

# EVOLUTION



**HNB  
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
31<sup>st</sup> March 2019

# Statement of Financial Position

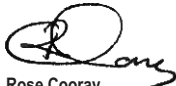
As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2019 Rs. '000	31st Dec 2018 Rs. '000	31st Mar 2019 Rs. '000	31st Dec 2018 Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		148,890	151,559	102,834	104,487
Right of use Lease Assets	3.1	345,970	-	337,579	-
Intangible Assets		58,979	61,087	56,745	58,782
Deferred Tax Assets		1,267,110	1,304,882	1,256,660	1,280,499
Financial Investments	4	18,556,595	17,579,131	15,607,094	14,679,706
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		260,227	243,113	260,227	243,113
Reinsurance Receivables		421,890	415,773	79,428	75,926
Premium Receivables		1,019,288	798,213	10,103	8,046
Other Assets		895,702	823,101	648,044	575,154
Insurance Contract - Deferred Expenses		140,813	140,486	-	-
Cash and Cash Equivalents		718,211	761,871	438,471	502,561
<b>Total Assets</b>		<b>23,833,675</b>	<b>22,279,216</b>	<b>19,947,185</b>	<b>18,678,274</b>
<b>Equity and Liabilities</b>					
<b>Equity Attributable to the Equity Holders of Parent</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		4,174,714	4,405,581	3,891,612	4,167,660
Available for Sale Reserve		5,462	(8,025)	4,814	1,451
Other Reserve		(4,406)	(4,406)	(4,395)	(4,395)
Life Policyholders' Available for Sale Reserve Fund	6	(84,220)	(201,867)	(84,220)	(201,867)
Restricted Regulatory Reserve	7	381,156	381,156	381,156	381,156
<b>Total Equity</b>		<b>5,644,581</b>	<b>5,744,314</b>	<b>5,360,842</b>	<b>5,515,880</b>
Liabilities Insurance Contract Liabilities - Life Insurance	8	13,040,358	12,261,472	13,040,358	12,261,472
Insurance Contract Liabilities - General Insurance	9	2,697,709	2,525,095	-	-
Employee Defined Benefit Liabilities		148,088	140,356	89,033	84,840
Current Tax Liabilities		33,200	22,541	14,708	14,708
Reinsurance Creditors		364,304	369,853	82,693	116,268
Lease Creditor	3.2	344,615	-	335,018	-
Other Liabilities		1,354,885	1,092,809	932,362	642,470
Bank Overdraft		205,935	122,776	92,171	42,636
<b>Total Liabilities</b>		<b>18,189,094</b>	<b>16,534,902</b>	<b>14,586,343</b>	<b>13,162,394</b>
<b>Total Equity and Liabilities</b>		<b>23,833,675</b>	<b>22,279,216</b>	<b>19,947,185</b>	<b>18,678,274</b>

