

EVOLUTION



**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
31st December 2019

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Assets					
Property, Plant and Equipment		162,371	151,559	111,202	104,487
Right of use Assets	3.1	343,737	-	325,572	-
Intangible Assets		51,787	61,087	49,830	58,782
Deferred Tax Assets		1,009,711	1,304,882	1,000,673	1,280,499
Financial Investments	4	21,202,074	17,579,131	17,777,410	14,679,706
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		325,307	243,113	325,307	243,113
Reinsurance Receivables		645,411	415,773	144,715	75,926
Premium Receivables		946,650	798,213	9,458	8,046
Other Assets		933,633	823,101	625,499	575,154
Insurance Contract - Deferred Expenses		138,622	140,486	-	-
Cash and Cash Equivalents		865,843	761,871	632,712	502,561
Total Assets		26,625,146	22,279,216	22,152,378	18,678,274
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		4,965,809	4,405,581	4,544,369	4,167,660
Available for Sale Reserve		24,801	(8,025)	9,881	1,451
Other Reserve		(6,525)	(4,406)	(6,514)	(4,395)
Life Policyholders' Available for Sale Reserve Fund	6	177,228	(201,867)	177,228	(201,867)
Restricted Regulatory Reserve	7	381,156	381,156	381,156	381,156
Total Equity		6,714,344	5,744,314	6,277,995	5,515,880
Liabilities					
Insurance Contract Liabilities - Life Insurance	8	14,464,534	12,261,472	14,464,534	12,261,472
Insurance Contract Liabilities - General Insurance	9	2,871,416	2,525,095	-	-
Employee Defined Benefit Liabilities		167,118	140,356	100,076	84,840
Current Tax Liabilities		112,031	22,541	16,175	14,708
Reinsurance Creditors		540,652	369,853	125,151	116,268
Lease Creditor	3.2	350,089	-	334,832	-
Other Liabilities		1,274,326	1,092,809	802,565	642,470
Bank Overdraft		130,636	122,776	31,050	42,636
Total Liabilities		19,910,802	16,534,902	15,874,383	13,162,394
Total Equity and Liabilities		26,625,146	22,279,216	22,152,378	18,678,274

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


Punsirini Perera
 Head of Finance

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

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
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	%	%
Gross Written Premium	10	9,942,757	8,724,696	5,175,044	4,420,513	14	17
Premium Ceded to Reinsurers		(1,312,881)	(1,059,269)	(240,974)	(215,630)	24	12
Net Written Premium		8,629,876	7,665,427	4,934,070	4,204,883	13	17
Net Change in Reserves for Unearned Premium		(156,216)	(216,988)	-	-	(28)	-
Net Earned Premium		8,473,660	7,448,439	4,934,070	4,204,883	14	17
Other Revenue							
Interest and Dividend Income	11	2,248,926	1,887,343	1,949,467	1,591,900	19	22
Net Realised Gains		92,856	74,058	70,000	68,673	25	2
Net Fair Value (Losses)/Gains		(8,826)	8,482	(6,370)	(18,036)	(204)	(65)
Fee and Commission Income		170,993	172,646	92,215	79,465	(1)	16
Other Income		16,196	36,030	2,965	14,627	(55)	(80)
Total Other Revenue		2,520,145	2,178,559	2,108,277	1,736,629	16	21
Net Income		10,993,805	9,626,998	7,042,347	5,941,512	14	19
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(3,620,775)	(3,236,489)	(1,338,015)	(1,066,574)	12	25
Change in Contract Liabilities - Life Fund		(2,173,251)	(1,707,149)	(2,173,251)	(1,707,149)	27	27
Change in Contract Liability due to Transfer of One-off Surplus		-	381,156	-	381,156	(100)	(100)
Other Operating and Administration Expenses		(2,385,525)	(2,282,481)	(1,392,073)	(1,351,799)	5	3
Underwriting and Net Acquisition Costs		(1,288,068)	(1,125,418)	(959,550)	(847,968)	14	13
Finance & Other Insurance Related Costs		(121,295)	(75,963)	(72,923)	(51,330)	60	42
Total Benefits, Claims and Other Expenses		(9,588,914)	(8,046,344)	(5,935,812)	(4,643,664)	19	28
Profit Before Taxation		1,404,891	1,580,654	1,106,535	1,297,848	(11)	(15)
Income Tax (Expense)/Reversal	12	(394,663)	1,124,656	(279,826)	1,177,367	(135)	(124)
Profit for the Year	13	1,010,228	2,705,310	826,709	2,475,215	(63)	(67)
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		511,043	(399,596)	456,276	(373,143)	228	222
- Realised Gains transferred to Income Statement		(92,836)	(72,541)	(68,751)	(67,960)	28	1
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(379,095)	425,139	(379,095)	425,139	(189)	(189)
- Related Tax	12	(6,286)	8,288	-	-	(176)	-
Items that will never be reclassified to profit or loss							
Actuarial (Losses)/Gains on Defined Benefit Plans		(2,119)	6,354	(2,119)	5,489	(133)	(139)
Total Other Comprehensive Income for the Year, Net of Related Tax		30,707	(32,356)	6,311	(10,475)	195	160
Total Comprehensive Income for the Year		1,040,935	2,672,954	833,020	2,464,740	(61)	(66)
Profit Attributable to:							
Equity Holders of the Parent		1,010,228	2,705,310	-	-	(63)	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		1,040,935	2,672,954	-	-	(61)	-
Basic Earnings Per Share (Rs.)	14	20.20	54.11	16.53	49.50	(63)	(67)
Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	14	20.20	46.48	16.53	41.88	(57)	(61)

