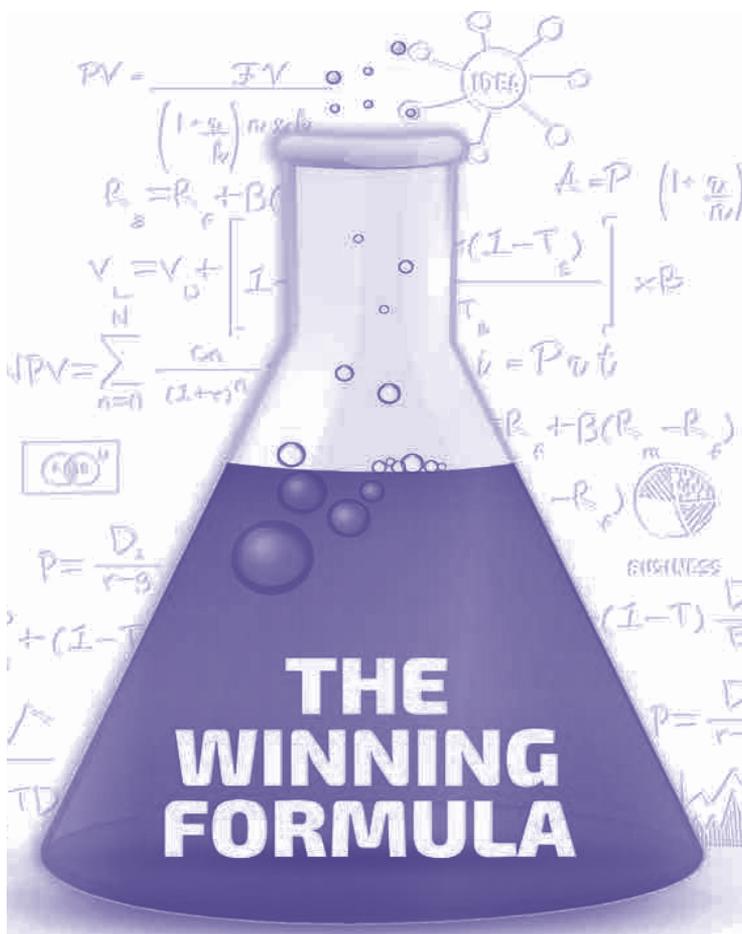




**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
31st December 2018



Statement of Financial Position

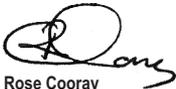
As at,	Note	Group		Company	
		Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Assets					
Property, Plant and Equipment		151,559	169,620	104,487	119,078
Intangible Assets		61,087	57,841	58,782	57,841
Deferred Tax Assets	3	1,304,882	64,098	1,280,499	-
Financial Investments	4	17,579,131	15,054,910	14,679,706	12,741,015
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		243,113	162,285	243,113	162,285
Reinsurance Receivables		415,773	569,778	75,926	65,010
Premium Receivables		798,213	786,319	8,046	7,488
Other Assets		823,101	1,036,846	575,154	764,256
Insurance Contract - Deferred Expenses		140,486	105,287	-	-
Cash and Cash Equivalents		761,871	641,950	502,561	352,307
Total Assets		22,279,216	18,648,934	18,678,274	15,419,280
Equity and Liabilities					
Equity Attributable to the Equity Holders of Parent					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		4,405,581	2,381,427	4,167,660	2,373,601
Available for Sale Reserve		(8,025)	30,685	1,451	17,415
Other Reserve		(4,406)	(10,760)	(4,395)	(9,884)
Life Policyholders' Available For Sale Reserve Fund	6	(201,867)	223,272	(201,867)	223,272
Restricted Regulatory Reserve	7	381,156	-	381,156	-
Total Equity		5,744,314	3,796,499	5,515,880	3,776,279
Liabilities					
Insurance Contract Liabilities - Life Insurance	8	12,261,472	10,915,858	12,261,472	10,915,858
Insurance Contract Liabilities - General Insurance	9	2,525,095	2,384,906	-	-
Employee Defined Benefit Liabilities		140,356	126,083	84,840	73,875
Current Tax Liabilities		22,541	34,598	14,708	-
Reinsurance Creditors		369,853	353,042	116,268	90,650
Other Liabilities		1,092,809	896,288	642,470	529,862
Bank Overdraft		122,776	141,660	42,636	32,756
Total Liabilities		16,534,902	14,852,435	13,162,394	11,643,001
Total Equity and Liabilities		22,279,216	18,648,934	18,678,274	15,419,280

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 the preparation and presentation of these Condensed Consolidated Interim Financial Statements.
Signed on behalf of the Board;



