

# futuring



SOFTLOGIC LIFE INSURANCE PLC

INTERIM FINANCIAL STATEMENTS - FOR THE PERIOD ENDED 31ST MARCH 2022

**SOFTLOGIC LIFE INSURANCE PLC**  
**INCOME STATEMENT**

For the three months ended 31 March	Note	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited	Change %
Gross written premiums	<b>5</b>	5,803,596	4,761,243	22
Premiums ceded to reinsurers		(512,526)	(440,391)	16
<b>Net written premiums</b>		<b>5,291,070</b>	<b>4,320,852</b>	<b>22</b>
<b>Other revenue</b>				
Net finance income		737,325	575,408	28
Net realised gains / (losses)		(26,798)	82,718	(132)
Net fair value losses		(127,377)	(11,533)	1,004
Other operating income		2,755	958	188
<b>Total other revenue</b>		<b>585,905</b>	<b>647,551</b>	<b>(10)</b>
<b>Total net revenue</b>	<b>6</b>	<b>5,876,975</b>	<b>4,968,403</b>	<b>18</b>
<b>Net benefits, claims and expenses</b>				
Net insurance benefits and claims paid		(1,724,312)	(1,199,388)	44
Net change in insurance claims outstanding		(27,701)	2,883	(1,061)
Change in insurance contracts liabilities		(1,695,599)	(1,125,175)	51
Underwriting and net acquisition cost (Net of reinsurance)		(1,329,438)	(1,055,840)	26
Other operating and administration expenses		(1,733,487)	(868,106)	100
Finance (cost) / Gains	<b>7</b>	1,353,414	94,957	1,325
<b>Total benefits, claims and expenses</b>		<b>(5,157,123)</b>	<b>(4,150,669)</b>	<b>24</b>
<b>Profit before tax</b>	<b>8</b>	<b>719,852</b>	<b>817,734</b>	<b>(12)</b>
Income tax expenses	<b>9</b>	(218,086)	(401,532)	(46)
<b>Profit for the period</b>		<b>501,766</b>	<b>416,202</b>	<b>21</b>
<b>Profit attributable to;</b>				
Owners of the Company		501,766	416,202	
Non controlling interest		-	-	
		<b>501,766</b>	<b>416,202</b>	<b>21</b>
<b>Earnings per share</b>				
Basic earnings per share (Rs.)	<b>17</b>	1.34	1.11	21
Diluted earnings per share (Rs.)	<b>17</b>	1.34	1.11	21

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 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited	Change %
Profit for the period	501,766	416,202	21
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to income statement</b>			
Equity investments at FVOCI - net change in fair value	(190,321)	23,271	
Equity investments at FVOCI - net change in fair value - Life fund	(31,121)	(134,806)	
Related tax / deferred tax	-	-	
	<b>(221,442)</b>	<b>(111,535)</b>	99
<b>Items that are or may be reclassified subsequently to income statement</b>			
Debt investments at FVOCI - net change in fair value	(28,265)	(7,799)	
Debt investments at FVOCI - net change in fair value - Life fund	(235,410)	(53,657)	
Debt investments at FVOCI - reclassified to income statement	185	3,378	
Related tax / deferred tax	-	-	
	<b>(263,490)</b>	<b>(58,078)</b>	354
<b>Total other comprehensive income for the period, net of tax</b>	<b>(484,932)</b>	<b>(169,613)</b>	186
<b>Total comprehensive income for the period, net of tax</b>	<b>16,834</b>	<b>246,589</b>	(93)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	16,834	246,589	
Non - controlling interests	-	-	
	<b>16,834</b>	<b>246,589</b>	(93)