Statement of Changes in Equity - Group

For the Year Ended 31st December 2019,

	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 2018	1,171,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
Total Comprehensive Income for the Year	-	-	-	-	-	-	-
Profit for the Year - Audited	-	2,324,154	-	-	-	381,156	2,705,310
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(463,849)	-	-	-	(463,849)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	425,139	-	-	-	425,139
Actuarial Gains on Defined Benefit Plans	-	-	-	6,354	-	-	6,354
Total Other Comprehensive Income for the Year	-	-	(38,710)	6,354	-	-	(32,356)
Total Comprehensive Income for the Year	-	2,324,154	(38,710)	6,354	-	-	2,672,954
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	381,156	381,156
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent	-	-	-	-	(425,139)	-	(425,139)
Dividend to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Audited balance as at 31st December 2018	1,171,875	4,405,581	(8,025)	(4,406)	(201,867)	381,156	5,744,314
Balance as at 01st January 2019	1,171,875	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 - Unaudited	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(379,095)	-	-	-	(379,095)
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,119)	-	-	(2,119)
Total Other Comprehensive Income for the Year	-	-	32,826	(2,119)	-	-	30,707
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 to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
First interim dividend to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Unaudited balance as at 31st December 2019	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Stated Capital represents 50 Million Ordinary Shares as at 31st December 2019 (2018 - 50 Million Ordinary Shares).							

Statement of Changes in Equity - Company

For the Year Ended 31st December 2019,

	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 2018	1,177,875	2,373,601	17,415	(9,894)	223,272	-	3,776,279
Total Comprehensive Income for the Year							
Profit for the Year - Audited	-	2,094,059	-	-	-	381,156	2,475,215
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(441,103)	-	-	-	(441,103)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	425,139	-	-	-	425,139
Actuarial Gains on Defined Benefit Plans	-	-	-	5,489	-	-	5,489
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year							
Net Change in fair value of Available For Sale Financial Assets	-	2,094,059	(15,964)	5,489	-	381,156	2,464,740
- transferred from Available For Sale Reserve	-	-	(15,964)	-	-	-	(15,964)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	-	-	-	(425,139)	-	(425,139)
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Audited balance as at 31st December 2018	1,177,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,515,880
Balance as at 01st January 2019	1,177,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,515,880
Total Comprehensive Income for the Year							
Profit for the Year - Unaudited	-	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 - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(379,095)	-	-	-	(379,095)
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,119)	-	-	(2,119)
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year							
Net Change in fair value of Available For Sale Financial Assets	-	826,709	8,430	(2,119)	-	-	833,020
- transferred from Available For Sale Reserve	-	-	8,430	(2,119)	-	-	6,311
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	-	-	-	379,095	-	379,095
Dividend to equity holders for 2018	-	(360,000)	-	-	-	-	(360,000)
First interim dividend to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Unaudited balance as at 31st December 2019	1,177,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995

