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STEP OF
YOUR
LIFE



**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
31st December 2020

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2020	31st Dec 2019	31st Dec 2020	31st Dec 2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		169,788	162,371	116,740	111,202
Right of Use Assets		394,437	343,737	380,105	325,572
Intangible Assets		68,858	51,787	62,240	49,830
Deferred Tax Assets		738,721	1,009,711	725,255	1,000,673
Financial Investments	3	26,366,608	21,202,074	22,075,265	17,777,410
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		379,736	325,307	379,736	325,307
Reinsurance Receivables		771,776	645,411	172,699	144,715
Premium Receivables		1,111,594	946,650	4,988	9,458
Other Assets		864,414	933,633	582,321	625,499
Insurance Contract - Deferred Expenses		163,619	138,622	-	-
Cash and Cash Equivalents		711,111	865,843	393,522	632,712
Total Assets		31,740,662	26,625,146	26,042,871	22,152,378
Equity and Liabilities					
Equity Attributable to the Equity Holders of Parent					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		5,841,032	4,965,809	4,968,314	4,544,369
Available for Sale Reserve		93,754	24,801	15,626	9,881
Other Reserve		(51,520)	(6,525)	(33,916)	(6,514)
Life Policyholders' Available for Sale Reserve Fund	5	757,933	177,228	757,933	177,228
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders of Parent		8,194,230	6,714,344	7,260,988	6,277,995
Non-Controlling Interest		-	-	-	-
Total Equity		8,194,230	6,714,344	7,260,988	6,277,995
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	17,064,089	14,464,534	17,064,089	14,464,534
Insurance Contract Liabilities - General Insurance	8	3,309,149	2,871,416	-	-
Employee Defined Benefit Liabilities		254,438	167,118	150,729	100,076
Current Tax Liabilities		151,093	112,031	12,301	16,175
Reinsurance Creditors		700,105	540,652	290,916	125,151
Lease Creditors		393,145	350,089	377,746	334,832
Other Liabilities		1,550,108	1,274,326	832,198	802,565
Bank Overdraft		124,305	130,636	53,904	31,050
Total Liabilities		23,546,432	19,910,802	18,781,883	15,874,383
Total Equity and Liabilities		31,740,662	26,625,146	26,042,871	22,152,378


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
 19th February 2021

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,	Note	Group		Company		Change	
		Unaudited	Audited	Unaudited	Audited	Group	Company
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	%	%
Gross Written Premium	9	10,398,992	9,942,757	5,487,039	5,175,044	5	6
Premium Ceded to Reinsurers		(1,307,978)	(1,312,881)	(265,164)	(240,974)	(0.37)	10
Net Written Premium		9,091,014	8,629,876	5,221,875	4,934,070	5	6
Net Change in Reserves for Unearned Premium		(164,257)	(156,216)	-	-	5	-
Net Earned Premium		8,926,757	8,473,660	5,221,875	4,934,070	5	6
Other Revenue							
Interest and Dividend Income	10	2,493,317	2,248,926	2,125,362	1,949,467	11	9
Net Realised Gains		53,634	92,856	44,909	70,000	(42)	(36)
Net Fair Value Gains/(Losses)		17,696	(8,826)	12,987	(6,370)	300	304
Fee and Commission Income		140,843	121,510	34,945	42,733	16	(18)
Other Income		14,970	16,196	5,747	2,965	(8)	94
Total Other Revenue		2,720,460	2,470,662	2,223,950	2,058,795	10	8
Net Income		11,647,217	10,944,322	7,445,825	6,992,865	6	6
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(3,558,641)	(3,620,775)	(1,494,181)	(1,338,015)	(2)	12
Change in Contract Liabilities - Life Fund		(2,576,169)	(2,173,251)	(2,576,169)	(2,173,251)	19	19
Other Operating and Administration Expenses		(2,546,209)	(2,336,042)	(1,430,742)	(1,342,591)	9	7
Underwriting and Net Acquisition Costs		(1,235,446)	(1,288,068)	(888,527)	(959,550)	(4)	(7)
Finance and Other Insurance Related Costs		(100,256)	(121,295)	(56,843)	(72,923)	(17)	(22)
Total Benefits, Claims and Other Expenses		(10,016,721)	(9,539,431)	(6,446,462)	(5,886,330)	5	10
Profit Before Taxation		1,630,496	1,404,891	999,363	1,106,535	16	(10)
Income Tax Expense	11	(455,273)	(394,663)	(275,418)	(279,826)	15	(2)
Profit for the Year	12	1,175,223	1,010,228	723,945	826,709	16	(12)
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale Financial Assets		709,787	511,043	631,105	456,276	39	38
- Realised Gains transferred to Income Statement		(53,106)	(92,836)	(44,655)	(68,751)	(43)	(35)
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(580,705)	(379,095)	(580,705)	(379,095)	53	53
- Related Tax	11	(7,023)	(6,286)	-	-	12	-
Items that will never be reclassified to profit or loss							
Actuarial Losses on Defined Benefit Plans		(44,995)	(2,119)	(27,402)	(2,119)	2,023	1,193
Total Other Comprehensive Income for the Year, Net of Related Tax		23,958	30,707	(21,657)	6,311	(22)	(443)
Total Comprehensive Income for the Year		1,199,181	1,040,935	702,288	833,020	15	(16)
Profit Attributable to:							
Equity Holders of the Parent		1,175,223	1,010,228	-	-	16	-
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		1,199,181	1,040,935	-	-	15	-
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	7.83	6.73*	4.83	5.51*	16	(12)