Rose Cooray
Chairperson



Dr. S. Selliah
Director

Colombo, Sri Lanka
11th February 2019

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Audited	Unaudited	Audited	Group	Company
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	%	%
<i>For the Year Ended 31st December,</i>							
Gross Written Premium	10	8,724,696	7,821,468	4,420,513	3,963,642	12	12
Premium Ceded to Reinsurers		(1,059,269)	(1,100,573)	(215,630)	(189,093)	(4)	14
Net Written Premium		7,665,427	6,720,895	4,204,883	3,774,549	14	11
Net Change in Reserves for Unearned Premium		(216,988)	(328,818)	-	-	(34)	-
Net Earned Premium		7,448,439	6,392,077	4,204,883	3,774,549	17	11
Other Revenue							
Interest and Dividend Income	11	1,887,343	1,693,191	1,591,900	1,442,073	11	10
Net Realised Gains		74,058	33,128	68,673	28,789	124	139
Net Fair Value Gains/(Losses)		8,482	9,704	(18,036)	7,653	(13)	(336)
Fee and Commission Income		172,646	129,099	79,465	61,494	34	29
Other Income		36,030	46,735	14,627	24,958	(23)	(41)
Total Other Revenue		2,178,559	1,911,857	1,736,629	1,564,967	14	11
Net Income		9,626,998	8,303,934	5,941,512	5,339,516	16	11
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(3,236,489)	(2,293,406)	(1,066,574)	(575,551)	41	85
Change in Contract Liabilities - Life Fund		(1,707,149)	(2,166,427)	(1,707,149)	(2,166,427)	(21)	(21)
Change in Contract Liability due to Transfer of One-off Surplus	7	381,156	-	381,156	-	100	100
Other Operating and Administration Expenses		(2,282,481)	(1,839,031)	(1,351,799)	(1,018,783)	24	33
Underwriting and Net Acquisition Costs		(1,125,418)	(1,028,872)	(847,968)	(822,715)	9	3
Other Insurance Related Costs		(75,963)	(49,171)	(51,330)	(30,375)	54	69
Total Benefits, Claims and Other Expenses		(8,046,344)	(7,376,907)	(4,643,664)	(4,613,851)	9	1
Profit Before Taxation		1,580,654	927,027	1,297,848	725,665	71	79
Income Tax Reversal/(Expense)	12	1,124,656	(17,275)	1,177,367	-	6,610	100
Profit for the Year	13	2,705,310	909,752	2,475,215	725,665	197	241
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale Financial Assets		(399,596)	489,495	(373,143)	461,179	(182)	(181)
- Realised Gains transferred to Income Statement		(72,541)	(30,485)	(67,960)	(27,896)	138	144
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		425,139	(414,403)	425,139	(414,403)	203	203
- Related Tax	12	8,288	(6,770)	-	-	222	-
Items that will never be reclassified to profit or loss		6,354	(12,550)	5,489	(7,998)	151	169
Actuarial Gains/(Losses) on Defined Benefit Plans		6,354	(12,550)	5,489	(7,998)	151	169
Total Other Comprehensive Income for the Year, Net of Related Tax		(32,356)	25,287	(10,475)	10,882	(228)	(196)
Total Comprehensive Income for the Year		2,672,954	935,039	2,464,740	736,547	186	235
Profit Attributable to:							
Equity Holders of the Parent		2,705,310	909,752	-	-	197	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		2,672,954	935,039	-	-	186	-
Basic Earnings Per Share (Rs.)	14	54.11	18.20	49.50	14.51	197	241
Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	14	46.48	18.20	41.88	14.51	155	189

Statement of Changes in Equity - Group

For the Year Ended 31st December 2018,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders' AFS Reserve Fund	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2017	1,171,875	1,721,675	(7,152)	1,790	(191,131)	-	2,687,057
Total Comprehensive Income for the Year	-	909,752	-	-	-	-	909,752
Profit for the Year - Audited	-	909,752	-	-	-	-	909,752
Other Comprehensive Income for the Year, Net of Related Tax	-	-	452,240	-	-	-	452,240
Net Change in fair value of Available For Sale Financial Assets	-	-	452,240	-	-	-	452,240
Net Change in fair value of Available For Sale Financial Assets	-	-	(414,403)	-	-	-	(414,403)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(414,403)	-	-	-	(414,403)
Actuarial Losses on Defined Benefit Plans	-	-	-	(12,550)	-	-	(12,550)
Total Other Comprehensive Income for the Year	-	-	37,837	(12,550)	-	-	25,287
Total Comprehensive Income for the Year	-	909,752	37,837	(12,550)	-	-	935,039
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	414,403	-	414,403
- transferred from Available For Sale Reserve	-	-	-	-	414,403	-	414,403
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(250,000)	-	-	-	-	(250,000)
Dividend to equity holders for 2016	-	(250,000)	-	-	-	-	(250,000)
Audited balance as at 31st December 2017	1,171,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
Balance as at 01st January 2018	1,171,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
Total Comprehensive Income for the Year	-	2,324,154	-	-	-	381,156	2,705,310
Profit for the Year - Unaudited	-	2,324,154	-	-	-	381,156	2,705,310
Other Comprehensive Income for the Year, Net of Related Tax	-	-	(463,848)	-	-	-	(463,848)
Net Change in fair value of Available For Sale Financial Assets	-	-	(463,848)	-	-	-	(463,848)
Net Change in fair value of Available For Sale Financial Assets	-	-	425,139	-	-	-	425,139
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	425,139	-	-	-	425,139
Actuarial Gains on Defined Benefit Plans	-	-	(38,710)	6,354	-	-	(32,356)
Total Other Comprehensive Income for the Year	-	-	(38,710)	6,354	-	-	(32,356)
Total Comprehensive Income for the Year	-	2,324,154	(38,710)	6,354	-	381,156	2,672,954
Net Change in fair value of Available For Sale financial assets	-	-	(38,710)	6,354	-	-	(32,356)
- transferred from Available For Sale Reserve	-	-	(38,710)	6,354	-	-	(32,356)
Transactions with owners recorded directly in equity	-	-	-	-	(425,139)	-	(425,139)
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 31st December 2018	1,171,875	4,405,581	(8,025)	(4,406)	(201,867)	381,156	5,744,314