Stated Capital represents 50 Million Ordinary Shares as at 31st December 2019. (2018 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company		
	Note	Unaudited 2019	Audited 2018	Unaudited 2019	Audited 2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		1,404,891	1,580,654	1,106,535	1,297,848
Adjustments for:					
Interest Income	11	(2,243,284)	(1,883,053)	(1,884,977)	(1,588,206)
Dividend Income	11	(5,642)	(4,290)	(64,490)	(3,694)
Amortisation of Intangible Assets		18,885	19,685	18,469	19,540
Depreciation of Property Plant and Equipments		47,319	49,285	32,593	34,533
Net Depreciation of Right of Use Assets		139,525	-	126,628	-
Interest Expense of Lease Creditor	3.2	53,710	-	51,699	-
Provision for Employee Benefits		37,136	33,928	21,656	20,023
Net Realised Gains		(92,856)	(74,058)	(70,000)	(68,673)
Net Fair Value Losses/(Gains)		8,826	(8,482)	6,370	18,036
(Gains)/Losses on Sale of Property, Plant and Equipment		(4,283)	(178)	403	(171)
		(635,773)	(286,509)	(655,114)	(270,764)
Net Change in Operating Assets	A	(558,137)	132,856	(219,553)	(5,350)
Net Change in Operating Liabilities	B	2,898,914	1,706,125	2,380,061	1,498,548
Cash Flows from Operating Activities		1,705,004	1,552,472	1,505,394	1,222,434
Gratuity Paid		(12,493)	(13,301)	(8,539)	(4,618)
Economic Service Charges (ESC) Paid		(22,205)	(20,120)	-	-
Withholding tax on inter company dividends		(9,575)	-	-	-
Capital Gain Tax Paid		(814)	-	-	-
Net Cash Generated from Operating Activities		1,659,917	1,519,051	1,496,855	1,217,816
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(135,558,700)	(95,081,304)	(97,671,001)	(66,144,150)
Proceeds from maturity of Financial Investments		130,618,738	91,105,285	93,759,085	62,867,216
Proceeds from sale of Financial Investments		1,684,919	993,726	1,173,551	869,073
Interest Received		2,377,621	1,951,531	1,976,793	1,666,911
Dividend Received		5,933	4,493	64,750	3,760
Acquisition of Intangible Assets		(9,585)	(22,931)	(9,517)	(20,481)
Acquisition of Property, Plant and Equipment		(59,965)	(34,459)	(40,469)	(22,113)
Proceeds from the Sale of Property, Plant and Equipment		6,117	3,413	758	2,342
Advance Paid to Right of use asset		(30,363)	-	(22,587)	-
Net Cash Used in Investing Activities		(965,285)	(1,080,246)	(768,637)	(777,442)
Cash Flows from Financing Activities					
Dividend Paid		(450,000)	(300,000)	(450,000)	(300,000)
Payment of Lease Liabilities		(148,520)	-	(136,481)	-
Net Cash Used in Financing Activities		(598,520)	(300,000)	(586,481)	(300,000)
Net Decrease in Cash and Cash Equivalents		96,112	138,805	141,737	140,374
Cash and Cash Equivalents at the beginning of the Year		639,095	500,290	459,925	319,551
Cash and Cash Equivalents at the end of the Year		735,207	639,095	601,662	459,925
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease/(Increase) in Deferred Expenses		1,864	(35,199)	-	-
Increase in Loans to Life Policyholders		(82,194)	(80,828)	(82,194)	(80,828)
(Increase)/Decrease in Reinsurance Receivables		(229,638)	154,005	(68,789)	(10,916)
Increase in Premium Receivables		(148,437)	(11,894)	(1,412)	(558)
(Increase)/Decrease in Other Assets		(99,732)	106,772	(67,158)	86,952
Net Change in Operating Assets		(558,137)	132,856	(219,553)	(5,350)
B. Change in Operating Liabilities					
Increase in Other Liabilities		177,265	188,803	166,649	112,608
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		2,204,529	1,360,322	2,204,529	1,360,322
Increase in Insurance Contract Liabilities - General Insurance		346,321	140,189	-	-
Increase in Reinsurance Creditors		170,799	16,811	8,883	25,618
Net Change in Operating Liabilities		2,898,914	1,706,125	2,380,061	1,498,548

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	%	%
<i>For the Three months ended 31st December,</i>							
Gross Written Premium	10	2,640,711	2,188,620	1,481,683	1,174,966	21	26
Premium Ceded to Reinsurers		(347,015)	(271,482)	(63,102)	(57,411)	28	10
Net Written Premium		2,293,696	1,917,138	1,418,581	1,117,555	20	27
Net Change in Reserves for Unearned Premium		34,000	47,288	-	-	(28)	-
Net Earned Premium		2,327,696	1,964,426	1,418,581	1,117,555	18	27
Other Revenue							
Interest and Dividend Income	11	595,920	502,354	559,380	423,500	19	32
Net Realised Gains		64,004	9,533	49,010	9,533	571	414
Net Fair Value Gains		12,276	18,720	11,491	3,444	(34)	234
Fee and Commission Income		37,316	59,690	19,004	15,297	(37)	24
Other Income/(Reversal)		(5,946)	10,987	(2,678)	3,534	(154)	(176)
Total Other Revenue		703,570	601,284	636,207	455,308	17	40
Net Income		3,031,266	2,565,710	2,054,788	1,572,863	18	31
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(852,932)	(848,939)	(264,825)	(270,101)	0.5	(2)
Change in Contract Liabilities - Life Fund		(272,270)	(51,595)	(272,270)	(51,595)	428	428
Other Operating and Administration Expenses		(663,554)	(767,126)	(393,860)	(515,200)	(14)	(24)
Underwriting and Net Acquisition Costs		(351,756)	(290,821)	(271,162)	(219,112)	21	24
Finance & Other Insurance Related Costs		(30,197)	(31,896)	(18,486)	(24,100)	(5)	(23)
Total Benefits, Claims and Other Expenses		(2,170,709)	(1,990,377)	(1,220,603)	(1,080,108)	9	13
Profit Before Taxation		860,557	575,333	834,185	492,755	50	69
Income Tax (Expense)/Reversal	12	(249,606)	1,198,418	(214,564)	1,211,955	(121)	(118)
Profit for the Period	13	610,951	1,773,751	619,621	1,704,710	(66)	(64)
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		114,231	(214,521)	101,856	(200,133)	153	151
- Realised Gains transferred to Income Statement		(63,727)	(9,534)	(47,764)	(9,534)	568	401
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Reserve		(53,742)	205,075	(53,742)	205,075	(126)	(126)
- Related Tax	12	3,161	4,044	-	-	(22)	-
Items that will never be classified to profit or loss							
Actuarial (Losses)/Gains on Defined Benefit Plans		(2,119)	8,598	(2,119)	7,733	(125)	(127)
Total Other Comprehensive Income for the Period, Net of Related tax		(2,196)	(6,338)	(1,769)	3,141	(65)	(156)
Total Comprehensive Income for the Period		608,755	1,767,413	617,852	1,707,851	(66)	(64)
Profit Attributable to:							
Equity Holders of the Parent		610,951	1,773,751	-	-	(66)	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		608,755	1,767,413	-	-	(66)	-
Basic Earnings Per Share (Rs.)	14	12.22	35.48	12.39	34.09	(66)	(64)