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

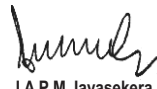


**Indika Perera**  
Chief Financial Officer

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  
26th April 2019

## Statement of Profit or Loss and Other Comprehensive Income

Group			Group		Company		Change	
Year Ended 31 <sup>st</sup> Dec 2018 (Audited) Rs. '000	For Three Months Ended 31st March,	Note	Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Group %	Company %
8,724,696	Gross Written Premium	10	2,492,178	2,188,943	1,239,820	1,061,207	14	17
(1,059,269)	Premium Ceded to Reinsurers		(346,661)	(281,611)	(58,779)	(51,690)	23	14
7,665,427	Net Written Premium		2,145,517	1,907,332	1,181,041	1,009,517	12	17
(216,988)	Net Change in Reserves for Unearned Premium		(102,877)	(133,724)	-	-	(23)	-
7,448,439	<b>Net Earned Premium</b>		<b>2,042,640</b>	<b>1,773,608</b>	<b>1,181,041</b>	<b>1,009,517</b>	<b>15</b>	<b>17</b>
	<b>Other Revenue</b>							
1,887,343	Interest and Dividend Income	11	525,317	451,586	442,505	383,275	16	15
74,058	Net Realised Gains		4,311	16,660	3,485	12,523	(74)	(72)
8,482	Net Fair Value Losses		(23,335)	(2,791)	(13,513)	(4,407)	736	207
172,646	Fee and Commission Income		57,995	45,471	39,563	36,975	28	7
36,030	Other Income		4,753	6,008	1,147	2,579	(21)	(56)
2,178,559	<b>Total Other Revenue</b>		<b>569,041</b>	<b>516,934</b>	<b>473,187</b>	<b>430,945</b>	<b>10</b>	<b>10</b>
9,626,998	<b>Net Income</b>		<b>2,611,681</b>	<b>2,290,542</b>	<b>1,654,228</b>	<b>1,440,462</b>	<b>14</b>	<b>15</b>
	<b>Net Benefits, Claims and Expenses</b>							
(3,236,489)	Net Insurance Benefits and Claims		(937,628)	(645,829)	(347,180)	(132,735)	45	162
(1,707,149)	Change in Contract Liabilities - Life Fund		(691,644)	(528,021)	(691,644)	(528,021)	31	31
381,156	Change in Contract Liability due to Transfer of One-off Surplus	7	-	381,156	-	381,156	-	-
(2,282,481)	Other Operating and Administration Expenses		(486,490)	(484,007)	(277,546)	(265,165)	1	5
(1,125,418)	Underwriting and Net Acquisition Costs		(304,339)	(293,170)	(223,249)	(230,531)	4	(3)
(75,963)	Finance & Other Insurance Related Costs		(27,790)	(11,545)	(16,818)	(7,112)	141	136
(8,046,344)	<b>Total Benefits, Claims and Other Expenses</b>		<b>(2,447,891)</b>	<b>(1,581,416)</b>	<b>(1,556,437)</b>	<b>(782,408)</b>	<b>55</b>	<b>99</b>
1,580,654	<b>Profit Before Taxation</b>		<b>163,790</b>	<b>709,126</b>	<b>97,791</b>	<b>658,054</b>	<b>(77)</b>	<b>(85)</b>
1,124,656	Income Tax Expense	12	(44,657)	(10,378)	(23,839)	-	330	-
2,705,310	<b>Profit for the Period</b>	13	<b>119,133</b>	<b>698,748</b>	<b>73,952</b>	<b>658,054</b>	<b>(83)</b>	<b>(89)</b>
	<b>Other Comprehensive Income, Net of Related Tax</b>							
	<b>Items that are or may be reclassified to profit or loss</b>							
(399,596)	- Net Change in fair value of Available For Sale Financial Assets		139,136	(68,575)	124,492	(62,659)	303	299
(72,541)	- Realised Gains transferred to Income Statement		(4,229)	(15,415)	(3,482)	(11,809)	(73)	(71)
	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(117,647)	66,189	(117,647)	66,189	(278)	(278)
425,139								
8,288	- Related Tax	12	(3,773)	2,586	-	-	(246)	-
	<b>Items that will never be reclassified to profit or loss</b>							
6,354	Actuarial Losses on Defined Benefit Plans		-	(2,244)	-	(2,244)	-	-
(32,356)	<b>Total Other Comprehensive Income for the Period, Net of Related Tax</b>		<b>13,487</b>	<b>(17,459)</b>	<b>3,363</b>	<b>(10,523)</b>	<b>177</b>	<b>132</b>
2,672,954	<b>Total Comprehensive Income for the Period</b>		<b>132,620</b>	<b>681,289</b>	<b>77,315</b>	<b>647,531</b>	<b>(81)</b>	<b>(88)</b>
	<b>Profit Attributable to:</b>							
2,705,310	Equity Holders of the Parent		119,133	698,748	-	-	(83)	-
	<b>Total Comprehensive Income Attributable to:</b>							
2,672,954	Equity Holders of the Parent		132,620	681,289	-	-	(81)	-
54.11	Basic Earnings Per Share (Rs.)	14	2.38	13.97	1.48	13.16	(83)	(89)
46.48	Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	14	2.38	6.35	1.48	5.54	(62)	(73)

