

EVOLUTION



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements

30th June 2019

Statement of Financial Position


As at,	Note	Group		Company	
		30th June 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th June 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Assets					
Property, Plant and Equipment		146,990	151,559	97,368	104,487
Right of Use Lease Assets	3.1	398,283	-	373,273	-
Intangible Assets		56,114	61,087	53,946	58,782
Deferred Tax Assets		1,240,272	1,304,882	1,235,669	1,280,499
Financial Investments	4	19,473,655	17,579,131	16,237,708	14,679,706
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		279,203	243,113	279,203	243,113
Reinsurance Receivables		474,836	415,773	118,933	75,926
Premium Receivables		959,613	798,213	9,722	8,046
Other Assets		890,773	823,101	584,149	575,154
Insurance Contract - Deferred Expenses		140,336	140,486	-	-
Cash and Cash Equivalents		500,830	761,871	265,348	502,561
Total Assets		24,560,905	22,279,216	20,405,319	18,678,274
Equity and Liabilities					
Equity Attributable to the Equity Holders of Parent					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		4,343,731	4,405,581	3,958,767	4,167,660
Available for Sale Reserve		28,725	(8,025)	9,742	1,451
Other Reserve		(4,406)	(4,406)	(4,395)	(4,395)
Life Policyholders' Available for Sale Reserve Fund	6	151,042	(201,867)	151,042	(201,867)
Restricted Regulatory Reserve	7	381,156	381,156	381,156	381,156
Total Equity		6,072,123	5,744,314	5,668,187	5,515,880
Liabilities					
Insurance Contract Liabilities - Life Insurance	8	13,511,878	12,261,472	13,511,878	12,261,472
Insurance Contract Liabilities - General Insurance	9	2,715,278	2,525,095	-	-
Employee Defined Benefit Liabilities		155,049	140,356	91,307	84,840
Current Tax Liabilities		75,461	22,541	14,708	14,708
Reinsurance Creditors		480,611	369,853	136,666	116,268
Lease Creditor	3.2	389,194	-	369,091	-
Other Liabilities		1,020,525	1,092,809	566,768	642,470
Bank Overdraft		140,786	122,776	46,714	42,636
Total Liabilities		18,488,782	16,534,902	14,737,132	13,162,394
Total Equity and Liabilities		24,560,905	22,279,216	20,405,319	18,678,274

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


Punsirini Perera
 Head of Finance

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


Rose Cooray
 Chairperson


J A P M Jayasekera
 Director

Colombo, Sri Lanka
 6th August 2019

Statement of Profit or Loss and Other Comprehensive Income

Group		Group		Company		Change	
Year Ended 31 st Dec 2018 (Audited) Rs. '000	For Six Months Ended 30th June,	Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Group	Company
	Note					%	%
8,724,696		4,751,943	4,258,311	2,343,894	2,061,398	12	14
(1,059,269)		(679,069)	(531,689)	(117,227)	(103,986)	28	13
7,665,427		4,072,874	3,726,622	2,226,667	1,957,412	9	14
(216,988)		(107,495)	(205,330)	-	-	(48)	-
7,448,439		3,965,379	3,521,292	2,226,667	1,957,412	13	14
Other Revenue							
1,887,343		1,077,759	904,670	908,052	764,752	19	19
74,058		22,824	35,319	15,016	29,934	(35)	(50)
8,482		(37,895)	(9,789)	(27,776)	(12,898)	287	115
172,646		91,930	80,547	55,772	49,503	14	13
36,030		15,577	17,592	4,384	6,923	(11)	(37)
2,178,559		1,170,195	1,028,339	955,448	838,214	14	14
9,626,998		5,135,574	4,549,631	3,182,115	2,795,626	13	14
Net Benefits, Claims and Expenses							
(3,236,489)		(1,794,823)	(1,448,442)	(701,391)	(393,268)	24	78
(1,707,149)		(1,233,328)	(1,061,938)	(1,233,328)	(1,061,938)	16	16
381,156		-	381,156	-	381,156	(100)	(100)
(2,282,481)		(1,075,331)	(1,003,684)	(611,554)	(555,785)	7	10
(1,125,418)		(578,284)	(550,160)	(414,949)	(417,463)	5	(1)
(75,963)		(58,857)	(28,954)	(34,955)	(17,558)	103	99
(8,046,344)		(4,740,623)	(3,712,022)	(2,996,177)	(2,064,856)	28	45
1,580,654		394,951	837,609	185,938	730,770	(53)	(75)
1,124,656		(106,801)	(32,559)	(44,831)	(17,251)	228	160
2,705,310		288,150	805,050	141,107	713,519	(64)	(80)
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
(399,596)		423,051	(121,398)	376,213	(113,953)	448	430
(72,541)		(22,661)	(33,801)	(15,013)	(29,220)	(33)	(49)
425,139		(352,909)	133,575	(352,909)	133,575	(364)	(364)
8,288		(10,731)	3,071	-	-	(449)	-
Items that will never be reclassified to profit or loss							
6,354		-	(2,244)	-	(2,244)	(100)	(100)
(32,356)		36,750	(20,797)	8,291	(11,842)	277	170
2,672,954		324,900	784,253	149,398	701,677	(59)	(79)
Profit Attributable to:							
2,705,310		288,150	805,050	-	-	(64)	-
Total Comprehensive Income Attributable to:							
2,672,954		324,900	784,253	-	-	(59)	-
54.11		5.76	16.10	2.82	14.27	(64)	(80)
46.48		5.76	8.48	2.82	6.65	(32)	(58)