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

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF FINANCIAL POSITION**

As at	Note	31.03.2022 Rs. ' 000 Audited	31.12.2021 Rs. ' 000 Audited
<b>Assets</b>			
Intangible assets		1,265	1,356
Property, plant and equipment		603,330	617,745
Right of use assets		569,072	616,417
Deferred tax assets		440,292	675,164
Financial investments	<b>10</b>	36,679,479	34,217,429
Loans to life policyholders		224,191	224,198
Reinsurance receivables		412,529	231,587
Premium receivables		1,181,973	983,657
Receivables and other assets		1,271,431	993,325
Cash and cash equivalents		660,158	696,920
<b>Total assets</b>		<b>42,043,720</b>	<b>39,257,798</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital		1,062,500	1,062,500
Retained earnings		9,905,350	10,453,584
Restricted regulatory reserve		798,004	798,004
Other reserves		(2,210,590)	(1,725,658)
<b>Total equity</b>		<b>9,555,264</b>	<b>10,588,430</b>
<b>Liabilities</b>			
Insurance contract liabilities	<b>11</b>	23,175,517	21,492,757
Employee benefit liabilities		202,690	192,629
Loans and borrowings		4,573,116	3,064,994
Reinsurance payables		1,729,783	1,040,255
Other liabilities		2,484,388	2,588,183
Bank overdraft		322,962	290,550
<b>Total liabilities</b>		<b>32,488,456</b>	<b>28,669,368</b>
<b>Total equity and liabilities</b>		<b>42,043,720</b>	<b>39,257,798</b>
<b>Net asset per share (Rs.)</b>		<b>25.48</b>	<b>28.24</b>

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.**

**Ashok Pathirage**

Chairman

**Sgd.**

**Iftikar Ahamed**

Managing Director

Colombo

11th May 2022

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 Rs. ' 000	Revaluation reserves Rs. ' 000	Rs. ' 000
<b>Balance as at 01 January 2021</b>	<b>1,062,500</b>	<b>9,290,347</b>	<b>798,004</b>	<b>(1,307,312)</b>	<b>92,708</b>	<b>9,936,247</b>
Profit for the period	-	416,202	-	-	-	416,202
<b>Other Comprehensive Income for the Period</b>						
Equity investments at FVOCI - net change in fair value	-	-	-	23,271	-	23,271
Equity investments at FVOCI - net change in fair value - Life fund	-	-	-	(134,806)	-	(134,806)
Equity investments at FVOCI -reclassified to retained earnings	-	23,281	-	(23,281)	-	-
Debt investments at FVOCI - net change in fair value	-	-	-	(7,799)	-	(7,799)
Debt investments at FVOCI - net change in fair value - Life fund	-	-	-	(53,657)	-	(53,657)
Debt investments at FVOCI - reclassified to income statement	-	-	-	3,378	-	3,378
<b>Total other comprehensive income, net of tax</b>	<b>-</b>	<b>23,281</b>	<b>-</b>	<b>(192,894)</b>	<b>-</b>	<b>(169,613)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>439,483</b>	<b>-</b>	<b>(192,894)</b>	<b>-</b>	<b>246,589</b>
<b>Transaction with owners of the Company</b>						
<b>Contribution and distribution</b>						
Interim dividend - 2020	-	(937,500)	-	-	-	(937,500)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>(937,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(937,500)</b>
<b>Balance as at 31 March 2021</b>	<b>1,062,500</b>	<b>8,792,330</b>	<b>798,004</b>	<b>(1,500,206)</b>	<b>92,708</b>	<b>9,245,336</b>
Profit for the period	-	1,688,666	-	-	-	1,688,666
<b>Other comprehensive income for the period</b>						
Equity investments at FVOCI - net change in fair value	-	-	-	(150,874)	-	(150,874)
Equity investments at FVOCI - net change in fair value - Life fund	-	-	-	107,169	-	107,169
Equity investments at FVOCI -reclassified to retained earnings	-	(17,310)	-	17,310	-	-
Debt investments at FVOCI - net change in fair value	-	-	-	(35,581)	-	(35,581)
Debt investments at FVOCI - net change in fair value - Life fund	-	-	-	(294,944)	-	(294,944)
Debt investments at FVOCI - reclassified to income statement	-	-	-	1,735	-	1,735
Re-measurement losses on defined benefit liabilities	-	(10,102)	-	-	-	(10,102)
Gain on revaluation of land and building	-	-	-	-	37,025	37,025
<b>Total other comprehensive income, net of tax</b>	<b>-</b>	<b>(27,412)</b>	<b>-</b>	<b>(355,185)</b>	<b>37,025</b>	<b>(345,572)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,661,254</b>	<b>-</b>	<b>(355,185)</b>	<b>37,025</b>	<b>1,343,094</b>
<b>Balance as at 31 December 2021</b>	<b>1,062,500</b>	<b>10,453,584</b>	<b>798,004</b>	<b>(1,855,391)</b>	<b>129,733</b>	<b>10,588,430</b>
Profit for the period	-	501,766	-	-	-	501,766
<b>Other comprehensive income for the period</b>						
Equity investments at FVOCI - net change in fair value	-	-	-	(190,321)	-	(190,321)
Equity investments at FVOCI - net change in fair value - Life fund	-	-	-	(31,121)	-	(31,121)
Debt investments at FVOCI - net change in fair value	-	-	-	(28,265)	-	(28,265)
Debt investments at FVOCI - net change in fair value - Life fund	-	-	-	(235,410)	-	(235,410)
Debt investments at FVOCI - reclassified to income statement	-	-	-	185	-	185
<b>Total other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(484,932)</b>	<b>-</b>	<b>(484,932)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>501,766</b>	<b>-</b>	<b>(484,932)</b>	<b>-</b>	<b>16,834</b>
<b>Transaction with owners of the Company</b>						
<b>Contribution and distribution</b>						
Interim Dividend- 2021	-	(1,050,000)	-	-	-	(1,050,000)
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>(1,050,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,050,000)</b>
<b>Balance as at 31 March 2022</b>	<b>1,062,500</b>	<b>9,905,350</b>	<b>798,004</b>	<b>(2,340,323)</b>	<b>129,733</b>	<b>9,555,264</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF CASH FLOWS**