Stated Capital represents 50 Million Ordinary Shares as at 31st December 2018 (2017 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Year Ended 31st December 2018,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2017	1,171,875	1,897,936	(1,465)	(1,886)	(191,131)	-	2,875,329
Total Comprehensive Income for the Year	-	725,665	-	-	-	-	725,665
Profit for the Year - Audited	-	725,665	-	-	-	-	725,665
Other Comprehensive Income for the Year, Net of Related Tax	-	-	433,283	-	-	-	433,283
Net Change in fair value of Available For Sale Financial Assets	-	-	433,283	-	-	-	433,283
Net Change in fair value of Available For Sale Financial Assets	-	-	(414,403)	-	-	-	(414,403)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(414,403)	-	-	-	(414,403)
Actuarial Losses on Defined Benefit Plans	-	-	-	(7,998)	-	-	(7,998)
Total Other Comprehensive Income for the Year	-	-	(18,880)	(7,998)	-	-	(10,878)
Total Comprehensive Income for the Year	-	725,665	18,880	(7,998)	-	-	736,547
Net Change in fair value of Available For Sale financial assets	-	-	18,880	-	-	-	18,880
- transferred from Available For Sale Reserve	-	-	-	-	414,403	-	414,403
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(250,000)	-	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	(250,000)	-	-	-	-	(250,000)
Audited balance as at 31st December 2017	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Balance as at 01st January 2018	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Total Comprehensive Income for the Year	-	2,094,059	-	-	-	381,156	2,475,215
Profit for the Year - Unaudited	-	2,094,059	-	-	-	381,156	2,475,215
Other Comprehensive Income for the Year, Net of Related Tax	-	-	(441,103)	-	-	-	(441,103)
Net Change in fair value of Available For Sale Financial Assets	-	-	(441,103)	-	-	-	(441,103)
Net Change in fair value of Available For Sale Financial Assets	-	-	(441,103)	-	-	-	(441,103)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	425,139	-	-	-	425,139
Actuarial Gains on Defined Benefit Plans	-	-	-	5,489	-	-	5,489
Total Other Comprehensive Income for the Year	-	-	(15,964)	5,489	-	-	(10,475)
Total Comprehensive Income for the Year	-	2,094,059	(15,964)	5,489	-	-	2,088,594
Net Change in fair value of Available For Sale Financial Assets	-	-	(15,964)	-	-	-	(15,964)
- transferred from Available For Sale Reserve	-	-	(15,964)	-	-	381,156	2,469,740
Transactions with owners recorded directly in equity	-	-	-	-	(425,139)	-	(425,139)
Distributions to owners of the Company	-	(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 31st December 2018	1,171,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,515,880

Stated Capital represents 50 Million Ordinary Shares as at 31st December 2018 (2017 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Year Ended 31st December ,</i>	Group		Company		
		Unaudited 2018	Audited 2017	Unaudited 2018	Audited 2017
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		1,580,654	927,027	1,297,848	725,665
Adjustments for:					
Interest Income	11	(1,883,053)	(1,684,689)	(1,588,206)	(1,435,151)
Dividend Income	11	(4,290)	(8,502)	(3,694)	(6,922)
Amortisation of Intangible Assets		19,685	18,937	19,540	18,937
Depreciation of Property Plant and Equipments		49,285	51,770	34,533	36,142
Provision for Employee Benefits		33,928	30,540	20,023	18,028
Net Realised Gains		(74,058)	(33,128)	(68,673)	(28,789)
Net Fair Value Losses/(Gains)		(8,482)	(9,704)	18,036	(7,653)
Gains on Sale of Property, Plant and Equipment		(178)	(5,584)	(171)	(5,934)
		(286,509)	(713,333)	(270,764)	(685,677)
Net Change in Operating Assets	A	132,856	(548,793)	(5,350)	(241,501)
Net Change in Operating Liabilities	B	1,706,125	2,796,294	1,498,548	2,262,645
Cash Flows from Operating Activities		1,552,472	1,534,168	1,222,434	1,335,467
Gratuity Paid		(13,301)	(7,440)	(4,618)	(3,397)
Economic Service Charges (ESC) Paid		(20,120)	(16,919)	-	-
Net Cash Generated from Operating Activities		1,519,051	1,509,809	1,217,816	1,332,070
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(2,900,729)	(2,767,527)	(2,331,810)	(2,425,152)
Interest Received		1,869,967	1,443,722	1,590,860	1,231,609
Dividend Received		4,493	9,100	3,760	7,483
Acquisition of Intangible Assets		(22,931)	(15,896)	(20,481)	(15,896)
Acquisition of Property, Plant and Equipment		(34,459)	(64,943)	(22,113)	(46,196)
Proceeds from the Sale of Property, Plant and Equipment		3,413	10,498	2,342	9,061
Net Cash Used in Investing Activities		(1,080,246)	(1,385,046)	(777,442)	(1,239,091)
Cash Flows from Financing Activities					
Dividend Paid		(300,000)	(250,000)	(300,000)	(250,000)
Net Cash Used in Financing Activities		(300,000)	(250,000)	(300,000)	(250,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		138,805	(125,237)	140,374	(157,021)
Cash and Cash Equivalents at the beginning of the Year		500,290	625,527	319,551	476,572
Cash and Cash Equivalents at the end of the Year		639,095	500,290	459,925	319,551
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Increase in Deferred Expenses		(35,199)	(30,336)	-	-
Increase in Loans to Life Policyholders		(80,828)	(41,844)	(80,828)	(41,844)
Decrease/(Increase) in Reinsurance Receivables		154,005	(75,052)	(10,916)	(10,196)
Increase in Premium Receivables		(11,894)	(163,025)	(558)	(683)
Increase in Other Assets		106,772	(238,536)	86,952	(188,778)
Net Change in Operating Assets		132,856	(548,793)	(5,350)	(241,501)
B. Change in Operating Liabilities					
Increase in Other Liabilities		188,803	99,806	112,608	43,388
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		1,360,322	2,168,002	1,360,322	2,168,002
Increase in Insurance Contract Liabilities - General Insurance		140,189	463,339	-	-
Increase in Reinsurance Creditors		16,811	65,147	25,618	51,255
Net Change in Operating Liabilities		1,706,125	2,796,294	1,498,548	2,262,645

