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our  
story?



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
31<sup>st</sup> March 2016

# Consolidated Statements of Financial Position

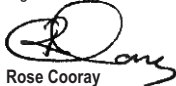
	Note	Group		Company	
		Unaudited as at 31st Mar 2016	Audited as at 31st Dec 2015	Unaudited as at 31st Mar 2016	Audited as at 31st Dec 2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		129,987	136,279	88,545	94,107
Intangible Assets		41,874	45,185	41,874	45,185
Deferred Tax Assets		49,394	49,394	-	-
Financial Investments	3	9,947,982	9,751,611	8,235,240	7,849,625
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		97,762	91,992	97,762	91,992
Reinsurance Receivables		150,567	141,354	37,818	34,269
Premium Receivables		544,539	345,916	8,010	5,592
Other Assets		687,428	625,985	507,947	493,571
Insurance Contract - Deferred Expenses		71,069	65,935	-	-
Cash and Cash Equivalents		394,398	386,929	192,271	258,222
<b>Total Assets</b>		<b>12,115,000</b>	<b>11,640,580</b>	<b>10,359,467</b>	<b>10,022,563</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		1,107,794	1,174,262	1,329,421	1,397,806
Available for Sale Reserves		(15,714)	(4,748)	(851)	53
Life Policyholders' Available for Sale Reserve Fund	5	(196,480)	(56,350)	(196,480)	(56,350)
Other Reserves		(1,093)	(1,093)	(2,039)	(2,039)
<b>Total Equity</b>		<b>2,066,382</b>	<b>2,283,946</b>	<b>2,301,926</b>	<b>2,511,345</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life	6	7,497,721	7,007,080	7,497,721	7,007,080
Insurance Contract Liabilities - General	7	1,593,985	1,546,265	-	-
Employee Defined Benefit Liabilities		85,526	81,001	46,876	44,008
Current Tax Liabilities		2,563	-	-	-
Reinsurance Creditors		168,208	131,905	44,304	37,547
Other Liabilities		700,615	590,383	468,640	422,583
<b>Total Liabilities</b>		<b>10,048,618</b>	<b>9,356,634</b>	<b>8,057,541</b>	<b>7,511,218</b>
<b>Total Equity and Liabilities</b>		<b>12,115,000</b>	<b>11,640,580</b>	<b>10,359,467</b>	<b>10,022,563</b>