<b>For the three months ended 31 March</b>	<b>2022</b>	<b>2021</b>
	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
	<b>Audited</b>	<b>Audited</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	719,852	817,734
<b>Adjustments for :</b>		
Depreciation of property, plant and equipment	33,638	33,951
Amortisation of intangible assets	91	31
Depreciation of right of use asset	62,191	59,630
Interest expenses on lease liabilities and loans and borrowings	81,101	81,330
Provision for employee benefit liabilities	10,381	9,071
Gain on sale of property, plant and equipment	-	(126)
Net realised (gains) / losses	26,798	(82,718)
Net fair value losses	127,377	11,533
Net unrealised (gain) on foreign currency transactions	(1,456,829)	(181,255)
Net amortisation of financial investments	(236,109)	(186,685)
Impairment Provision / (Reversal) of Financial Investments	680,724	(66,108)
	<b>49,215</b>	<b>496,388</b>
<b>Change in operating assets</b>		
Decrease in loans to life policyholders	7	12,936
Increase in reinsurance receivables	(180,942)	(53,715)
(Increase) / Decrease in premium receivables	(198,316)	10,296
Increase in receivables and other assets	(278,107)	(124,185)
	<b>(657,358)</b>	<b>(154,668)</b>
<b>Change in operating liabilities</b>		
Increase in insurance contract liabilities	1,682,760	1,117,483
Increase in reinsurance payables	689,528	364,350
Increase / (Decrease) in other liabilities	(391,959)	87,370
	<b>1,980,329</b>	<b>1,569,203</b>
<b>Net cash generated from operations</b>	<b>1,372,186</b>	<b>1,910,923</b>
Gratuity paid	(320)	(628)
<b>Net cash generated from operating activities</b>	<b>1,371,866</b>	<b>1,910,295</b>
<b>Cash flows from investing activities</b>		
Acquisition of investment securities	(9,708,613)	(7,330,250)
Proceeds from sale of investment securities	9,423,139	6,351,834
Acquisition of property, plant and equipment	(19,288)	(16,168)
Proceeds from the sale of property, plant and equipment	65	409
<b>Net cash flows used in investing activities</b>	<b>(304,697)</b>	<b>(994,175)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to equity holders	(1,050,000)	(937,500)
Payment of lease liabilities	(86,343)	(50,904)
<b>Net cash used in financing activities</b>	<b>(1,136,343)</b>	<b>(988,404)</b>
<b>Net increase / (Decrease) in cash and cash equivalents</b>	<b>(69,174)</b>	<b>(72,284)</b>
<b>Net cash and cash equivalents as at 1 January</b>	<b>406,370</b>	<b>328,972</b>
<b>Net cash and cash equivalents as at 31 March</b>	<b>337,196</b>	<b>256,688</b>
<b>Analysis of cash and cash equivalents</b>		
Cash in hand and at bank	660,158	498,689
Bank overdrafts	(322,962)	(242,001)
<b>Total cash and cash equivalents as at 31 March</b>	<b>337,196</b>	<b>256,688</b>