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	%	%
<i>For the Three months ended 31st December,</i>							
Gross Written Premium	10	2,188,636	2,015,842	1,174,966	1,044,747	9	12
Premium Ceded to Reinsurers		(271,482)	(315,094)	(57,411)	(50,959)	(14)	(13)
Net Written Premium		1,917,154	1,700,748	1,117,555	993,788	13	12
Net Change in Reserves for Unearned Premium		47,288	4,232	-	-	1,017	-
Net Earned Premium		1,964,442	1,704,980	1,117,555	993,788	15	12
Other Revenue							
Interest and Dividend Income	11	502,354	527,305	423,500	459,499	(5)	(8)
Net Realised Gains		9,533	16,505	9,533	16,173	(42)	(41)
Net Fair Value Gains/(Losses)		18,720	(4,619)	3,444	(4,544)	505	176
Fee and Commission Income		59,690	12,783	15,297	10,956	367	40
Other Income		10,987	15,282	3,534	6,147	(28)	(43)
Total Other Revenue		601,284	567,256	455,308	488,231	6	(7)
Net Income		2,565,726	2,272,236	1,572,863	1,482,019	13	6
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(848,939)	(630,415)	(270,101)	(171,719)	35	57
Change in Contract Liabilities - Life Fund		(51,595)	(242,587)	(51,595)	(242,587)	(79)	(79)
Other Operating and Administration Expenses		(767,142)	(490,635)	(515,200)	(276,335)	56	86
Underwriting and Net Acquisition Costs		(290,821)	(276,790)	(219,112)	(215,586)	5	2
Other Insurance Related Costs		(31,896)	(11,477)	(24,100)	(6,956)	178	246
Total Benefits, Claims and Other Expenses		(1,990,393)	(1,651,904)	(1,080,108)	(913,183)	20	18
Profit Before Taxation		575,333	620,332	492,755	568,836	(7)	(13)
Income Tax Reversal	12	1,198,418	7,501	1,211,955	-	15,877	100
Profit for the Period	12	1,773,751	627,833	1,704,710	568,836	183	200
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in Fair Value of Available For Sale Financial Assets		(214,521)	27,309	(200,133)	26,581	(886)	(853)
- Realised Gains transferred to Income Statement		(9,534)	(15,274)	(9,534)	(15,238)	(38)	(37)
- Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		205,075	(16,377)	205,075	(16,377)	1,352	1,352
- Related Tax	12	4,044	(13,253)	-	-	131	-
Items that will never be classified to profit or loss							
Actuarial Gains/(Losses) on Defined Benefit Plans		8,598	(12,550)	7,733	(7,998)	169	197
Total Other Comprehensive Income for the Period, Net of Related Tax		(6,338)	(30,145)	3,141	(13,032)	(79)	124
Total Comprehensive Income for the Period		1,767,413	597,688	1,707,851	555,804	196	207
Profit Attributable to:							
Equity Holders of the Parent		1,773,751	627,833	-	-	183	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		1,767,413	597,688	-	-	196	-
Basic Earnings Per Share (Rs.)	14	35.48	12.56	34.09	11.38	183	200

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st December 2018		31st December 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	104,487	47,072	119,078	50,542
Intangible Assets	58,782	2,305	57,841	-
Deferred Tax Assets	1,280,499	24,383	-	64,098
Financial Investments	14,679,706	2,899,425	12,741,015	2,313,895
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	243,113	-	162,285	-
Reinsurance Receivables	75,926	339,847	65,010	504,768
Premium Receivables	8,046	790,167	7,488	778,831
Other Assets	575,154	270,915	764,256	278,711
Insurance Contract - Deferred Expenses	-	140,486	-	105,287
Cash and Cash Equivalents	502,561	259,310	352,307	289,643
Total Assets	18,678,274	4,773,910	15,419,280	4,385,775
Liabilities				
Insurance Contract Liabilities - Life Insurance	12,261,472	-	10,915,858	-
Insurance Contract Liabilities - General Insurance	-	2,525,095	-	2,384,906
Employee Defined Benefit Liabilities	84,840	55,516	73,875	52,208
Current Tax Liabilities	14,708	7,833	-	34,598
Reinsurance Creditors	116,268	253,585	90,650	262,392
Other Liabilities	642,470	473,307	529,862	372,547
Bank Overdraft	42,636	80,140	32,756	108,904
Total Liabilities	13,162,394	3,395,476	11,643,001	3,215,555

