

# SOLID. ENDURING.



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
31<sup>st</sup> March 2021

# Statement of Financial Position

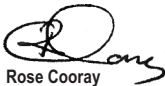
As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2021 Rs. '000	31st Dec 2020 Rs. '000	31st Mar 2021 Rs. '000	31st Dec 2020 Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		181,313	169,788	122,711	116,740
Right of Use Assets		411,958	394,437	388,102	380,105
Intangible Assets		65,363	68,858	59,060	62,240
Deferred Tax Assets		620,101	738,721	599,211	725,255
Financial Investments	3	26,938,193	26,366,608	22,481,570	22,075,265
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		389,476	379,736	389,476	379,736
Reinsurance Receivables		800,970	771,776	196,725	172,699
Premium Receivables		1,310,981	1,111,594	14,190	4,988
Other Assets		819,389	864,414	566,367	582,321
Insurance Contract - Deferred Expenses		160,945	163,619	-	-
Cash and Cash Equivalents		1,284,908	711,111	923,770	393,522
<b>Total Assets</b>		<b>32,983,597</b>	<b>31,740,662</b>	<b>26,891,182</b>	<b>26,042,871</b>
<b>Equity and Liabilities</b>					
<b>Equity Attributable to the Equity Holders</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		5,517,677	5,841,032	4,518,791	4,968,314
Available for Sale Reserve		82,757	93,754	13,220	15,626
Other Reserve		(51,520)	(51,520)	(33,916)	(33,916)
Life Policyholders' Available for Sale Reserve Fund	5	599,275	757,933	599,275	757,933
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
<b>Equity Attributable to the Equity Holders</b>		<b>7,701,220</b>	<b>8,194,230</b>	<b>6,650,401</b>	<b>7,260,988</b>
Non-Controlling Interest		-	-	-	-
<b>Total Equity</b>		<b>7,701,220</b>	<b>8,194,230</b>	<b>6,650,401</b>	<b>7,260,988</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	7	18,126,117	17,064,089	18,126,117	17,064,089
Insurance Contract Liabilities - General Insurance	8	3,525,474	3,309,149	-	-
Employee Defined Benefit Liabilities		262,452	254,438	153,492	150,729
Current Tax Liabilities		132,928	151,093	12,301	12,301
Reinsurance Creditors		873,912	700,105	319,696	290,916
Lease Creditors		427,166	393,145	402,000	377,746
Other Liabilities		1,854,153	1,550,108	1,174,419	832,198
Bank Overdraft		80,175	124,305	52,756	53,904
<b>Total Liabilities</b>		<b>25,282,377</b>	<b>23,546,432</b>	<b>20,240,781</b>	<b>18,781,883</b>
<b>Total Equity and Liabilities</b>		<b>32,983,597</b>	<b>31,740,662</b>	<b>26,891,182</b>	<b>26,042,871</b>

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

These Condensed Consolidated Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.

  
Punsirini Perera  
Chief Financial Officer

The Board of Directors is responsible for these Condensed Consolidated Interim Financial Statements.  
Signed on behalf of the Board;

