

TOP of the LINE

INTERIM FINANCIAL STATEMENTS

For the Period Ended
31st December 2019

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the year ended 31 December		2019	2018	CHANGE
	Note	Rs. ' 000	Rs. ' 000	%
		Audited	Audited	
Gross Written Premium	5	12,531,283	10,005,733	25%
Premiums ceded to Reinsurers		(991,455)	(726,558)	36%
Net Earned Premium		11,539,828	9,279,175	24%
Other Revenue				
Finance Income		1,218,776	954,253	28%
Net Realized Gains		124,236	96,073	29%
Net Fair value Gains / (Losses)		231,597	(97,996)	336%
Other Operating Income		9,505	1,053	803%
		1,584,114	953,383	66%
Total Net Revenue	6	13,123,942	10,232,558	28%
Benefits, Claims and Expenses				
Net Insurance Benefits and Claims		(2,996,112)	(2,339,004)	28%
Change in Insurance Contracts Liabilities Life Fund		(1,169,696)	(1,500,589)	-22%
Underwriting and Net Acquisition Cost		(2,968,714)	(2,044,220)	45%
Other Operating and Administration Expenses		(3,267,564)	(3,187,482)	3%
Finance Cost		(118,299)	(66,501)	78%
Total Benefits, Losses and Expenses		(10,520,385)	(9,137,796)	15%
Profit Before Taxation	7	2,603,557	1,094,762	138%
Income Tax Expense	8	(430,714)	2,241,483	-119%
Total Profit for the Period		2,172,843	3,336,245	-35%
Profit Attributable To;				
Owners of the Parent		2,172,843	3,336,245	
Non Controlling Interest		-	-	
		2,172,843	3,336,245	
Basic/Diluted Earnings Per Share (Rs.)	16	5.79	8.90	

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 year ended 31 December	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	2,172,843	3,336,245
	2,172,843	3,336,245
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Revaluation of Land and Buildings	44,273	-
Remeasurement of defined benefit (liability)/asset	(17,084)	(3,073)
Equity Investments in FVOCI - net change in fair value	(128,666)	-
Equity Investments in FVOCI - net change in fair value -Life fund	(195,536)	-
	(297,013)	(3,073)
Items that are or may be reclassified to profit or loss		
FVOCI financial asset - net change in fair value	14,509	(197,669)
FVOCI financial asset - net change in fair value -Life fund	186,732	(368,963)
FVOCI financial assets reclassified to income statement	22,521	18,294
	223,762	(548,338)
Total Other Comprehensive Income	(73,251)	(551,411)
Total Comprehensive Income for the period	2,099,592	2,784,834
Total comprehensive income attributable to:		
Owners of the Company	2,099,592	2,784,834
Non - controlling interests	-	-
	2,099,592	2,784,834

SOFTLOGIC LIFE INSURANCE PLC
INCOME STATEMENT

For the three months ended 31 December				
	Note	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited	CHANGE %
Gross Written Premium		3,561,821	2,876,673	24%
Premiums ceded to Reinsurers		(286,798)	(253,527)	13%
Net Earned Premium		3,275,023	2,623,146	25%
Other Revenue				
Finance Income		305,762	252,822	21%
Net Realized Gains		24,602	(38,836)	-163%
Net Fair value (Losses)/Gains		108,205	71,181	-52%
Other Operating Income		3,676	230	-1498%
		442,245	285,397	55%
Total Net Revenue		3,717,268	2,908,543	28%
Benefits, Claims and Expenses				
Net Insurance Benefits and Claims		(831,816)	(609,917)	36%
Increase in Life Fund		(706,699)	(644,450)	10%
Underwriting and net Acquisition Cost		(825,738)	(534,025)	55%
Other Operating and Administration Expenses		(880,379)	(824,588)	7%
Finance Cost		(30,130)	(41,843)	-28%
Total Benefits, Losses and Expenses		(3,274,762)	(2,654,823)	23%
Profit Before Taxation		442,506	253,720	74%
Income Tax Reversal/(Expense)		171,673	(160,180)	100%
Total Profit for the Period		614,179	93,540	557%
Profit Attributable To;				
Owners of the Parent		614,179	93,540	
Non Controlling Interest		-	-	
		614,179	93,540	557%
Basic/Diluted Earnings Per Share (Rs.)		1.64	0.25	