Operating Segment Information - Profitability

For the Year Ended,	Unaudited		Audited	
	31st December 2018		31st December 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	4,420,513	4,340,575	3,963,642	3,906,503
Premium Ceded to Reinsurers	(215,630)	(843,639)	(189,093)	(911,480)
Net Written Premium	4,204,883	3,496,936	3,774,549	2,995,023
Net Change in Reserves for Unearned Premium	-	(216,988)	-	(328,818)
Net Earned Premium	4,204,883	3,279,948	3,774,549	2,666,205
Other Revenue				
Interest and Dividend Income	1,591,900	295,443	1,442,073	251,118
Net Realised Gains	68,673	5,385	28,789	4,339
Net Fair Value (Losses)/Gains	(18,036)	26,518	7,653	2,051
Fees and Commission Income	79,465	111,051	61,494	80,889
Other Income	14,627	21,403	24,958	21,777
Total Other Revenue	1,736,629	459,800	1,564,967	360,174
Net Income	5,941,512	3,739,748	5,339,516	3,026,379
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,066,574)	(2,170,792)	(575,551)	(1,718,847)
Change in Contract Liabilities - Life Fund	(1,707,149)	-	(2,166,427)	-
Change in Contract Liability due to Transfer of One-off Surplus	381,156	-	-	-
Other Operating and Administration Expenses	(1,351,799)	(971,644)	(1,018,783)	(872,476)
Underwriting and Net Acquisition Cost	(847,968)	(289,873)	(822,715)	(214,898)
Other Insurance Related Cost	(51,330)	(24,633)	(30,375)	(18,796)
Total Benefits, Claims and other Expenses	(4,643,664)	(3,456,942)	(4,613,851)	(2,825,017)
Profit Before Taxation	1,297,848	282,806	725,665	201,362
Income Tax Reversal/(Expense)	1,177,367	(52,711)	-	(17,275)
Profit for the Year	2,475,215	230,095	725,665	184,087

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 11th February 2019.

Figures in these Condensed Consolidated Interim Financial Statements for the year ended 31st December 2018 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 - 2017 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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 DEFERRED TAX ASSETS

As at,	Group		Company	
	Unaudited 2018 Rs. '000	Audited 2017 Rs. '000	Unaudited 2018 Rs. '000	Audited 2017 Rs. '000
Deferred Tax Asset as at 01st January	(A) 64,098	52,922	-	-
Origination/(Reversal) of Deferred Tax Assets during the year				
- For Losses Brought Forward In Life Insurance Business as at 01st January,	1,406,792	-	1,406,792	-
- For Losses Incurred during the year In Life Insurance Business for the 3 months ended 31st March,	47,798	-	47,798	-
- For Losses and other temporary differences (Net) in the business of General Insurance for the year ended 31st December,	9,007	11,176	-	-
Reversal of Deferred Tax Asset on Utilisation brought forward tax losses against taxable Income for the year ended 31st December,	(222,813)	-	(174,091)	-
Total Movement in Deferred Tax asset for the year ended 31st December	(B) 1,240,784	11,176	1,280,499	-
Net Deferred Tax Assets as at 31st December	(A+B) 1,304,882	64,098	1,280,499	-

Notes to the Condensed Consolidated Interim Financial Statements

3.1 Movement in Deferred Tax asset recorded as follows;

For the Year Ended 31st December,		Group		Company	
		Unaudited 2018	Audited 2017	Unaudited 2018	Audited 2017
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Income Tax - Recognised through Profit or Loss	Note 12	1,232,497	17,946	1,280,499	-
Deferred Income Tax - Recognised through Other Comprehensive Income	Note 12	8,288	(6,770)	-	-
Total Movement in Deferred Tax asset for the year ended 31st December		1,240,785	11,176	1,280,499	-

According to Section 67 of new Inland Revenue Act No. 24 of 2017 which is effective from 01st April 2018, the Company incurred a taxable income. The new Act allows companies to deduct 100% of taxable income against the tax losses incurred whereas in the previous Act It was limited to 35% of the total statutory income. As at 31st March 2018, Life Insurance business had a cumulative tax loss of Rs. 5,194 Million incurred as per Section 92 Inland Revenue Act No. 10 of 2006, out of which Rs. 170 Million was incurred for the three months period from 01st January 2018 to 31st March 2018 while the balance Rs. 5,024 Million was in account of tax losses brought forward from previous years. According to the transitional provisions of new Act, brought forward tax losses can be claimed against taxable income for a period of 6 years with effect from 01st April 2018. The Company made an assessment of future taxable profits and identified that total tax losses can be claimed within the period specified in the transitional provisions. Accordingly a Deferred Tax Asset of Rs. 1,454.5 Million was recognised during the year of which Rs. 174.09 Million was utilised for the taxable income of Rs. 621.75 Million generated for the nine months commencing from 01st April 2018 to 31st December 2018 as per the Inland Revenue Act No. 24 of 2017.

The Subsidiary Company, HNB General Insurance Limited also recorded a Deferred Tax Asset amounted to Rs 24.4 Million for net temporary difference out of this Rs. 10.09 Million was recognised on losses made in 2015 and balance Rs. 14.31 Million recognised on other temporary differences.

The Group does not have unrecognised Deferred Tax Asset as at reporting date.

4 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 31st Dec 2018	Audited 31st Dec 2017	Unaudited 31st Dec 2018	Audited 31st Dec 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	-	180,460	-	180,460
Loans and Receivables	10,709,515	8,417,430	8,728,381	6,789,740
Available for Sale Financial Assets	6,776,591	6,326,735	5,872,886	5,659,291
Financial Assets at Fair Value Through Profit or Loss	93,025	130,285	78,439	111,524
Total Financial Investments	17,579,131	15,054,910	14,679,706	12,741,015

5 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by Subsidiary company are adjusted to conform with the Group's accounting policies where necessary.

6 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

- 6a) 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.