  
Rose Cooray  
Chairperson

  
J A P M Jayasekera  
Director

Colombo, Sri Lanka  
30th April 2021

## Statement of Profit or Loss and Other Comprehensive Income

Group		Group		Company		Change		
(Audited)		Unaudited	Unaudited	Unaudited	Unaudited			
Year Ended		2021	2020	2021	2020	Group	Company	
31 <sup>st</sup> Dec 2020	For Three Months Ended 31st March,	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%	
Rs. '000		Note						
10,398,992	Gross Written Premium	9	3,222,956	2,328,934	1,666,630	1,106,940	38	51
(1,307,978)	Premium Ceded to Reinsurers		(427,635)	(319,684)	(79,380)	(68,085)	34	17
9,091,014	<b>Net Written Premium</b>		<b>2,795,321</b>	<b>2,009,250</b>	<b>1,587,250</b>	<b>1,038,855</b>	<b>39</b>	<b>53</b>
(164,257)	Net Change in Reserves for Unearned Premium		(242,436)	(43,846)	-	-	453	-
8,926,757	<b>Net Earned Premium</b>		<b>2,552,885</b>	<b>1,965,404</b>	<b>1,587,250</b>	<b>1,038,855</b>	<b>30</b>	<b>53</b>
	<b>Other Revenue</b>							
2,493,317	Interest and Dividend Income	10	615,705	615,078	527,713	522,463	0.1	1
53,634	Net Realised Gains		8,099	188	7,572	-	4,208	100
17,696	Net Fair Value Gains/(Losses)		47,767	(17,924)	29,342	(24,183)	366	221
140,843	Fee and Commission Income		94,082	51,298	54,056	24,921	83	117
14,970	Other Income		4,539	1,560	185	86	191	115
2,720,460	<b>Total Other Revenue</b>		<b>770,192</b>	<b>650,200</b>	<b>618,868</b>	<b>523,287</b>	<b>18</b>	<b>18</b>
11,647,217	<b>Net Income</b>		<b>3,323,077</b>	<b>2,615,604</b>	<b>2,206,118</b>	<b>1,562,142</b>	<b>27</b>	<b>41</b>
	<b>Net Benefits, Claims and Expenses</b>							
(3,558,641)	Net Insurance Benefits and Claims		(1,025,119)	(841,732)	(419,933)	(283,989)	22	48
(2,576,169)	Change in Contract Liabilities - Life Fund		(1,035,084)	(611,475)	(1,035,084)	(611,475)	69	69
(2,546,209)	Other Operating and Administration Expenses		(637,210)	(605,372)	(364,689)	(351,253)	5	4
(1,235,446)	Underwriting and Net Acquisition Costs		(363,158)	(272,042)	(268,707)	(185,762)	33	45
(100,256)	Finance and Other Insurance Related Costs		(30,890)	(19,975)	(21,184)	(11,879)	55	78
(10,016,721)	<b>Total Benefits, Claims and Other Expenses</b>		<b>(3,091,461)</b>	<b>(2,350,596)</b>	<b>(2,109,597)</b>	<b>(1,444,358)</b>	<b>32</b>	<b>46</b>
1,630,496	<b>Profit Before Taxation</b>		<b>231,616</b>	<b>265,008</b>	<b>96,521</b>	<b>117,784</b>	<b>(13)</b>	<b>(18)</b>
(455,273)	Income Tax Expense	11	(134,971)*	(69,034)	(126,044)*	(28,445)	96	343
1,175,223	<b>Profit for the Period</b>	12	<b>96,645</b>	<b>195,974</b>	<b>(29,523)</b>	<b>89,339</b>	<b>(51)</b>	<b>(133)</b>
	<b>Other Comprehensive Income, Net of Related Tax</b>							
	<b>Items that are or may be reclassified to profit or loss</b>							
709,787	- Net Change in fair value of Available For Sale Financial Assets		(172,539)	48,744	(155,190)	41,979	(454)	(470)
(53,106)	- Realised Gains transferred to Income Statement		(5,874)	-	(5,874)	-	100	100
(580,705)	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		158,658	(42,174)	158,658	(42,174)	476	476
(7,023)	- Related Tax	11	8,758	(676)	-	-	1,396	-
(44,995)	<b>Items that will never be reclassified to profit or loss</b>							
	Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
23,958	<b>Total Other Comprehensive Income for the Period, Net of Related Tax</b>		<b>(10,997)</b>	<b>5,894</b>	<b>(2,406)</b>	<b>(195)</b>	<b>(287)</b>	<b>1,134</b>
1,199,181	<b>Total Comprehensive Income for the Period</b>		<b>85,648</b>	<b>201,868</b>	<b>(31,929)</b>	<b>89,144</b>	<b>(58)</b>	<b>(136)</b>
	<b>Profit Attributable to:</b>							
1,175,223	Equity Holders of the Company		96,645	195,974	(29,523)	89,339	(51)	(133)
-	Non-Controlling Interest		-	-	-	-	-	-
1,199,181	<b>Total Comprehensive Income Attributable to:</b>		<b>85,648</b>	<b>201,868</b>	<b>(31,929)</b>	<b>89,144</b>	<b>(58)</b>	<b>(136)</b>
-	Non-Controlling Interest		-	-	-	-	-	-
7.83	Basic and Diluted Earnings Per Share (Rs.)	13	<b>0.64</b>	1.31**	(0.20)	0.60**	(51)	(133)

\*Tax expense of the Group/Company has increased in 2021 due to the reversal of deferred tax asset as a result of change in the income tax rate as disclosed in note 11.

\*\*Basic and Diluted Earnings Per Share of 31st March 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 31st March 2021 and it is unaudited.

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

# Statement of Changes in Equity - Group

For the Period Ended 31st March,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2020	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	195,974	-	-	-	-	195,974
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	48,068	-	-	-	48,068
Net Change in fair value of Available For Sale Financial Assets	-	-	(42,174)	-	-	-	(42,174)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Period	-	-	6,894	-	-	-	6,894
Total Comprehensive Income for the Period	-	195,974	6,894	-	-	-	201,868
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	42,174	-	42,174
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Unaudited balance as at 31st March 2020</b>	<b>1,171,875</b>	<b>5,161,783</b>	<b>30,695</b>	<b>(6,525)</b>	<b>219,402</b>	<b>381,156</b>	<b>6,953,396</b>
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	979,249	-	-	-	-	979,249
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	601,590	-	-	-	601,590
Net Change in fair value of Available For Sale Financial Assets	-	-	(638,531)	-	-	-	(638,531)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	(44,995)	-	-	(44,995)
Actuarial Losses on Defined Benefit Plans	-	-	-	(44,995)	-	-	(44,995)
Total Other Comprehensive Income for the Period	-	-	63,059	(44,995)	-	-	18,064
Total Comprehensive Income for the Period	-	979,249	63,059	(44,995)	-	-	997,313
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Parent	-	(300,000)	-	-	538,531	-	538,531
Final dividend to equity holders for 2019	-	-	-	-	-	-	(300,000)
<b>Audited balance as at 31st December 2020</b>	<b>1,171,875</b>	<b>5,841,032</b>	<b>93,754</b>	<b>(51,520)</b>	<b>757,933</b>	<b>381,156</b>	<b>8,194,230</b>
Balance as at 01st January 2021	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	96,645	-	-	-	-	96,645
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	(169,655)	-	-	-	(169,655)
Net Change in fair value of Available For Sale Financial Assets	-	-	158,658	-	-	-	158,658
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Period	-	-	(10,997)	-	-	-	(10,997)
Total Comprehensive Income for the Period	-	96,645	(10,997)	-	-	-	85,648
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Parent	-	(420,000)	-	-	(156,658)	-	(156,658)
Final dividend to equity holders for 2020	-	-	-	-	-	-	(420,000)
<b>Unaudited balance as at 31st March 2021</b>	<b>1,171,875</b>	<b>5,517,677</b>	<b>82,757</b>	<b>(51,520)</b>	<b>599,275</b>	<b>381,156</b>	<b>7,701,220</b>

Noted Capital represents 150 Million Ordinary Shares as at 31st March 2021 (2020 - 150 Million Ordinary Shares).