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

As at	Note	31.03.2022 Rs. ' 000 Audited	31.12.2021 Rs. ' 000 Audited
<b>Assets</b>			
Property, plant and equipment		285,553	288,132
Right of use assets		546,572	592,229
Financial investments		25,334,268	23,508,035
Loans to life policyholders		224,191	224,198
Reinsurance receivables		412,529	231,587
Premium receivables		1,181,973	983,657
Receivables and other assets		893,034	843,125
Cash and cash equivalents		658,546	694,886
<b>Total assets</b>		<b>29,536,666</b>	<b>27,365,849</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Other reserves		(673,094)	(406,748)
<b>Total equity</b>		<b>(673,094)</b>	<b>(406,748)</b>
<b>Liabilities</b>			
Insurance contract liabilities	<b>11</b>	23,175,517	21,492,757
Employee benefit liabilities		202,690	192,629
Reinsurance payables		1,729,783	1,040,255
Other liabilities		4,778,808	4,756,406
Bank overdraft		322,962	290,550
<b>Total liabilities</b>		<b>30,209,760</b>	<b>27,772,597</b>
<b>Total equity and liabilities</b>		<b>29,536,666</b>	<b>27,365,849</b>

## 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 three months ended 31 March 2022 were authorised for issue by the Board of Directors on 11th May 2022.

### 3 BASIS OF PREPARATION

The interim condensed Financial Statements for the three months ended 31 March 2022 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 2021. 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 - 2021 have been followed in preparing these interim condensed Financial Statements.

In preparing these condensed interim 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

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.

The Company recognised impairment allowances on its financial instruments and is disclosed in note 10.1.1.

### 4 AUDIT OF THE INTERIM CONDENCED FINANCIAL STATEMENTS

Figures in the interim condensed Financial Statements for the period ended 31 March 2022 are audited.

### 5 GROSS WRITTEN PREMIUM

For the three months ended 31 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited
First Year Premium	1,183,916	936,017
Renewal Premium	2,702,711	2,244,030
Group Life Premium	835,123	549,148
Single Premium	1,081,846	1,032,048
<b>Total Gross Written Premium</b>	<b>5,803,596</b>	<b>4,761,243</b>



**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**6 TOTAL NET REVENUE**

For the three months ended 31 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited
Net written premiums	5,291,070	4,320,852
Other Revenue	585,905	647,551
<b>Total Net Revenue</b>	<b>5,876,975</b>	<b>4,968,403</b>

**7 FINANCE COST**

For the three months ended 31 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited
Interest expenses on lease liabilities and loans and borrowings	(81,101)	(81,330)
Net exchange (gains)/losses	1,456,829	181,255
Other interest expenses	(22,314)	(4,968)
<b>Total Finance (Cost) / Gains</b>	<b>1,353,414</b>	<b>94,957</b>

**8 PROFIT BEFORE TAXATION**

For the three months ended 31 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited
Profit Before Taxation	719,852	817,734
<b>Total</b>	<b>719,852</b>	<b>817,734</b>

The Company transferred Rs.845 Mn from Non participating fund to shareholder fund as surplus transfer for the period ended 31st March 2022(2021- 613 Mn).