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st December 2019 Life Insurance Rs. '000	General Insurance Rs. '000	31st December 2018 Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	111,202	51,169	104,487	47,072
Right of use Assets	325,572	18,165	-	-
Intangible Assets	49,830	1,957	58,782	2,305
Deferred Tax Assets	1,000,673	9,038	1,280,499	24,383
Financial Investments	17,777,410	3,424,664	14,679,706	2,899,425
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	325,307	-	243,113	-
Reinsurance Receivables	144,715	500,696	75,926	339,847
Premium Receivables	9,458	937,192	8,046	790,167
Other Assets	625,499	329,478	575,154	270,915
Insurance Contract - Deferred Expenses	-	138,622	-	140,486
Cash and Cash Equivalents	632,712	233,131	502,561	259,310
Total Assets	22,152,378	5,644,112	18,678,274	4,773,910
Liabilities				
Insurance Contract Liabilities - Life Insurance	14,464,534	-	12,261,472	-
Insurance Contract Liabilities - General Insurance	-	2,871,416	-	2,525,095
Employee Defined Benefit Liabilities	100,076	67,042	84,840	55,516
Current Tax Liabilities	16,175	95,856	14,708	7,833
Reinsurance Creditors	125,151	415,501	116,268	253,585
Lease Creditor	334,832	15,257	-	-
Other Liabilities	802,565	493,105	642,470	473,307
Bank Overdraft	31,050	99,586	42,636	80,140
Total Liabilities	15,874,383	4,057,763	13,162,394	3,395,476

Operating Segment Information - Profitability

For the Year Ended,	Unaudited		Audited	
	31st December 2019 Life Insurance Rs. '000	General Insurance Rs. '000	31st December 2018 Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	5,175,044	4,818,686	4,420,513	4,340,575
Premium Ceded to Reinsurers	(240,974)	(1,071,907)	(215,630)	(843,639)
Net Written Premium	4,934,070	3,746,779	4,204,883	3,496,936
Net Change in Reserves for Unearned Premium	-	(156,216)	-	(216,988)
Net Earned Premium	4,934,070	3,590,563	4,204,883	3,279,948
Other Revenue				
Interest and Dividend Income	1,949,467	358,884	1,591,900	295,443
Net Realised Gains	70,000	19,901	68,673	5,385
Net Fair Value (Losses)/Gains	(6,370)	(2,456)	(18,036)	26,518
Fee and Commission Income	92,215	101,239	79,465	111,051
Other Income	2,965	13,231	14,627	21,403
Total Other Revenue	2,108,277	490,799	1,736,629	459,800
Net Income	7,042,347	4,081,362	5,941,512	3,739,748
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,338,015)	(2,282,960)	(1,066,574)	(2,170,792)
Change in Contract Liabilities - Life Fund	(2,173,251)	-	(1,707,149)	-
Change in Contract Liability due to Transfer of One-off Surplus	-	-	381,156	-
Other Operating and Administration Expenses	(1,392,073)	(1,050,708)	(1,351,799)	(971,644)
Underwriting and Net Acquisition Cost	(959,550)	(344,496)	(847,968)	(289,873)
Finance & Other Insurance Related Costs	(72,923)	(48,372)	(51,330)	(24,633)
Total Benefits, Claims and other Expenses	(5,935,812)	(3,726,536)	(4,643,664)	(3,456,942)
Profit Before Taxation	1,106,535	354,826	1,297,848	282,806
Income Tax (Expense)/Reversal	(279,826)	(105,262)	1,177,367	(52,711)
Profit for the Year	826,709	249,564	2,475,215	230,095

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

HNB Assurance PLC ("the Company") is a Listed Company incorporated on 23rd August 2001 with limited liability 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 Uttarananda 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 13th February 2020.

Figures in these Condensed Consolidated Interim Financial Statements for the year ended 31st December 2019 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 - 2018 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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 2022. 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 2022.

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

Comparative information has been re-valued/re-classified where necessary, to conform to the current period recognition, measurement and presentations.

3 INITIAL APPLICATION OF SLFRS 16 - LEASES

The Group as a lessee has applied SLFRS 16 as initial application with effect from 01st January 2019 using the modified retrospective approach (Cumulative Catchup - Transition Method) and therefore the comparative information has not been restated and continues to be reported under LKAS 17.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Group consist of branches premises and vehicles taken on rent which were previously recognised as operating leases under LKAS 17.

Notes to the Condensed Consolidated Interim Financial Statements

3.1 Right of use Asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using Group's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of use assets of the Group is as follows;