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

# Statement of Changes in Equity - Company

For the Period Ended 31st March,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Policyholders' AFS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2020	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,965
<b>Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	89,339	-	-	-	-	89,339
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	41,979	-	-	-	41,979
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders Available For Sale Reserve Fund	-	-	(42,174)	-	-	-	(42,174)
Total Other Comprehensive Income for the Period	-	-	(195)	-	-	-	(195)
Total Comprehensive Income for the Period	-	89,339	(195)	-	-	-	89,144
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	42,174	-	42,174	-	42,174
Unaudited balance as at 31st March 2020	1,171,875	4,633,708	9,686	(6,514)	219,402	381,156	6,403,313
<b>Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	634,606	-	-	-	-	634,606
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	544,471	-	-	-	544,471
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders Available For Sale Reserve Fund	-	-	(638,531)	-	-	-	(638,531)
Actuarial Losses on Defined Benefit Plans	-	-	-	(27,402)	-	-	(27,402)
Total Other Comprehensive Income for the Period	-	-	5,940	(27,402)	-	-	(21,462)
Total Comprehensive Income for the Period	-	634,606	5,940	(27,402)	-	-	613,144
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	5,940	-	-	-	5,940
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	-	-	-	538,531	-	(538,531)
Final dividend to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Audited balance as at 31st December 2020	1,171,875	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
Balance as at 01st January 2021	1,171,875	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
<b>Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	(29,523)	-	-	-	-	(29,523)
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>							
Net Change in fair value of Available For Sale Financial Assets	-	-	(161,064)	-	-	-	(161,064)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders Available For Sale Reserve Fund	-	-	158,658	-	-	-	158,658
Total Other Comprehensive Income for the Period	-	-	(2,406)	-	-	-	(2,406)
Total Comprehensive Income for the Period	-	(29,523)	(2,406)	-	-	-	(31,929)
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	2,406	-	-	-	2,406
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	(420,000)	-	-	(158,658)	-	(578,658)
Final dividend to equity holders for 2020	-	-	-	-	-	-	(420,000)
Unaudited balance as at 31st March 2021	1,171,875	4,518,791	13,220	(33,916)	599,275	381,156	6,650,401

Stated Capital represents 150 Million Ordinary Shares as at 31st March 2021 (2020 - 150 Million Ordinary Shares).

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

# Statement of Cash Flows

<i>For the Period Ended 31st March ,</i>	Group		Company		
	Note	Unaudited 2021	Unaudited 2020	Unaudited 2021	Unaudited 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flows From Operating Activities</b>					
Profit Before Taxation		231,616	265,008	96,521	117,784
<i>Adjustments for:</i>					
Interest Income	10	(612,941)	(612,605)	(525,013)	(519,990)
Dividend Income	10	(2,764)	(2,473)	(2,700)	(2,473)
Amortisation of Intangible Assets		5,325	4,332	5,010	4,229
Depreciation of Property, Plant and Equipment		13,919	12,615	9,769	8,900
Net Depreciation of Right of Use Assets		32,262	32,775	30,205	29,278
Interest Expense of Lease Creditors		12,448	11,133	11,753	10,484
Provision for Employee Benefits		14,032	13,117	8,282	7,367
Net Realised Gains		(8,099)	(188)	(7,572)	-
Net Fair Value (Gains)/Losses		(47,767)	17,924	(29,342)	24,183
Gains on Disposal of Property, Plant and Equipment		(65)	(25)	(74)	(25)
		(362,034)	(258,387)	(403,161)	(320,263)
Net Change in Operating Assets	A	(182,461)	(393,846)	(26,139)	(99,720)
Net Change in Operating Liabilities	B	1,328,923	827,643	1,013,032	556,417
<b>Cash Flows from Operating Activities</b>		784,428	175,410	583,732	136,434
Gratuity Paid		(6,018)	(1,295)	(5,519)	(239)
Economic Service Charges (ESC) Paid		-	(6,505)	-	-
Income Tax Paid		(25,758)	-	-	-
<b>Net Cash Generated from Operating Activities</b>		752,652	167,610	578,213	136,195
<b>Cash Flows from Investing Activities</b>					
Acquisition of Financial Investments		(43,050,496)	(43,754,245)	(32,878,293)	(28,581,278)
Proceeds from maturity of Financial Investments		42,031,610	42,996,902	32,098,965	27,731,133
Proceeds from sale of Financial Investments		270,723	-	209,715	-
Interest Received		666,971	677,746	564,171	571,084
Dividend Received		1,889	2,473	1,825	2,473
Acquisition of Intangible Assets		(1,830)	(2,444)	(1,830)	(2,329)
Acquisition of Property, Plant and Equipment		(26,150)	(20,712)	(16,337)	(20,546)
Proceeds from the Disposal of Property, Plant and Equipment		771	25	671	25
Advance Paid to Right of Use Asset		(3,522)	(4,207)	(3,522)	(4,207)
<b>Net Cash Used in Investing Activities</b>		(110,034)	(104,462)	(24,635)	(303,645)
<b>Cash Flows from Financing Activities</b>					
Payment of Lease Liabilities		(24,691)	(36,280)	(22,182)	(32,998)
<b>Net Cash Used in Financing Activities</b>		(24,691)	(36,280)	(22,182)	(32,998)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		617,927	26,868	531,396	(200,448)
Cash and Cash Equivalents at the beginning of the Period		586,806	735,207	339,618	601,662
<b>Cash and Cash Equivalents at the end of the Period</b>		1,204,733	762,075	871,014	401,214
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Decrease in Deferred Expenses		2,674	596	-	-
Increase in Loans to Life Policyholders		(9,740)	(24,699)	(9,740)	(24,699)
Increase in Reinsurance Receivables		(29,194)	(94,821)	(24,026)	(15,243)
Increase in Premium Receivables		(199,387)	(225,710)	(9,202)	(13,926)
Decrease/(Increase) in Other Assets		53,186	(49,212)	16,829	(45,852)
<b>Net Change in Operating Assets</b>		(182,461)	(393,846)	(26,139)	(99,720)
<b>B. Change in Operating Liabilities</b>					
Decrease in Other Liabilities		(123,237)	(63,059)	(77,776)	(183,084)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		1,062,028	679,825	1,062,028	679,825
Increase in Insurance Contract Liabilities - General Insurance		216,325	91,731	-	-
Increase in Reinsurance Creditors		173,807	119,146	28,780	59,676
<b>Net Change in Operating Liabilities</b>		1,328,923	827,643	1,013,032	556,417