**9 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	24%

For the three months ended 31 March	2022 Rs. ' 000 Audited	2021 Rs. ' 000 Audited
<b>Tax Recognised in Income Statement</b>		
Taxable Income	908,692	707,629
Utilisation of Tax credit on Brought Forward Tax Losses	(908,692)	(707,629)
<b>Income Tax Expense for the Period</b>	<b>-</b>	<b>-</b>
<b>Deferred Income Tax</b>		
Reversal of Deferred Tax Asset on Utilisation of b/f Tax losses	(218,086)	(169,831)
Reversal of Deferred Tax Asset on change in applicable tax rate	-	(231,701)
<b>Net Deferred Tax</b>	<b>(218,086)</b>	<b>(401,532)</b>
<b>Net Income Tax Expense</b>	<b>(218,086)</b>	<b>(401,532)</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**10 FINANCIAL INVESTMENTS**

As at	Note	31.03.2022 Rs. ' 000 Audited	31.12.2021 Rs. ' 000 Audited
Amortised Cost (AC)	10.1	29,736,114	25,600,336
Fair Value through Other Comprehensive Income (FVOCI)	10.2	2,881,763	3,382,909
Fair Value Through Profit or Loss (FVTPL)	10.3	4,061,602	5,234,184
<b>Total Financial Investments</b>		<b>36,679,479</b>	<b>34,217,429</b>

**10.1 Amortised Cost (AC)**

Treasury Bonds		6,349,812	2,308,100
Sri Lanka Development Bonds		4,771,542	3,418,242
International Sovereign Bonds		4,368,784	3,175,861
Bank Deposits	10.1.a	1,080,150	4,360,432
Commercial Papers	10.1.b	1,321,797	975,266
Securitized Papers		732,143	713,964
Quoted Debentures		7,386,985	7,456,162
Unquoted Debentures		308,127	301,554
Reverse Repo		3,416,774	2,890,755
		<b>29,736,114</b>	<b>25,600,336</b>

**10.1.1 Impairment losses on financial instruments**

The Company recognised impairment allowances of Rs. 681 Mn for the period ended 31 March 2022 (31 March 2021 - Reversal of Rs. 66 Mn) for financial instruments classified at amortised cost and is presented under Other operating and administration expenses category in the Income Statement. Accordingly the company provided Cumulative impairment allowances of Rs.763 Mn as at 31 March 2022 (As at 31 December 2021 -Rs. 82 Mn).

**10.1.a Bank Deposits**

Licensed Commercial Banks	216,945	2,213,248
Licensed Specialised Banks	-	1,096,982
Licensed Finance Companies	863,205	1,050,202
	<b>1,080,150</b>	<b>4,360,432</b>

**10.1.b Commercial Papers**

First Capital Holdings PLC	920,790	363,386
Lanka Orix Leasing Company PLC	-	211,051
Softlogic Holding PLC	401,007	400,829
	<b>1,321,797</b>	<b>975,266</b>

**10.2 Fair Value through Other Comprehensive Income (FVOCI)**

**Equity Securities**

Quoted	1,705,425	1,923,408
Unquoted	266,798	270,256
Treasury Bonds	909,540	1,189,245
	<b>2,881,763</b>	<b>3,382,909</b>

**10.3 Fair Value Through Profit or Loss (FVTPL)**

Equity Securities	90,317	346,607
Treasury Bonds	143,312	182,487
Unlisted Perpetual Debenture	764,109	765,303
Unit Trust	3,063,864	3,939,787
	<b>4,061,602</b>	<b>5,234,184</b>

**11 INSURANCE CONTRACT LIABILITIES**

As at	Note	31.03.2022 Rs. ' 000 Audited	31.12.2021 Rs. ' 000 Audited
Insurance Contract Liabilities		21,502,589	19,823,775
Surplus Created due to Change in Valuation method from NPV to GPV	11.1 & 11.2	1,056,535	1,056,535
Claim Payables		616,393	612,447
		<b>23,175,517</b>	<b>21,492,757</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**11.1 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 11.2 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.