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

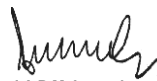


**Indika Perera**  
Head of Finance

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



**Rose Cooray**  
Chairperson



**J A P M Jayasekara**  
Director

Colombo, Sri Lanka  
29th April 2016

# Statement of Profit or Loss and Other Comprehensive Income

Group		Note	Group		Company		Change	
Year Ended	For the Three Months Ended 31st March,		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
31 <sup>st</sup> Dec 2015			2016	2015	2016	2015	%	%
(Audited)			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Rs. '000								
5,447,164	Gross Written Premium	8	1,610,951	1,369,438	837,450	626,418	18	34
(599,084)	Premium Ceded to Reinsurers		(212,572)	(160,219)	(37,635)	(34,758)	33	8
4,848,080	Net Written Premium		1,398,379	1,209,219	799,815	591,660	16	35
(122,677)	Net Change in Reserves for Unearned Premium		(61,883)	(136,418)	-	-	(55)	-
4,725,403	Net Earned Premium		1,336,496	1,072,801	799,815	591,660	25	35
<b>Other Revenue</b>								
871,049	Interest and Dividend Income	9	243,070	202,303	200,901	162,339	20	24
30,025	Net Realised Gains/(Losses)		(11,098)	14,158	(7,337)	11,977	(178)	(161)
16,583	Net Fair Value Losses		(36,555)	(11,620)	(26,759)	(9,362)	215	186
122,552	Fee and Commission Income		54,014	38,920	34,198	23,645	39	45
8,943	Other Income/(Losses)		2,626	700	-	(60)	275	(100)
1,049,152			252,057	244,461	201,003	188,539	3	7
5,774,555	<b>Net Income</b>		1,588,553	1,317,262	1,000,818	780,199	21	28
<b>Net Benefits, Claims and Expenses</b>								
(2,117,789)	Net Insurance Benefits and Claims		(433,277)	(416,626)	(67,046)	(65,777)	4	2
(1,462,100)	Change in Contract Liabilities - Life Fund		(499,476)	(388,933)	(499,476)	(388,933)	28	28
(1,363,757)	Other Operating and Administration Expenses		(377,386)	(324,178)	(206,397)	(159,992)	16	29
(632,107)	Underwriting and Net Acquisition Costs		(217,930)	(166,864)	(181,452)	(134,005)	31	35
(29,029)	Other Insurance Related Costs		(14,626)	(4,838)	(5,069)	(2,522)	202	101
(5,604,782)	Total Benefits, Claims and Other Expenses		(1,542,695)	(1,301,439)	(959,440)	(751,229)	19	28
169,773	<b>Profit Before Taxation</b>		45,858	15,823	41,378	28,970	190	43
27,571	Income Tax (Expenses)/Reversals	10	(12,326)	(297)	(9,763)	(297)	4,050	3,187
197,344	<b>Profit for the Period</b>	11	33,532	15,526	31,615	28,673	116	10
<b>Other Comprehensive Income, Net of Related Tax</b>								
<b>Items that are or may be reclassified to profit or loss</b>								
(87,480)	- Net Change in fair value of available-for-sale financial assets		(151,096)	(92,417)	(141,034)	(84,251)	63	67
(19,242)	- Realized Gains transferred to Income Statement		-	-	-	(3,523)	-	(100)
	- Net Change in fair value of available-for-sale financial assets							
97,098	(transferred to)/from Life Policyholders' Available for Reserve Fund		140,130	84,251	140,130	84,251	66	66
1,286	- Related Tax		-	-	-	-	-	-
<b>Items that will never be reclassified to profit or loss</b>								
(2,270)	Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
(10,608)	Total Other Comprehensive Income for the period net of related tax		(10,966)	(8,166)	(904)	(3,523)	34	(74)
186,736	Total Comprehensive Income for the period		22,566	7,360	30,711	25,150	207	22
<b>Profit Attributable to:</b>								
197,344	Equity Holders of the Company		33,532	15,526	-	-	116	-
<b>Total Comprehensive Income Attributable to:</b>								
186,736	Equity Holders of the Company		22,566	7,360	-	-	207	-
3.95	Basic Earnings Per Share (Rs.)	12	0.67	0.31	0.63	0.57	116	66

# Statement of Changes in Equity - Group

For the Period Ended 31st March 2016

	Number of Shares	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Policyholders' AFS Reserve Fund	Total Equity
	'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Audited balance as at 01st January 2015</b>							
Super Gain Tax	50,000	1,171,875	1,196,546	3,590	1,177	40,748	2,413,936
<b>Total Comprehensive Income for the period</b>			(31,378)	-	-	-	(31,378)
Profit for the period- Unaudited			15,526	-	-	-	15,526
<b>Other Comprehensive Income for the Period, net of tax</b>			-	(92,417)	-	-	(92,417)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	84,251	-	-	84,251
<b>Total Other Comprehensive Income for the period</b>				(8,166)	-	-	(8,166)
<b>Total Comprehensive Income for the period</b>			15,526	(8,166)	-	-	7,360
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	(84,251)	(84,251)
<b>Transactions with owners recorded directly in equity Distributions to owners of the Company</b>			(187,500)	(4,576)	-	-	(187,500)
Dividend to equity holders for 2014	-	-	893,194	-	-	-	893,194
<b>Unaudited balance as at 31st March 2015</b>	50,000	1,171,875	993,194	(4,576)	1,177	(43,503)	2,118,167
<b>Total Comprehensive Income for the Period</b>			181,818	-	-	-	181,818
Profit for the period- Unaudited	-	-	-	-	-	-	-
<b>Other Comprehensive Income for the Period, net of tax</b>			-	(13,019)	-	-	(13,019)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	12,847	-	-	12,847
Actual Losses on Defined Benefit Plans	-	-	-	(2,270)	-	-	(2,270)
<b>Total Other Comprehensive Income for the period</b>				(172)	-	-	(172)
<b>Total Comprehensive Income for the period</b>			181,818	(172)	(2,270)	-	179,376
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	(12,847)	(12,847)
<b>Transactions with owners recorded directly in equity Distributions to owners of the Company</b>			(750)	(4,748)	-	-	(5,498)
Share Issue Transaction Cost - Subsidiary	-	-	-	-	-	-	-
Audited balance as at 31st December 2015	50,000	1,171,875	1,174,262	(4,748)	(1,093)	(66,350)	2,283,946
<b>Total Comprehensive Income for the Period</b>			33,532	(4,748)	(1,093)	-	2,283,946
Profit for the period-Unaudited	-	-	-	-	-	-	-
<b>Other Comprehensive Income for the Period, net of tax</b>			-	(151,096)	-	-	(151,096)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	140,130	-	-	140,130
<b>Total Other Comprehensive Income for the period</b>				(10,966)	-	-	(10,966)
<b>Total Comprehensive Income for the period</b>			33,532	(10,966)	-	-	22,566
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	-	(140,130)	(140,130)
<b>Transactions with owners recorded directly in equity Distributions to owners of the Company</b>			(100,000)	(15,714)	-	-	(115,714)
Dividend to equity holders for 2015	-	-	1,107,794	-	-	-	1,107,794
<b>Unaudited balance as at 31st March 2016</b>	50,000	1,171,875	1,107,794	(15,714)	(1,093)	(196,480)	2,066,382