Notes to the Condensed Consolidated Interim Financial Statements

7 RESTRICTED REGULATORY RESERVE

	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Balance at the beginning of the Year	-	-	-	-
Transfer of One-off Surplus from Policyholders' Fund to Shareholders' Fund	381,156	-	381,156	-
Balance at the end of the Year	381,156	-	381,156	-

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 7(d) are met. As required by the said Direction, the Company obtained the approval for this transfer on 11th May 2018.

7 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2018

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

Asset Category as at	Fair Value /Carrying Value 31st Dec 2018 (Rs. '000)
Term Deposits	381,935

8 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Life Insurance Fund (Note 8 a)	12,112,106	10,800,821	12,112,106	10,800,821
Claims Outstanding	149,366	115,037	149,366	115,037
Total Insurance Contract Liabilities	12,261,472	10,915,858	12,261,472	10,915,858

8 a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Life Insurance Fund				
Change in Contract Liabilities - Life Fund				
Balance as at the beginning of the Year	10,800,821	8,634,394	10,800,821	8,634,394
Change in Contract Liability due to transfer of One-off Surplus (Note 8 b)	(381,156)	-	(381,156)	-
	10,419,665	8,634,394	10,419,665	8,634,394
Increase in Life Insurance Fund Before Surplus				
-Distribution to Shareholders	2,345,049	2,684,985	2,345,049	2,684,985
Surplus Distributed to Shareholders	(637,900)	(518,558)	(637,900)	(518,558)
Increase in Life Insurance Fund	1,707,149	2,166,427	1,707,149	2,166,427
Effect of Taxation on Surplus/Bonus transferred to -Policyholders (Note 8 c)	(14,708)	-	(14,708)	-
Balance as at the end of the Year	12,112,106	10,800,821	12,112,106	10,800,821

Notes to the Condensed Consolidated Interim Financial Statements

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 obtained the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off surplus in the Shareholder Fund will remain invested in Term Deposits as disclosed in Note No. 7 (b) as per the Direction of IRCSL.

The financial ratios presented in these Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be held within the Participating Fund as part of the unallocated valuation surplus and may only be transferred to the 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) Effect of Taxation on Surplus/Bonus transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act, No 24 of 2017 which is effective from 01 April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. This is a special provision introduced in the new Inland Revenue Act. As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 105.1 Million to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 14.7 Million on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

Notes to the Condensed Consolidated Interim Financial Statements

8 d) Distribution of One-off Surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from 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 e) Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2018 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial Statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs. 637.9 Million for the year ended 31st December 2018 (31st December 2017 - Rs. 518.6 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary.

8 f) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for 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 satisfies the LAT as at 31st December 2018. No additional provision is required against LAT.

9 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Reserves for Net Unearned Premium	1,794,697	1,592,450	-	-
Reserves for Title Insurance	49,581	34,840	-	-
Reserves for Gross Outstanding Claims	680,817	757,616	-	-
Total Insurance Contract Liabilities	2,525,095	2,384,906	-	-

- 9 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and on behalf of NMG Consulting as at 31st December 2018 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

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Life Insurance				
Individual Policies	4,381,792	3,891,527	4,381,792	3,891,527
Corporate Policies	38,721	72,115	38,721	72,115
Adjustment for Inter Company Premiums	(29,898)	(25,632)	-	-
Gross Written Premium - Life Insurance	4,390,615	3,938,010	4,420,513	3,963,642
General Insurance				
Fire	554,523	539,350	-	-
Motor	3,345,502	2,849,042	-	-
Marine	70,467	57,451	-	-
Miscellaneous	370,083	460,660	-	-
Adjustment for Inter Company Premiums	(6,494)	(23,045)	-	-
Gross Written Premium - General Insurance	4,334,081	3,883,458	-	-
Total Gross Written Premium	8,724,696	7,821,468	4,420,513	3,963,642

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000
Life Insurance				
Individual Policies	1,166,238	1,036,191	1,166,238	1,036,191
Corporate Policies	8,728	8,556	8,728	8,556
Adjustment for Inter Company Premiums	(7,496)	(8,010)	-	-
Gross Written Premium - Life Insurance	1,167,470	1,036,737	1,174,966	1,044,747
General Insurance				
Fire	115,896	118,455	-	-
Motor	793,117	686,566	-	-
Marine	13,437	16,524	-	-
Miscellaneous	100,288	173,505	-	-
Adjustment for Inter Company Premiums	(1,588)	(15,945)	-	-
Gross Written Premium - General Insurance	1,021,150	979,105	-	-
Total Gross Written Premium	2,188,620	2,015,842	1,174,966	1,044,747

Notes to the Condensed Consolidated Interim Financial Statements

11 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000
Interest Income	1,883,053	1,684,689	1,588,206	1,435,151
Dividend Income	4,290	8,502	3,694	6,922
Total	1,887,343	1,693,191	1,591,900	1,442,073

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000
Interest Income	501,658	526,212	422,876	458,660
Dividend Income	696	1,093	624	839
Total	502,354	527,305	423,500	459,499

12 INCOME TAX EXPENSES

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2018 Rs. '000	31st Dec 2017 Rs. '000
Current Tax Charge	(7,833)	(34,600)	-	-
Over Provision of Current Taxes in respect of Prior Years	3,124	(621)	-	-
Provision for Notional Tax Unutilised	(103,132)	-	(103,132)	-
Deferred Income Tax - Recognised through -Profit or Loss	(Note 3.1) 1,232,497	17,946	1,280,499	-
Total Tax charge in Profit or Loss	1,124,656	(17,275)	1,177,367	-
Deferred Income Tax - Recognised through Other -Comprehensive Income	(Note 3.1) 8,288	(6,770)	-	-
Total Tax charge in Other Comprehensive Income	8,288	(6,770)	-	-

12.a Current Tax Charge

During the year, Company has made tax loss of Rs. 170 Million for the first three months from 01st January 2018 to 31st March 2018 for which a Deferred Tax Asset was recognised. For balance nine months from 01st April 2018 to 31st December 2018 a taxable income of Rs. 621.75 Million recorded and this was 100% set off against the brought forward tax losses according to the provisions of the new Inland Revenue Act No. 24 of 2017 and the Company has charged Rs. 174.09 Million as an expense against the Deferred Tax Asset recognised during the year. Refer Note 03 for the movement in deferred taxation.