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 31 December	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Profit for the Period	614,179	93,540
	614,179	93,540
<u>Other Comprehensive Income</u>		
Items that will not be reclassified to Income Statement		
Revaluation of Land and Buildings	44,273	-
Remeasurement of defined benefit (liability)/asset	(17,084)	(3,073)
Equity Investments in FVOCI - net change in fair value	(45,844)	-
Equity Investments in FVOCI - net change in fair value -Life fund	(21,863)	-
	(40,517)	(3,073)
Items that are or may be reclassified to profit or loss		
Available for sale financial asset - net change in fair value	3,676	10,940
Available for sale financial asset - net change in fair value -Life fund	50,249	(152,847)
Available for sale financial assets reclassified to income statement	4,498	3,931
	58,423	(137,976)
Other Comprehensive Income from , net of tax	17,906	(141,049)
Total comprehensive income for the period	632,085	(47,509)
Total comprehensive income attributable to:		
Owners of the Company	632,085	(47,509)
Non - controlling interests	-	-
	632,085	(47,509)

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	Note	31.12.2019 Rs. ' 000 Audited	31.12.2018 Rs. ' 000 Audited
Assets			
Intangible Assets		444	2,089
Property, Plant and Equipment		1,083,512	619,059
Deferred Tax Asset		2,230,768	2,750,962
Financial Investments	9	14,910,744	12,065,241
Loans to Life Policyholders		224,672	161,001
Reinsurance Receivables		188,131	154,802
Premium Receivables		743,549	507,434
Other Assets		923,961	691,109
Cash and Cash Equivalents		377,093	381,270
Total Assets		20,682,874	17,332,967
Equity and Liabilities			
Equity			
Stated Capital		1,062,500	1,062,500
Retained Earnings		7,764,216	6,275,417
Available for Sale Reserve		(1,498,510)	(1,513,394)
Revaluation Reserve		92,709	48,436
Restricted Regulatory Reserve		798,004	798,004
Total Equity		8,218,919	6,670,963
Liabilities			
Insurance Contract Liabilities	10	10,377,102	9,021,521
Employee Benefits		151,027	107,404
Reinsurance Payable		428,557	320,824
Other Liabilities		1,330,998	841,833
Bank Overdraft		176,271	370,422
Total Liabilities		12,463,955	10,662,004
Total Equity and Liabilities		20,682,874	17,332,967
Net Asset per Share		21.92	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
13th February 2020

Sgd.