Stated Capital represents 50 Million Ordinary Shares as at 31st March 2016 (2015 - 50 Million Ordinary Shares).

# Statement of Changes in Equity - Company

For the Period Ended 31st March 2016

	Number of Shares '000	Stated Capital		Retained Earnings	Available for Sale Reserve		Other Reserves		Life Policyholders' AFS Reserve Fund	Total Equity
		Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Audited balance as at 01st January 2015	50,000	1,171,875	1,189,039	1,189,039	3,523	1,177	40,748	2,406,362		
Super Gain Tax	Note 14	-	(31,376)	(31,376)	-	-	-	(31,376)		
<b>Total Comprehensive Income for the Period</b>										
Profit for the Period - Unaudited	-	-	28,673	28,673	-	-	-	28,673		
<b>Other Comprehensive Income for the Period, net of tax</b>										
Net Change in fair value of available-for-sale financial assets	-	-	(87,774)	(87,774)	-	-	-	(87,774)		
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-		
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	-	84,251	-	-	84,251		
<b>Total Other Comprehensive Income</b>										
<b>Total Comprehensive Income for the Period</b>										
Net Change in fair value of available-for-sale financial assets	-	-	28,673	28,673	(3,523)	-	-	25,150		
- transferred from Available For Sale Reserve	-	-	-	-	-	-	(84,251)	(84,251)		
Transactions with owners recorded directly in equity Distributions to owners of the Company	-	-	(187,600)	(187,600)	-	1,177	(43,503)	(187,600)		
Dividend to equity holders for 2015	50,000	1,171,875	988,834	988,834	-	-	-	2,128,385		
Unaudited balance as at 31st March 2015										
<b>Total Comprehensive Income for the Period</b>										
Profit for the period- Unaudited	-	-	398,972	398,972	-	-	-	398,972		
<b>Other Comprehensive Income for the Period, net of tax</b>										
Net Change in fair value of available-for-sale financial assets	-	-	(12,794)	(12,794)	-	-	-	(12,794)		
Net Change in fair value of available-for-sale financial assets	-	-	-	-	12,847	-	-	12,847		
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	-	(3,216)	-	-	(3,216)		
Actual Losses on Defined Benefit Plans	-	-	-	-	53	-	-	(3,163)		
<b>Total Other Comprehensive Income for the period</b>										
<b>Total Comprehensive Income for the period</b>										
Net Change in fair value of available-for-sale financial assets	-	-	398,972	398,972	53	(3,216)	-	395,809		
- transferred from Available For Sale Reserve	-	-	-	-	-	-	(12,847)	(12,847)		
Audited balance as at 31st December 2015	50,000	1,171,875	1,397,806	1,397,806	53	(2,039)	(66,350)	2,511,345		
Balance as at 01st January 2016	50,000	1,171,875	1,397,806	1,397,806	53	(2,039)	(66,350)	2,511,345		
<b>Total Comprehensive Income for the Period</b>										
Profit for the period- Unaudited	-	-	31,615	31,615	-	-	-	31,615		
<b>Other Comprehensive Income for the Period, net of tax</b>										
Net Change in fair value of available-for-sale financial assets	-	-	(141,034)	(141,034)	-	-	-	(141,034)		
Net Change in fair value of available-for-sale financial assets	-	-	-	-	140,130	-	-	140,130		
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	-	(904)	-	-	(904)		
<b>Total Other Comprehensive Income for the period</b>										
<b>Total Comprehensive Income for the period</b>										
Net Change in fair value of available-for-sale financial assets	-	-	31,615	31,615	(904)	-	-	30,711		
- transferred from Available For Sale Reserve	-	-	-	-	-	-	(140,130)	(140,130)		
Transactions with owners recorded directly in equity Distributions to owners of the Company	-	-	(100,000)	(100,000)	-	-	-	(100,000)		
Dividend to equity holders for 2015	50,000	1,171,875	1,329,421	1,329,421	(851)	(2,039)	(196,480)	2,301,926		
Unaudited balance as at 31st March 2016										

