Premiums	-	908
Professional Charges	656	-

20.2 Resignation of Board of Directors

Mr. J. H. Paul Ratnayake who served as Deputy Chairman of the Company has resigned from the Board of Directors of the Company w.e.f. 25th October 2019 upon reaching of 70 years.