*Basic and Diluted Earnings Per Share of 2019 have been restated based on the post subdivision weighted average number of ordinary shares as at 31 December 2020 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 Year Ended 31st December,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2019	1,177,875	4,405,581	(8,025)	(4,406)	(201,867)	381,156	5,744,314
Total Comprehensive Income for the Year	-	1,010,228	-	-	-	-	1,010,228
Profit for the Year - Audited	-	1,010,228	-	-	-	-	1,010,228
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	411,921	-	-	-	411,921
Net Change in fair value of Available For Sale Financial Assets	-	-	(379,095)	-	-	-	(379,095)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	(2,119)	-	-	(2,119)
Actuarial Losses on Defined Benefit Plans	-	-	32,826	(2,119)	-	-	30,707
Total Other Comprehensive Income for the Year	-	1,010,228	32,826	(2,119)	-	-	1,040,935
Total Comprehensive Income for the Year	-	1,010,228	32,826	(2,119)	-	-	1,040,935
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	379,095	-	379,095
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent							
Dividend Paid to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
First interim dividend Paid to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Audited balance as at 31st December 2019	1,177,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Balance as at 01st January 2020	1,177,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Total Comprehensive Income for the Year	-	1,175,223	-	-	-	-	1,175,223
Profit for the Year - Unaudited	-	1,175,223	-	-	-	-	1,175,223
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	649,658	-	-	-	649,658
Net Change in fair value of Available For Sale Financial Assets	-	-	(860,705)	-	-	-	(860,705)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	(44,985)	-	-	(44,985)
Actuarial Losses on Defined Benefit Plans	-	-	68,953	(44,985)	-	-	23,968
Total Other Comprehensive Income for the Year	-	1,175,223	68,953	(44,985)	-	-	1,196,191
Total Comprehensive Income for the Year	-	1,175,223	68,953	(44,985)	-	-	1,196,191
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	580,705	-	580,705
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent							
Dividend paid to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 31st December 2020	1,177,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2020 (2019 - 50 Million Ordinary Shares).

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

Statement of Changes in Equity - Company

For the Year Ended 31st December,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2019	1,171,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,515,880
Total Comprehensive Income for the Year							
Profit for the Year - Audited	-	826,709	-	-	-	-	826,709
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	387,525	-	-	-	387,525
Net Change in fair value of Available For Sale Financial Assets	-	-	(379,095)	(2,119)	-	-	(379,095)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(2,119)	-	-	(2,119)
Actuarial Losses on Defined Benefit Plans	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Year							
Total Other Comprehensive Income for the Year	-	826,709	8,430	(2,119)	-	-	833,020
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	379,095	-	-	379,095
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2018	-	(360,000)	-	-	-	-	(360,000)
First interim dividend Paid to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Audited balance as at 31st December 2019							
Balance as at 01st January 2020	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995
Balance as at 01st January 2020	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995
Total Comprehensive Income for the Year							
Profit for the Year - Unaudited	-	723,945	-	-	-	-	723,945
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	586,450	-	-	-	586,450
Net Change in fair value of Available For Sale Financial Assets	-	-	(580,705)	-	-	-	(580,705)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(27,402)	-	-	(27,402)
Actuarial Losses on Defined Benefit Plans	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Year							
Total Other Comprehensive Income for the Year	-	723,945	5,745	(27,402)	-	-	(21,657)
Net Change in fair value of Available For Sale Financial Assets	-	-	5,745	(27,402)	-	-	(21,657)
- transferred from Available For Sale Reserve	-	-	-	-	580,705	-	580,705
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 31st December 2020							
Balance as at 31st December 2020	1,171,875	4,968,314	15,626	(33,916)	757,993	381,156	7,260,988

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2020 (2019 - 50 Million Ordinary Shares).