Stated Capital represents 50 Million Ordinary Shares as at 31st March 2016 (2015 - 50 Million Ordinary Shares).

# Consolidated Cash Flow Statements

<i>For the Three Months Ended 31st March ,</i>	Group		Company		
	Note	Unaudited 2016	Unaudited 2015	Unaudited 2016	Unaudited 2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit Before Taxation		45,858	15,823	41,378	28,970
Adjustments for:					
Interest Income		(239,832)	(199,853)	(198,112)	(160,412)
Dividend Income		(3,238)	(2,450)	(2,789)	(1,927)
Amortisation of Intangible Assets		4,237	1,295	4,237	1,295
Depreciation		12,309	11,859	8,571	8,736
Provision for Employee Benefits		5,645	6,051	3,307	3,088
Net Fair Value (Gains)/Losses		36,555	(2,321)	26,759	(2,615)
Net Realised Losses		11,098	-	7,337	-
Losses on Sale of Property, Plant and Equipment		-	53	-	60
		(127,368)	(169,543)	(109,312)	(122,805)
Change in Operating Assets	A	(278,470)	(254,642)	(26,026)	(53,501)
Change in Operating Liabilities	B	583,043	516,282	443,455	342,439
Cash Flows from Operating Activities		177,205	92,097	308,117	166,133
Gratuity Paid		(1,120)	(2,040)	(439)	(483)
Net Cash Generated from Operating Activities		176,085	90,057	307,678	165,650
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(475,844)	(243,831)	(626,638)	(306,032)
Interest Received		310,793	230,278	254,242	181,092
Dividend Received		3,378	2,585	2,702	2,062
Acquisition of Intangible Assets		(926)	(250)	(926)	(250)
Acquisition of Property, Plant and Equipment		(6,017)	(5,719)	(3,009)	(5,404)
Proceeds from the Sale of Property, Plant and Equipment		-	14	-	-
Net Cash Used in Investing Activities		(168,616)	(16,923)	(373,629)	(128,532)
Net Increase in Cash and Cash Equivalents	C	7,469	73,134	(65,951)	37,118
Cash and Cash Equivalents at the beginning of the Period		386,929	173,245	258,222	97,908
<b>Cash and Cash Equivalents at the end of the Period</b>		<b>394,398</b>	<b>246,379</b>	<b>192,271</b>	<b>135,026</b>

## Notes to the Cash Flow Statement

### A. Change in Operating Assets

Increase in Deferred Expenses	(5,134)	(12,607)	-	-
Increase in Loans to Life Policyholders	(5,770)	(4,513)	(5,770)	(4,513)
Increase in Reinsurance Receivables	(9,213)	(699)	(3,549)	(8,245)
Increase in Premium Receivables	(198,623)	(141,775)	(2,418)	(457)
Increase in Other Assets	(59,730)	(95,048)	(14,289)	(40,286)
	(278,470)	(254,642)	(26,026)	(53,501)

### B. Change in Operating Liabilities

Increase/(Decrease) in Other Liabilities	8,379	5,096	(53,943)	(48,101)
Increase in Insurance Contract Liabilities - General Insurance	47,720	86,841	-	-
Increase in Insurance Contract Liabilities - Life Insurance	490,641	388,933	490,641	388,933
Increase in Reinsurance Creditors	36,303	35,412	6,757	1,607
	583,043	516,282	443,455	342,439

### C. Increase / (Decrease) in Cash and Cash Equivalents

Net Cash and Cash Equivalents at the end of the period	394,398	246,379	192,271	135,026
Net Cash and Cash Equivalents at the beginning of the period	386,929	173,245	258,222	97,908
Net Increase/(Decrease) in Cash and Cash Equivalents	7,469	73,134	(65,951)	37,118

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 a). Corporate information

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 Jayaw Mawatha, Colombo 10 and the principal place of business is situated at No. 10, Sri Uttarananda Mawatha, Colombo 3. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

## b). Approval of financial statements

The Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on 29th April 2016.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 31st March 2016 are provisional and unaudited.