The Subsidiary company recorded a taxable income of Rs. 27.98 Million for the first three months from 01st January 2018 to 31st March 2018, accordingly it has recognised an income tax charge of Rs. 7.83 million. For balance nine months from 01st April 2018 to 31st December 2018 the subsidiary company has recorded a taxable income of Rs. 174 Million and this was 100% set off against the tax losses available, accordingly Deferred Tax Asset was reversed by Rs. 48.73 Million.

Notes to the Condensed Consolidated Interim Financial Statements

	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000
<i>For the Three Months Ended,</i>				
(Provision for)/Reversal of Current tax charge	39,414	(10,445)	34,588	-
Provision for Tax Credits (Notional Tax)	(103,132)	-	(103,132)	-
Deferred Income Tax - Profit or Loss	1,262,136	17,946	1,280,499	-
Total	1,198,418	7,501	1,211,955	-
Deferred Income Tax - Other Comprehensive Income	4,044	(13,253)	-	-
Total	4,044	(13,253)	-	-

The Company and its Subsidiary are liable to pay income tax at the rate of 28% (2017 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act

13 PROFIT FOR THE YEAR

		Group		Company	
		Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>For the Year Ended,</i>					
HNB Assurance PLC	Note 13.a	2,475,215	725,665	2,475,215	725,665
HNB General Insurance Ltd		230,095	184,087	-	-
Total		2,705,310	909,752	2,475,215	725,665

	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000
<i>For the Three Months Ended,</i>				
HNB Assurance PLC	1,704,710	568,836	1,704,710	568,836
HNB General Insurance Ltd	69,041	58,997	-	-
Total	1,773,751	627,833	1,704,710	568,836

13.a Profit of the Company for the Year ended 31st December 2018 includes Rs. 381.1 Million transferred to the Shareholders' Fund as One-off Surplus attributable to Policyholders' Non-Participating Fund of the Life Fund as per the Direction No. 16 of the IRCSL. Further, a Deferred Tax Asset of Rs. 1,280.4 Million recognised on brought forward tax losses and a 100% provision is made for Notional Tax credits recorded relating to shareholders fund of Rs. 103.1 Million as per the Inland Revenue Act. Similar transactions were not carried out during last year as shown in the comparative figures.

14 BASIC EARNINGS PER SHARE (EPS)

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

	Group		Company	
	Unaudited 31st Dec 2018	Audited 31st Dec 2017	Unaudited 31st Dec 2018	Audited 31st Dec 2017
<i>For the Year Ended,</i>				
Profit for the Year (Rs. '000)	2,705,310	909,752	2,475,215	725,665
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	54.11	18.20	49.50	14.51

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

	Group		Company	
	Unaudited 31st Dec 2018	Audited 31st Dec 2017	Unaudited 31st Dec 2018	Audited 31st Dec 2017
<i>For the Year Ended,</i>				
Profit for the Year (Rs. '000)	2,324,154	909,752	2,094,059	725,665
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	46.48	18.20	41.88	14.51

Notes to the Condensed Consolidated Interim Financial Statements

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2018	Unaudited 31st Dec 2017	Unaudited 31st Dec 2018	Unaudited 31st Dec 2017
Profit for the Period (Rs. '000)	1,773,751	627,833	1,704,710	568,836
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	35.48	12.56	34.09	11.38

15 RELATED PARTY DISCLOSURES

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

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Insurance Premium	10,212	25,127	-	-
Claims Incurred	26,045	17,389	-	-
Investment Income	76,654	43,546	59,025	35,026
Administration Expenses	254,443	222,157	157,699	134,698
Rent and other Expenses	9,765	8,269	6,434	5,908
Dividend Paid	179,958	149,965	179,958	149,965

<i>Balance as at,</i>	Group		Company	
	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Investments Balance (Includes Deposits and Debentures)	1,009,575	411,461	835,802	358,497
Cash at Bank Balances	286,459	426,156	178,024	260,759

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

<i>For the Year Ended,</i>	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Insurance Premium	29,898	25,632
Insurance Expenses	6,494	23,045
Claims Received	877	992
Claims Paid	-	3,500
Administrations Expenses Reimbursement	250,752	247,939
Fund Management Fee	5,447	4,543
Profit Commission Expense	12,423	8,741

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

<i>For the Year Ended,</i>	Name of the Company	Nature of Transaction	Group		Company	
			Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
	Sithma Development (Pvt) Ltd	Insurance Premium	632	1,534	-	-
		Claims Incurred	2,991	13	-	-
	HNB Finance Ltd	Insurance Premium	5,757	38,989	-	38,098
		Claims Incurred	1,781	83,591	-	83,355
		Administration Expenses	6,075	6,218	1	2,951
		Interest Income	7,499	4,992	7,499	4,992