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

Statement of Cash Flows

<i>For the Year Ended 31st December ,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2020	2019	2020	2019
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities				
Profit Before Taxation	1,630,496	1,404,891	999,363	1,106,535
<i>Adjustments for:</i>				
Interest Income	10 (2,487,950)	(2,243,284)	(2,120,053)	(1,884,977)
Dividend Income	10 (5,367)	(5,642)	(5,309)	(64,490)
Amortisation of Intangible Assets	19,632	18,885	19,147	18,469
Depreciation of Property, Plant and Equipment	54,000	47,319	38,287	32,593
Net Depreciation of Right of Use Assets	143,891	139,525	128,491	126,628
Interest Expense of Lease Creditors	44,846	53,710	42,264	51,699
Provision for Employee Benefits	47,312	37,136	26,945	21,656
Net Realised Gains	(53,634)	(92,856)	(44,909)	(70,000)
Net Fair Value (Gains)/Losses	(17,696)	8,826	(12,987)	6,370
(Gains)/Losses on Disposal of Property, Plant and Equipment	(3,339)	(4,283)	(3,242)	403
Gains on Disposal of Right of Use Asset	(234)	-	(475)	-
	(628,043)	(635,773)	(932,478)	(655,114)
Net Change in Operating Assets	A (362,064)	(558,137)	(48,747)	(219,553)
Net Change in Operating Liabilities	B 3,447,285	2,898,914	2,791,079	2,380,061
Cash Flows from Operating Activities	2,457,178	1,705,004	1,809,854	1,505,394
Gratuity Paid	(4,987)	(12,493)	(3,694)	(8,539)
Economic Service Charges (ESC) Paid	(6,137)	(22,205)	-	-
Income Tax Paid	(73,109)	-	-	-
Withholding Tax on Inter-company Dividends	-	(9,575)	-	-
Capital Gain Tax Paid	(1,213)	(814)	-	-
Net Cash Generated from Operating Activities	2,371,732	1,659,917	1,806,160	1,496,855
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(161,539,857)	(135,558,700)	(112,016,270)	(97,671,001)
Proceeds from maturity of Financial Investments	156,827,276	130,618,738	108,179,859	93,759,085
Proceeds from sale of Financial Investments	391,770	1,684,919	301,267	1,173,551
Interest Received	2,372,238	2,377,621	2,001,689	1,976,793
Dividend Received	5,367	5,933	5,309	64,750
Acquisition of Intangible Assets	(36,703)	(9,585)	(31,557)	(9,517)
Acquisition of Property, Plant and Equipment	(77,408)	(59,965)	(59,114)	(40,469)
Proceeds from the Sale of Property, Plant and Equipment	19,330	6,117	18,531	758
Advance Paid to Right of Use Asset	(20,829)	(30,363)	(20,829)	(22,587)
Net Cash Used in Investing Activities	(2,058,816)	(965,285)	(1,621,115)	(768,637)
Cash Flows from Financing Activities				
Dividend Paid	(300,000)	(450,000)	(300,000)	(450,000)
Payment of Lease Liabilities	(161,317)	(148,520)	(147,089)	(136,481)
Net Cash Used in Financing Activities	(461,317)	(598,520)	(447,089)	(586,481)
Net Increase/(Decrease) in Cash and Cash Equivalents	(148,401)	96,112	(262,044)	141,737
Cash and Cash Equivalents at the beginning of the Year	735,207	639,095	601,662	459,925
Cash and Cash Equivalents at the end of the Year	586,806	735,207	339,618	601,662
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(24,997)	1,864	-	-
Increase in Loans to Life Policyholders	(54,429)	(82,194)	(54,429)	(82,194)
Increase in Reinsurance Receivables	(126,365)	(229,638)	(27,984)	(68,789)
(Increase)/Decrease in Premium Receivables	(164,944)	(148,437)	4,470	(1,412)
Decrease/(Increase) in Other Assets	8,671	(99,732)	29,196	(67,158)
Net Change in Operating Assets	(362,064)	(558,137)	(48,747)	(219,553)
B. Change in Operating Liabilities				
Increase in Other Liabilities	254,418	177,265	29,633	166,649
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	2,595,681	2,204,529	2,595,681	2,204,529
Increase in Insurance Contract Liabilities - General Insurance	437,733	346,321	-	-
Increase in Reinsurance Creditors	159,453	170,799	165,765	8,883
Net Change in Operating Liabilities	3,447,285	2,898,914	2,791,079	2,380,061