Director

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CHANGES IN EQUITY

For the Twelve months ended 31 December	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	-	3,336,245	-	-	-	3,336,245
Other Comprehensive Income for the Period						
Available for sale financial asset -net change in fair value	-	-	(197,669)	-	-	(197,669)
Available for sale financial asset - net change in fair value - Life fund	-	-	(368,963)	-	-	(368,963)
Available for sale financial assets reclassified to income statement	-	-	18,294	-	-	18,294
Remeasurement of Defined Benefit (liability)/asset	-	(3,073)	-	-	-	(3,073)
Revaluation of Land and Buildings	-	-	-	-	-	-
Total Other Comprehensive Income	-	(3,073)	(548,338)	-	-	(551,411)
Total Comprehensive Income for the period	-	3,333,172	(548,338)	-	-	2,784,834
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 year	-	2,172,843	-	-	-	2,172,843
Other Comprehensive Income for the year						
Available for sale financial asset -net change in fair value	-	-	14,509	-	-	14,509
Available for sale financial asset - net change in fair value - Life fund	-	-	186,732	-	-	186,732
Available for sale financial assets reclassified to income statement	-	-	22,521	-	-	22,521
Equity Investments in FVOCI - net change in fair value	-	-	(128,666)	-	-	(128,666)
Equity Investments in FVOCI - net change in fair value -Life fund	-	-	(195,536)	-	-	(195,536)
Equity Investments in FVOCI - reclassified to retained earnings	-	(102,444)	102,444	-	-	-
Remeasurement of Defined Benefit (Liability) / Asset	-	(17,084)	-	-	-	(17,084)
Revaluation of Land and Buildings	-	-	-	44,273	-	44,273
Total Other Comprehensive Income	-	(119,528)	2,004	44,273	-	(73,251)
Total Comprehensive Income for the year	-	2,053,315	2,004	44,273	-	2,099,592
Transaction with the owners of the Company, recognised directly in equity						
Interim Dividend - 2018	-	(543,750)	-	-	-	(543,750)
Balance as at 31 December 2019	1,062,500	7,764,216	(1,498,510)	92,709	798,004	8,218,919

SOFTLOGIC LIFE INSURANCE PLC
STATEMENT OF CASH FLOWS

For the year ended 31 December	2019 Rs. ' 000 Audited	2018 Rs. ' 000 Audited
Cash Flows Operating Activities		
Profit before Taxation	2,603,557	1,094,762
Adjustments for :		
Depreciation of Property, Plant and Equipments	142,104	115,375
Amortization of Intangible Assets	2,277	5,056
Amortization of Right of Use of Assets	127,115	-
Interest Expense of Lease Creditor	57,625	469
Provision for Employee Benefits	32,710	26,522
Net Realized (Gains)/Losses	(124,237)	(96,073)
Net Fair value (Gains)/Losses	(231,597)	97,996
Net Amortization of Financial Investments	(397,943)	(271,614)
Impairment on Receivable of Disposal of Subsidiary	-	105,763
Impairment Reversal of Financial Investments	15,147	-
	2,226,757	1,078,256
Change in Operating Assets	(476,488)	(549,425)
Change in Operating Liabilities	1,894,854	1,754,825
Cashflows from Operating Activities	3,645,123	2,283,656
Gratuity paid	(6,052)	(8,884)
Net Cash Generated from Operating Activities	3,639,071	2,274,772
Cash Flows Investing Activities		
Acquisition of Financial Securities	(10,872,562)	(19,188,609)
Consideration Received from Disposal of Investments	8,657,245	16,839,209
Net Acquisition / Capitalization of of Property, Plant and Equipment	(689,398)	(156,729)
Net Acquisition of of Intangible Assets	(632)	-
Net Cash (used in) / Generated from Investing Activities	(2,905,347)	(2,506,129)
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	189,974	(231,357)
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	200,822	10,848
Notes to the Cashflow Statement		
A. Change in Operating Assets		
(Increase) / Decrease in Loans to Life Policyholders	(63,671)	(20,616)
(Increase) / Decrease in Reinsurance Receivables	(33,329)	(5,254)
(Increase) / Decrease in Premium Receivables	(236,115)	(216,613)
(Increase) / Decrease in Receivable and Other Assets	(143,373)	(306,942)
	(476,488)	(549,425)
B. Change in Operating Liabilities		
Increase / (Decrease) in Insurance Contract Liabilities	1,355,581	1,582,929
Increase / (Decrease) in Reinsurance Payables	107,733	84,559
Increase / (Decrease) in Other Liabilities	431,540	87,337
	1,894,854	1,754,825
C. Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents	377,093	381,270
Bank overdrafts	(176,271)	(370,422)
Net cash and cash equivalents as at 31 December	200,822	10,848
Net cash and cash equivalents as at the Beginning of the period	10,848	242,205
Increase / (Decrease) in Cash and Cash Equivalents	189,974	(231,357)