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

## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st March 2021		31st December 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	122,711	58,602	116,740	53,048
Right of Use Assets	388,102	23,856	380,105	14,332
Intangible Assets	59,060	6,303	62,240	6,618
Deferred Tax Assets	599,211	20,890	725,255	13,466
Financial Investments	22,481,570	4,456,623	22,075,265	4,291,343
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	389,476	-	379,736	-
Reinsurance Receivables	196,725	604,245	172,699	599,077
Premium Receivables	14,190	1,296,791	4,988	1,106,606
Other Assets	566,367	273,936	582,321	289,379
Insurance Contract - Deferred Expenses	-	160,945	-	163,619
Cash and Cash Equivalents	923,770	361,138	393,522	317,589
<b>Total Assets</b>	<b>26,891,182</b>	<b>7,263,329</b>	<b>26,042,871</b>	<b>6,855,077</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	18,126,117	-	17,064,089	-
Insurance Contract Liabilities - General Insurance	-	3,525,474	-	3,309,149
Employee Defined Benefit Liabilities	153,492	108,960	150,729	103,709
Current Tax Liabilities	12,301	120,627	12,301	138,792
Reinsurance Creditors	319,696	554,216	290,916	409,189
Lease Creditor	402,000	25,166	377,746	15,399
Other Liabilities	1,174,419	700,648	832,198	725,196
Bank Overdraft	52,756	27,419	53,904	70,401
<b>Total Liabilities</b>	<b>20,240,781</b>	<b>5,062,510</b>	<b>18,781,883</b>	<b>4,771,835</b>

## Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	31st March 2021		31st March 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	1,666,630	1,599,819	1,106,940	1,259,450
Premium Ceded to Reinsurers	(79,380)	(348,255)	(68,085)	(251,599)
<b>Net Written Premium</b>	<b>1,587,250</b>	<b>1,251,564</b>	<b>1,038,855</b>	<b>1,007,851</b>
Net Change in Reserves for Unearned Premium	-	(242,436)	-	(43,846)
<b>Net Earned Premium</b>	<b>1,587,250</b>	<b>1,009,128</b>	<b>1,038,855</b>	<b>964,005</b>
<b>Other Revenue</b>				
Interest and Dividend Income	527,713	87,992	522,463	92,615
Net Realised Gains	7,572	527	-	188
Net Fair Value (Losses)/Gains	29,342	18,425	(24,183)	6,259
Fee and Commission Income	54,056	48,093	24,921	32,170
Other Income	185	4,354	86	1,474
<b>Total Other Revenue</b>	<b>618,868</b>	<b>159,391</b>	<b>523,287</b>	<b>132,706</b>
<b>Net Income</b>	<b>2,206,118</b>	<b>1,168,519</b>	<b>1,562,142</b>	<b>1,096,711</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(419,933)	(605,738)	(283,989)	(557,756)
Change in Contract Liabilities - Life Fund	(1,035,084)	-	(611,475)	-
Other Operating and Administration Expenses	(364,689)	(318,814)	(351,253)	(294,166)
Underwriting and Net Acquisition Cost	(268,707)	(99,166)	(185,762)	(89,469)
Finance and Other Insurance Related Costs	(21,184)	(9,706)	(11,879)	(8,096)
<b>Total Benefits, Claims and other Expenses</b>	<b>(2,109,597)</b>	<b>(1,033,424)</b>	<b>(1,444,358)</b>	<b>(949,487)</b>
<b>Profit Before Taxation</b>	<b>96,521</b>	<b>135,095</b>	<b>117,784</b>	<b>147,224</b>
Income Tax Expense	(126,044)	(8,927)	(28,445)	(40,589)
<b>Profit for the Period</b>	<b>(29,523)</b>	<b>126,168</b>	<b>89,339</b>	<b>106,635</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 CORPORATE INFORMATION

### a). Reporting Entity

HNB Assurance PLC ("the Company") is a public limited liability Company incorporated on 23rd August 2001 and domiciled in Sri Lanka. The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttaranda Mawatha, Colombo 03. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

The Group's controlling entity and ultimate parent undertaking is Hatton National Bank PLC which is a licensed Commercial Bank incorporated in Sri Lanka.

### b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 30th April 2021.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 31st March 2021 are provisional and unaudited.