Statement of Changes in Equity - Group

For the Period Ended 30th June 2019,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders' ARS 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 2018	1,171,875	2,381,427	30,885	(10,760)	223,272	-	3,796,499
Total Comprehensive Income for the Period	-	423,894	-	-	-	381,156	805,050
Profit for the Period - Unaudited	-	423,894	-	-	-	-	(152,128)
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(152,128)	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	(152,128)	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	133,575	(2,244)	-	-	133,575
Actuarial Losses on Defined Benefit Plans	-	-	(18,553)	(2,244)	-	-	(20,797)
Total Other Comprehensive Income for the Period	-	-	(18,553)	(2,244)	-	-	(20,797)
Total Comprehensive Income for the Period	-	423,894	(18,553)	(2,244)	-	381,156	784,253
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(133,575)	-	(133,575)
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Dividend to equity holders for 2017	-	(300,000)	-	-	-	-	-
Unaudited balance as at 30th June 2018	1,171,875	2,505,321	12,132	(13,004)	89,697	381,156	4,147,177
Total Comprehensive Income for the Period	-	1,900,260	-	-	-	-	1,900,260
Profit for the period - Unaudited	-	1,900,260	-	-	-	-	(811,721)
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(311,721)	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	(311,721)	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	291,564	-	-	-	291,564
Actuarial Gains on Defined Benefit Plans	-	-	(20,157)	8,598	-	-	8,598
Total Other Comprehensive Income for the Period	-	-	(20,157)	8,598	-	-	(11,559)
Total Comprehensive Income for the Period	-	1,900,260	(20,157)	8,598	-	-	1,888,701
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(291,564)	-	(291,564)
Audited balance as at 31st December 2018	1,171,875	4,405,581	(8,025)	(4,406)	(207,867)	381,156	5,744,314
Balance as at 01st January 2019	1,171,875	4,405,581	(8,025)	(4,406)	(207,867)	381,156	5,744,314
Total Comprehensive Income for the Period	-	288,150	-	-	-	-	288,150
Profit for the Period - Unaudited	-	288,150	-	-	-	-	-
Other Comprehensive Income for the Period, Net of Related Tax	-	-	389,659	-	-	-	389,659
Net Change in fair value of Available For Sale Financial Assets	-	-	389,659	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(352,909)	-	-	-	(352,909)
Total Other Comprehensive Income for the Period	-	-	36,750	-	-	-	36,750
Total Comprehensive Income for the Period	-	288,150	36,750	-	-	-	324,900
Total Comprehensive Income for the Period	-	288,150	36,750	-	-	-	324,900
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	352,909	-	352,909
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(350,000)	-	-	-	-	(350,000)
Dividend to equity holders for 2018	-	(350,000)	-	-	-	-	-
Unaudited balance as at 30th June 2019	1,171,875	4,343,731	28,725	(4,406)	151,042	381,156	6,072,123

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2019 (2018 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Period Ended 30th June 2019,