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

As at	31.12.2019	31.12.2018
	Rs. ' 000	Rs. ' 000
	Audited	Audited
Assets		
Property, Plant and Equipment	674,044	228,864
Financial Investments	10,328,503	8,944,095
Loans to Life Policyholders	224,672	161,001
Reinsurance Receivables	188,131	154,802
Premium Receivables	743,549	507,434
Other Assets	688,969	594,724
Cash and Cash Equivalents	375,778	380,143
Total Assets	13,223,646	10,971,063
Equity and Liabilities		
Equity		
Other Reserves	(549,117)	(660,920)
Revaluation Reserve	92,709	48,436
Total Equity	(456,408)	(612,484)
Liabilities		
Insurance Contract Liabilities	10,377,102	9,021,521
Employee Benefits	151,027	107,404
Reinsurance Payable	428,557	320,824
Amounts due to Related Companies	8,830	15,408
Other Liabilities	2,538,267	1,747,968
Bank Overdraft	176,271	370,422
Total Liabilities	13,680,054	11,583,547
Total Equity and Liabilities	13,223,646	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 Level 16, One Galle Face Tower, Colombo 02. 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 twelve months ended 31 December 2019 were authorised for issue by the Board of Directors on 13 February 2020.

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

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 31 December 2019 are audited .

5 GROSS WRITTEN PREMIUM

For the Twelve months ended 31 December	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
First Year Premium	3,304,143	2,562,881
Renewal Premium	6,226,789	5,187,672
Group Life Premium	1,483,213	851,499
Single Premium	1,517,138	1,403,681
Total Life Insurance Gross Written Premium	12,531,283	10,005,733

6 TOTAL NET REVENUE

For the Twelve months ended 31 December	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
Net Earned Premium	11,539,828	9,279,175
Other Income	1,584,114	953,383
Net Revenue	13,123,942	10,232,558

7 PROFIT BEFORE TAXATION

For the Twelve months ended 31 December	2019	2018
	Rs.' 000	Rs.' 000
	Audited	Audited
Profit Before Taxation	2,603,557	1,094,762
Total	2,603,557	1,094,762

For the period ended 31 December 2019 the Company has transferred a surplus of Rs. 2,279 Mn from Non participating Fund to Shareholder fund.(2018- Rs. 1,051 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 Twelve months ended 31 December

	2019	2018
	Rs. '000	Rs. '000
	Audited	Audited
Tax Recognised in Income Statement		
Current Tax Expense		
Income Tax on Current Year Profit	-	-
Notional Tax (Written Back)/Written Off - Shareholder Fund	(89,479)	89,479
	(89,479)	89,479
Deferred Income Tax		
Origination of Deferred Tax Assets (Net)	(204,969)	(2,496,536)
Reversal of Deferred Tax Asset	725,162	165,574
Net Deferred Tax	520,193	(2,330,962)
Net Income Tax Expense	430,714	(2,241,483)

9 FINANCIAL INVESTMENTS

As at

		Dec-2019	Dec-2018
		Rs. '000	Rs. '000
		Audited	Audited
Amortised Cost (AC)/ Held to Maturity (HTM)	Note 9.1	252,029	245,115
Amortised Cost (AC) / Loans and Receivables (L & R)	Note 9.2	6,317,561	5,614,236
Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS)	Note 9.3	3,644,795	4,394,870
Fair Value Through Profit or Loss (FVTPL)	Note 9.4	4,696,359	1,811,020
Total Financial Investments		14,910,744	12,065,241

