

IDEAS CONNECTED



INCOME STATEMENT

For the year ended 31 December	Note	2017 Rs. '000	2016 Rs. '000	Change %
Gross written premium	6	10,117,630	8,270,751	22
Premium ceded to reinsurers		(497,612)	(423,857)	17
Net written premium		9,620,018	7,846,894	23
Other revenue				
Net investment income		3,636,008	3,025,094	20
Net realised gains / (losses)		75,591	(131,948)	157
Net fair value gains / (losses)		258,360	(34,751)	843
Other income		63,176	58,653	8
Total other revenue		4,033,135	2,917,048	38
Total net revenue		13,653,153	10,763,942	27
Benefits, claims and expenses				
Net insurance benefits and claims paid		(2,673,733)	(1,524,310)	75
Net change in insurance claims outstanding		(5,302)	(71,075)	(93)
Change in contract liabilities - Life Fund		(3,351,661)	(4,238,265)	(21)
Underwriting and net acquisition costs (including reinsurance)		(1,841,151)	(1,441,617)	28
Other operating, administrative and selling expenses		(2,497,975)	(2,064,793)	21
Depreciation and amortisation		(104,623)	(110,890)	(6)
Total benefits, claims and expenses		(10,474,445)	(9,450,950)	11
Profit from operations		3,178,708	1,312,992	142
Share of results of equity accounted investee, net of tax		187,844	60,315	211
Profit before tax		3,366,552	1,373,307	145
Income tax expense	7	-	(60,679)	(100)
Profit for the year		3,366,552	1,312,628	157
Earnings per share				
Basic (Rs.)		57.13	22.27	157
Diluted (Rs.)		57.13	22.27	157

The notes form an integral part of these interim financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000	Change %
Profit for the year	3,366,552	1,312,628	156
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net gains on revaluation of land and buildings	539,365	-	
Share of net change in actuarial gains / (losses) on defined benefit plan of equity accounted investee, net of tax	(2,291)	4,348	
Actuarial losses on defined benefit plan	(4,271)	(4,861)	
Related tax	-	2,878	
	532,803	2,365	22,429
Items that are or may be reclassified to profit or loss			
Fair value reserve (available for sale financial assets)			
Net change in fair value of available for sale financial assets	80,850	(24,749)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	32,823	(23,533)	
Net change in fair value of available for sale financial assets transferred to the income statement	-	-	
Related tax	-	6,930	
	113,673	(41,352)	375
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	652,979	(431,771)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	23,666	(48)	
Related tax	-	50,871	
	676,645	(380,948)	278
	790,318	(422,300)	287
Other comprehensive income , net of tax	1,323,121	(419,935)	415
Total comprehensive income for the period, net of tax	4,689,673	892,693	425

The notes form an integral part of these interim financial statements.

INCOME STATEMENT

For the quarter ended 31 December	2017 Rs. '000	2016 Rs. '000	Change %
Gross written premium	2,893,052	2,258,868	28
Premium ceded to reinsurers	(129,468)	(110,790)	17
Net written premium	2,763,584	2,148,078	29
Other revenue			
Net investment income	941,822	849,285	11
Net realised losses	(5,572)	(42,612)	87
Net fair value gains / (losses)	8,274	(85,497)	110
Other income	18,416	25,755	(28)
Total other revenue	962,940	746,931	29
Total net revenue	3,726,524	2,895,009	29
Benefits, claims and expenses			
Net insurance benefits and claims paid	(995,615)	(416,548)	139
Net change in insurance claims outstanding	(74,439)	(3,875)	1,821
Change in contract liabilities - Life Fund	1,860,550	(88,620)	(2,199)
Underwriting and net acquisition costs (including reinsurance)	(555,348)	(438,514)	27
Other operating, administrative and selling expenses	(908,262)	(710,486)	28
Depreciation and amortisation	(24,564)	(28,342)	(13)
Total benefits, claims and expenses	(697,678)	(1,686,385)	(59)
Profit from operations	3,028,846	1,208,624	151
Share of results of equity accounted investee, net of tax	71,108	(25,149)	383
Profit before tax	3,099,954	1,183,475	162
Income tax expense	-	(60,679)	(100)
Profit for the period	3,099,954	1,122,796	176
Earnings per share			
Basic (Rs.)	52.61	19.05	176
Diluted (Rs.)	52.61	19.05	176