	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 2018	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	332,363	-	-	-	381,156	713,519
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(143,173)	-	-	-	(143,173)
Net Change in fair value of Available For Sale Financial Assets	-	-	133,575	(2,244)	-	-	133,575
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(2,244)	(11,842)	-	-	(14,086)
Actuarial Losses on Defined Benefit Plans	-	-	(9,598)	(2,244)	-	-	(11,842)
Total Other Comprehensive Income for the Period	-	332,363	(9,598)	(2,244)	-	381,156	701,677
Total Comprehensive Income for the Period							
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(133,575)	-	(133,575)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
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 30th June 2018	1,171,875	2,405,964	7,817	(12,128)	89,697	381,156	4,044,331
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	1,761,696	-	-	-	-	1,761,696
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(297,930)	-	-	-	(297,930)
Net Change in fair value of Available For Sale Financial Assets	-	-	291,564	-	-	-	291,564
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(6,366)	7,793	-	-	1,427
Actuarial Gains on Defined Benefit Plans	-	-	(6,366)	7,793	-	-	1,427
Total Other Comprehensive Income for the Period	-	1,761,696	(6,366)	7,793	-	-	1,763,063
Total Comprehensive Income for the Period							
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(291,564)	-	(291,564)
- transferred from Available For Sale Reserve	-	-	1,451	(4,395)	(201,867)	381,156	5,515,880
Audited balance as at 31st December 2018	1,171,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,515,880
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	141,107	-	-	-	-	141,107
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	361,200	-	-	-	361,200
Net Change in fair value of Available For Sale Financial Assets	-	-	(362,909)	-	-	-	(362,909)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	8,291	-	-	-	8,291
Total Other Comprehensive Income for the Period	-	141,107	8,291	-	-	-	149,398
Total Comprehensive Income for the Period							
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	362,909	-	362,909
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	(350,000)	-	-	-	-	(350,000)
Dividend to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
Unaudited balance as at 30th June 2019	1,171,875	3,956,767	9,742	(4,395)	151,042	381,156	5,668,187

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2019 (2018 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Period Ended 30th June ,</i>	Group		Company		
		Unaudited 2019	Unaudited 2018	Unaudited 2019	Unaudited 2018
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		394,951	837,609	185,938	730,770
<i>Adjustments for:</i>					
Interest Income	11	(1,073,316)	(901,849)	(904,156)	(762,286)
Dividend Income	11	(4,443)	(2,821)	(3,896)	(2,466)
Amortisation of Intangible Assets		8,646	9,534	8,442	9,491
Depreciation of Property Plant and Equipments		23,094	24,799	15,885	17,996
Net Depreciation of Right of Use Assets	3.1	66,704	-	60,653	-
Interest Expense of Lease Creditor	3.2	28,300	-	27,122	-
Provision for Employee Benefits		22,926	17,008	12,810	10,384
Net Realised Gains		(22,824)	(35,319)	(15,016)	(29,934)
Net Fair Value Losses		37,895	9,789	27,776	12,898
Losses on Sale of Property, Plant and Equipment		495	298	382	293
		(517,572)	(40,952)	(584,060)	(12,854)
Net Change in Operating Assets	A	(304,789)	(133,661)	(101,354)	(80,318)
Net Change in Operating Liabilities	B	1,460,319	1,035,928	1,195,102	670,759
Cash Flows from Operating Activities		637,958	861,315	509,688	577,587
Gratuity Paid		(8,232)	(6,329)	(6,343)	(1,887)
Economic Service Charges (ESC) Paid		(10,163)	(9,615)	-	-
Net Cash Generated from Operating Activities		619,563	845,371	503,345	575,700
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(1,569,710)	(1,621,475)	(1,230,433)	(1,182,963)
Interest Received		1,133,824	923,062	925,028	775,842
Dividend Received		4,734	3,246	4,156	2,723
Acquisition of Intangible Assets		(3,673)	(8,991)	(3,606)	(7,991)
Acquisition of Property, Plant and Equipment		(19,304)	(21,193)	(9,371)	(12,762)
Proceeds from the Sale of Property, Plant and Equipment		284	1,705	223	887
Advance Paid to Right of use asset		(21,528)	-	(13,752)	-
Net Cash Used in Investing Activities		(475,373)	(723,646)	(327,755)	(424,264)
Cash Flows from Financing Activities					
Dividend Paid		(350,000)	(300,000)	(350,000)	(300,000)
Payment of Lease Liabilities		(73,241)	-	(66,881)	-
Net Cash Used in Financing Activities		(423,241)	(300,000)	(416,881)	(300,000)
Net Decrease in Cash and Cash Equivalents		(279,051)	(178,275)	(241,291)	(148,564)
Cash and Cash Equivalents at the beginning of the Period		639,095	500,290	459,925	319,551
Cash and Cash Equivalents at the end of the Period		360,044	322,015	218,634	170,987
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease/(Increase) in Deferred Expenses		150	(24,820)	-	-
Increase in Loans to Life Policyholders		(36,090)	(28,709)	(36,090)	(28,709)
(Increase)/Decrease in Reinsurance Receivables		(59,063)	52,342	(43,007)	15,311
Increase in Premium Receivables		(161,400)	(80,866)	(1,676)	(4,313)
Increase in Other Assets		(48,386)	(51,608)	(20,581)	(62,607)
Net Change in Operating Assets		(304,789)	(133,661)	(101,354)	(80,318)
B. Change in Operating Liabilities					
(Decrease)/Increase in Other Liabilities		(91,028)	3,574	(75,702)	(37,216)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		1,250,406	700,959	1,250,406	700,959
Increase in Insurance Contract Liabilities - General Insurance		190,183	257,183	-	-
Increase in Reinsurance Creditors		110,758	74,212	20,398	7,016
Net Change in Operating Liabilities		1,460,319	1,035,928	1,195,102	670,759