## 2 BASIS OF PREPARATION

These Condensed Consolidated Interim Financial Statements of the Group and Company have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2020 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

### 2a) Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) which provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2023.

Having considered the above, since HNB Assurance PLC and HNB General Insurance Limited are predominantly carrying out Insurance activities, both Companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for the annual periods beginning before 01st January 2023.

Group has not early adopted the new SLFRSs and interpretations issued but not yet effective.

## 3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 31st Mar 2021	Audited 31st Dec 2020	Unaudited 31st Mar 2021	Audited 31st Dec 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	18,948,701	18,252,174	15,606,428	15,060,717
Available for Sale Financial Assets	7,023,611	7,170,930	6,156,493	6,313,997
Financial Assets at Fair Value Through Profit or Loss	965,881	943,504	718,649	700,551
<b>Total Financial Investments</b>	<b>26,938,193</b>	<b>26,366,608</b>	<b>22,481,570</b>	<b>22,075,265</b>

## 4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by subsidiary companies are adjusted to conform with the Group's accounting policies where necessary.



## Notes to the Condensed Consolidated Interim Financial Statements

### 5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the fair value changes recorded in Other Comprehensive Income in respect of Life Insurance related assets.

- 5a) Unrealised gains and losses of Available For Sale Financial Assets of Life Insurance are included under Life Policyholders' Available For Sale Reserve Fund in Equity.

### 6 RESTRICTED REGULATORY RESERVE

As at,	Group		Company		
	Unaudited	Audited	Unaudited	Audited	
	31st Mar 2021 Rs. '000	31st Dec 2020 Rs. '000	31st Mar 2021 Rs. '000	31st Dec 2020 Rs. '000	
Balance at the end of the period	(Note 6b)	<b>381,156</b>	381,156	<b>381,156</b>	381,156

#### 6a) Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No. 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the Direction. Based on the Direction, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction above. The distribution of One-off Surplus to Shareholders as dividend shall remain restricted until the requirements disclosed in Note (6d) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

- 6b) As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

The IRCSL had directed insurance Companies to maintain this One-off Surplus arising from change in the policy liability valuation within the Long Term Insurance Fund / Insurance Contract Liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer / distribute any part of the surplus until specific instructions are issued in this regard.

#### Surplus created due to Change in Valuation Method

Description		Participating Fund Rs. '000	Non Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on NPV as at 31st December 2015	A	2,988,500	3,856,964	6,845,464
Value of Insurance contract liability based on GPV as at 31st December 2015	B	3,015,001	3,475,808	6,490,809
Zerorisation of Negative Surplus as per Direction No.16	C	26,501	-	26,501
Surplus created due to Change in Valuation Method				
- One-off Surplus as at 01st January 2016	A-B+C	-	381,156	381,156

The One-off surplus in the Shareholder's Fund will remain invested in Term Deposits as disclosed in Note No. (6c) as per the Direction of IRCSL.

The financial ratios presented in these Condensed Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be 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 No. 43 of 2000".

## Notes to the Condensed Consolidated Interim Financial Statements

### 6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st March 2021

Based on the Direction issued by IRCSL following Instruments have been marked to support the Restricted Regulatory Reserve of the Company.

Asset Category	Fair Value /Carrying Value 31st Mar 2021 (Rs. '000)
As at,	
Term Deposits	393,616

### 6d) Distribution of One-off Surplus

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, as listed below.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholder's Fund and the Policyholder's Fund as well as between different lines of business within the Policyholder's Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholder's Fund to Shareholder's Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further, IRCSL will consider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case by case basis.

### 7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Life Insurance Fund	(Note 7a) 17,868,134	16,833,050	17,868,134	16,833,050
Claims Outstanding	257,983	231,039	257,983	231,039
<b>Total Insurance Contract Liabilities</b>	<b>18,126,117</b>	<b>17,064,089</b>	<b>18,126,117</b>	<b>17,064,089</b>

### 7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<b>The Movement in the Life Insurance Fund is as follows:</b>				
Balance as at the beginning of the Period	16,833,050	14,269,182	16,833,050	14,269,182
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	1,035,084	3,188,372	1,035,084	3,188,372
Surplus Distributed to Shareholders	-	(612,203)	-	(612,203)
Increase in Life Insurance Fund	1,035,084	2,576,169	1,035,084	2,576,169
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(12,301)	-	(12,301)
<b>Balance as at the end of the Period</b>	<b>17,868,134</b>	<b>16,833,050</b>	<b>17,868,134</b>	<b>16,833,050</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Hassan Scott Odierno, FSA, on behalf of Messers Actuarial Partners Consulting Sdn Bhd, as at 31st December 2020 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision was required against the LAT as at 31st March 2021.

### 8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Reserves for Net Unearned Premium	2,348,288	2,108,020	-	-
Reserves for Title Insurance	58,899	56,731	-	-
Reserves for Gross Outstanding Claims	1,118,287	1,144,398	-	-
<b>Total Insurance Contract Liabilities</b>	<b>3,525,474</b>	<b>3,309,149</b>	<b>-</b>	<b>-</b>

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Varadaprasad Jagannathan, FIA, as at 31st March 2021 for and on behalf of Willis Towers Watson India Private Limited (2020 - valuation was carried by Mr. Matthew Kung-Chuong Tiong, FIA, for and on behalf of NMG Consulting) and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

### 8b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Consultant Actuary, Mr. Matthew Kung-Chuong Tiong, FIA, as at 31st December 2020 for and on behalf of NMG Consulting as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT as at 31st December 2020. No additional provision is required against LAT as at 31st March 2021.