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

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company		Change	
		Unaudited 2020 Rs. '000	Unaudited 2019 Rs. '000	Unaudited 2020 Rs. '000	Unaudited 2019 Rs. '000	Group %	Company %
<i>For the Three months ended 31st December,</i>							
Note							
	9	2,920,109	2,640,711	1,650,682	1,481,683	11	11
		(400,066)	(347,015)	(71,632)	(63,102)	15	14
		2,520,043	2,293,696	1,579,050	1,418,581	10	11
		(14,735)	34,000	-	-	(143)	-
		2,505,308	2,327,696	1,579,050	1,418,581	8	11
Other Revenue							
	10	635,077	595,920	542,367	559,380	7	(3)
		27,643	64,004	27,557	49,010	(57)	(44)
		17,526	12,276	15,430	11,491	43	34
		23,729	23,633	12,464	5,321	0.41	134
		1,414	(5,946)	228	(2,678)	124	109
		705,389	689,887	598,046	622,524	2	(4)
		3,210,697	3,017,583	2,177,096	2,041,105	6	7
Net Benefits, Claims and Expenses							
		(936,631)	(852,932)	(428,701)	(264,825)	10	62
		(383,266)	(272,270)	(383,266)	(272,270)	41	41
		(711,244)	(649,871)	(420,138)	(380,177)	9	11
		(353,832)	(351,756)	(268,917)	(271,162)	1	(0.8)
		(36,837)	(30,197)	(19,378)	(18,486)	22	5
		(2,421,810)	(2,157,026)	(1,520,400)	(1,206,920)	12	26
		788,887	860,557	656,696	834,185	(8)	(21)
	11	(230,081)	(249,606)	(195,027)	(214,564)	(8)	(9)
	12	558,806	610,951	461,669	619,621	(9)	(25)
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
		(131,745)	114,231	(119,696)	101,856	(215)	(218)
		(27,303)	(63,727)	(27,303)	(47,764)	(57)	(43)
		144,427	(53,742)	144,427	(53,742)	369	369
	11	1,205	3,161	-	-	(62)	-
Items that will never be reclassified to profit or loss							
		(44,995)	(2,119)	(27,402)	(2,119)	2,023	1,193
		(58,411)	(2,196)	(29,974)	(1,769)	2,560	1,594
		500,395	608,755	431,695	617,852	(18)	(30)
Profit Attributable to:							
		558,806	610,951	-	-	(9)	-
		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
		500,395	608,755	-	-	(18)	-
		-	-	-	-	-	-
	13	3.73	4.07*	3.08	4.13*	(8)	(25)

*Basic and Diluted Earnings Per Share of 2019 have been restated based on the post subdivision weighted average number of ordinary shares as at 31 December 2020.

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

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st December 2020		31st December 2019	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	116,740	53,048	111,202	51,169
Right of Use Assets	380,105	14,332	325,572	18,165
Intangible Assets	62,240	6,618	49,830	1,957
Deferred Tax Assets	725,255	13,466	1,000,673	9,038
Financial Investments	22,075,265	4,291,343	17,777,410	3,424,664
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	379,736	-	325,307	-
Reinsurance Receivables	172,699	599,077	144,715	500,696
Premium Receivables	4,988	1,106,606	9,458	937,192
Other Assets	582,321	289,379	625,499	329,478
Insurance Contract - Deferred Expenses	-	163,619	-	138,622
Cash and Cash Equivalents	393,522	317,589	632,712	233,131
Total Assets	26,042,871	6,855,077	22,152,378	5,644,112
Liabilities				
Insurance Contract Liabilities - Life Insurance	17,064,089	-	14,464,534	-
Insurance Contract Liabilities - General Insurance	-	3,309,149	-	2,871,416
Employee Defined Benefit Liabilities	150,729	103,709	100,076	67,042
Current Tax Liabilities	12,301	138,792	16,175	95,856
Reinsurance Creditors	290,916	409,189	125,151	415,501
Lease Creditor	377,746	15,399	334,832	15,257
Other Liabilities	832,198	725,196	802,565	493,105
Bank Overdraft	53,904	70,401	31,050	99,586
Total Liabilities	18,781,883	4,771,835	15,874,383	4,057,763

Operating Segment Information - Profitability

For the Year Ended,	Unaudited		Audited	
	31st December 2020		31st December 2019	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	5,487,039	4,997,728	5,175,044	4,818,686
Premium Ceded to Reinsurers	(265,164)	(1,042,814)	(240,974)	(1,071,907)
Net Written Premium	5,221,875	3,954,914	4,934,070	3,746,779
Net Change in Reserves for Unearned Premium	-	(164,257)	-	(156,216)
Net Earned Premium	5,221,875	3,790,657	4,934,070	3,590,563
Other Revenue				
Interest and Dividend Income	2,125,362	367,955	1,949,467	358,884
Net Realised Gains	44,909	8,725	70,000	19,901
Net Fair Value (Losses)/Gains	12,987	4,709	(6,370)	(2,456)
Fee and Commission Income	34,945	137,055	42,733	101,239
Other Income	5,747	9,223	2,965	13,231
Total Other Revenue	2,223,950	527,667	2,058,795	490,799
Net Income	7,445,825	4,318,324	6,992,865	4,081,362
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,494,181)	(2,064,502)	(1,338,015)	(2,282,960)
Change in Contract Liabilities - Life Fund	(2,576,169)	-	(2,173,251)	-
Other Operating and Administration Expenses	(1,430,742)	(1,212,747)	(1,342,591)	(1,050,708)
Underwriting and Net Acquisition Cost	(888,527)	(366,529)	(959,550)	(344,496)
Finance and Other Insurance Related Costs	(56,843)	(43,413)	(72,923)	(48,372)
Total Benefits, Claims and other Expenses	(6,446,462)	(3,687,191)	(5,886,330)	(3,726,536)
Profit Before Taxation	999,363	631,133	1,106,535	354,826
Income Tax Expense	(275,418)	(179,855)	(279,826)	(105,262)
Profit for the Year	723,945	451,278	826,709	249,564

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 Uttararanda 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 19th February 2021.