Statement of Profit or Loss and Other Comprehensive Income

For the Three months ended 30th June,	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	%	%
Gross Written Premium	10	2,259,765	2,069,368	1,104,074	1,000,191	9	10
Premium Ceded to Reinsurers		(332,408)	(250,078)	(58,448)	(52,296)	33	12
Net Written Premium		1,927,357	1,819,290	1,045,626	947,895	6	10
Net Change in Reserves for Unearned Premium		(4,618)	(71,606)	-	-	(94)	-
Net Earned Premium		1,922,739	1,747,684	1,045,626	947,895	10	10
Other Revenue							
Interest and Dividend Income	11	552,442	453,084	465,547	381,477	22	22
Net Realised Gains		18,513	18,659	11,531	17,411	(1)	(34)
Net Fair Value Losses		(14,560)	(6,998)	(14,263)	(8,491)	108	68
Fee and Commission Income		33,935	35,076	16,209	12,528	(3)	29
Other Income		10,824	11,584	3,237	4,344	(7)	(25)
Total Other Revenue		601,154	511,405	482,261	407,269	18	18
Net Income		2,523,893	2,259,089	1,527,887	1,355,164	12	13
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(857,195)	(802,613)	(354,211)	(260,533)	7	36
Change in Contract Liabilities - Life Fund		(541,684)	(533,917)	(541,684)	(533,917)	1	1
Other Operating and Administration Expenses		(588,841)	(519,677)	(334,008)	(290,620)	13	15
Underwriting and Net Acquisition Costs		(273,945)	(256,990)	(191,700)	(186,932)	7	3
Finance & Other Insurance Related Costs		(31,067)	(17,409)	(18,137)	(10,446)	78	74
Total Benefits, Claims and Other Expenses		(2,292,732)	(2,130,606)	(1,439,740)	(1,282,448)	8	12
Profit Before Taxation		231,161	128,483	88,147	72,716	80	21
Income Tax Expense	12	(62,144)	(22,181)	(20,992)	(17,251)	180	22
Profit for the Period	13	169,017	106,302	67,155	55,465	59	21
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		283,915	(52,823)	251,721	(51,294)	637	591
- Realised Losses transferred to Income Statement		(18,432)	(18,386)	(11,531)	(17,411)	0.25	(34)
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For sale Reserve		(235,262)	67,386	(235,262)	67,386	(449)	(449)
- Related Tax	12	(6,958)	485	-	-	(1,535)	-
Total Other Comprehensive Income for the Period, Net of Related tax		23,263	(3,338)	4,928	(1,319)	797	474
Total Comprehensive Income for the Period		192,280	102,964	72,083	54,146	87	33
Profit Attributable to:							
Equity Holders of the Parent		169,017	106,302	-	-	59	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		192,280	102,964	-	-	87	-
Basic Earnings Per Share (Rs.)	14	3.38	2.13	1.34	1.11	59	21

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 2019		31st Dec 2018	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	97,368	49,622	104,487	47,072
Right of use Lease Assets	373,273	25,010	-	-
Intangible Assets	53,946	2,168	58,782	2,305
Deferred Tax Assets	1,235,669	4,603	1,280,499	24,383
Financial Investments	16,237,708	3,235,947	14,679,706	2,899,425
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	279,203	-	243,113	-
Reinsurance Receivables	118,933	355,903	75,926	339,847
Premium Receivables	9,722	949,891	8,046	790,167
Other Assets	584,149	326,770	575,154	270,915
Insurance Contract - Deferred Expenses	-	140,336	-	140,486
Cash and Cash Equivalents	265,348	235,482	502,561	259,310
Total Assets	20,405,319	5,325,732	18,678,274	4,773,910
Liabilities				
Insurance Contract Liabilities - Life Insurance	13,511,878	-	12,261,472	-
Insurance Contract Liabilities - General Insurance	-	2,715,278	-	2,525,095
Employee Defined Benefit Liabilities	91,307	63,742	84,840	55,516
Current Tax Liabilities	14,708	60,753	14,708	7,833
Reinsurance Creditors	136,666	343,945	116,268	253,585
Lease Creditor	369,091	20,103	-	-
Other Liabilities	566,768	473,903	642,470	473,307
Bank Overdraft	46,714	94,072	42,636	80,140
Total Liabilities	14,737,132	3,771,796	13,162,394	3,395,476