The notes form an integral part of these interim financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 31 December	2017 Rs. '000	2016 Rs. '000	Change %
Profit for the period	3,099,954	1,122,796	176
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net gains on revaluation of land and buildings	539,365	-	
Share of net change in actuarial gains / (losses) on defined benefit plan of equity accounted investee, net of tax	(2,291)	4,348	
Actuarial losses on defined benefit plan	(4,271)	(4,861)	
Related tax	-	2,878	
	532,803	2,365	22,429
Items that are or may be reclassified to profit or loss			
Fair value reserve (available for sale financial assets)			
Net change in fair value of available for sale financial assets	1,427	(33,237)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	7,335	(17,528)	
Net change in fair value of available for sale financial assets transferred to the income statement	-	-	
Related tax	-	6,930	
	8,762	(43,835)	120
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	20,336	(448,209)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	23,643	-	
Related tax	-	50,871	
	43,979	(397,338)	111
	52,741	(441,173)	112
Other comprehensive income , net of tax	585,544	(438,808)	233
Total comprehensive income for the period, net of tax	3,685,498	683,988	439

The notes form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2017 Rs. '000	2016 Rs. '000
Assets			
Intangible assets		212,817	94,647
Property, plant and equipment		2,000,716	1,493,040
Investment in equity accounted investee		995,722	777,346
Financial investments	9	36,792,921	30,847,256
Loans to life policyholders		1,001,538	867,177
Reinsurance receivable		267,417	178,181
Premiums receivable		268,511	246,800
Receivables and other assets		947,239	809,784
Cash in hand and at bank		580,126	379,232
Total assets		43,067,007	35,693,463
Equity and liabilities			
Equity			
Stated capital		1,000,000	1,000,000
Reserves		2,144,728	817,003
Retained earnings		4,802,410	2,049,189
Total equity		7,947,138	3,866,192
Liabilities			
Insurance contract liabilities	10	30,973,547	27,889,682
Insurance contract liabilities - Unit Linked		2,121,609	2,377,707
Employee benefit liabilities		122,588	107,963
Reinsurance payables		345,146	208,742
Other liabilities		1,361,673	1,092,871
Bank overdraft		195,306	150,306
Total liabilities		35,119,869	31,827,271
Total equity and liabilities		43,067,007	35,693,463

The notes form an integral part of these interim financial statements.

I certify that the above financial statements comply with the requirements of the Companies Act No. 7 of 2007.



S. CADER

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board:



S. C. RATNAYAKE

Chairman



A. S. DE ZOYSA

Director

Colombo

27 February 2018

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Stated capital	Reserves			Retained earnings	Total	
		Revaluation reserve	Reserve on merger	Other reserves			
				Reserves on ESOP and retirement benefit obligation			
				Available for sale reserve			
Balance as at 1 January 2016	1,000,000	1,158,265	16,752	45,425	12,451	1,232,035	3,464,928
Profit for the year	-	-	-	-	-	1,312,628	1,312,628
Other comprehensive income for the year							
Net change in fair value of available for sale financial assets	-	-	-	(24,749)	-	-	(24,749)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	(431,819)	-	-	(431,819)
Actuarial loss on defined benefit plan	-	-	-	-	(4,861)	-	(4,861)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	(23,533)	-	-	(23,533)
Share of net change in actuarial gains on defined benefit plan of equity accounted investee, net of tax	-	-	-	-	4,348	-	4,348
Tax on other comprehensive income	-	1,517	-	57,801	1,361	-	60,679
Total other comprehensive income	-	1,517	-	(422,300)	848	-	(419,935)
Total comprehensive income for the year	-	1,517	-	(422,300)	848	1,312,628	892,693
Transactions with owners, transfers, recorded directly in equity							
Contributions and distributions							
First and final dividend 2015	-	-	-	-	-	(500,893)	(500,893)
Share based payments	-	-	-	-	9,464	-	9,464
Transfer from revaluation reserve to retained earnings	-	(5,419)	-	-	-	5,419	-
Total contributions and distributions	-	(5,419)	-	-	9,464	(495,474)	(491,429)
Balance as at 31 December 2016	1,000,000	1,154,363	16,752	(376,875)	22,763	2,049,189	3,866,192