### 9 GROSS WRITTEN PREMIUM

Group	Group		Company	
	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
<i>For the Three Months Ended,</i>				
<b>Life Insurance</b>				
5,422,151 Individual Policies	1,639,862	1,094,540	1,639,862	1,094,540
64,888 Corporate Policies	26,768	12,400	26,768	12,400
(48,196) Adjustment for Inter Company Premiums	(12,595)	(7,191)	-	-
<b>5,438,843 Gross Written Premium - Life Insurance</b>	<b>1,654,035</b>	<b>1,099,749</b>	<b>1,666,630</b>	<b>1,106,940</b>
<b>General Insurance</b>				
647,789 Fire	217,590	157,744	-	-
3,583,061 Motor	1,024,626	834,780	-	-
54,682 Marine	11,578	9,387	-	-
712,196 Miscellaneous	346,025	257,539	-	-
(37,579) Adjustment for Inter Company Premiums	(30,898)	(30,265)	-	-
<b>4,960,149 Gross Written Premium - General Insurance</b>	<b>1,568,921</b>	<b>1,229,185</b>	<b>-</b>	<b>-</b>
<b>10,398,992 Total Gross Written Premium</b>	<b>3,222,956</b>	<b>2,328,934</b>	<b>1,666,630</b>	<b>1,106,940</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 10 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2020 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
2,487,950	Interest Income	612,941	612,605	525,013	519,990
5,367	Dividend Income	2,764	2,473	2,700	2,473
<u>2,493,317</u>	<b>Total</b>	<u>615,705</u>	<u>615,078</u>	<u>527,713</u>	<u>522,463</u>

### 11 INCOME TAX EXPENSE

Group		Group		Company	
Audited 31st Dec 2020 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
(190,310)	Income Tax Charge	(7,593)	(42,394)	-	-
(151)	Over Provision of Income Taxes in respect of Prior Period	-	-	-	-
(263,967)	Deferred Income Tax - Recognised through Profit or Loss	(127,378)	(26,640)	(126,044)	(28,445)
(845)	Capital Gain Tax for the Period	-	-	-	-
<u>(455,273)</u>	<b>Total Tax charge in Profit or Loss</b>	<u>(134,971)</u>	<u>(69,034)</u>	<u>(126,044)</u>	<u>(28,445)</u>
	Deferred Income Tax - Recognised through Other				
(7,023)	- Comprehensive Income	8,758	(676)	-	-
<u>(7,023)</u>	<b>Total Tax charge in Other Comprehensive Income</b>	<u>8,758</u>	<u>(676)</u>	<u>-</u>	<u>-</u>

The Company and its subsidiary are liable to pay income tax at the rate of 24% of its taxable profits in accordance with the provisions of the Inland Revenue Act and subsequent amendment (substantially enacted).

#### Applicability of Proposed Income Tax Rate as at 31 March 2021

As per the Notice (PN/IT/2020-03) issued by the Department of Inland Revenue "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" the existing Income Tax Rate of 28% of the Company and subsidiary is proposed to be reduced to 24% with effect from 1st January 2020. However these amendments were to be formalized as an amendment to the original Inland Revenue Act, No. 24 of 2017. Hence, the Company continued the application of 28% for Income Tax Liability and Deferred Tax Asset as the proposed rate was not enacted or substantially enacted.

On 23rd April 2021, The Institute of Chartered Accountants of Sri Lanka published a separate Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12. According to the said guideline the term "Substantively enacted" means a Bill introducing the change being taken up at the Parliament for the First Reading. Accordingly, the Bill containing in the proposed tax changes was placed on the Order Paper of the Parliament for the First Reading on 26th March 2021. Therefore Financial Statements having a period end after 26th March 2021, should use such proposed tax rules and rates in the Bill for determination of current tax and deferred tax.

As prescribed in the guideline, the Group has applied the tax rate of 24% for the quarter ended 31st March 2021 and as a result of that income tax expense of the Group and Company have been increased by Rs. 70.37 Million and Rs. 99.87 Million respectively.

## Notes to the Condensed Consolidated Interim Financial Statements

### 12 PROFIT FOR THE PERIOD

Audited 31st Dec 2020 Rs. '000	<i>For the Three Months Ended,</i>	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
<b>Company - HNB Assurance PLC</b>			
612,203	Surplus Transferred from Life Policyholders' Fund to Shareholder's Fund	-	-
387,160	Profit from Life Shareholder's Fund	96,521	117,784
(275,418)	Reversal of Deferred Tax Asset	(126,044)	(28,445)
723,945	<b>Profit for the Period</b>	<b>(29,523)</b>	89,339
<b>Subsidiary - HNB General Insurance Ltd</b>			
631,133	Profit Before Tax	135,095	147,224
(179,855)	Income Tax and Deferred Tax Expense	(8,927)	(40,589)
451,278	<b>Profit for the Period</b>	<b>126,168</b>	106,635
1,175,223	<b>Profit for the Period - Group</b>	<b>96,645</b>	195,974

During the period, applicable income tax rate of Group and Company were changed from 28% to 24% (Refer Note 11 for proposed income tax rate change). As a result of that, Company profit after tax reduced by Rs.99.87 Million due to the reversal of the Deferred Tax Asset. Profit after tax of the subsidiary increased by Rs. 29.5 Million with the decrease of income tax expense by Rs. 32.97 Million and decrease in deferred tax asset by Rs. 3.47 Million. Accordingly, the Group profit after tax reduced by Rs. 70.37 Million.