Operating Segment Information - Profitability

For the Six Months Ended,	Unaudited		Unaudited	
	30th June 2019		30th June 2018	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	2,343,894	2,433,256	2,061,398	2,215,570
Premium Ceded to Reinsurers	(117,227)	(561,842)	(103,986)	(427,703)
Net Written Premium	2,226,667	1,871,414	1,957,412	1,787,867
Net Change in Reserves for Unearned Premium	-	(107,495)	-	(205,330)
Net Earned Premium	2,226,667	1,763,919	1,957,412	1,582,537
Other Revenue				
Interest and Dividend Income	908,052	169,707	764,752	139,918
Net Realised Gains	15,016	7,808	29,934	5,385
Net Fair Value Losses	(27,776)	(10,119)	(12,898)	3,109
Fee and Commission Income	55,772	45,996	49,503	38,016
Other Income	4,384	11,193	6,923	10,669
Total Other Revenue	955,448	224,585	838,214	197,097
Net Income	3,182,115	1,988,504	2,795,626	1,779,634
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(701,391)	(1,093,530)	(393,268)	(1,055,349)
Change in Contract Liabilities - Life Fund	(1,233,328)	-	(1,061,938)	-
Change in Contract Liability due to Transfer of One-off Surplus	-	-	381,156	-
Other Operating and Administration Expenses	(611,554)	(491,975)	(555,785)	(468,975)
Underwriting and Net Acquisition Cost	(414,949)	(170,084)	(417,463)	(137,075)
Finance & Other Insurance Related Costs	(34,955)	(23,902)	(17,558)	(11,396)
Total Benefits, Claims and other Expenses	(2,996,177)	(1,779,491)	(2,064,856)	(1,672,795)
Profit Before Taxation	185,938	209,013	730,770	106,839
Income Tax Expense	(44,831)	(61,970)	(17,251)	(15,308)
Profit for the Period	141,107	147,043	713,519	91,531

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 6th August 2019.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th June 2019 are provisional and unaudited.

2 BASIS OF PREPARATION

These Condensed Consolidated Interim Financial Statements of the Group and Company have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2018 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

2 a) Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2022.

Having considered the above, since HNB Assurance PLC and HNB General Insurance Limited are predominantly carrying out Insurance activities, both Companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for the annual periods beginning before 01st January 2022.

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

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

3 INITIAL APPLICATION OF SLFRS 16 - LEASES

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

3.1 Right of Use Lease Assets

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

	Group			Company		
	Unaudited 2019		Total Rs. '000	Unaudited 2019		Total Rs. '000
	Property Rs. '000	Motor Vehicle Rs. '000		Property Rs. '000	Motor Vehicle Rs. '000	
Opening right of use lease asset as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions of right of use lease asset during the Period	60,497	11,533	72,030	46,537	11,533	58,070
Net Depreciation for the Period (Note 3.1.a)	(62,562)	(4,142)	(66,704)	(57,674)	(2,979)	(60,653)
Rent Payable under LKAS 17	(8,553)	-	(8,553)	(6,554)	-	(6,554)
Advance Payment for leases	39,406	-	39,406	31,630	-	31,630
Closing right of use lease asset as at 30th June	371,686	26,597	398,283	351,910	21,363	373,273

3.1.a Amount Recognised in Statement of Profit or Loss

Depreciation of Right of use lease asset	(57,289)	(4,142)	(61,431)	(52,725)	(2,979)	(55,704)
Amortisation of Advance	(7,205)	-	(7,205)	(6,185)	-	(6,185)
Amortisation of Payables under LKAS 17	1,932	-	1,932	1,236	-	1,236
	(62,562)	(4,142)	(66,704)	(57,674)	(2,979)	(60,653)

3.2 Lease Liability (Lease Creditor)

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

	Group			Company		
	Unaudited 2019		Total Rs. '000	Unaudited 2019		Total Rs. '000
	Property Rs. '000	Motor Vehicle Rs. '000		Property Rs. '000	Motor Vehicle Rs. '000	
Opening lease Creditor as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions during the Period	60,498	11,533	72,031	46,538	11,532	58,070
Interest Expense recognised in Profit or Loss	26,585	1,715	28,300	25,841	1,281	27,122
Settlement through lease payment	(68,093)	(5,148)	(73,241)	(63,151)	(3,730)	(66,881)
Closing lease Creditors as at 30th June	361,888	27,306	389,194	347,199	21,892	369,091

4 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
	Loans and Receivables	12,297,784	10,709,515	9,990,426
Available for Sale Financial Assets	7,100,187	6,776,591	6,184,112	5,872,886
Financial Assets at Fair Value Through Profit or Loss	75,684	93,025	63,170	78,439
Total Financial Investments	19,473,655	17,579,131	16,237,708	14,679,706

Notes to the Condensed Consolidated Interim Financial Statements

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.