	Group			Company		
	Unaudited 2019			Unaudited 2019		
	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Cost of Right of use Asset						
Right of use asset (PV of Future lease payment)						
- on Initial application of SLFRS 16 as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Opening balance of Advance Payments for right of use assets as at 01st January	16,553	-	16,553	16,553	-	16,553
Rent Payable under LKAS 17 as at 01st January	(8,553)	-	(8,553)	(6,554)	-	(6,554)
Acquisition of Right of use assets during the Year	72,634	10,161	82,795	58,673	10,161	68,834
Advances Paid for Right of use asset during the Year	30,363	-	30,363	22,587	-	22,587
Disposal of Right of use asset on termination						
- of Lease agreements during the Year	(3,093)	-	(3,093)	(3,093)	-	(3,093)
	<u>450,802</u>	<u>29,367</u>	<u>480,169</u>	<u>426,137</u>	<u>22,970</u>	<u>449,107</u>
Accumulated Depreciation and Amortisation						
Depreciation of Right of use assets	116,185	8,751	124,936	107,816	6,225	114,041
Amortisation of Rent Payable under LKAS 17	(3,346)	-	(3,346)	(2,384)	-	(2,384)
Amortisation of Rent Advance for Right of use asset	17,935	-	17,935	14,971	-	14,971
Disposal of Depreciation on Right of use asset	(3,093)	-	(3,093)	(3,093)	-	(3,093)
Closing Balance of Right of use lease asset						
- as at 31st December	<u>127,681</u>	<u>8,751</u>	<u>136,432</u>	<u>117,310</u>	<u>6,225</u>	<u>123,535</u>
Net Right of use asset as at 31st December	<u>323,121</u>	<u>20,616</u>	<u>343,737</u>	<u>308,827</u>	<u>16,745</u>	<u>325,572</u>

3.2 Lease Liability (Lease Creditor)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the market lending rate of Group's ultimate parent Hatton National Bank PLC as its incremental borrowing rate. The movement of Lease creditor for the year is as follows;

	Group			Company		
	Unaudited 2019			Unaudited 2019		
	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Lease Liability (Lease Creditor)						
Lease Creditor on Initial application of SLFRS 16						
- as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions to lease Creditors during the Year	72,634	10,161	82,795	58,673	10,161	68,834
Interest Expenses of lease Creditors during the year	50,682	3,028	53,710	49,104	2,595	51,699
Rentals Paid for lease Creditors during the Year	(137,487)	(11,033)	(148,520)	(128,266)	(8,215)	(136,481)
Lease Creditor as at 31st December	<u>328,727</u>	<u>21,362</u>	<u>350,089</u>	<u>317,482</u>	<u>17,350</u>	<u>334,832</u>

Notes to the Condensed Consolidated Interim Financial Statements

4 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Loans and Receivables	14,830,486	10,709,515	12,065,489	8,728,381
Available for Sale Financial Assets	6,293,764	6,776,591	5,634,097	5,872,886
Financial Assets at Fair Value Through Profit or Loss	77,824	93,025	77,824	78,439
Total Financial Investments	21,202,074	17,579,131	17,777,410	14,679,706

5 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 company are adjusted to conform with the Group's accounting policies where necessary.

6 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.

- 6a) 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.

7 RESTRICTED REGULATORY RESERVE

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Balance at the beginning of the Year	381,156	-	381,156	-
Transfer of One-off Surplus from Policyholders' Fund to Shareholders' Fund	-	381,156	-	381,156
Balance at the end of the Year	381,156	381,156	381,156	381,156

7 a) 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 Policyholder Non-Participating Fund to Shareholder 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 8(c) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

7 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2019

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 December 2019 (Rs. '000)
Term Deposits	383,260

Notes to the Condensed Consolidated Interim Financial Statements

8 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
	Life Insurance Fund (Note 8 a)	14,269,182	12,112,106	14,269,182
Claims Outstanding	195,352	149,366	195,352	149,366
Total Insurance Contract Liabilities	14,464,534	12,261,472	14,464,534	12,261,472

8 a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
	Life Insurance Fund			
Change in Contract Liabilities - Life Fund				
Balance as at the beginning of the Year	12,112,106	10,800,821	12,112,106	10,800,821
Change in Contract Liability due to transfer of One-off Surplus (Note 8 b)	-	(381,156)	-	(381,156)
	12,112,106	10,419,665	12,112,106	10,419,665
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus				
Distribution to Shareholders	2,860,667	2,345,049	2,860,667	2,345,049
Surplus Distributed to Shareholders	(687,416)	(637,900)	(687,416)	(637,900)
Increase in Life Insurance Fund	2,173,251	1,707,149	2,173,251	1,707,149
Effect of Taxation on surplus/Bonus transferred to Policyholders	(16,175)	(14,708)	(16,175)	(14,708)
Balance as at the end of the Year	14,269,182	12,112,106	14,269,182	12,112,106

8 b) 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

Subsequently IRCSL, through the Direction No.16 issued on 20th March 2018 on "Directions for identification and treatment of One-off Surplus" Life Insurance Companies were directed to transfer One-off Surplus attributable to Policyholder Non-Participating Fund to Shareholders' Fund in the relevant period. The transfer has been presented as a separate line item in the Income Statement as "Change in contract Liability due to transfer of One-off Surplus" and as a separate reserve in the

Notes to the Condensed Consolidated Interim Financial Statements

Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off surplus in the Shareholder Fund will remain invested in Term Deposits as disclosed in Note No. 7 (b) 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 Shareholders' Fund by means of bonus to Policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

8 c) 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 by the in the new Inland Revenue Act. As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 115.5 Million (2018 - Rs. 105.1 Million) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 16.2 Million (2018 - Rs. 14.7 Million) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

8 d) 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 Policyholders' 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 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.

Notes to the Condensed Consolidated Interim Financial Statements

8 e) Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2019 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. 687.4 Million for the year ended 31st December 2019 (31st December 2018 - Rs. 637.9 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary.

8 f) 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 2019 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. 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 2019. No additional provision was required against the LAT as at 31st December 2019.