# Statement of Changes in Equity - Group

## For the Period Ended 31st March 2019,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2018	1,171,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	317,592	-	-	-	381,156	698,748
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(81,404)	-	-	-	(81,404)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	66,189	-	-	-	66,189
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(2,244)	-	-	(2,244)
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
<b>Total Other Comprehensive Income for the Period</b>	-	-	(15,215)	(2,244)	-	-	(17,459)
<b>Total Comprehensive Income for the Period</b>	-	317,592	(15,215)	(2,244)	-	381,156	881,289
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Reserve	-	-	-	-	(66,189)	-	(66,189)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Dividend to equity holders for 2017	-	2,399,019	15,470	(13,004)	157,083	381,156	4,111,599
<b>Unaudited balance as at 31st March 2018</b>	1,171,875	2,399,019	15,470	(13,004)	157,083	381,156	4,111,599
<b>Total Comprehensive Income for the Period</b>	-	2,006,562	-	-	-	-	2,006,562
Profit for the period- Unaudited	-	2,006,562	-	-	-	-	2,006,562
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(382,445)	-	-	-	(382,445)
Net Change in fair value of Available For Sale Financial Assets	-	-	358,950	-	-	-	358,950
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	8,598	-	-	8,598
Actuarial Gains on Defined Benefit Plans	-	-	-	(23,495)	-	-	(23,495)
<b>Total Other Comprehensive Income for the Period</b>	-	-	(23,495)	8,598	-	-	(14,897)
<b>Total Comprehensive Income for the Period</b>	-	2,006,562	(23,495)	8,598	-	-	1,991,665
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Reserve	-	-	(8,025)	(4,406)	(358,950)	-	(368,950)
- transferred from Available For Sale Reserve	-	-	(8,025)	(4,406)	(201,867)	381,156	5,744,314
<b>Audited balance as at 31st December 2018</b>	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
<b>Total Comprehensive Income for the Period</b>	-	119,133	-	-	-	-	119,133
Profit for the Period - Unaudited	-	119,133	-	-	-	-	119,133
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	131,134	-	-	-	131,134
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	(117,647)	-	-	-	(117,647)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	13,487	-	-	-	13,487
<b>Total Other Comprehensive Income for the Period</b>	-	-	13,487	-	-	-	13,487
<b>Total Comprehensive Income for the Period</b>	-	119,133	13,487	-	-	-	132,620
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Reserve	-	-	-	-	117,647	-	117,647
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(950,000)	-	-	-	-	(950,000)
Dividend to equity holders for 2018	-	4,174,714	5,462	(4,406)	(84,220)	381,156	5,644,581
<b>Unaudited balance as at 31st March 2019</b>	1,171,875	4,174,714	5,462	(4,406)	(84,220)	381,156	5,644,581

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

# Statement of Changes in Equity - Company

For the Period Ended 31st March 2019,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Policyholders' A/R Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2018</b>	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
<b>Total Comprehensive Income for the Period</b>	-	276,898	-	-	-	381,156	658,054
Profit for the Period - Unaudited	-	276,898	-	-	-	-	-
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(74,468)	-	-	-	(74,468)
Net Change in fair value of Available For Sale Financial Assets	-	-	(74,468)	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	66,189	(2,244)	-	-	66,189
Actuarial Losses on Defined Benefit Plans	-	-	(8,279)	(2,244)	-	-	(10,523)
<b>Total Other Comprehensive Income for the Period</b>	-	276,898	(8,279)	(2,244)	-	-	647,531
<b>Total Comprehensive Income for the Period</b>	-	276,898	(8,279)	(2,244)	-	381,156	647,531
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(66,189)	-	(66,189)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
<b>Distributions to owners of the Company</b>	-	(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
<b>Unaudited balance as at 31st March, 2018</b>	1,171,875	2,350,499	9,136	(12,128)	157,083	381,156	4,057,621
<b>Total Comprehensive Income for the Period</b>	-	1,817,161	-	-	-	-	1,817,161
Profit for the Period - Unaudited	-	1,817,161	-	-	-	-	1,817,161
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(366,635)	-	-	-	(366,635)
Net Change in fair value of Available For Sale Financial Assets	-	-	(366,635)	-	-	-	(366,635)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	358,950	-	-	-	358,950
Actuarial Gains on Defined Benefit Plans	-	-	(7,685)	7,733	-	-	48
<b>Total Other Comprehensive Income for the Period</b>	-	-	(7,685)	7,733	-	-	48
<b>Total Comprehensive Income for the Period</b>	-	1,817,161	(7,685)	7,733	-	-	1,817,209
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	1,451	(4,395)	(365,950)	-	(368,950)
<b>Audited balance as at 31st December 2018</b>	1,171,875	4,167,690	1,451	(4,395)	(201,867)	381,156	5,615,890
<b>Total Comprehensive Income for the Period</b>	-	73,952	-	-	-	-	73,952
Profit for the Period - Unaudited	-	73,952	-	-	-	-	73,952
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	121,010	-	-	-	121,010
Net Change in fair value of Available For Sale Financial Assets	-	-	121,010	-	-	-	121,010
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(117,647)	-	-	-	(117,647)
<b>Total Other Comprehensive Income for the Period</b>	-	-	3,363	-	-	-	3,363
<b>Total Comprehensive Income for the Period</b>	-	73,952	3,363	-	-	-	77,315
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	117,647	-	117,647
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
<b>Distributions to owners of the Company</b>	-	(350,000)	-	-	-	-	(350,000)
Dividend to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
<b>Unaudited balance as at 31st March 2019</b>	1,171,875	3,891,612	4,814	(4,395)	(84,220)	381,156	5,360,842