## 2 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 - 2015 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

New SLRFSs and interpretations issued but not yet effective have not been early adopted during the period.

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

## 3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Mar 2016	31st Dec 2015	31st Mar 2016	31st Dec 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held-to-maturity financial assets, at amortised cost	466,805	472,565	316,353	320,426
Loans and Receivables	5,988,343	6,444,029	4,760,667	5,151,718
Available-for-sale financial assets	3,108,766	1,659,296	2,872,103	1,559,525
Financial assets at fair value through profit or loss	384,068	1,175,721	286,117	817,956
Total Financial Investment	<b>9,947,982</b>	<b>9,751,611</b>	<b>8,235,240</b>	<b>7,849,625</b>

## 4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

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

## 5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the initial impact of the implementation of new accounting standards w.e.f. 1st January 2012 and the Other Comprehensive Income in respect of Life Insurance related assets.

## 5a) As disclosed in note No 5, unrealised gains and losses of Available for Sale financial assets of Life Insurance is included under Life Policyholders' Available For Sale Reserve Fund in Equity.

## Notes to the Condensed Consolidated Interim Financial Statements

### 6 INSURANCE CONTRACT LIABILITIES - LIFE

As at,	Group		Company	
	Unaudited 31st Mar 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Life Insurance Fund (Note 6 a)	<b>7,425,585</b>	6,926,109	<b>7,425,585</b>	6,926,109
Claims Outstanding	<b>72,136</b>	80,971	<b>72,136</b>	80,971
Total Insurance Contract Liabilities - Life Insurance	<b>7,497,721</b>	7,007,080	<b>7,497,721</b>	7,007,080
<b>6 a) Life Insurance Fund</b>				
The movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the period	<b>6,926,109</b>	5,464,009	<b>6,926,109</b>	5,464,009
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before Surplus				
Distribution to Shareholders	<b>499,476</b>	1,772,169	<b>499,476</b>	1,772,169
Surplus Distributed to Shareholders	-	(310,069)	-	(310,069)
Increase in Life Insurance Fund	<b>499,476</b>	1,462,100	<b>499,476</b>	1,462,100
Balance as at the end of the period	<b>7,425,585</b>	6,926,109	<b>7,425,585</b>	6,926,109

#### 6 b) Pending Valuation of the Insurance Contract Liabilities by the Consultant Actuaries for the period ended 31st March 2016.

However, the valuation of the Insurance Contract Liabilities have been carried out by the Consultant Actuaries for the year ended 31st December 2015 and adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

#### 6 c) Liability Adequacy Test

The Company has not carried out a Liability Adequacy Test (LAT) in respect of Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts as at 31st March 2016. As stated in the Annual Report 2015, LAT will be performed semi-annually.

### 7 INSURANCE CONTRACT LIABILITIES - GENERAL

As at,	Group		Company	
	Unaudited 31st Mar 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Reserves for Net Unearned Premium	<b>1,158,816</b>	1,098,217	-	-
Reserves for Title Insurance	<b>20,437</b>	19,153	-	-
Reserves for Gross Outstanding Claims	<b>414,732</b>	428,895	-	-
Total Insurance Contract Liabilities - General Insurance	<b>1,593,985</b>	1,546,265	-	-

#### 7 a) Pending Valuation of the IBNR/IBNER by the Consultant Actuaries for the period ended 31st March 2016. However, the valuation of the IBNR/IBNER have been carried out by the Consultant Actuaries for the year ended 31st December 2015 and adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

#### 7 b) Liability Adequacy Test

The Company has not carried out a Liability Adequacy Test (LAT) in respect of General Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts as at 31st March 2016. As stated in the Annual Report 2015, LAT will be performed semi-annually.