9 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Reserves for Net Unearned Premium	1,946,972	1,794,696	-	-
Reserves for Title Insurance	53,522	49,582	-	-
Reserves for Gross Outstanding Claims	870,922	680,817	-	-
Total Insurance Contract Liabilities	2,871,416	2,525,095	-	-

9 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and behalf of NMG Consulting as at 31st December 2019 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

9 b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and on behalf of NMG Consulting as at 31st December 2019 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 2019. No additional provision is required against LAT.

Notes to the Condensed Consolidated Interim Financial Statements

10 GROSS WRITTEN PREMIUM

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Life Insurance				
Individual Policies	5,120,471	4,381,792	5,120,471	4,381,792
Corporate Policies	54,573	38,721	54,573	38,721
Adjustment for Inter Company Premiums	(43,056)	(29,898)	-	-
Gross Written Premium - Life Insurance	5,131,988	4,390,615	5,175,044	4,420,513
General Insurance				
Fire	677,562	554,523	-	-
Motor	3,622,023	3,345,502	-	-
Marine	57,619	70,467	-	-
Miscellaneous	461,482	370,083	-	-
Adjustment for Inter Company Premiums	(7,917)	(6,494)	-	-
Gross Written Premium - General Insurance	4,810,769	4,334,081	-	-
Total Gross Written Premium	9,942,757	8,724,696	5,175,044	4,420,513

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Life Insurance				
Individual Policies	1,468,590	1,166,238	1,468,590	1,166,238
Corporate Policies	13,093	8,728	13,093	8,728
Adjustment for Inter Company Premiums	(11,809)	(7,496)	-	-
Gross Written Premium - Life Insurance	1,469,874	1,167,470	1,481,683	1,174,966
General Insurance				
Fire	164,696	115,896	-	-
Motor	853,925	793,117	-	-
Marine	16,291	13,437	-	-
Miscellaneous	136,876	100,288	-	-
Adjustment for Inter Company Premiums	(951)	(1,588)	-	-
Gross Written Premium - General Insurance	1,170,837	1,021,150	-	-
Total Gross Written Premium	2,640,711	2,188,620	1,481,683	1,174,966

11 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Interest Income	2,243,284	1,883,053	1,884,977	1,588,206
Dividend Income	5,642	4,290	64,490	3,694
Total	2,248,926	1,887,343	1,949,467	1,591,900

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2019 Rs. '000	31st Dec 2018 Rs. '000
Interest Income	595,533	501,658	499,567	422,876
Dividend Income	387	696	59,813	624
Total	595,920	502,354	559,380	423,500

Notes to the Condensed Consolidated Interim Financial Statements

12 INCOME TAX EXPENSES

	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>For the Year Ended,</i>				
Income Tax Charge	(95,487)	(7,833)	-	-
Over Provision of Income Taxes in respect of Prior Year	465	3,124	-	-
Provision for Notional Tax Unutilised	-	(103,132)	-	(103,132)
Deferred Income Tax - Recognised through Profit or Loss	(288,884)	1,232,497	(279,826)	1,280,499
Withholding tax on inter company dividends	(9,575)	-	-	-
Capital Gain Tax for the Year	(1,182)	-	-	-
Total Tax charge in Profit or Loss	(394,663)	1,124,656	(279,826)	1,177,367
Deferred Income Tax - Recognised through Other Comprehensive Income	(6,286)	8,288	-	-
Total Tax charge in Other Comprehensive Income	(6,286)	8,288	-	-

	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2018 Rs. '000
<i>For the Three Months Ended,</i>				
Income Tax Charge	(24,358)	-	-	-
Over Provision of Income Taxes in respect of Prior Year	465	39,414	-	34,588
Provision for Notional Tax Unutilised	-	(103,132)	-	(103,132)
Deferred Income Tax - Recognised through Profit or Loss	(214,956)	1,262,136	(214,564)	1,280,499
Withholding tax on inter company dividends	(9,575)	-	-	-
Capital Gain Tax for the Year	(1,182)	-	-	-
Total Tax charge in Profit or Loss	(249,606)	1,198,418	(214,564)	1,211,955
Deferred Income Tax - Other Comprehensive Income	3,161	4,044	-	-
Total Tax charge in Other Comprehensive Income	3,161	4,044	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2018 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act.

13 PROFIT FOR THE YEAR

	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>For the Year Ended,</i>		
Company -HNB Assurance PLC		
- Surplus Transferred from Life Policyholder Fund to Shareholder Fund	687,416	637,900
- Profit from Life Shareholders' Fund	419,119	278,792
Transfer of One-off Surplus from Life Policyholder Fund to Shareholder Fund* (Reversal)/Origination Deferred Tax Asset*	-	381,156
	(279,826)	1,177,367
Profit for the Year	826,709	2,475,215
Subsidiary -HNB General Insurance Ltd		
Profit Before Tax	354,826	282,806
Income Tax and Deferred Tax Expense	(105,262)	(52,711)
Profit for the Year	249,564	230,095
Group	1,076,273	2,705,310
Elimination of Intercompany Dividend	(69,000)	-
Realisation of gain upon disposal of Financial Investments at AFS transferred to subsidiary on account of Company Segregation	2,955	-
Profit for the Year - Group	1,010,228	2,705,310

Notes to the Condensed Consolidated Interim Financial Statements

* Profit of the Company for the year ended 31st December 2018 included , a net deferred tax of Rs. 1,177 Million and Rs. 381.1 Million transferred to the Shareholders' Fund as One-off Surplus attributable to Policyholder Non-Participating Fund of the Life Fund as per the Direction No. 16 of the IRCSL, Similar transactions have not been made during the year as shown in the profits for the year ended 31st December 2019.