As at

		Dec-2019	Dec-2018
		Rs. '000	Rs. '000
		Audited	Audited
9.1 Amortised Cost (AC) / Held to Maturity (HTM)			
Treasury Bonds		252,029	245,115
		252,029	238,803
9.2 Amortised Cost (AC) / Loans and Receivables (L & R)			
Debt Securities - Bank Deposits	Note 9.2.a	445,123	1,803,160
- Commercial Papers	Note 9.2.b	1,098,987	656,794
Debt Securities -Debentures		4,502,647	2,635,728
- Quoted		270,804	518,554
Overnight Reverse Repo		6,317,561	5,614,236
9.2.a Bank Deposits			
Licensed Commercial Banks		286,559	1,662,721
Licensed Specialized Banks		158,564	140,439
		445,123	1,803,160
9.2.b Commercial Papers			
First Capital Holdings PLC		342,131	224,382
Lanka Orix Leasing Company PLC		756,856	432,412
		1,098,987	656,794
9.3 Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS)			
Equity Securities			
- Quoted		1,569,656	1,427,100
- Un Quoted		303,506	369,700
Treasury Bonds		1,771,633	2,598,070
		3,644,795	4,394,870
9.4 Fair Value Through Profit or Loss (FVTPL)			
Equity Securities		475,837	655,423
Treasury Bonds		2,188,847	221,584
Unit Trust		2,031,675	934,013
		4,696,359	1,811,020

10 INSURANCE CONTRACT LIABILITIES

As at		Dec-2019 Rs. '000 Audited	Dec-2018 Rs. '000 Audited
Insurance Contract Liabilities		8,682,545	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		638,022	408,954
		10,377,102	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 31 December 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 31 December 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 31 December 2019

		Face Value Rs.	Market Value as at 31 December 2019 Rs. '000
Government Securities			
Treasury Bond	LKB03044A010	100,000,000	131,412
	LKB01534I155	50,000,000	51,325
	LKB01534I155	50,000,000	51,325
	LKB01534I155	50,000,000	51,325
	LKB01528E016	50,000,000	47,557
	LKB01534I155	50,000,000	51,325
Deposits			
	Seylan Bank PLC		286,533
	National Savings Bank		105,718
	Regional Development Bank		52,846
Total Market Value of the Assets			829,366

10 INSURANCE CONTRACT LIABILITIES (Cont.)

10.4 Valuation of Life Insurance Fund - (Zeroed Basis of Negative Liabilities- Product Level) as at 31 December 2019

The valuation of life insurance fund as at 31 Decemebr 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. 346 million to transfer from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund as surplus transfer for the period ended 31 December 2019 in addition to the surplus transfer for the quarter ended 31 March 2019 ,quarter ended 30 June 2019 and quarter ended 30 September 2019 of Rs 928 million ,Rs 618 million and Rs.387 million respectively.The Financial Statements as at 31st December 2019 were audited by Messrs, KPMG.

	Participating Fund	Non-Participating Fund	Total
	Rs. '000	Rs. '000	Rs. '000
Insurance Contract Liabilities	5,274,327	3,408,218	8,682,545
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	-	1,056,535
Total Life Fund	6,330,862	3,408,218	9,739,080

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

Liability Adequacy Test (LAT) in respect of the Insurance Contarct Liabilities as required by SLFRS 4 - Insurance Contarcts as at 31 December 2019 was carried out and no additional provision is required.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

11.1 Capital Commitments

The capital commitments approved and contracted as at the reporting date were Rs. 32 million.

11.2 Contingencies

The Contingent Liability of the Company as at 31 December 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 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 Honourable 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 Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 24.8 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 Value Added Tax on Financial Services (VAT on FS)

The Company has been issued with assessments by the Department of Inland Revenue on 10 July 2018 and 06 August 2019 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2014 and 31 December 2016 amounting to Rs. 68.7 Million and 28 Million respectively.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 24 August 2018 and 27 September 2019 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.

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 and 30 December 2019 under the Nation Building Tax Act, in relation to the taxable period ending 31 December 2016 and 31 December 2017 amounting to Rs. 4.3 Million and Rs. 13.7 Million respectively.

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

Life Insurance Taxation

The Tax Appeals Commission issued it's 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 it's 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 assessments 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 709.4 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.