The notes form an integral part of these interim financial statements.

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Stated capital	Revaluation reserve	Reserves			Retained earnings	Total
			Reserve on merger	Other reserves	Reserves on ESOP and retirement benefit obligation		
Balance as at 1 January 2017	1,000,000	1,154,363	16,752	(376,875)	22,763	2,049,189	3,866,192
Profit for the year	-	-	-	-	-	3,366,552	3,366,552
Other comprehensive income for the year							
Net change in fair value of available for sale financial assets	-	-	-	80,850	-	-	80,850
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	-	-	-	676,645	-	-	676,645
Revaluation gains on land and buildings	-	539,365	-	-	-	-	539,365
Actuarial loss on defined benefit plan	-	-	-	-	(4,271)	-	(4,271)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	-	-	-	32,823	-	-	32,823
Share of net change in actuarial losses on defined benefit plan of equity accounted investee, net of tax	-	-	-	-	(2,291)	-	(2,291)
Tax on other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	539,365	-	790,318	(6,562)	-	1,323,121
Total comprehensive income for the year	-	539,365	-	790,318	(6,562)	3,366,552	4,689,673
Transactions with owners, transfers, recorded directly in equity							
Contributions and distributions							
First and final dividend 2016	-	-	-	-	-	(618,750)	(618,750)
Share based payments	-	-	-	-	10,023	-	10,023
Transfer from revaluation reserve to retained earnings	-	(5,419)	-	-	-	5,419	-
Total contributions and distributions	-	(5,419)	-	-	10,023	(613,331)	(608,727)
Balance as at 31 December 2017	1,000,000	1,688,309	16,752	413,443	26,224	4,802,410	7,947,138

The notes form an integral part of these interim financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2017 Rs. '000	2016 Rs. '000
Cash flows from operations			
Insurance premium received		10,095,919	8,227,672
Reinsurance premium paid		(361,208)	(428,970)
Insurance benefits and claims paid		(2,828,188)	(1,682,170)
Reinsurance claims received		154,455	157,860
Payments to intermediaries to acquire insurance contracts		(1,793,544)	(1,430,821)
Cash paid to and on behalf of employees		(925,873)	(841,087)
Interest received		2,990,027	2,324,369
Dividends received		121,026	102,922
Other operating cash flows		(2,139,507)	(1,401,971)
Cash generated from operating activities	A	5,313,107	5,027,804
Retiring gratuity paid		(12,408)	(20,430)
Retiring gratuity transfer		-	2,385
Interest paid on obligation to repurchase securities		-	(6,750)
Net cash flow from operating activities		5,300,699	5,003,009
Cash flows from / (used in) investing activities			
Acquisition of investments		(30,401,850)	(48,477,502)
Maturity proceeds of investments		24,067,766	42,013,532
Proceeds from sale of investments		1,986,068	2,075,057
Acquisition of property, plant and equipment		(40,357)	(53,000)
Acquisition of intangible assets		(151,196)	(65,397)
Proceeds on sale of property, plant and equipment		36	156
Net cash from / (used in) investing activities		(4,539,533)	(4,507,154)
Net cash inflow before financing activities		761,166	495,855
Cash flows from / (used in) financing activities			
Dividends paid to equity holders of the company		(559,272)	(453,197)
Dividend tax paid		(23,699)	(10,659)
Net cash used in financing activities		(582,971)	(463,856)
Net increase / (decrease) in cash and cash equivalents		178,195	31,999
Cash and cash equivalents at the beginning of the year		239,059	207,060
Cash and cash equivalents at the end of the period	B	417,254	239,059