<b>Movement of One-off Surplus After Transfer</b>	<b>Participating Fund</b>	<b>Non-Participating Fund</b>	<b>Total</b>
	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
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
<b>Surplus Created due to Change in Valuation method from NPV to GPV- One off Surplus as at 1st January 2016</b>	<b>1,056,535</b>	<b>798,004</b>	<b>1,854,539</b>
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve.	-	(798,004)	(798,004)
<b>Surplus created due to Change in Valuation Method - One-off Surplus as at 31st March 2022</b>	<b>1,056,535</b>	<b>-</b>	<b>1,056,535</b>

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

**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**11.2 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31 March 2022**

Asset Category	ISIN No	As at 31 March 2022	
		Face Value Rs.	Market Value Rs. ' 000
<b>Government Securities</b>			
Treasury Bond	LKB03044A010	100,000,000	87,149
	LKB01534I155	50,000,000	35,828
	LKB01534I155	50,000,000	35,828
	LKB01534I155	50,000,000	35,828
	LKB01534I155	50,000,000	35,828
	LKB01528I017	100,000,000	83,860
	LKB01529E014	50,000,000	46,832
	LKB01529E014	50,000,000	46,832
	LKB01529E014	50,000,000	46,832
	LKB00322K152	200,000,000	196,979
<b>Deposits</b>			
Commercial Leasing & Finance PLC			338,595
<b>Total Market Value of the Assets</b>			<b>990,391</b>
<b>Restricted Regulatory Reserve</b>			<b>798,004</b>

**11.3 Valuation of Life Insurance Fund -(Zeroed Basis of Negative Liabilities at Product Level) as at 31 March 2022**

The valuation of life insurance fund as at 31 March 2022 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 31 March 2022 – Rs. 845 million (2021 - 613 million)

The financial statements as at 31 March 2022 were audited by Messrs. KPMG for surplus declaration purpose.

As at 31 March 2022	Participating Fund Rs. ' 000	Non- Participating Fund Rs. ' 000	Total Rs. ' 000
Insurance Contract Liabilities	7,785,959	13,716,630	21,502,589
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	-	1,056,535
<b>Total Life Fund</b>	<b>8,842,494</b>	<b>13,716,630</b>	<b>22,559,124</b>

**11.4 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.

## **12 CAPITAL COMMITMENTS AND CONTINGENCIES**

### **12.1 Capital Commitments**

The capital commitments approved and contracted as at the reporting date were Rs. 7.06 million.

### **12.2 Contingencies**

The Contingent Liability of the Company as at 31 March 2022, 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 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 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 Honourable 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 its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 Million, Rs. 28.0 Million and Rs. 102.4 Million respectively, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

3) The Company has been issued with assessments by the Department of Inland Revenue under the Value Added Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 72.6 Million. The Company has filed an appeal to the Commissioner General of Inland Revenue 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.

**12 CAPITAL COMMITMENTS AND CONTINGENCIES (Cont.)**

**12.2 Contingencies (Cont.)**

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

4) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2017/18 under the Nation Building Tax Act amounting to Rs. 13.7 Million, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the NBT Act.

**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 the 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 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 the Y/A 2011/12 and 2012/13 amounting to Rs.10.1 Million and Rs. 12.4 Million respectively, 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 Honourable 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 the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.7 Million along with penalty, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission.

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.

**13 EVENTS AFTER THE REPORTING PERIOD**

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

- 13.1** Inflation rate of Sri Lanka increased to 21.50% in March of 2022 and there is a high probability that inflation could increase further. To respond to the current economic crisis and inflation, the Central Bank of Sri Lanka (CBSL), has implemented a tightening of Monetary Policy while increasing policy rates to 14.50%. Accordingly, yields on Government securities have also increased notably to reflect market conditions in view of the higher financing requirement of the Government. As the Company is in the Insurance sector, it will have benefits from investment income due to increase in yields on the Government securities while experiencing a negative impact due to adverse fluctuation in the market value of financial assets. Subsequent to a memorandum issued by the Ministry of Finance on 12th April 2022, Fitch Ratings has downgraded Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'C'. Further, the deterioration of foreign reserves is putting pressure on the exchange rate to depreciate in the market and accordingly, while the Company will have benefits from foreign currency denominated financial investments and, a potential negative impact would be experienced by the company on its investments in sovereign bonds. An ECL provision has been made as at the reporting date taking into account the factors prevalent as at that date. The Board of Directors continues to monitor the potential implications of these factors on the Company's business activities, profitability, solvency and liquidity position and will take proactive action to meet future obligations and ensure business continuity. Therefore, given the Company's current financial performance, and expected future performance based on internal budgeting and planning, the Financial Statements continue to be prepared on a going concern basis.