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

	31.12.2019	31.12.2018
Net Assets Per Share (Rs)	21.92	17.79
Market Price Per Share		
Last traded price as at 31 December 2019	37.50	
Highest traded price per share for the Quarter (Sep -Dec)	42.80	
Lowest traded price per share for the Quarter (Sep-Dec)	37.00	

15 STATED CAPITAL

As at	31.12.2019 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)

	31.12.2019	31.12.2018
Profit attributable to Ordinary Shareholders (Rs. 000)	2,172,843	3,336,245
Weighted Average No of shares as at 31 December	375,000,000	375,000,000
Basic/Diluted Earning per share (Rs.)	5.79	8.90

17 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	31.12.2019	
	No. of Shares	%
1 Softlogic Capital Plc	193,800,760	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	23,874,288	6.83
5 Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
6 SsbT-Global Macro Capital Opportunities Portfolio	2,200,000	0.67
7 Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
8 Mr. Ananda Rajapaksha Rathnayaka Sarath	861,255	0.22
9 Amaliya Private Limited	805,902	0.13
10 Mr.Mather Sujendra Ranjanan	220,000	0.05
11 Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
12 Softlogic Holdings Plc	175,550	0.04
13 Hsbc Bank Plc-Mckinley Capital Measa Fund Oeic Limited	168,331	0.04
14 Mr. Rambukwella Ravindra Earl	157,000	0.04
15 J.B. Cocoshell (Pvt) Ltd	156,446	0.03
16 Mr Perera Illangage Shantha Prasad	151,000	0.03
17 Elgin Investments Limited	150,000	0.03
18 Mr Elankumaran Sarvananthan	130,000	0.03
19 People's Merchant Finance Plc/P.T.S De Silva	116,371	0.03
20 Mr.Mirando Jude Rory Mathes	107,471	0.02
Others	369,966,453	99.04
Total	375,000,000	100.00

18 PUBLIC SHAREHOLDING

The percentage of shares held by the public as at 31 December 2019 was 10.27 % (31 December 2018 - 10.27 %) and a number of public shareholders as at 31 December 2019 was 1,342. (31 December 2018 - 1,135) .

Float Adjusted Market Capitalisation

As at 31st December 2019 the Float Adjusted Market Capitalisation is Rs. 1,444,218,750/-

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 31 December Name of The Director	2019	
	No of Shares	%
Mr. A. K. Pathirage (Chairman)	Nil	Nil
Mr. S. Rajapakse- Director (Deputy Chairman)	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	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 (Resigned w.e.f 16th January 2020)	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 Twelve months ended 31 December

	2019 Rs.' 000	2018 Rs.' 000
Transactions with the Ultimate Parent & Parent		
Investments	100,477	-
Receiving of services	103,199	91,135
Expenses	724	763
Dividend Paid	270,127	-
GWP	6,181	-
Claims Paid	2	-
Advances	28,265	-
Transactions with Companies under Common Control		
Investments	391,575	242,480
Insurance Premiums	-	27,015
Purchases of property plant & equipment	26,681	44,489
Dividend received	11,646	3,574
Expenses	121,091	123,541
Claims Paid	5,792	5,000
GWP	133,386	-
Transactions with other Related Entities		
Investments	10,182	-
Expenses	-	7
Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)		
Insurance Premiums	-	4,867
Professional Charges	656	797

20.2 Appointment and Resignation of Directors to the Board

Following Directors have been appointed and Resigned.

Name	Directorship	Appointment Date	Resignation Date
Mr. Visvanathamoorthy Govindasamy	Independent Non Executive Director	16th January 2020*	-
Mr. Raimund Synders	Non Executive Director	5th February 2020*	-
Mr. Rudiger Will	Independent Non Executive Director	-	16th January 2019

* Subject to obtaining approval from Insurance Regulatory Commission of Sri Lanka