Figures in these Condensed Consolidated Interim Financial Statements for the Year ended 31st December 2020 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 - 2019 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

Comparative information has been re-valued/re-classified where necessary, to conform to the current period recognition, measurement and presentations. Refer Note-16 for changes in comparative information.

2 a) 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	Audited	Unaudited	Audited
	31st Dec 2020	31st Dec 2019	31st Dec 2020	31st Dec 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	18,252,174	14,830,486	15,060,717	12,065,489
Available for Sale Financial Assets	7,170,930	6,293,764	6,313,997	5,634,097
Financial Assets at Fair Value Through Profit or Loss	943,504	77,824	700,551	77,824
Total Financial Investments	26,366,608	21,202,074	22,075,265	17,777,410

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 Dec 2020	31st Dec 2019	31st Dec 2020	31st Dec 2019	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance at the end of the year	(Note 6b)	381,156	381,156	381,156	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 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 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 December 2020

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 Dec 2020 (Rs. '000)
As at,	
Term Deposits	384,662

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 Shareholders' Fund and the Policyholders' 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 Policyholders' Fund to Shareholders' 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 Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Life Insurance Fund	(Note 7a) 16,833,050	14,269,182	16,833,050	14,269,182
Claims Outstanding	231,039	195,352	231,039	195,352
Total Insurance Contract Liabilities	17,064,089	14,464,534	17,064,089	14,464,534

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Year	14,269,182	12,112,106	14,269,182	12,112,106
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	3,188,372	2,860,667	3,188,372	2,860,667
Surplus Distributed to Shareholders	(612,203)	(687,416)	(612,203)	(687,416)
Increase in Life Insurance Fund	2,576,169	2,173,251	2,576,169	2,173,251
Effect of Taxation on surplus/Bonus transferred to Policyholders	(12,301)	(16,175)	(12,301)	(16,175)
Balance as at the end of the Year	16,833,050	14,269,182	16,833,050	14,269,182

Notes to the Condensed Consolidated Interim Financial Statements

7b) Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2020 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial Statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs. 612.2 Million for the year ended 31st December 2020 (31st December 2019 - Rs. 687.4 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary.

7c) Effect of Taxation on surplus/Bonus transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act No 24 of 2017 which is effective from 01 April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. This is a special provision introduced in the Inland Revenue Act. As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 87.9 Million (2019 - Rs. 115.5 Million) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 12.3 Million (2019 - Rs. 16.2 Million) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

7d) 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 December 2020.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Reserves for Net Unearned Premium	2,108,020	1,946,972	-	-
Reserves for Title Insurance	56,731	53,522	-	-
Reserves for Gross Outstanding Claims	1,144,398	870,922	-	-
Total Insurance Contract Liabilities	3,309,149	2,871,416	-	-

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Matthew Kung-Chuong Tiong, FIA, as at 31st December 2020 (2019 - valuation was carried by Mr. Sivaraman Kumar, 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 (2019 - LAT was carried by Mr. Sivaraman Kumar, FIA) 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.

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
	Life Insurance			
Individual Policies	5,422,151	5,120,471	5,422,151	5,120,471
Corporate Policies	64,888	54,573	64,888	54,573
Adjustment for Inter Company Premiums	(48,196)	(43,056)	-	-
Gross Written Premium - Life Insurance	5,438,843	5,131,988	5,487,039	5,175,044
General Insurance				
Fire	647,789	677,562	-	-
Motor	3,583,061	3,622,023	-	-
Marine	54,682	57,619	-	-
Miscellaneous	712,196	461,482	-	-
Adjustment for Inter Company Premiums	(37,579)	(7,917)	-	-
Gross Written Premium - General Insurance	4,960,149	4,810,769	-	-
Total Gross Written Premium	10,398,992	9,942,757	5,487,039	5,175,044

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000
	Life Insurance			
Individual Policies	1,632,733	1,468,590	1,632,733	1,468,590
Corporate Policies	17,949	13,093	17,949	13,093
Adjustment for Inter Company Premiums	(15,374)	(11,809)	-	-
Gross Written Premium - Life Insurance	1,635,308	1,469,874	1,650,682	1,481,683
General Insurance				
Fire	177,239	164,696	-	-
Motor	816,025	853,925	-	-
Marine	30,883	16,291	-	-
Miscellaneous	262,866	136,876	-	-
Adjustment for Inter Company Premiums	(2,212)	(951)	-	-
Gross Written Premium - General Insurance	1,284,801	1,170,837	-	-
Total Gross Written Premium	2,920,109	2,640,711	1,650,682	1,481,683

10 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
	Interest Income	2,487,950	2,243,284	2,120,053
Dividend Income	5,367	5,642	5,309	64,490
Total	2,493,317	2,248,926	2,125,362	1,949,467