### 13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no potential dilutive ordinary shares outstanding at any time during the period. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share.

Group		Group		Company	
Audited 31st Dec 2020	<i>For the Three Months Ended,</i>	Unaudited 31st Mar 2021	Unaudited 31st Mar 2020	Unaudited 31st Mar 2021	Unaudited 31st Mar 2020
1,175,223	Profit for the Period (Rs. '000)	96,645	195,974	(29,523)	89,339
150,000	Weighted average number of ordinary shares ('000) (Note 13a)	150,000	150,000	150,000	150,000
7.83	Basic and Diluted Earnings Per Share (Rs.)	0.64	1.31*	(0.20)	0.60*

\*Basic and Diluted Earnings Per Share of 31st March 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 31st March 2021.

#### 13a) Weighted Average Number Of Ordinary Shares

At the meeting of the Board of Directors of the Company held on 05 November 2020, the Board of Directors approved a sub division of the Company shares, whereby one (1) existing share was sub divided to three (3), thereby increasing the ordinary shares in issue from 50,000,000 to 150,000,000 ordinary shares. This has not altered the stated capital of the Company.

## Notes to the Condensed Consolidated Interim Financial Statements

### 14 RELATED PARTY DISCLOSURES

#### 14a) Transactions and Outstanding Balances with the Parent and Ultimate Controlling Party - Hatton National Bank PLC

Transactions <i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
Insurance Premium	45,783	879	-	-
Claims Incurred	4,720	12,330	-	-
Investment Income	23,481	17,776	18,017	12,792
Administration Expenses	87,415	58,272	59,627	37,600
Rent and other Operational Expenses	2,563	2,766	1,662	1,779
<b>Outstanding Balances</b>				
<i>As at,</i>	Group		Company	
	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Investments Balance (Includes Deposits and Debentures)	770,624	893,788	538,154	664,043
Cash at Bank Balances	1,176,389	560,336	865,136	328,230
Premium Receivable	50,126	56	-	-
Administration Expenses Payable	35,108	54,063	20,066	41,653
Rent and Other Operational Expenses Payable	259	181	149	79
Dividend Payable	251,941	-	251,941	-

#### 14b) Transactions and Outstanding Balances with the Subsidiary Company - HNB General Insurance Ltd.

Transactions <i>For the Three Months Ended,</i>	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
Insurance Premium	12,595	7,191
Insurance Expenses	30,898	30,265
Claims Received	552	13
Claims Paid	1,400	-
Reimbursement Expenses Relating to Employees	23,464	25,796
Other Reimbursement Expenses	45,054	42,804
Fund Management Fee	3,352	2,604
Profit Commission Expense	4,715	3,189
<b>Outstanding Balances</b>		
<i>As at,</i>	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Receivable from HNB General Insurance Ltd	20,914	7,286

#### 14c) Transactions and Outstanding Balances with / between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	7,124	(4,567)	-	-
HNB Finance PLC	Insurance Premium	7,301	620	-	-
	Claims Incurred	861	1,066	-	-
	Administration Expenses	1,232	805	9	20
	Interest Income	5,924	5,987	5,924	5,987

## Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Sithma Development (Pvt) Ltd	Premium Receivable	11,848	3,152	-	-
HNB Finance PLC	Investment in Term Deposits	50,676	50,076	50,676	50,076
	Investment in Debentures	129,159	125,090	129,159	125,090
	Cash at Bank Balances	550	66	550	66
	Premium Receivable	10,336	397	-	-
	Administration Expenses Payable	1,849	928	4	4

### 14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
<i>For the Three Months Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	38	(10)	-	-
	Claims incurred	2,022	-	2,000	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	20	4	-	-
	Claims incurred	278	-	-	-
Acuity Securities Ltd	Insurance Premium	(1)	-	-	-
	Claims incurred	163	-	-	-
	Custodian Fee	113	-	90	-
	Investment Income from REPO	33,087	34,067	23,828	22,569

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	5	305	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	15	83	-	-
Acuity Securities Ltd	Premium Receivable	5	164	-	-
	Investment In REPO	2,450,680	2,827,050	1,754,158	2,011,243

### 14e) Transactions with Key Management Personnel / Directors of the Group or its Parent Hatton National Bank PLC

Transactions <i>For the Year Ended,</i>	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2020 Rs. '000
Director Fee	5,925	5,740
Short-term and Post employment benefits	25,667	19,083
Insurance Premium	1,087	946
Claims Paid including Maturities	-	1,560

#### Appointment to the Board of Directors

Mrs. Lorainne Chiranthi Cooray was appointed as a Director of HNB General Insurance Limited w.e.f. 17th March 2021.

#### Resignation from the Board of Directors

Mr. Dilshan Rodrigo, a Director of HNB General Insurance Limited has resigned from being a Director of HNB General Insurance Limited w.e.f. 17th March 2021.

## Notes to the Condensed Consolidated Interim Financial Statements

### 15 COVID-19 Pandemic and Related Implications

The COVID 19 pandemic has affected businesses globally as well as locally. Following this outbreak, the business operations and activities of the Company / Group were temporary impacted. In the backdrop of the developments which followed by various challenges faced by many sectors in the economy and the restrictions brought on people's movements due to COVID 19, the Group's operations were also affected considerably. The Group carried out an exercise to identify and ascertain the emerging risks attributable to COVID 19, its impact and consequences. Accordingly, a response plan has been activated intensifying the work from home concept aimed at maintaining the financial impact at a minimal level. The Group has taken various precautionary measures to protect employees, their families, and the eco system in which they interact based on instructions issued by the Government, while at the same time ensuring business continuity. The Group operations will continue in compliance with health and safety guidelines issued by the Government of Sri Lanka and Insurance Regulatory Commission of Sri Lanka ( IRSCCL).