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

# Statement of Cash Flows

<i>For the Period Ended 31st March,</i>	Group		Company		
	Note	Unaudited 2019	Unaudited 2018	Unaudited 2019	Unaudited 2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit Before Taxation		163,790	709,126	97,791	658,054
<b>Adjustments for:</b>					
Interest Income	11	(524,491)	(450,003)	(441,872)	(381,741)
Dividend Income	11	(826)	(1,583)	(633)	(1,534)
Amortisation of Intangible Assets		4,266	4,718	4,165	4,718
Depreciation of Property Plant and Equipments		11,398	13,195	7,928	9,646
Net Depreciation of Right of Use Assets		32,449	-	29,622	-
Interest Expense of Lease Creditor		13,195	-	12,790	-
Provision for Employee Benefits		11,464	8,287	6,406	4,974
Net Realised Gains		(4,311)	(16,660)	(3,485)	(12,523)
Net Fair Value Losses		23,335	2,791	13,513	4,407
(Gains)/Losses on Sale of Property, Plant and Equipment		(109)	253	(67)	220
		(269,840)	270,124	(273,842)	286,221
Net Change in Operating Assets	A	(313,522)	(124,478)	(114,246)	17,669
Net Change in Operating Liabilities	B	1,198,897	293,675	1,041,755	52,056
<b>Cash Flows from Operating Activities</b>		<b>615,535</b>	<b>439,321</b>	<b>653,667</b>	<b>355,946</b>
Gratuity Paid		(3,732)	(72)	(2,213)	-
Economic Service Charges (ESC) Paid		(5,287)	(4,865)	-	-
<b>Net Cash Generated from Operating Activities</b>		<b>606,516</b>	<b>434,384</b>	<b>651,454</b>	<b>355,946</b>
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(933,508)	(537,686)	(857,496)	(381,433)
Interest Received		596,421	283,357	482,963	217,040
Dividend Received		886	1,017	696	848
Acquisition of Intangible Assets		(2,158)	(5,042)	(2,128)	(4,042)
Acquisition of Property, Plant and Equipment		(8,788)	(11,321)	(6,324)	(5,965)
Proceeds from the Sale of Property, Plant and Equipment		168	1,984	116	1,194
<b>Net Cash Used in Investing Activities</b>		<b>(346,979)</b>	<b>(267,691)</b>	<b>(382,173)</b>	<b>(172,358)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(350,000)	(300,000)	(350,000)	(300,000)
Payment of Lease Liabilities		(36,356)	-	(32,906)	-
<b>Net Cash Used in Financing Activities</b>		<b>(386,356)</b>	<b>(300,000)</b>	<b>(382,906)</b>	<b>(300,000)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(126,819)</b>	<b>(133,307)</b>	<b>(113,625)</b>	<b>(116,412)</b>
Cash and Cash Equivalents at the beginning of the Period		639,095	500,290	459,925	319,551
<b>Cash and Cash Equivalents at the end of the Period</b>		<b>512,276</b>	<b>366,983</b>	<b>346,300</b>	<b>203,139</b>
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		(327)	(12,394)	-	-
Increase in Loans to Life Policyholders		(17,114)	(15,166)	(17,114)	(15,166)
(Increase)/Decrease in Reinsurance Receivables		(6,117)	9,853	(3,502)	13,308
Increase in Premium Receivables		(221,075)	(133,507)	(2,057)	(1,348)
(Increase)/Decrease in Other Assets		(68,889)	26,736	(91,573)	20,875
<b>Net Change in Operating Assets</b>		<b>(313,522)</b>	<b>(124,478)</b>	<b>(114,246)</b>	<b>17,669</b>
<b>B. Change in Operating Liabilities</b>					
Increase/(Decrease) in Other Liabilities		252,946	20,540	296,444	(40,223)
Increase in Insurance Contract Liabilities (before tax)- Life Insurance		778,886	113,790	778,886	113,790
Increase in Insurance Contract Liabilities - General Insurance		172,614	118,176	-	-
(Decrease)/Increase in Reinsurance Creditors		(5,549)	41,169	(33,575)	(21,511)
<b>Net Change in Operating Liabilities</b>		<b>1,198,897</b>	<b>293,675</b>	<b>1,041,755</b>	<b>52,056</b>

## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st March 2019		31st Dec 2018	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	102,834	46,056	104,487	47,072
Right of use Lease Assets	337,579	8,391	-	-
Intangible Assets	56,745	2,234	58,782	2,305
Deferred Tax Assets	1,256,660	10,450	1,280,499	24,383
Financial Investments	15,607,094	2,949,501	14,679,706	2,899,425
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	260,227	-	243,113	-
Reinsurance Receivables	79,428	342,462	75,926	339,847
Premium Receivables	10,103	1,009,185	8,046	790,167
Other Assets	648,044	288,154	575,154	270,915
Insurance Contract - Deferred Expenses	-	140,813	-	140,486
Cash and Cash Equivalents	438,471	279,740	502,561	259,310
<b>Total Assets</b>	<b>19,947,185</b>	<b>5,076,986</b>	<b>18,678,274</b>	<b>4,773,910</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	13,040,358	-	12,261,472	-
Insurance Contract Liabilities - General Insurance	-	2,697,709	-	2,525,095
Employee Defined Benefit Liabilities	89,033	59,055	84,840	55,516
Current Tax Liabilities	14,708	18,492	14,708	7,833
Reinsurance Creditors	82,693	281,611	116,268	253,585
Lease Creditor	335,018	9,597	-	-
Other Liabilities	932,362	463,019	642,470	473,307
Bank Overdraft	92,171	113,764	42,636	80,140
<b>Total Liabilities</b>	<b>14,586,343</b>	<b>3,643,247</b>	<b>13,162,394</b>	<b>3,395,476</b>

## Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	31st March 2019		31st March 2018	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	1,239,820	1,267,916	1,061,207	1,137,579
Premium Ceded to Reinsurers	(58,779)	(287,882)	(51,690)	(229,921)
Net Written Premium	1,181,041	980,034	1,009,517	907,658
Net Change in Reserves for Unearned Premium	-	(102,877)	-	(133,724)
<b>Net Earned Premium</b>	<b>1,181,041</b>	<b>877,157</b>	<b>1,009,517</b>	<b>773,934</b>
<b>Other Revenue</b>				
Interest and Dividend Income	442,505	82,812	383,275	68,311
Net Realised Gains	3,485	826	12,523	4,137
Net Fair Value (Losses)/Gains	(13,513)	(9,822)	(4,407)	1,616
Fee and Commission Income	39,563	23,106	36,975	11,971
Other Income	1,147	3,606	2,579	3,429
<b>Total Other Revenue</b>	<b>473,187</b>	<b>100,528</b>	<b>430,945</b>	<b>89,464</b>
<b>Net Income</b>	<b>1,654,228</b>	<b>977,685</b>	<b>1,440,462</b>	<b>863,398</b>
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(347,180)	(590,448)	(132,735)	(513,269)
Change in Contract Liabilities - Life Fund	(691,644)	-	(528,021)	-
Change in Contract Liability due to Transfer of One-off Surplus	-	-	381,156	-
Other Operating and Administration Expenses	(277,546)	(226,014)	(265,165)	(229,758)
Underwriting and Net Acquisition Cost	(223,249)	(84,252)	(230,531)	(64,866)
Finance and Other Insurance Related Costs	(16,818)	(10,972)	(7,112)	(4,433)
<b>Total Benefits, Claims and other Expenses</b>	<b>(1,556,437)</b>	<b>(911,686)</b>	<b>(782,408)</b>	<b>(812,326)</b>
<b>Profit Before Taxation</b>	<b>97,791</b>	<b>65,999</b>	<b>658,054</b>	<b>51,072</b>
Income Tax Expense	(23,839)	(20,818)	-	(10,378)
<b>Profit for the Period</b>	<b>73,952</b>	<b>45,181</b>	<b>658,054</b>	<b>40,694</b>

# 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 26th April 2019.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 31st March 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) 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 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 Lease Asset

	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
Opening right of use lease asset as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions of right of use lease asset during the Period	5,672	-	5,672	4,355	-	4,355
Net Depreciation for the Period (Note 3.1.a)	(30,667)	(1,782)	(32,449)	(28,420)	(1,202)	(29,622)
Rent Payable under LKAS 17	(8,553)	-	(8,553)	(6,554)	-	(6,554)
Advance Payment for leases	19,196	-	19,196	18,620	-	18,620
Closing right of use lease asset as at 31st March	<u>328,546</u>	<u>17,424</u>	<u>345,970</u>	<u>325,972</u>	<u>11,607</u>	<u>337,579</u>