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000
	Interest Income	633,193	595,533	540,541
Dividend Income	1,884	387	1,826	59,813
Total	635,077	595,920	542,367	559,380

11 INCOME TAX EXPENSE

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
	Income Tax Charge	(190,310)	(95,487)	-
Over Provision of Income Taxes in respect of Prior Year	(151)	465	-	-
Deferred Income Tax - Recognised through Profit or Loss	(263,967)	(288,884)	(275,418)	(279,826)
Withholding tax on inter company dividends	-	(9,575)	-	-
Capital Gain Tax for the Year	(845)	(1,182)	-	-
Total Tax charge in Profit or Loss	(455,273)	(394,663)	(275,418)	(279,826)
Deferred Income Tax - Recognised through Other Comprehensive Income	(7,023)	(6,286)	-	-
Total Tax charge in Other Comprehensive Income	(7,023)	(6,286)	-	-

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000
	Income Tax Charge	(39,569)	(24,358)	-
Over Provision of Income Taxes in respect of Prior Period	(151)	465	-	-
Deferred Income Tax - Recognised through Profit or Loss	(190,361)	(214,956)	(195,027)	(214,564)
Withholding tax on inter company dividends	-	(9,575)	-	-
Capital Gain Tax for the Period	-	(1,182)	-	-
Total Tax charge in Profit or Loss	(230,081)	(249,606)	(195,027)	(214,564)
Deferred Income Tax - Recognised through Other Comprehensive Income	1,205	3,161	-	-
Total Tax charge in Other Comprehensive Income	1,205	3,161	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2019 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act.

Proposed Changes to Income Tax Rates

The Government has announced a reduction of the income tax rate to 24% from 28% with effect from 1st January 2020. As provided in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date. As the said amendment to tax rates is yet to be approved by the Parliament and cannot be considered to be legislated, the proposed changes to the tax rates have not been considered to be substantially enacted as at the reporting date. Accordingly, the prevailing income tax rate of 28% has been used for current tax and deferred tax computation as at 31 December 2020. Had the Group applied the reduced income tax rate of 24%, the recorded Profit After Tax of the Group will reduce by Rs. 79.8 Million and the recorded Deferred Tax Asset and Profit After Tax of the Company will reduce by Rs. 103.6 Million as at 31st December 2020.

Notes to the Condensed Consolidated Interim Financial Statements

12 PROFIT FOR THE YEAR

<i>For the Year Ended,</i>	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	612,203	687,416
Profit from Life Shareholders' Fund	387,160	419,119
Reversal of Deferred Tax Asset	(275,418)	(279,826)
Profit for the Year	723,945	826,709
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	631,133	354,826
Income Tax and Deferred Tax Expense	(179,855)	(105,262)
Profit for the Year	451,278	249,564
Group		
Elimination of Intercompany Dividend	1,175,223	1,076,273
Realisation of gain upon disposal of Financial Investments at AFS transferred to subsidiary on account of Company Segregation	-	(69,000)
	-	2,955
Profit for the Year	1,175,223	1,010,228

<i>For the Three Months Ended,</i>	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2019 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	612,203	687,416
Profit from Life Shareholders' Fund	44,493	146,769
Reversal of Deferred Tax Asset	(195,027)	(214,564)
Profit for the Period	461,669	619,621
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	132,191	82,843
Income Tax and Deferred Tax Expense	(35,054)	(25,468)
Profit for the Period	97,137	57,375
Group		
Elimination of Intercompany Dividend	558,806	676,996
Realisation of gain upon disposal of Financial Investments at AFS transferred to subsidiary on account of Company Segregation	-	(69,000)
	-	2,955
Profit for the Period	558,806	610,951

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. 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 year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share.

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020	Unaudited 31st Dec 2019	Unaudited 31st Dec 2020	Unaudited 31st Dec 2019
Profit for the Year (Rs. '000)	1,175,223	1,010,228	723,945	826,709
Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	7.83	6.73*	4.83	5.51*

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020	Unaudited 31st Dec 2019	Unaudited 31st Dec 2020	Unaudited 31st Dec 2019
Profit for the Period (Rs. '000)	558,806	610,951	461,669	619,621
Weighted average number of ordinary shares ('000) (Note 13a)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	3.73	4.07*	3.08	4.13*

*Basic and Diluted Earnings Per Share of 2019 have been restated based on the post subdivision weighted average number of ordinary shares as at 31 December 2020.

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.