<i>For the Three Months Ended,</i>	Unaudited 31st Dec 2019 Rs. '000	Unaudited 31st Dec 2018 Rs. '000
Company -HNB Assurance PLC		
- Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	687,416	428,128
- Profit from Life Shareholders' Fund	146,769	64,627
(Reversal)/Origination Deferred Tax Asset	(214,564)	1,211,955
Profit for the Year	619,621	1,704,710
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	82,843	82,578
Income Tax and Deferred Tax Expense	(25,468)	(13,537)
Profit for the Year	57,375	69,041
Group		
Elimination of Intercompany Dividend	676,996	1,773,751
Realisation of gain upon disposal of Financial Investments at AFS transferred to subsidiary on account of Company Segregation	(69,000)	-
	2,955	-
Total	610,951	1,773,751

14 BASIC EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the net profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the Year.

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2019	Audited 31st Dec 2018	Unaudited 31st Dec 2019	Audited 31st Dec 2018
Profit for the Year (Rs. '000)	1,010,228	2,705,310	826,709	2,475,215
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	20.20	54.11	16.53	49.50

BASIC EARNINGS PER SHARE - EXCLUDING ONE-OFF SURPLUS (EPS)

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2019	Audited 31st Dec 2018	Unaudited 31st Dec 2019	Audited 31st Dec 2018
Profit for the Year (Rs. '000)	1,010,228	2,324,154	826,709	2,094,059
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	20.20	46.48	16.53	41.88

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2019	Unaudited 31st Dec 2018	Unaudited 31st Dec 2019	Unaudited 31st Dec 2018
Profit for the Period (Rs. '000)	610,951	1,773,751	619,621	1,704,710
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	12.22	35.48	12.39	34.09

Notes to the Condensed Consolidated Interim Financial Statements

15 RELATED PARTY DISCLOSURES

a) Transactions with the Parent and Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction <i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
	Insurance Premium	77,821	10,212	-
Claims Incurred	14,901	26,045	-	-
Investment Income	103,762	76,654	82,689	59,025
Administration Expenses	323,747	254,443	225,412	157,699
Rent and other Expenses	11,477	9,765	7,312	6,434
Dividend Paid	269,937	179,958	269,937	179,958

Nature of Transaction

Nature of Transaction <i>Balance as at,</i>	Group		Company	
	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Investments Balance (Includes Deposits and Debentures)	558,291	1,009,575	409,023	835,802
Cash at Bank Balances	369,543	286,459	246,185	178,024

b) Transaction with the Subsidiary Company - HNB General Insurance Ltd

Nature of Transaction <i>For the Year Ended,</i>	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Insurance Premium	43,056	29,898
Insurance Expenses	7,917	6,494
Claims Received	200	877
Claims Paid	4,000	-
Administrations Expenses Reimbursement	295,925	250,752
Fund Management Fee	6,483	5,447
Profit Commission Expense	15,978	12,423
Dividend Received	59,425	-

c) Transactions with / between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	13,333	632	-	-
	Claims Incurred	395	2,991	-	-
HNB Finance Ltd	Insurance Premium	16,749	5,757	-	-
	Claims Incurred	3,533	1,781	-	-
	Administration Expenses	8,887	6,075	241	1
	Interest Income	7,556	7,499	7,556	7,499

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
HNB Finance Ltd	Investment in Term Deposits	50,806	50,681	50,806	50,681
	Investment in Debentures	125,045	-	125,045	-
	Saving Accounts	311	-	311	-

Notes to the Condensed Consolidated Interim Financial Statements

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>For the Year Ended</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	1,112	910	272	274
	Claims incurred	303	529	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	647	784	-	-
	Claims incurred	772	356	-	-
ACUITY Securities Ltd	Insurance Premium	675	565	-	-
	Claims incurred	460	223	-	-
	Investment Income from REPO	87,174	70,608	61,867	49,575
<i>Name of the Company</i>					
Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	2,072,482	1,078,670	1,349,087	786,115

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

Nature of Transaction <i>For the Year Ended,</i>	Unaudited 31st Dec 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Director Fee	20,015	18,565
Short-term and Post employment benefits	56,871	54,865
Insurance Premium	3,147	2,402
Claims Paid including maturities	30,584	3,562

Appointment to the Board of Directors

Mr. Lintotage Udaya Damien Fernando has been appointed as a Non-Independent, Non-Executive Director to the Board of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 11th February 2019.

Mr. Stuart Anthony Chapman has been appointed as a Non Independent, Non- Executive Director to the Board of HNB Assurance PLC w.e.f. 11th February 2019.

Mr. Arjuna Varana Abeygunasekara has been appointed as a Non-Independent, Non- Executive Director to the Board of HNB General Insurance Ltd w.e.f. 11th February 2019.

Mr. Malik Sanjaya Wijemanne has been appointed as a Non-Independent, Non- Executive Director to the Board of HNB General Insurance Ltd w.e.f. 11th February 2019.