The Board is regularly monitoring the impact of COVID 19 on profitability and liquidity of the Company/Group. The Board is of the view that the Company/ Group has adequate liquidity position considering the cash in hand and other liquid investments. Accordingly, the Company/Group will not have any limitations in meeting the future obligations and ensuring business continuity.

### 16 EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events that occurred after the reporting date that require adjustments or disclosure in these Condensed Consolidated Interim Financial Statements.

### 17 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 10.6 Million for purchase of computer software (2020 – Rs. 24.1 Million).

As at end of the financial period, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements.

### 18 CONTINGENCIES

- 18a) The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses, in consultation with the Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and this matter was fixed by Court of Appeal on 5th and 9th July 2021. As the Company is of the strong view that no additional Tax liabilities will arise due to this assessment, no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 21.99 Million.



## Notes to the Condensed Consolidated Interim Financial Statements

18b) The Company received three Notices of Assessment on VAT and NBT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015 and 01.01.2016 to 31.12.2016. The Company has duly appealed for all three assessments as the Company's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
2014.01.01-2014.12.31	2018.07.10	Pending decision from TAC	VAT	21.06	10.53	31.59
			NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from IRD	VAT	17.55	12.98	30.53
			NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from IRD	VAT	24.86	12.43	37.29
			NBT	4.01	2	6.01
<b>Total</b>				<b>70.31</b>	<b>39.35</b>	<b>109.66</b>

18c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, these Income Tax Assessments have been common Assessments for all Life Insurance companies in the insurance industry. However, the management, and the Company's Tax Consultant are of the view that the Company has followed the due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of the Company having to settle any of these tax assessments are very low. Therefore, no additional provision has been made in the Financial Statements.

## Notes to the Condensed Consolidated Interim Financial Statements

The Company has duly appealed against these Assessments in consultation with Tax Consultants and the status of each Assessment is provided in the table below.

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
2011/2012	2014.11.20	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability of Rs. 132 Million will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability of Rs. 136 Million will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability of Rs. 164 Million will arise	164
2016/2017	2019.01.29	Company is in the Process of Filing an Appeal in Tax Appeals Commission	An additional Tax Liability of Rs. 290 Million will arise	290
2017/2018	2020.05.19	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability of Rs. 434 Million will arise	434
<b>Total</b>				<b>1,156</b>

**18d)** The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, we have not received any communication from IRD yet. As such no provision has been made in the financial statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received a tax assessment and penalty amounting to Rs. 11.24 Million on VAT returns filed and the subsidiary has duly appealed against the assessment. As such no provisions are made in these the Financial Statements.

## Share Information

### Top 20 Shareholders

Name of the Shareholder

	31st March 2021	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No 1	89,979,000	59.99
2 Mr. S.N.P. Palihena	6,000,000	4.00
3 Ceylon Guardian Investment Trust PLC A/c No # 2	5,678,400	3.79
4 Employees Trust Fund Board	1,968,081	1.31
5 Mr. M. F. Hashim	1,530,000	1.02
6 Mrs. A. Selliah	1,500,000	1.00
7 Mrs. A. Kailasapillai	1,500,000	1.00
8 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90
9 Arunodhaya (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90
11 Seylan Bank PLC/Janashakthi Capital Limited	1,117,002	0.74
12 People's Leasing & Finance PLC/HI Line Trading (Pvt) Ltd	786,145	0.52
13 Andysel (Pvt) Ltd	750,000	0.50
14 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
15 Mr. M. A. H. Esufally	647,428	0.43
16 Mr. V. Sharda	609,000	0.41
17 Dr. S. Selliah	600,000	0.40
18 Mr. K. Aravinthan	600,000	0.40
19 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
20 Mrs . M. R. P. Balendra	554,196	0.37

### Public Shareholding

31st March 2021

* Float Adjusted Market Capitalisation (Rs.)	3,132,336,120
Percentage of Shares held by the Public	35.215%
Number of Public Shareholders	4,041

The Company complies the minimum public Shareholding requirement under option 4 of section 7.13.1 (a) of the Listing Rules.

\* Float Adjusted Market Capitalisation = Market Capitalisation X Public Holding Percentage

## Share Information (Contd.)

### Shareholdings of Directors

Name of the Directors and Chief Executive Officer	No. of Shares 31st March 2021
Mrs. M A R C Cooray	76,105
Mr. J A P M Jayasekera	174,000
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	42,500
Dr. S Selliah	600,000
Mr. D R Abeyseriya	5,000
Mr. L U D Fernando	498
Mr. S A Chapman	500
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P Fernando (Chief Executive Officer)	Nil

### Number of Shares

No. of shares representing the Stated Capital	150,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

### Share Performance

	Rs.
Net Asset Value Per Share as at 31st March 2021 - Group	51.34
Net Asset Value Per Share as at 31st March 2021 - Company	44.34
Net Asset Value Per Share as at 31st March 2021 without Restricted Regulatory Reserve - Group	48.80
Net Asset Value Per Share as at 31st March 2021 without Restricted Regulatory Reserve - Company	41.79
Highest Price Per Share for the Interim Period	64.00
Lowest Price Per Share for the Interim Period	55.00
Last Traded Price Per Share as at 31st March 2021	59.30