#### 3.1.a Amount Recognised in Statement of Profit or Loss

Depreciation of Right of use lease asset	(28,976)	(1,782)	(30,758)	(26,313)	(1,202)	(27,515)
Amortisation of Advance	(2,806)	-	(2,806)	(2,758)	-	(2,758)
Amortisation of Payables under LKAS 17	1,115	-	1,115	651	-	651
	<u>(30,667)</u>	<u>(1,782)</u>	<u>(32,449)</u>	<u>(28,420)</u>	<u>(1,202)</u>	<u>(29,622)</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 period 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
Opening lease Creditor as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions during the Period	5,672	-	5,672	4,354	-	4,354
Interest Expense recognised in Profit or Loss	12,517	678	13,195	12,338	452	12,790
Settlement through lease payment	(34,195)	(2,161)	(36,356)	(31,448)	(1,458)	(32,906)
Closing lease Creditors at 31st March	<u>326,892</u>	<u>17,723</u>	<u>344,615</u>	<u>323,215</u>	<u>11,803</u>	<u>335,018</u>

## 4 FINANCIAL INVESTMENTS

As at,	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31st Mar 2019	Rs. '000	31st Dec 2018	31st Mar 2019	Rs. '000	31st Dec 2018
Loans and Receivables	<b>11,588,171</b>		10,709,515	<b>9,524,092</b>		8,728,381
Available for Sale Financial Assets	<b>6,889,338</b>		6,776,591	<b>6,016,502</b>		5,872,886
Financial Assets at Fair Value Through Profit or Loss	<b>79,086</b>		93,025	<b>66,500</b>		78,439
Total Financial Investments	<b>18,556,595</b>		17,579,131	<b>15,607,094</b>		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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 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) Unrealized 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 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Balance at the beginning of the Period	381,156	-	381,156	-
Transfer of One-off Surplus from Policyholders' Fund to Shareholders' Fund	-	381,156	-	381,156
<b>Balance at the end of the Period</b>	<b>381,156</b>	<b>381,156</b>	<b>381,156</b>	<b>381,156</b>

#### 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 new Direction. Based on the new 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 March 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 Mar 2019 (Rs. '000)
Term Deposits	388,169

### 8 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

		Group		Company	
		Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
As at,					
Life Insurance Fund	(Note 8 a)	12,803,750	12,112,106	12,803,750	12,112,106
Claims Outstanding		236,608	149,366	236,608	149,366
<b>Total Insurance Contract Liabilities</b>		<b>13,040,358</b>	<b>12,261,472</b>	<b>13,040,358</b>	<b>12,261,472</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 8 a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<b>Life Insurance Fund</b>				
<b>Change in Contract Liabilities - Life Fund</b>				
Balance as at the beginning of the Period	12,112,106	10,800,821	12,112,106	10,800,821
Change in Contract Liability due to transfer of One-off Surplus	-	(381,156)	-	(381,156)
	<b>12,112,106</b>	<b>10,419,665</b>	<b>12,112,106</b>	<b>10,419,665</b>
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before Surplus				
Distribution to Shareholders	691,644	2,345,049	691,644	2,345,049
Surplus Distributed to Shareholders	-	(637,900)	-	(637,900)
Increase in Life Insurance Fund	691,644	1,707,149	691,644	1,707,149
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(14,708)	-	(14,708)
<b>Balance as at the end of the Period</b>	<b>12,803,750</b>	<b>12,112,106</b>	<b>12,803,750</b>	<b>12,112,106</b>

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 Shareholder 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 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.

## Notes to the Condensed Consolidated Interim Financial Statements

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".

### 8 c) 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 Policyholders' Fund to Shareholder 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.

### 8 d) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Consultant Actuary, Mr. Hassan Scott Odierno, FSA for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd, as at 31st December 2018 as required by SLFRS 4 - Insurance Contracts. According to the Consultant Actuary's report, the Company perform LAT semi-annually and satisfies the LAT as at 31st March 2019. No additional provision is required against LAT.

## 9 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Reserves for Net Unearned Premium	1,896,366	1,794,697	-	-
Reserves for Title Insurance	50,789	49,581	-	-
Reserves for Gross Outstanding Claims	750,554	680,817	-	-
<b>Total Insurance Contract Liabilities</b>	<b>2,697,709</b>	<b>2,525,095</b>	-	-

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 March 2019 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

## Notes to the 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 2018 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 2018. No additional provision is required against LAT.