# Notes to the Condensed Consolidated Interim Financial Statements

## 8 GROSS WRITTEN PREMIUM

Group		Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
Audited 31st Dec 2015 Rs. '000	for the three months ended,				
<b>General Insurance</b>					
370,886	Fire	124,909	92,349	-	-
2,048,504	Motor	523,446	532,290	-	-
36,062	Marine	10,506	12,488	-	-
222,804	Miscellaneous	119,384	105,893	-	-
<u>2,678,256</u>	General Insurance Gross Written Premium	<u>778,245</u>	<u>743,020</u>	-	-
<b>Life Insurance</b>					
2,704,394	Individual Policies	811,628	621,142	811,628	621,142
64,514	Corporate Policies	21,078	5,276	25,822	5,276
<u>2,768,908</u>	Life Insurance Gross Written Premium	<u>832,706</u>	<u>626,418</u>	<u>837,450</u>	<u>626,418</u>
<u>5,447,164</u>	Total Gross Written Premium	<u>1,610,951</u>	<u>1,369,438</u>	<u>837,450</u>	<u>626,418</u>

## 9 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
Audited 31st Dec 2015 Rs. '000	for the three months ended,				
843,579	Interest Income	239,832	199,853	198,112	160,412
27,470	Dividend Income	3,238	2,450	2,789	1,927
<u>871,049</u>	Total	<u>243,070</u>	<u>202,303</u>	<u>200,901</u>	<u>162,339</u>

## 10 INCOME TAX (EXPENSES) / REVERSAL

Group		Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
Audited 31st Dec 2015 Rs. '000	for the three months ended,				
-	Current Tax Charge	(2,563)	(297)	-	(297)
(29,383)	Provision for Notional Tax (NTC) - Life Insurance	(9,763)	-	(9,763)	-
56,954	Deferred Income Tax	-	-	-	-
<u>27,571</u>	Total	<u>(12,326)</u>	<u>(297)</u>	<u>(9,763)</u>	<u>(297)</u>
1,286	Deferred Income Tax - Other Comprehensive Income	-	-	-	-
<u>1,286</u>	Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2015 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

## 11 PROFIT/(LOSS) FOR THE PERIOD

Group		Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
Audited 31st Dec 2015 Rs. '000	for the three months ended,				
424,690	HNB Assurance PLC	31,615	25,150	31,615	28,673
(227,346)	HNB General Insurance Ltd	1,917	(9,624)	-	-
<u>197,344</u>	Total	<u>33,532</u>	<u>15,526</u>	<u>31,615</u>	<u>28,673</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 12 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	Audited 31st Dec 2015 Rs. '000	for the three months ended,	Group		Company	
			Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
197,344	Profit for the period (Rs. '000)		<b>33,532</b>	15,526	<b>31,615</b>	28,673
50,000	Weighted average number of shares ('000)		<b>50,000</b>	50,000	<b>50,000</b>	50,000
3.95	Basic Earnings Per Share (Rs.)		<b>0.67</b>	0.31	<b>0.63</b>	0.57

### 13 RELATED PARTY DISCLOSURES

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

Nature of Transaction	Group		Company	
	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
<b>For the three months ended,</b>				
Insurance Premium	<b>1,602</b>	2,439	<b>1,286</b>	2,388
Investment Income	<b>6,321</b>	7,959	<b>5,354</b>	6,523
Administration Expenses	<b>41,423</b>	42,802	<b>25,059</b>	17,971
Claims Incurred	<b>2,159</b>	1,456	-	-
Rent and other Expenses	<b>12,459</b>	10,750	<b>9,660</b>	10,750
Dividend Paid	<b>59,986</b>	112,474	<b>59,986</b>	112,474

Nature of Transaction	Group		Company	
	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
<b>Balance as at,</b>				
Investments Balance (Includes Deposits and Debentures)	<b>352,272</b>	285,406	<b>296,632</b>	184,773
Cash at Bank Balances	<b>94,407</b>	251,243	<b>29,655</b>	79,991

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

Nature of Transaction	Unaudited	Unaudited
	31st Mar 2016 Rs. '000	31st Mar 2015 Rs. '000
<b>For the three months ended,</b>		
Insurance Premium	<b>4,744</b>	4,590
Insurance Expenses	<b>763</b>	10,930
Administrations Expenses Reimbursement	<b>64,776</b>	55,757
Profit Commission Expense	<b>1,739</b>	853