STATEMENT OF CASH FLOWS

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
NOTE A.		
Reconciliation of profit before taxation with cash from operating activities		
Profit before tax	3,366,552	1,373,307
Non-cash items included in profit before tax		
Depreciation and amortisation	104,623	110,890
Provision for employee benefits	22,762	20,948
Provision for doubtful staff / advisor loans	541	732
Net realised (gains) / losses	(75,591)	131,948
Net fair value (gains) / losses	(258,360)	34,751
(Gain) / losses on sale of property, plant and equipment	413	(83)
Amortisation of financial investments	(310,000)	(319,623)
Scrip dividend income	(24,499)	(26,531)
Share of results of equity accounted investee	(187,844)	(60,315)
Interest expense on obligation to repurchase securities	-	6,750
Share based payment expenses	10,023	9,464
Profit before working capital changes	2,648,620	1,282,238
Net change in operational assets		
Net change in reinsurance assets / liabilities	47,168	(33,522)
Net change in premium receivables	(21,711)	(43,078)
Net change in receivables and other assets	(443,034)	(404,595)
Net change in operational liabilities		
Net change in life insurance contract liabilities	2,827,767	3,994,928
Net change in other liabilities	254,297	231,833
Cash generated from operating activities	5,313,107	5,027,804
NOTE B.		
Cash and cash equivalents at the end of the period		
Cash in hand and at bank	580,126	379,232
Bank overdraft	(195,306)	(150,306)
Short term deposits	32,434	10,133
Cash and cash equivalents	417,254	239,059

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2017 Rs. '000	2016 Rs. '000
Assets			
Intangible assets		212,817	94,647
Property, plant and equipment		2,000,716	1,493,040
Financial investments		34,596,558	29,495,819
Loans to life policyholders		1,001,538	867,177
Reinsurance receivable		267,417	178,181
Premiums receivable		268,511	246,800
Receivables and other assets		616,905	527,943
Cash in hand and at bank		580,120	379,182
Total assets		39,544,582	33,282,789
Reserves and liabilities			
Reserves			
Other reserves		1,585,223	378,902
Total reserves		1,585,223	378,902
Liabilities			
Insurance contract liabilities	10	30,973,547	27,889,682
Insurance contract liabilities - Unit Linked		2,121,609	2,377,707
Employee benefit liabilities		122,588	107,963
Reinsurance payables		345,146	208,742
Other liabilities		4,201,163	2,169,487
Bank overdraft		195,306	150,306
Total liabilities		37,959,359	32,903,887
Total reserves and liabilities		39,544,582	33,282,789

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 REPORTING ENTITY

Union Assurance PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka and the ordinary shares of the company are listed on the Colombo Stock Exchange. The registered office of the Company is located at Union Assurance Centre, No. 20, St. Michael's Road, Colombo 03. The company is primarily involved in the Life insurance business.

The Company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

2 APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements for the twelve months ended 31 December 2017 were authorised for issue by the Board of Directors on 27 February 2018.

3 PRESENTATION OF FINANCIAL STATEMENT

The results of equity accounted investee of the company, Fairfirst Insurance Limited has been presented in the financial statements in accordance with amendments to LKAS 27 Separate Financial Statements from 1 January 2016.