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
HNB Finance Ltd	Investment in Term Deposits	50,681	50,243	50,681	50,243

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>For the Year Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	910	402	274	-
	Claims incurred	529	-	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	784	226	-	-
	Claims incurred	356	-	-	-
ACUITY Securities Ltd	Insurance Premium	565	108	-	-
	Claims incurred	223	-	-	-
	Investment Income from REPO	70,608	62,223	49,575	47,264

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	1,078,670	643,218	786,115	464,790

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

Nature of Transaction <i>For the Year Ended,</i>	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Director Fee	18,565	12,235
Short-term and Post employment benefits	54,865	45,520
Insurance Premium	2,402	1,893
Claims Paid	3,562	305

Appointment to the Board of Directors

Mr. Darshan Ravindra Abeyseriya has been appointed as a Independent Non-Executive Director to the Board of HNB Assurance PLC w.e.f. 01st January 2018.

The nature of the related party transactions in the current year was similar to those reported in the Audited Financial Statements – 2017 except for the above changes.

16 EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend Recommended

The Board of Directors has recommended a payment of Rs. 7.00 per share as a first and final dividend on 11th February 2019 for the year ended 31st December 2018 (2017 – interim and final dividend Rs. 6.00 per share) which is subject to the approval of the shareholders at the Annual General Meeting and to be paid on 08th April 2019.

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 subject to approval being obtained from Insurance Regulatory Commission of Sri Lanka.

Notes to the Condensed Consolidated Interim Financial Statements

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 subject to approval being obtained from Insurance Regulatory Commission of Sri Lanka.

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 subject to approval being obtained from Insurance Regulatory Commission of Sri Lanka.

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 subject to approval being obtained from Insurance Regulatory Commission of Sri Lanka.

Resignation from 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. This resignation, which is effective from 12th February 2019, has been accepted by the Board at the meeting held on 11th February 2019.

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.

17 CAPITAL COMMITMENTS

- a) As at the end of the financial year, 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. (2017 - Nil).

17 b) Future commitments on operating leases

Nature of Transaction As at,	Unaudited 31st Dec 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Less than one year	118,770	116,311
Between one and five years	223,449	299,855
More than five years	2,765	6,424
Total Operating Lease Commitments	344,984	422,590

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 a Notice of Assessment on VAT on Financial Services informing that the Company is liable for VAT on Financial Services for the taxable periods from 01.01.2014 to 31.12.2014. The Company made a Petition of Appeal against the assessment as the Company's stance is that, the Company is in the business of Insurance and hence is not liable for VAT on FS. Other insurers have also received similar assessments and have appealed against them. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 31.6 Million.

Notes to the Condensed Consolidated Interim Financial Statements

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 2016/17. In the view of Company and company's tax consultant, 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 Consultant 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	Company is in the process of Filing an appeal with the Department 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 December 2018	
	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 Mrs. A.S. Palihena and Mr.S.N.P.Palihena	1,718,677	3.44%
4 Mr. Mohamed Faizer Hashim	510,000	1.02%
5 Mrs. Abiramipillai Kailasapillai	500,000	1.00%
6 Mrs. Arunthathi Selliah	500,000	1.00%
7 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
8 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
9 Arunodhaya (Pvt) Ltd	450,000	0.90%
10 Ceylon Investment PLC A/c No. 2	380,561	0.76%
11 Mr. P.H.D Waidyatilaka	272,683	0.55%
12 Peoples Leasing and Finance PLC/HL Line trading (Pvt) Ltd	260,795	0.52%
13 Pershing LLC S/A Averbach Grauson & Co.	259,202	0.52%
14 Andysel (Pvt) Ltd	250,000	0.50%
15 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
16 Suktam Holdings (Pvt) Ltd	234,434	0.47%
17 Bank of Ceylon A/c Ceybank Century Growth Fund	222,361	0.44%
18 Peacock Properties (Pvt) Ltd	218,633	0.44%
19 Mr. M. H.V.U Gunatilaka	205,273	0.41%
20 Mr. Vikas Sharda	203,000	0.41%
	<u>39,216,522</u>	<u>78.45%</u>

Public Shareholding

31st December 2018

* Float Adjusted Market Capitalisation (Rs.)	2,526,144,984
Percentage of Shares held by the Public	38.27%
Number of Public Shareholders	3,398

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 December 2018
Mrs. M A R C Cooray	18,035
Mr. S C Ratwatte (Resigned w.e.f. 06th February 2019)	14,666
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. A G R Dissanayake (Joint) Mrs. M.A.W. Samaranyake*	100
Mr. D R Abesuriya	1,000
Mr. L. U. D. Fernando (Joined w.e.f. 11th February 2019)	N/A
Mr. S. Chapman (Joined w.e.f. 11th February 2019)	N/A
Mr. D P Lokuarachchi - (Managing Director/Chief Executive Officer)	Nil

*Board accept the resignation on 11th February 2019 which is effective from 12th February 2019

Number of Shares

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

Share Performance

	Rs.
Net Asset Value Per Share as at 31st December 2018 - Group	114.89
Net Asset Value Per Share as at 31st December 2018 - Company	110.32
Net Asset Value Per Share as at 31st December 2018 without one-off Surplus - Group	107.26
Net Asset Value Per Share as at 31st December 2018 without one-off Surplus - Company	102.69
Highest Price Per Share for the Interim Period	135.00
Lowest Price Per Share for the Interim Period	103.00
Last traded Price Per Share as at 31st December 2018	132.00