#### C) Transactions with / between Subsidiary Companies of the Parent Company

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
<b>For the three months ended,</b>					
Sithma Development (Pvt) Ltd	Insurance Premium	<b>365</b>	38	-	-
HNB Grameen Finance Ltd	Insurance Premium	<b>18,310</b>	-	<b>18,206</b>	-
	Claims Incurred	<b>77</b>	-	-	-
	Administration Expenses	<b>1,816</b>	-	<b>1,815</b>	-

## Notes to the Condensed Consolidated Interim Financial Statements

### d) Transactions with other Related Entities

Name of the Company for the three months ended,	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000	Unaudited 31st Mar 2016 Rs. '000	Unaudited 31st Mar 2015 Rs. '000
ACUIY Partners (Pvt) Ltd	Insurance Premium	712	-	347	-
ACUIY Securities Ltd	Investment In REPO	843,859	-	717,153	-
	Investment Income from REPO	20,136	5,221	14,519	4,536

### e) Transactions with Key Management Personnel of the Company or its Parent Hatton National Bank PLC

Nature of Transaction for the three months ended,	Unaudited	Unaudited
	31st Mar 2016 Rs. '000	31st Mar 2015 Rs. '000
Director Fee	3,465	826
Short -term and Post employment benefits	20,513	19,723
Insurance Premium	420	451
Claims Paid	56	267

Mr. N H T I Perera was appointed as a Director (non-executive/non-independent) to the Board of HNB Assurance PLC w.e.f 08th January 2016.

Mr. M U De Silva, a Director of HNB Assurance PLC has tendered his resignation from being a Director of the company with effect from 08th January 2016. The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2015 except for the above change.

### 14 SUPER GAIN TAX

As per the provision of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Company was liable for Super Gain Tax of Rs. 31.4 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statement relating to the year of assessment which commenced on 01st April 2013. The Act supersedes the requirements of Sri Lanka Accounting Standards hence the expense of Super Gain Tax was accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

### 15 EVENTS OCCURRING AFTER THE REPORTING DATE

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

### 16 CAPITAL COMMITMENTS

a) As at the end of the interim period, no material capital expenditure approved by the Board and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements. (2015 - Nil).

b) Future commitments on operating leases

Nature of Transaction As at,	Unaudited	Audited
	31st Mar 2016 Rs. '000	31st Dec 2015 Rs. '000
Less than one year	27,781	20,378
Between one and five years	30,279	28,994
Total Operating Lease Commitments	58,060	49,372

## Notes to the Condensed Consolidated Interim Financial Statements

### 17 CONTINGENCIES

a) The Inland Revenue Department has taken the view that reinsurance claims and commission for the year of Assessment 2010/11 on General Insurance business is liable for value added tax (VAT). Accordingly the Company has received a VAT Assessment on Reinsurance Claims and Commissions amounting to Rs. 13.3 Million for the year of Assessment 2010/2011.

This has been a common assessment to most of the Insurance Companies who are in the General Insurance business by Inland Revenue Department (IRD). However, the Companies in the insurance industry are in a strong view that they are not liable to pay VAT on Reinsurance and claims. The Company has filed due responses in consultation with Tax Consultants and has made an appeal to the Tax Appeals Commission. As such the Company is of the strong view that no additional tax liabilities are arising due to this Assessment. No further response has been received on this matter as of the date of authorizing these Consolidated Financial Statements.

VAT on reinsurance and claims has been exempted by the Inland Revenue Department w.e.f. 01st January 2011. This is an indication that realization of this liability is remote.

b) The Company has received a Tax intimation letter on Life Insurance taxation for the year of Assessment 2011/2012. However, no assessment has been issued yet on this intimation. The Company is of the strong view that no additional tax liability is arising due to this intimation letter and also we have filed a response highlighting our view, which was done in consultation with Tax Consultants. Even if this tax intimation would materialise against the Company, no additional tax liabilities are required for the Company. However, the accumulated tax loss of the Life Business will come down by Rs. 310 Million.