7 RESTRICTED REGULATORY RESERVE

As at,	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Balance at the beginning of the Period	381,156	-	381,156	-
Transfer of One-off Surplus from Policyholders' Fund to Shareholders' Fund	-	381,156	-	381,156
Balance at the end of the Period	381,156	381,156	381,156	381,156

7 a) Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) issued Direction No. 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and instructed all Life Insurance Companies to comply with the Direction. Based on the Direction, Life Insurance Companies were allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction above. The distribution of One-off Surplus to Shareholders as dividend shall remain restricted until the requirements disclosed in Note 8(c) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

7 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th June 2019

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

Asset Category	Fair Value /Carrying Value 30th June (Rs. '000)
As at,	
Term Deposits	396,382

8 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Life Insurance Fund (Note 8 a)	13,345,434	12,112,106	13,345,434	12,112,106
Claims Outstanding	166,444	149,366	166,444	149,366
Total Insurance Contract Liabilities	13,511,878	12,261,472	13,511,878	12,261,472

Notes to the Condensed Consolidated Interim Financial Statements

8 a) LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Balance as at the beginning of the Period	12,112,106	10,800,821	12,112,106	10,800,821
Change in Contract Liability due to transfer of One-off Surplus (Note 8 b)	-	(381,156)	-	(381,156)
	12,112,106	10,419,665	12,112,106	10,419,665
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus				
Distribution to Shareholders	1,233,328	2,345,049	1,233,328	2,345,049
Surplus Distributed to Shareholders	-	(637,900)	-	(637,900)
Increase in Life Insurance Fund	1,233,328	1,707,149	1,233,328	1,707,149
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(14,708)	-	(14,708)
Balance as at the end of the Period	13,345,434	12,112,106	13,345,434	12,112,106

8 b) As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

The IRCSL had directed insurance Companies to maintain this One-off Surplus arising from change in the policy liability valuation within the Long Term Insurance Fund / Insurance Contract Liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer / distribute any part of the surplus until specific instructions are issued in this regard.

Surplus created due to Change in Valuation Method

Description		Participating Fund Rs. '000	Non Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on NPV as at 31st December 2015	a	2,988,500	3,856,964	6,845,464
Value of Insurance contract liability based on GPV as at 31st December 2015	b	3,015,001	3,475,808	6,490,809
Zerorisation of Negative Surplus as per Direction No. 16	c	26,501	-	26,501
Surplus created due to Change in Valuation Method				
- One-off Surplus as at 01st January 2016	a-b+c	-	381,156	381,156

Subsequently IRCSL, through the Direction No.16 issued on 20th March 2018 on "Directions for identification and treatment of One-off Surplus" Life Insurance Companies were directed to transfer One-off Surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund in the relevant period. The transfer has been presented as a separate line item in the Income Statement as "Change in contract Liability due to transfer of One-off Surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

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

Notes to the Condensed Consolidated Interim Financial Statements

The financial ratios presented in these Condensed Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be held within the Participating Fund as part of the unallocated valuation surplus and may only be transferred to the Shareholders' Fund by means of bonuses to Policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

8 c) Distribution of One-off Surplus

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

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will consider the distribution of One-off Surplus when the RBC rules are revised. The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case by case basis.

8 d) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Consultant Actuary, Mr. Hassan Scott Odierno, FSA for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd, as at 30th June 2019 as required by SLFRS 4 - Insurance Contracts. The Company perform LAT semi-annually and According to the Consultant Actuary's report, Company satisfies the LAT as at 30th June 2019. No additional provision is required against LAT.

9 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Reserves for Net Unearned Premium	1,900,199	1,794,697	-	-
Reserves for Title Insurance	51,574	49,581	-	-
Reserves for Gross Outstanding Claims	763,505	680,817	-	-
Total Insurance Contract Liabilities	2,715,278	2,525,095	-	-

- 9 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and behalf of NMG Consulting as at 30th June 2019 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

9 b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and on behalf of NMG Consulting as at 30th June 2019 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, HNB General Insurance Limited adequately satisfies the LAT as at 30th June 2019. No additional provision is required against LAT.