4 BASIS OF PREPARATION

The 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 consolidated annual financial statements for the year ended 31 December 2016. Further, provisions of the Companies Act No.7 of 2007 have been considered in preparing the interim financial statements of the Company. The same accounting policies have been followed in preparation of these interim financial statements as stated in the Audited Financial Statements for the year ended 31 December 2016. In addition, forward contracts to purchase financial instruments are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

5 AMALGAMATION OF UNION ASSURANCE GENERAL LIMITED AND FAIRFIRST INSURANCE LIMITED

Subsequent to obtaining relevant regulatory approvals, Union Assurance General Limited (UAGL) and Fairfirst Insurance Limited (FIL) were amalgamated on 28 February 2017.

Consequent to the above amalgamation, UAGL ceased to exist as a legal entity, and FIL was recognized as the continuing entity.

Accordingly, the Company's shareholding in UAGL was transferred to the amalgamated entity, namely Fairfirst Insurance Limited, and remains unchanged at 22%.

6 GROSS WRITTEN PREMIUM

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
Conventional	9,948,845	7,978,191
Unit linked	168,785	292,560
Total gross written premium	10,117,630	8,270,751

7 INCOME TAX EXPENSE

Union Assurance PLC is liable to income tax at 28% in 2017 (2016 - 28%) in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. Currently, the company does not have an income tax expense as the business continues to report taxable losses.

8 PROFITS FROM LIFE INSURANCE

The valuation of the life insurance fund as at 31 December 2017 was carried out by Mr. Vivek Jalan FIA, FIAI of Towers Watson India Private Limited, appointed actuaries of the Company who recommended a sum of Rs. 3 billion be transferred from the life fund to the shareholder's fund for the year 2017.

9 FINANCIAL INVESTMENTS

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
Held to maturity financial assets (HTM)	18,319,379	15,396,036
Loans and receivables (L&R)	5,883,031	5,409,853
Available for sale financial assets (AFS)	8,065,997	5,955,031
Financial assets at fair value through profit or loss (FVTPL)	4,524,514	4,086,336
Total financial investments	36,792,921	30,847,256

10 INSURANCE CONTRACT LIABILITIES

	Note	2017			2016		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Insurance contract liabilities		26,212,643	(1,764,806)	24,447,837	22,880,158	(1,421,649)	21,458,509
Reversal of one off surplus after changes made to NPV and GPV computation		1,232,000	-	1,232,000	-	-	-
Adjusted insurance contract liabilities		27,444,643	(1,764,806)	25,679,837	22,880,158	(1,421,649)	21,458,509
Surplus created due to changes in valuation method from NPV to GPV		5,867,744		5,867,744	5,867,744		5,867,744
Reversal of one off surplus after changes made to NPV and GPV computation		(1,232,000)	-	(1,232,000)	-		-
Adjusted surplus created due to changes in valuation method from NPV to GPV	10.1	4,635,744	-	4,635,744	5,867,744	-	5,867,744
Unclaimed benefits		657,966	-	657,966	563,429	-	563,429
Total insurance contract liabilities		32,738,353	(1,764,806)	30,973,547	29,311,331	(1,421,649)	27,889,682

10.1 ONE OFF SURPLUS ARISING FROM CHANGE IN POLICY LIABILITY VALUATION

Based on the letter issued by the Insurance Regulation Commission of Sri Lanka (IRCSL) (previously known as IBSL) dated 30 December 2016, all insurance companies have been instructed to maintain the one-off surplus arising from change in policy liability valuation, separately within the long-term insurance fund / insurance contract liabilities. Accordingly, the one-off surplus is identified separately within the insurance contract liabilities as "Surplus created due to changes in valuation method from NPV to GPV" and will not be transferred / distributed until specific instructions are issued by the IRCSL.