c) The Company has received a Notice of Assessment for Life Insurance taxation for the year of assessment 2012/2013. We have filed a petition of appeal through our Tax Consultants and the Company is of the strong view that no additional tax liability will be arising due to this. Even in the event that this Assessment would materialise against the Company, no additional tax liabilities are required for the Company since the Company has accumulated tax losses. However, the accumulated tax loss of the Life Business will come down by Rs. 278 Million.

d) The Company has received an official communication from IRD stating that the Company is liable for VAT and NBT on Financial Services (FS). The IRD is of the view that HNBA liability has arisen based on section 25C of VAT Act No 14 of 2002 with the application of attributable method. Accordingly, it stated that the Company has registered to pay VAT and NBT on FS w.e.f 01st January 2014. Further, it stated that the Company is registered to pay VAT and NBT w.e.f 01st January 2014. However, Companies who are engaged in Insurance Industry and our Tax Consultant's are of the view that the Company is not liable for VAT and NBT on FS, as the Company is in the insurance business and do not engage in the business of financial service directly. Therefore, the Company has requested the IRD to cancel the registration on VAT and NBT on FS which is the stance of the entire insurance industry. As such we expect no liability to materialise in respect of the same.

e) In the opinion of the Directors, and in consultation with the Company Lawyers, litigations currently pending against the Company would not have a material impact on the reported Interim Financial results of the Company. All pending litigations for claims have been evaluated and adequate provisions have been made in these Condensed Consolidated Interim Financial Statements where necessary.

### 18 TRANSFER PRICING

Provision on transfer pricing under sections 104 and 104A of the Inland Revenue Act, No.10 of 2006 covers the transactions with associated undertakings. Compliance reporting will be enforced from the year of Assessment 2015/16.

During the period, certain transactions including provision of insurance solutions and placement of deposits have taken place with parent entity (associated undertaking). Both the companies (HNB Assurance PLC and HNB General Insurance Limited) are of the view that the transactions with parent entity have taken place on arm's length pricing.

As the aggregate value of transactions of each company with the associated undertaking is more than Rs.50 Million, both the companies are required to maintain separate documentation as prescribed by transfer pricing regulation. Both the Companies have obtained professional advice from tax consultants to prepare the required documentation to comply with transfer pricing regulation.

## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 31st March 2016	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
3 Mercantile Merchant Bank Ltd	913,265	1.83%
4 Janashakthi General Insurance Limited	824,425	1.65%
5 Bank of Ceylon A/c Ceybank Century Growth Fund	648,244	1.30%
6 Mr. Mohamed Faizer Hashim	530,534	1.06%
7 Salamander Investments (Pvt) Ltd.	475,000	0.95%
8 Mrs. Arunthathi Selliah	400,000	0.80%
9 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
10 Arunodhaya Industries (Pvt) Ltd.	400,000	0.80%
11 Arunodhaya (Pvt) Ltd.	400,000	0.80%
12 Arunodhaya Investments (Pvt) Ltd.	400,000	0.80%
13 Union Assurance PLC/No. 1 A/c	336,266	0.67%
14 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	300,000	0.60%
15 Phoenix Ventures (Pvt) Ltd.	260,000	0.52%
16 Corporate Holdings (Pvt) Ltd. A/c No.1	242,700	0.49%
17 Mr. Madduma Hetti Vidanelage Upali Gunatilake	201,643	0.40%
18 Andysel Private Limited	200,000	0.40%
19 Mr. Kailasapillai Arvinathan	200,000	0.40%
20 Mr. EST OF LAT Rajaratnm Senathirajah (Deceased)	191,323	0.38%
	<u>39,316,400</u>	<u>78.64%</u>

### Public Shareholding

	As at 31st March 2016	
	No. of Shares	% on Issued Shares
Number of Shares	19,419,554	38.84%

### Public Shareholding

	As at 31st March 2016	
	No.	% on Total No. of shareholders
Number of Share Holders	3,543	99.72%

## Share Information (Contd.)

### Directors' Shareholdings

Name of the Director	No. of Shares as at 31st March 2016
Mrs. Rose Cooray	5,000
Mr. Sarath Ratwatte	14,666
Mr. J A P M Jayasekara	5,000
Mr. K Balasundaram	10,000
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	100,000
Mr. N H T I Perera	100

### 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 2016	41.33
Highest Price Per Share for the Interim Period	72.90
Lowest Price Per Share for the Interim Period	54.00
Last traded Price Per Share as at 31st March 2016	54.00