10 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Six Months Ended,	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Life Insurance					
4,381,792	Individual Policies	2,315,579	2,040,238	2,315,579	2,040,238
38,721	Corporate Policies	28,315	21,160	28,315	21,160
(29,898)	Adjustment for Inter Company Premiums	(18,932)	(14,387)	-	-
4,390,615	Gross Written Premium - Life Insurance	2,324,962	2,047,011	2,343,894	2,061,398
General Insurance					
554,523	Fire	372,382	316,322	-	-
3,345,502	Motor	1,786,311	1,678,717	-	-
70,467	Marine	26,256	34,768	-	-
370,083	Miscellaneous	248,307	185,764	-	-
(6,494)	Adjustment for Inter Company Premiums	(6,275)	(4,271)	-	-
4,334,081	Gross Written Premium - General Insurance	2,426,981	2,211,300	-	-
8,724,696	Total Gross Written Premium	4,751,943	4,258,311	2,343,894	2,061,398

For the Three Months Ended,

		Group		Company	
		Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Life Insurance					
	Individual Policies	1,090,152	985,135	1,090,152	985,135
	Corporate Policies	13,922	15,056	13,922	15,056
	Adjustment for Inter Company Premiums	(9,620)	(8,818)	-	-
	Gross Written Premium - Life Insurance	1,094,454	991,373	1,104,074	1,000,191
General Insurance					
	Fire	201,755	165,471	-	-
	Motor	866,432	829,822	-	-
	Marine	12,222	15,138	-	-
	Miscellaneous	84,931	67,560	-	-
	Adjustment for Inter Company Premiums	(29)	4	-	-
	Gross Written Premium - General Insurance	1,165,311	1,077,995	-	-
	Total Gross Written Premium	2,259,765	2,069,368	1,104,074	1,000,191

11 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Six Months Ended,	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
1,883,053	Interest Income	1,073,316	901,849	904,156	762,286
4,290	Dividend Income	4,443	2,821	3,896	2,466
1,887,343	Total	1,077,759	904,670	908,052	764,752

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Interest Income	548,825	451,846	462,284	380,546
Dividend Income	3,617	1,238	3,263	931
Total	552,442	453,084	465,547	381,477

12 INCOME TAX EXPENSES

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
(7,833) Income Tax Charge	(52,921)	(26,786)	-	(17,251)
3,124 Over Provision of Income Taxes in respect of Prior Periods	-	-	-	-
(103,132) Provision for Notional Tax Unutilised	-	-	-	-
1,232,497 Deferred Income Tax - Recognised through Profit or Loss	(53,880)	(5,773)	(44,831)	-
1,124,656 Total Tax charge in Profit or Loss	(106,801)	(32,559)	(44,831)	(17,251)
Deferred Income Tax - Recognised through Other				
8,288 - Comprehensive Income	(10,731)	3,071	-	-
8,288 Total Tax charge in Other Comprehensive Income	(10,731)	3,071	-	-

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Income tax charge	(63,254)	(17,251)	(20,992)	(17,251)
Deferred Income Tax - Profit or Loss	1,110	(4,930)	-	-
Total Tax charge in Profit or Loss	(62,144)	(22,181)	(20,992)	(17,251)
Deferred Income Tax - Other Comprehensive Income	(6,958)	485	-	-
Total Tax charge in Other Comprehensive Income	(6,958)	485	-	-

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

13 PROFIT FOR THE PERIOD

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
HNB Assurance PLC				
- Surplus Transferred from Life Policyholder Fund to Shareholder Fund*	637,900	209,772	-	209,772
- Transfer of One-off Surplus from Life Policyholder Fund to Shareholder Fund*	381,156	381,156	-	381,156
- Profit from Life Shareholders' Fund	1,456,159	122,591	141,107	122,591
Total	141,107	713,519	141,107	713,519
HNB General Insurance Limited	230,095	91,531	-	-
Total	288,150	805,050	141,107	713,519

* Profit of the Company for the period ended 30th June 2018 included , a surplus transfer of Rs. 209.8 Million as recommended by consultant actuary and Rs. 381.2 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, Similar transfers have not been made during the period as shown in the profits for the period ended 30th June 2019.

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Jun 2019	30th Jun 2018	30th Jun 2019	30th Jun 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
HNB Assurance PLC	67,155	55,465	67,155	55,465
HNB General Insurance Ltd	101,862	50,837	-	-
Total	169,017	106,302	67,155	55,465

14 BASIC EARNINGS PER SHARE (EPS)

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

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Jun 2019	30th Jun 2018	30th Jun 2019	30th Jun 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,705,310 Profit for the Period (Rs. '000)	288,150	805,050	141,107	713,519
50,000 Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
<u>54.11</u> Basic Earnings Per Share (Rs.)	<u>5.76</u>	<u>16.10</u>	<u>2.82</u>	<u>14.27</u>

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

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Jun 2019	30th Jun 2018	30th Jun 2019	30th Jun 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the Period (Rs. '000)	288,150	423,894	141,107	332,363
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	<u>5.76</u>	<u>8.48</u>	<u>2.82</u>	<u>6.65</u>