Appointment of Alternate Director

Mr. Kalum Laksri Wijesooriya was appointed as an Alternate Director to Mr. D.P.N. Rodrigo of the Boards of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 02nd September 2019.

Resignation from the Board of Directors

Mr. Sarath Carlyle Ratwatte, a Director of HNB Assurance PLC has tendered his resignation from being a Director of HNB Assurance PLC w.e.f. 06th February 2019.

Mr. Aloysius Gerard Rajive Dissanayake, a Director of HNB Assurance PLC and HNB General Insurance Limited has tendered his resignation from being a Director of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 12th February 2019.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements –2018 except for the above changes.

Notes to the Condensed Consolidated Interim Financial Statements

16 EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend Recommended

The Board Of Directors has recommended a payment of Rs. 6.00 per share as a final dividend on 13th February 2020 for the year ended 31st December 2019 (2018-interim and final dividend Rs.7.00 per share) which is subject to the approval of the shareholders at the Annual General Meeting and to be paid on 8th April 2020.

Appointment of Alternate Director

Mr. Thalpapwila Kankanange Don Aruna Prasad Samarasinghe was appointed as a 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.

Proposed Changes to Income Tax Rates

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 12th February 2020, "Implementation of proposed changes to the Inland Revenue Act , No. 24 of 2017 ", the income tax rates applicable to Company and subsidiary will be reduced from 28% to 24% with effect from 1st January 2020. However, the proposed changes are yet to be formally approved by the Parliament. As such the Company has not adjusted its deferred tax asset in the financial statements as at the reporting date. However, once formal amendments are made to the Act, the recorded Deferred Tax Asset and Profit After Tax of the Group will reduce by Rs. 144 Million and the recorded Deferred Tax Asset and Profit After Tax of the Company will reduce by Rs. 143 Million.

17 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 8.98 Million for the purchase of computer software.

As at the 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 - Nil).

18 CONTINGENCIES

- a) 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 matter was fixed for argument on 04th, 30th and 31st March 2020. 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.

Notes to the Condensed Consolidated Interim Financial Statements

- b) 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 IRD	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

- c) 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 and 2016/2017. 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, Company's Tax Consultants and the life insurance industry are confident that these assessments will not materialise. Therefore, no additional provision has been made in the 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 Assesment/ Intimation	Status of Assesment	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	2019.01.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	290
Total				722

- d) The Company has received VAT notices of assessment. 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. 1.33 Million. Further, the subsidiary company, HNB General Insurance Limited, has received a tax assessment and penalty amounted to Rs. 8.25 Million on VAT return filed and the subsidiary is in the process of making an appeal to the Commissioner General of Inland Revenue.

Share Information

Top 20 Shareholders

Name of the Shareholder

	31st December 2019	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 Ceylon Guardian Investment Trust PLC A/c No.2	1,892,800	3.79%
3 Mr.S.N.P.Palihena	1,500,000	3.00%
4 Peoples Leasing and Finance PLC/HI Line Trading (Pvt) Ltd	800,000	1.60%
5 Mr. P.H.D Waidyatilaka	549,860	1.10%
6 Mr. Mohamed Faizer Hashim	510,000	1.02%
7 Mrs. Arunthathi Selliah	500,000	1.00%
8 Mrs. Abiramipillai Kailasapillai	500,000	1.00%
9 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
10 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
11 Arunodhaya (Pvt) Ltd	450,000	0.90%
12 Ceylon Investment PLC A/c No. 2	380,561	0.76%
13 Suktam Holdings (Pvt) Ltd	279,434	0.56%
14 Andysel (Pvt) Ltd	250,000	0.50%
15 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
16 Commercial Bank Of Ceylon Plc/Janashakthi Limited	212,334	0.42%
17 Mr. Vikas Sharda	203,000	0.41%
18 MR. K. Aravinthan	200,000	0.40%
19 Mr. A.A.A Rifkee	200,000	0.40%
20 Dr. S. Selliah	200,000	0.40%
	39,766,092	79.54%

Public Shareholding

31st December 2019

* Float Adjusted Market Capitalisation (Rs.)	2,643,009,396
Percentage of Shares held by the Public	38.30%
Number of Public Shareholders	3,389

The Company complies the minimum public Shareholding requirement under option 5 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 Director	No. of Shares 31st December 2019
Mrs. M A R C Cooray	18,035
Mr. J A P M Jayasekara	83,057
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	200,000
Mr. D P Lokuarachchi - (Managing Director/Chief Executive Officer)	Nil
Mr. D R Abeysuriya	1,000
Mr. L U D Fernando	166
Mr. S A Chapman	Nil
Mr. K L Wijesooriya (Alternate Director to Mr. D.P.N. Rodrigo)	Nil

Number of Shares

No. of shares representing the Stated Capital	50,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	Rs.
Net Asset Value Per Share as at 31st December 2019 - Group	134.29
Net Asset Value Per Share as at 31st December 2019 - Company	125.56
Net Asset Value Per Share as at 31st December 2019 without one-off Surplus - Group	126.66
Net Asset Value Per Share as at 31st December 2019 without one-off Surplus - Company	117.94
Highest Price Per Share for the Interim Period	138.00
Lowest Price Per Share for the Interim Period	128.60
Last Traded Price Per Share as at 31st December 2019	138.00