The amount reported as the one-off surplus of Rs. 5,867 million in the 2016 financial statements was based on the internal actuarial valuation. Subsequently as directed by the IRCSL, the Company obtained an independent actuarial valuation certification from Towers Watson India Private Limited who confirmed it as Rs. 4,635 million. As the adjustments were due to estimate changes, the difference has been adjusted in the current year to reflect the above accordingly.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10.2 MOVEMENT IN INSURANCE CONTRACT LIABILITIES

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	27,703,410	23,581,967
Increase in life insurance fund before surplus transfer to shareholders	5,950,069	5,123,562
Transfer to shareholders	(2,930,000)	(1,100,000)
Net change in unclaimed benefits	90,761	97,881
Balance as at 31 December - Conventional Life insurance	30,814,240	27,703,410
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	186,272	149,271
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	39,259	35,396
Transfer to shareholders	(70,000)	-
Net change in unclaimed benefits	3,776	1,605
Balance as at 31 December - Non unit fund of linked Life insurance	159,307	186,272
	30,973,547	27,889,682

11 LIABILITY ADEQUACY TEST (LAT)

As at the reporting date, the liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Towers Watson India Private Limited and concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

12 AUDIT OF THE INTERIM FINANCIAL STATEMENTS

Figures for the twelve months are provisional and unaudited.

13 COMPARATIVE INFORMATION

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

14 RELATED PARTY TRANSACTIONS

The nature of the related parties in the current period is similar to those reported in the audited financial statement for the year ended 31 December 2016.

14.1 For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
Transactions with the Ultimate Parent		
Sales / (Purchases) of goods	-	-
Rendering / (Receiving) of services	(72,113)	(18,319)
Sales / (Purchases) of property, plant & equipment	-	-
Loans received / (Given)	-	-
Rent received / (Paid)	-	-
Amount receivable / (payable) as at 31 December	(6,954)	(2,621)
Transactions with companies under common control		
Sales / (Purchases) of goods	(7,695)	(11,372)
Rendering / (Receiving) of services	(121,206)	(48,644)
Sales / (Purchases) of property, plant & equipment	(15,191)	(13,478)
Loans received / (Given)	-	-
Interest received / (Paid)	77,338	57,466
Rent received / (Paid)	-	-
Amount payable as at 31 December	(3,902)	(673)
Transactions with Subsidiary		
Equity investment	-	-
Transfer of assets and liabilities	-	-
Transactions with Associate		
Sales / (Purchases) of goods	-	-
Sales / (Purchases) of property, plant & equipment	-	-
Rendering / (Receiving) of services	(34,761)	(40,749)
Loans received / (Given)	-	-
Interest received / (Paid)	-	-
Rent received / (Paid)	12,379	12,224
Amount receivable / (payable) as at 31 December	11,954	97,754
Transactions with Key Management Personnel (KMP)		
Rendering / (Receiving) of services	-	-
Transactions with Close Family Members of KMP		
Rendering / (Receiving) of services	-	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members		
Sales / (Purchases) of goods	-	-
Rendering / (Receiving) of services	-	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS

15 CONTINGENCIES, CAPITAL AND OTHER COMMITMENTS

There were no significant capital commitments as at the reporting date other than the following (2016 - Nil).

As at 31 December	2017 Rs. Mn	2016 Rs. Mn
Capital commitment contracted	241	Nil

OPERATING LEASE

The Company has leased a number of branches under operating leases. These leases have an average tenure between one to five years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to reflect market conditions. There are no restrictions placed upon the Company by entering into these leases.

The Company does not have any non cancellable operating leases as at the reporting date.

16 CONTINGENCIES

The contingent liabilities of the Company as at 31 December 2017, relates to the following;

16.1 INCOME TAX ASSESSMENT RELATING TO YEARS OF ASSESSMENT 2010/11, 2011/12, 2012/13, 2013/14 AND 2014/15

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2010/ 11, 2011 / 12 and 2012 / 13, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million, Rs. 132 million and Rs. 411 million together with a Rs. 233 million penalty totalling to Rs. 644 million respectively. The Company has lodged valid appeals against the said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2013 / 14 and 2014 / 15, assessing the Life insurance business to pay an income tax liability of Rs. 175 million along with a 50% penalty totalling to Rs. 263 million and Rs. 862 million along with a 50% penalty totalling to Rs. 1,294 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 / 11, 2011/ 12, 2012 / 13, 2013 / 14 and 2014 / 15 and therefore, the above assessments have no rationale or basis in law.