14 RELATED PARTY DISCLOSURES

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

<i>Transactions For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Insurance Premium	10,888	77,821	-	-
Claims Incurred	22,836	14,901	-	-
Investment Income	84,826	103,762	64,266	82,689
Administration Expenses	334,218	323,747	229,114	225,412
Rent and other Operational Expenses	10,337	11,477	6,525	7,312
Dividend Paid	179,958	269,937	179,958	269,937
Outstanding Balances				
<i>As at,</i>	Group		Company	
	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Investments Balance (Includes Deposits and Debentures)	893,788	558,291	664,043	409,023
Cash at Bank Balances	560,336	369,543	328,230	246,185
Premium Receivable	56	40,802	-	-
Administration Expenses Payable	54,063	73,828	41,653	61,763
Rent and Other Operational Expenses Payable	181	391	79	242

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

<i>Transactions For the Year Ended,</i>	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Insurance Premium	48,196	43,056
Insurance Expenses	37,579	7,917
Claims Received	42	200
Claims Paid	3,600	4,000
Reimbursement Expenses Relating to Employees	100,729	100,839
Other Reimbursement Expenses	171,091	195,087
Fund Management Fee	11,547	6,483
Profit Commission Expense	19,610	15,978
Net Dividend Received	-	59,425

Notes to the Condensed Consolidated Interim Financial Statements

Outstanding Balances <i>As at,</i>	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Receivable From HNB General Insurance Ltd	7,286	21,344

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

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
<i>For the Year Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	(2,783)	13,333	-	-
	Claims Incurred	-	395	-	-
HNB Finance PLC	Insurance Premium	10,921	16,749	-	-
	Claims Incurred	1,933	3,533	-	-
	Administration Expenses	5,828	8,887	66	241
	Interest Income	24,079	7,556	24,079	7,556

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
<i>As at,</i>					
Sithma Development (Pvt) Ltd	Premium Receivable	3,152	11,502	-	-
HNB Finance PLC	Investment in Term Deposits	50,076	50,806	50,076	50,806
	Investment in Debentures	125,090	125,045	125,090	125,045
	Cash at Bank Balances	66	311	66	311
	Premium Receivable	397	63	-	-
	Administration Expenses Payable	928	732	4	49

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
<i>For the Year Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	991	1,112	297	272
	Claims incurred	313	303	-	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	537	647	-	-
	Claims incurred	209	772	-	-
Acuity Securities Ltd	Insurance Premium	618	675	-	-
	Claims incurred	609	460	-	-
	Investment Income from REPO	114,089	87,174	75,843	61,867

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	305	360	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	83	59	-	-
Acuity Securities Ltd	Premium Receivable	164	150	-	-
	Investment In REPO	2,827,050	2,072,482	2,011,243	1,349,087

Notes to the Condensed Consolidated Interim Financial Statements

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

Transactions For the Year Ended,	Unaudited 31st Dec 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Director Fee	24,560	20,015
Short-term and Post employment benefits	68,511	56,871
Insurance Premium	2,559	3,147
Claims Paid including maturities	1,805	30,584

Appointment of Alternate Director

Mr. Thalpapwila Kankanange Don Aruna Prasad Samarasinghe was appointed as the Alternate Director to Mr. L.U.D. Fernando of the Boards of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 24th January 2020.

Retirement and Resignation from the Board of Directors

Mr. Deepthi Prasad Lokuarachchi, Managing Director and Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited has retired w.e.f. 20th July 2020.

Mr. K L Wijesooriya resigned from the Board of the HNB Assurance and HNB General Insurance with effect from 17th October 2020 having served as an Alternate Director to Mr. D P N Rodrigo.

Appointment of Chief Executive Officer

Mr. Prasantha Fernando was appointed as the Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 20th July 2020.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2019 except for the above changes.

15 COVID-19 Pandemic and Related Implications

As of the reporting date 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 is regularly monitoring the situation.

The Group operations will continue in compliance with health and safety guidelines issued by the Government of Sri Lanka. The Company and the subsidiary both being licensed insurance companies are amenable to the jurisdiction of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The IRCSL in response to difficulties faced by the insuring public has mandated the insurance companies to implement relief measures to mitigate the adverse impact faced by policyholders through its letter dated 11th April 2020 (referenced IRCSL/DG/2020/04/507) and subsequent amendments. Among the key relief measures and other directions are;

1. Extension of the period of grace for payment of premiums up to 90 days in respect of policies where the premium becomes due payable for the period 01st March 2020 to 30th June 2020 applicable for both Life and General Insurance policyholders.
2. Hitherto to the above insurers are required to ensure that all benefits under the policies are applicable during the said extension period.

Notes to the Condensed Consolidated Interim Financial Statements

3. All registered insurance companies shall refrain from declaring or distributing dividends not already declared for the financial year 2019 and any interim cash dividends for financial year 2020.

4. Monthly monitoring of solvency related ratios by the IRCSL

The Board carried out an assessment of the potential implications of COVID 19 on profitability and liquidity of the Company/Group and incorporated the required adjustments in the revised budget for the year ended 31 December 2020. Based on this assessment 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.

The Board therefore is confident that COVID 19 will not impact the going concern ability of the Company/ Group and will continue to monitor any material changes in future economic conditions and amend the business projections accordingly, if required.