**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**14 COMPARATIVE INFORMATION**

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

**15 SHARE INFORMATION**

**15.1 Net Assets Per Share**

As at	31.03.2022	31.12.2021
	Rs.	Rs.
Net Assets Per Share	25.48	28.24
Net Asset per Share - Excluding One-off Surplus	23.35	26.11

**15.2 Market Price Per Share**

For the quarter ended 31 March	2022	2021
	Rs	Rs
Last traded price (Last trade date - 31st March 2022)	43.40	30.50
Highest traded price per share for the quarter	249.00	35.80
Lowest traded price per share for the quarter	38.50	29.60

**16 STATED CAPITAL**

As at	31.03.2022	31.12.2021
Stated Capital (Rs.' 000)	1,062,500	1,062,500
No of Ordinary Shares	375,000,000	375,000,000

**17 BASIC & DILUTED EARNING PER SHARE (EPS)**

For the three months ended 31 March	2022	2021
Profit attributable to Ordinary Shareholders (Rs. 000)	501,766	416,202
Weighted Average No of shares as at 31 March	375,000,000	375,000,000
<b>Basic / Diluted Earning per share (Rs.)</b>	<b>1.34</b>	<b>1.11</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**18 TWENTY LARGEST SHAREHOLDERS**

Name of Shareholder	31.03.2022	
	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 Mr. G.C Goonetilleke	979,765	0.26
5 Mr. A.P.P.M. Abeyrathne	938,784	0.25
6 Mr. W.A.A.T.M Jayawickrama	828,510	0.22
7 Hatton National Bank PLC / Porage Don Thushantha Mahesh Kumara	704,248	0.19
8 Mrs. H.N.R Bharati	636,729	0.17
9 Mr.L.A.J.F Morais	618,000	0.16
10 Mr.J.M.I Jayaweera	525,560	0.14
11 DFCC Bank PLC / K.G Geekiyayana	522,270	0.14
12 Mr.A.N Lokukalutota	520,000	0.14
13 Mr. J.H.M.L. Fernando	506,279	0.14
14 LOLC Finance PLC / I.R Peiris	499,806	0.13
15 Mr. D.H.J.P Chamith Kumara	495,316	0.13
16 Mrs. W.M.D.M.G Andradi	399,513	0.11
17 Mr. R.S.P. Samaranayake	375,001	0.10
18 Merchant Bank of Sri Lanka & Finance PLC / E.M.G.S.B.Ekanayaka	352,000	0.09
19 Mr K.C.L. Ranaweera	309,305	0.08
20 Mr. H.M.D.D. Arunakumara	305,641	0.08
	<b>345,962,487</b>	<b>92.25</b>
Others	29,037,513	7.75
<b>Total</b>	<b>375,000,000</b>	<b>100.00</b>

**19 PUBLIC SHAREHOLDING**

The percentage of shares held by the public as at 31 March 2022 was 10.23% ( 31 December 2021- 10.23%) and a number of public shareholders as at 31 March 2022 was 5,249. (31 December 2021 - 2,79).

Public Holding percentage - Ordinary Non-Voting Shares as at 31 March 2022 - Nil

**Float Adjusted Market Capitalisation**

Float Adjusted Market Capitalisation is Rs.1,665,583,500/- as at 31 March 2022.

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

**20 DIRECTORS' SHARE HOLDINGS**

As at 31 March Name of The Director	2022	
	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**

**21 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 2021.

**21.1 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.

<b>For the three months ended 31 March</b>	<b>2022</b>	<b>2021</b>
	<b>Rs.' 000</b>	<b>Rs.' 000</b>
<b>Transactions with the Ultimate Parent &amp; Parent</b>		
Investments	505,125	606,260
Receiving of services	42,725	66,980
Expenses	7	-
Dividend Paid	543,540	484,991
Interest Income	13,789	15,378
Net Premiums	101	-
<b>Transactions with Companies under Common Control</b>		
Investments	708,350	538,281
Purchases of property plant & equipment	3,444	966
Dividend received	-	11,966
Expenses	66,283	23,344
Claims Paid	141	10
Net Premiums	30,027	33,780
Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)	-	-