16.2 THE COMPANY OPERATES IN THE INSURANCE INDUSTRY AND IS SUBJECT TO LEGAL PROCEEDINGS IN THE NORMAL COURSE OF BUSINESS

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the Company's results and financial position. All pending litigations for claims have been evaluated and adequate provisions have been made in the financial statements.

16.3 THE COMPANY IS ALSO SUBJECT TO INSURANCE SOLVENCY REGULATIONS AND HAS COMPLIED WITH ALL SOLVENCY REGULATIONS

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

17 SHARE INFORMATION

For the quarter ended 31 December	2017 Rs. '000	2016 Rs. '000
Last traded	135.00	143.00
Highest price per share for the period	145.00	160.00
Lowest price per share for the period	134.00	127.00

18 NET ASSETS PER SHARE

As at 31 December	2017 Rs. '000	2016 Rs. '000
Net assets per share	134.86	65.61

Net assets per share has been calculated based on the number of shares in issue as at each reporting date.

18 STATED CAPITAL

Number of shares as at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Ordinary shares	58,928,572	58,928,572

19 TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	As at 31 December 2017		As at 30 September 2017	
	No. of Shares	%	No. of Shares	%
1 John Keells Holdings PLC	50,981,538	86.51	50,981,538	86.51
2 Whittall Boustead Limited	4,292,260	7.28	4,292,260	7.28
3 Mrs. A. S. Palihena	600,000	1.02	600,000	1.02
4 Corporate Holdings (Private) Limited	149,373	0.25	149,373	0.25
5 People's Leasing & Finance PLC / Hi-Line Trading (Pvt) Ltd	146,360	0.25	146,360	0.25
6 People's Leasing & Finance PLC / Mr. L.P Hapangama	137,210	0.23	137,210	0.23
7 Dr. (Mrs.) V. Bandaranayake	120,038	0.20	120,038	0.20
8 MR. D.F.G. Dalpethado	100,420	0.17	-	-
9 People's Leasing & Finance PLC / Mr. L.H.L.M.P Haradasa	88,392	0.15	88,392	0.15
10 People's Leasing & Finance PLC/Dr.H.S.D.Soyasa & Mrs.G.Soyasa	82,701	0.14	69,034	0.12
11 Mr. H. A. D. Ratnapala	56,250	0.10	56,250	0.10
12 Mr. J. W. Nanayakkara	56,250	0.10	56,250	0.10
13 Mrs. R. Z. Wikramanayake (Deceased)	53,585	0.09	53,585	0.09
14 Dr. N. I. Wikramanayake	53,059	0.09	53,059	0.09
15 Mr. V. Sharda	44,200	0.08	44,200	0.08
16 Mr. H. A. Rehmanjee	40,000	0.07	40,000	0.07
17 Mr. N. D. Kurukulasuriya	39,000	0.07	39,000	0.07
18 Mrs. L. Amaradasa	33,750	0.06	33,750	0.06
19 Mr. S. Vasudevan	28,800	0.05	28,800	0.05
20 Mrs. M.R. Wijetunga	28,124	0.05	-	-
	57,131,310	96.95	56,989,099	96.71
Others	1,797,262	3.05	1,939,473	3.29
Total	58,928,572	100.00	58,928,572	100.00

NOTES TO THE INTERIM FINANCIAL STATEMENTS

20 DIVIDENDS PAID

For the year ended 31 December	2017 Rs. '000	2016 Rs. '000
Final dividend for 2016 - Rs.10.50 (2015 - Rs. 8.50)	618,750	500,892