16 COMPARATIVE INFORMATION

Fund management fee income of prior year has been rearranged to net off with the respective expense recognised to be consistent with the current year presentation. This rearrangement had no effect on the reported profit of the Company or Group. An adjustment has been made to the Fee and Commission Income and Other Operating and Administration Expenses for financial year ended 31 December 2019 to eliminate the income and expense of Rs 49.5 million. The reason for this elimination is both income and expense were generated within the Company.

As presented in the statement of profit or loss and other comprehensive income

For the Year Ended,

	After Rearrangement		Amount Rearranged		Prior to Rearrangement	
	Group 2019 Rs. '000	Company 2019 Rs. '000	Group Rs. '000	Company Rs. '000	Group 2019 Rs. '000	Company 2019 Rs. '000
Fee and Commission Income	121,510	42,733	(49,482)	(49,482)	170,992	92,215
Other Operating and Administration Expenses	(2,336,042)	(1,342,591)	49,482	49,482	(2,385,524)	(1,392,073)

As presented in the statement of profit or loss and other comprehensive income

For the Three Months Ended,

	After Rearrangement		Amount Rearranged		Prior to Rearrangement	
	Group 2019 Rs. '000	Company 2019 Rs. '000	Group Rs. '000	Company Rs. '000	Group 2019 Rs. '000	Company 2019 Rs. '000
Fee and Commission Income	23,633	5,321	(13,683)	(13,683)	37,316	19,004
Other Operating and Administration Expenses	(649,871)	(380,177)	13,683	13,683	(663,554)	(393,860)

17 EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend Recommended

The Board of Directors has recommended a payment of Rs. 2.80 per share as a first and final dividend on 19th February 2021 for the year ended 31st December 2020 (2019 - final dividend Rs. 6.00 per share) which is subject to the approval of the shareholders at the Annual General Meeting to be held on 31 March 2021.

Other than mentioned above there have been no material events that occurred after the reporting date that require adjustments or disclosure in these Condensed Consolidated Interim Financial Statements.

18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 24.1 Million for the purchase of computer software and equipment. As at end of the financial year, 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. (2019 – Rs. 8.98 Million).

Notes to the Condensed Consolidated Interim Financial Statements

19 CONTINGENCIES

19a) 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 our 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 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 the Court of Appeal is yet to fix for argument. As the Company is of the strong view that no additional Tax liabilities are arising due to this assessment and no provision is made in the Financial Statements for the tax in dispute and penalty which amounted to Rs. 21.99 Million.

19b) 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
Total				70.31	39.35	109.66

19c) 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 will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	434
Total				1,156

19d) The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with 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 is 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 amounted to Rs. 11.24 Million on VAT return filed and the subsidiary has duly appealed against the assessment. As such no provisions are made in these Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	31st December 2020	
	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 People's Leasing & Finance PLC/HI Line Trading (Pvt) Ltd	2,239,876	1.49
5 Mr. M. F. Hashim	1,530,000	1.02
6 Mrs. A. Kailasapillai	1,500,000	1.00
7 Mrs. A. Selliah	1,500,000	1.00
8 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90
9 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90
11 Employees Trust Fund Board	905,649	0.60
12 Andysel (Pvt) Ltd	750,000	0.50
13 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
14 Commercial Bank of Ceylon PLC/Janashakthi PLC	637,002	0.42
15 Mr. V. Sharda	609,000	0.41
16 Dr. S. Selliah	600,000	0.40
17 Mr. K. Aravinthan	600,000	0.40
18 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
19 Mrs . M.R.P.Balendra	554,196	0.37
20 Suktam Holdings (Pvt) Ltd	508,302	0.34

Public Shareholding

31st December 2020

* Float Adjusted Market Capitalisation (Rs.)	3,074,959,577
Percentage of Shares held by the Public	35.22%
Number of Public Shareholders	4,062

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 December 2020
Mrs. M A R C Cooray	69,105
Mr. J A P M Jayasekera	174,000
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	37,500
Dr. S Selliah	600,000
Mr. D R Abeyesuriya	5,000
Mr. L U D Fernando	498
Mr. S A Chapman	Nil
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P Fernando (Chief Executive Officer)	Nil
Mr. K L Wijesooriya (Alternate Director to Mr. D P N Rodrigo)*	Nil
Mr. D P Lokuarachchi (Former Managing Director/Chief Executive Officer)**	Nil

*Mr. K L Wijesooriya resigned with effect from 17th October 2020.

**Mr. D P Lokuarachchi retired with effect from 20th July 2020.

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 December 2020 - Group	54.63
Net Asset Value Per Share as at 31st December 2020 - Company	48.41
Net Asset Value Per Share as at 31st December 2020 without Restricted Regulatory Reserve - Group	52.09
Net Asset Value Per Share as at 31st December 2020 without Restricted Regulatory Reserve - Company	45.87
Highest Price Per Share for the Interim Period	178.00*
Lowest Price Per Share for the Interim Period	55.10
Last Traded Price Per Share as at 31st December 2020	58.20

*Highest price per share of the interim period represents the share price before the subdivision.