### 10 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
<b>Life Insurance</b>					
4,381,792	Individual Policies	1,225,428	1,055,103	1,225,428	1,055,103
38,721	Corporate Policies	14,392	6,104	14,392	6,104
(29,898)	Adjustment for Inter Company Premiums	(9,312)	(5,569)	-	-
<u>4,390,615</u>	<b>Gross Written Premium - Life Insurance</b>	<u>1,230,508</u>	<u>1,055,638</u>	<u>1,239,820</u>	<u>1,061,207</u>
<b>General Insurance</b>					
554,523	Fire	170,628	150,850	-	-
3,345,502	Motor	919,879	848,894	-	-
70,467	Marine	14,035	19,632	-	-
370,083	Miscellaneous	163,374	118,203	-	-
(6,494)	Adjustment for Inter Company Premiums	(6,246)	(4,274)	-	-
<u>4,334,081</u>	<b>Gross Written Premium - General Insurance</b>	<u>1,261,670</u>	<u>1,133,305</u>	<u>-</u>	<u>-</u>
<u>8,724,696</u>	<b>Total Gross Written Premium</b>	<u>2,492,178</u>	<u>2,188,943</u>	<u>1,239,820</u>	<u>1,061,207</u>

### 11 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
1,883,053	Interest Income	524,491	450,003	441,872	381,741
4,290	Dividend Income	826	1,583	633	1,534
<u>1,887,343</u>	<b>Total</b>	<u>525,317</u>	<u>451,586</u>	<u>442,505</u>	<u>383,275</u>

### 12 INCOME TAX EXPENSES

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
(7,833)	Current Tax Charge	(10,659)	(9,535)	-	-
3,124	Over Provision of Current Taxes in respect of Prior Years	-	-	-	-
(103,132)	Provision for Notional Tax Unutilised	-	-	-	-
1,232,497	Deferred Income Tax - Recognised through Profit or Loss	(33,998)	(843)	(23,839)	-
<u>1,124,656</u>	<b>Total Tax charge in Profit or Loss</b>	<u>(44,657)</u>	<u>(10,378)</u>	<u>(23,839)</u>	<u>-</u>
	Deferred Income Tax - Recognised through Other				
8,288	- Comprehensive Income	(3,773)	2,586	-	-
<u>8,288</u>	<b>Total Tax charge in Other Comprehensive Income</b>	<u>(3,773)</u>	<u>2,586</u>	<u>-</u>	<u>-</u>

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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 13 PROFIT FOR THE PERIOD

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	<i>For the Three Months Ended,</i>	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
2,475,215	HNB Assurance PLC	73,952	658,054	73,952	658,054
230,095	HNB General Insurance Ltd	45,181	40,694	-	-
<b>2,705,310</b>	<b>Total</b>	<b>119,133</b>	<b>698,748</b>	<b>73,952</b>	<b>658,054</b>

13.a Profit of the Company for the period ended 31st March 2018 included, a surplus transfer of Rs. 209.8 Million as recommended by consultant actuary and Rs. 381.1 Million transferred to the Shareholder 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 transfers have not been made during the period as shown in the profits for the period ended 31st March 2019.

### 14 BASIC EARNINGS PER SHARE (EPS)

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

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	<i>For the Three Months Ended,</i>	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
2,705,310	Profit for the Period (Rs. '000)	119,133	698,748	73,952	658,054
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
54.11	Basic Earnings Per Share (Rs.)	2.38	13.97	1.48	13.16

### BASIC EARNINGS PER SHARE - EXCLUDING ONE-OFF SUPPLS (EPS)

<i>For the Period Ended,</i>	Group		Company	
	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
Profit for the Period (Rs. '000)	119,133	317,592	73,952	276,898
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.38	6.35	1.48	5.54

### 15 RELATED PARTY DISCLOSURES

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

##### Nature of Transaction

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
Insurance Premium	28,108	2,090	-	-
Claims Incurred	1,491	5,800	-	-
Investment Income	30,434	13,400	24,652	10,153
Administration Expenses	62,123	58,353	39,869	35,893
Rent and other Expenses	2,634	1,795	1,725	1,137
Dividend Payable/ Paid	209,951	179,958	209,951	179,958

##### Nature of Transaction

<i>Balance as at,</i>	Group		Company	
	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Investments Balance (Includes Deposits and Debentures)	969,835	1,009,575	830,199	835,802
Cash at Bank Balances	502,177	286,458	342,132	178,024

## Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction <i>For the Three Months Ended,</i>	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
Insurance Premium	9,312	5,569
Insurance Expenses	6,246	4,274
Claims Received	-	175
Claims Paid	1,000	-
Administrations Expenses Reimbursement	80,709	44,910
Fund Management Fee	1,512	1,248
Profit Commission Expense	3,162	2,227