21 DIRECTORS' SHAREHOLDINGS

No. of shares as at	31.12.2017	30.09.2017
Mr. Ajit D. Gunewardene (Chairman) - (Resigned w.e.f. 31 December 2017)	8,562	8,562
Mrs. D. C. Alagaratnam	Nil	Nil
Mr. S. Rajendra	Nil	Nil
Mr. A . S. De Zoysa	Nil	Nil
Mr. G. F. C. De Saram	Nil	Nil
Mr. H. A. J. De S. Wijeyeratne	Nil	Nil
Mr. A. D. Pereira	Nil	Nil

22 CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

No. of shares as at	31.12.2017	30.09.2017
Mr. A. D. Pereira	Nil	Nil

23 PUBLIC SHAREHOLDING

The number of public shareholders and percentage of shares held by the public as at 31 December 2017 was 1,330 and 6.19% respectively (30 September 2017 - 1,312 and 6.19%).

24 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than the following:

24.1

The Board of Directors of the Company has declared a first and final dividend of Rs. 18 per share for the financial year ended 31 December 2017.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the first and final dividend. A statement of solvency duly completed and signed by the Directors on 27 February 2018 has been audited by Messrs. KPMG.

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 December 2017.

24.2

Mr. S.C. Ratnayake has been appointed to the Board of Directors of the Company with effect from 1 January 2018 as Chairman and Non-Executive Non-Independent Director.

CORPORATE INFORMATION

NAME OF COMPANY

Union Assurance PLC

LEGAL FORM

A public limited liability Company incorporated in Sri Lanka on 8 January 1987 and registered under the Companies Act No. 7 of 2007 and quoted on the Colombo Stock Exchange since 1988

COMPANY REGISTRATION NUMBER

PQ 12

TAX PAYER IDENTIFICATION NUMBER (TIN)

134001372

VAT REGISTRATION NUMBER

134001372 7000

DIRECTORS

S. C. Ratnayake - Chairman
(Appointed w.e.f. 01.01.2018)
D. C. Alagaratnam
A. S. De Zoysa
G. F. C. De Saram
S. Rajendra
H. A. J. De Silva Wijeyeratne
A. D. Pereira

BOARD REMUNERATION COMMITTEE

S. C. Ratnayake - Chairman
G. F. C. De Saram
H. A. J. De Silva Wijeyeratne

NOMINATIONS COMMITTEE

The Nominations Committee (NC) of John Keells Holdings PLC (the Parent) represents the NC of the Company

RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Related Party Transaction Review Committee (RPTC) of John Keells Holdings PLC (the Parent) represents the RPTC of the Company

BOARD AUDIT AND COMPLIANCE COMMITTEE

H. A. J. De Silva Wijeyeratne - Chairman
S. Rajendra
A. S. De Zoysa

INVESTMENT COMMITTEE

K. N. J. Balendra - Chairman
A. S. De Zoysa

SECRETARIES AND REGISTRARS

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 2

AUDITORS

Messrs. KPMG (Chartered Accountants)
PO Box 186,
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3

APPOINTED ACTUARIES

Towers Watson India Private Limited
Unitech Business Park, 2nd Floor
Tower-B, South City, Sector 41
Gurgaon-122002
India

LAWYERS

The Legal Department
John Keells Holdings PLC
117, Sr Chittampalam A Gardiner Mawatha
Colombo 2

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
Hatton National Bank PLC
Housing Development Finance Corporation
Bank of Sri Lanka
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC

REINSURANCE PANEL

RGA
Hannover Re
Munich Re
Partner Re

REGISTERED OFFICE OF THE COMPANY

Union Assurance Centre
20, St Michaels Road,
Colombo 3

INVESTOR RELATIONS

All investor queries should be directed to;
Investor relations hotline 011-2990314
e-mail: investorrelations@ualink.lk