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
<i>For the Three Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	1,785	268	-	-
	Claims Incurred	395	1,251	-	-
HNB Finance Ltd	Insurance Premium	13,810	3,909	-	-
	Claims Incurred	1,334	108	-	-
	Administration Expenses	1,823	1,634	44	-
	Interest Income	1,849	1,849	1,849	1,849

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>As at,</i>					
HNB Finance Ltd	Investment in Term Deposits	50,686	50,681	50,686	50,681

### d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
<i>For the Three Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	23	(66)	-	4
	Claims incurred	-	-	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	5	-	-	-
	Claims incurred	-	-	-	-
ACUITY Securities Ltd	Insurance Premium	2	-	-	-
	Claims incurred	-	-	-	-
	Investment Income from REPO	28,443	21,361	22,035	15,540

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
ACUITY Securities Ltd	Investment In REPO	968,437	1,078,670	718,418	786,115

## Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction <i>For the Three Months Ended,</i>	Unaudited 31st Mar 2019 Rs. '000	Unaudited 31st Mar 2018 Rs. '000
Director Fee	4,795	4,560
Short-term and Post employment benefits	25,182	21,975
Insurance Premium	1,405	1,054
Claims Paid	12	56

#### 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 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.

#### 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.

### 16 EVENTS OCCURRING AFTER THE REPORTING DATE

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

### 17 CAPITAL COMMITMENTS

- a) As at the end of the financial period, 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. (2018 - Nil).

### 18 CONTINGENCIES

- a) The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims 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 on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the matter was fixed for argument on 15th and 16th May 2019. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounted to Rs. 21.99 Million.
- 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 the first assessment and is in the process of appealing against the most recent two assessments in consultation with Company's Tax Consultants as the Company's stance is that, it is in the business of Insurance hence 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.



## Notes to the Condensed Consolidated Interim Financial Statements

Taxable Period	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	Pending decision from IRD	VAT	21.06	10.53	31.59
		NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	Company is in the process of filing an appeal with the IRD	VAT	17.55	12.98	30.53
		NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	Company is in the process of filing an appeal with the IRD	VAT	24.86	12.43	37.29
		NBT	4.01	2	6.01
<b>Total</b>			<b>70.31</b>	<b>39.35</b>	<b>109.66</b>

- 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 were issued by the Inland Revenue Department contrary to 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 other insurance companies in the industry are of the view 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	Status of Assessment	Nature of contingent impact to the company	Measurement of contingent impact to the company
2011/2012	Pending decision from Tax Appeals Commission	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Milln
2012/2013	Pending decision from Tax Appeals Commission	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million
2013/2014	Pending decision from Tax Appeals Commission	Additional tax liability	An additional Tax Liability of Rs. 132 Million will arise
2014/2015	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 136 Million will arise
2015/2016	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 164 Million will arise
2016/2017	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 290 Million will arise

## Share Information

### Top 20 Shareholders

Name of the Shareholder

	31st March 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 Mr. P.H.D Waidyatilaka	547,766	1.10%
5 Mr. Mohamed Faizer Hashim	510,000	1.02%
6 Mrs. Arunthathi Selliah	500,000	1.00%
7 Mrs. Abiramipillai Kailasapillai	500,000	1.00%
8 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
9 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
10 Arunodhaya (Pvt) Ltd	450,000	0.90%
11 Ceylon Investment PLC A/c No. 2	380,561	0.76%
12 Peoples Leasing and Finance PLC/HL Line trading (Pvt) Ltd	361,005	0.72%
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 Mr. Vikas Sharda	203,000	0.41%
17 Mr. A.A.A Rifkee	200,000	0.40%
18 Dr. S. Selliah	200,000	0.40%
19 Mr. K. Aravinthan	200,000	0.40%
20 Mr. D.V.H Palihena	199,114	0.40%
	<u>39,311,783</u>	<u>78.64%</u>

### Public Shareholding

31st March 2019

* Float Adjusted Market Capitalisation (Rs.)	2,215,893,573
Percentage of Shares held by the Public	38.30%
Number of Public Shareholders	3,467

The Company complies the minimum public Shareholding required under section 7.131 (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 March 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

### 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 March 2019 - Group	112.89
Net Asset Value Per Share as at 31st March 2019 - Company	107.22
Net Asset Value Per Share as at 31st March 2019 without one-off Surplus - Group	105.27
Net Asset Value Per Share as at 31st March 2019 without one-off Surplus - Company	99.59
Highest Price Per Share for the Interim Period	143.90
Lowest Price Per Share for the Interim Period	115.60
Last Traded Price Per Share as at 29th March 2019	115.70