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Jun 2019	30th Jun 2018	30th Jun 2019	30th Jun 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the Period (Rs. '000)	169,017	106,302	67,155	55,465
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	<u>3.38</u>	<u>2.13</u>	<u>1.34</u>	<u>1.11</u>

15 RELATED PARTY DISCLOSURES

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

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Jun 2019	30th Jun 2018	30th Jun 2019	30th Jun 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Insurance Premium	33,211	2,103	-	-
Claims Incurred	6,131	7,407	-	-
Investment Income	61,457	27,588	49,745	20,798
Administration Expenses	121,630	114,538	74,942	67,573
Rent and other Expenses	5,957	4,622	3,763	3,058
Dividend Paid	209,951	179,958	209,951	179,958
Nature of Transaction	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th Jun 2019	31st Dec 2018	30th Jun 2019	31st Dec 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment Balance (Includes Deposits and Debentures)	1,048,355	1,009,575	872,533	835,802
Cash at Bank Balances	348,737	286,458	214,380	178,024

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction For the Six Months Ended,	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Insurance Premium	18,932	14,387
Insurance Expenses	6,275	4,270
Claims Received	98	175
Claims Paid	1,000	-
Administration Expenses Reimbursement	155,316	121,506
Fund Management Fee	3,089	2,594
Profit Commission Expense	6,749	4,378

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
<i>For the Six Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	2,725	268	-	-
	Claims Incurred	395	1,506	-	-
HNB Finance Ltd	Insurance Premium	15,827	5,085	-	-
	Claims Incurred	1,591	430	-	-
	Administration Expenses	5,322	3,221	99	-
	Interest Income	3,719	3,719	3,719	3,719

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>As at,</i>					
HNB Finance Ltd	Investment in Term Deposits	50,681	50,681	50,681	50,681
	Savings Accounts	211	-	211	-

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
<i>For the Six Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	523	339	-	4
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	585	572	-	-
ACUITY Securities Ltd	Insurance Premium	491	458	-	-
	Investment Income from REPO	41,398	36,619	30,685	25,915

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Jun 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	305,598	1,078,670	114,156	786,115

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

Nature of Transaction For the Six Months Ended,	Unaudited 30th Jun 2019 Rs. '000	Unaudited 30th Jun 2018 Rs. '000
Director Fee	10,230	9,555
Short-term and Post employment benefits	35,967	32,908
Insurance Premium	1,069	1,198
Claims Paid	12	141

Notes to the Condensed Consolidated Interim Financial Statements

Appointment to the Board of Directors

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

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

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

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

Resignation from the Board of Directors

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

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

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

16 EVENTS OCCURRING AFTER THE REPORTING DATE

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

17 CAPITAL COMMITMENTS

As at the end of the financial period, no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements. (2018 - Nil).

18 CONTINGENCIES

- a) The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with our Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the matter is fixed for argument on 26th September 2019. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounted to Rs. 21.99 Million.
- b) The Company received three Notices of Assessment on VAT and NBT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015 and 01.01.2016 to 31.12.2016. The Company has duly appealed for all three assessments as the Company's stance is that, it is in the business of insurance hence is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
			Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
2014.01.01-2014.12.31	Pending decision from IRD	VAT	21.06	10.53	31.59
		NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	Pending decision from IRD	VAT	17.55	12.98	30.53
		NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	Pending decision from IRD	VAT	24.86	12.43	37.29
		NBT	4.01	2	6.01
Total			70.31	39.35	109.66

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 2016/2017. In the view of the Company and its Tax Consultants, these Assessments were issued by the Inland Revenue Department contrary to the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, these Income Tax Assessments have been common Assessments for all Life Insurance companies in the insurance industry. However the management, Company's Tax Consultants are confident that these assessments will not materialise. Therefore no additional provision has been made in the Financial Statements.

The Company has duly appealed against these Assessments in consultation with Tax Consultants and the status of each Assessment is provided in the table below.

Year of Assessment	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
2011/2012	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	Company is in the process of filing an Appeal in Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	290
Total			722

Share Information

Top 20 Shareholders

Name of the Shareholder	30th June 2019	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 Ceylon Guardian Investment Trust PLC A/c No.2	1,892,800	3.79%
3 Mr.S.N.P. Palihena	1,500,000	3.00%
4 Mr. P.H.D Waidyatilaka	549,860	1.10%
5 Mr. Mohamed Faizer Hashim	510,000	1.02%
6 Mrs. Arunthathi Selliah	500,000	1.00%
7 Mrs. Abiramipillai Kailasapillai	500,000	1.00%
8 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
9 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
10 Arunodhaya (Pvt) Ltd	450,000	0.90%
11 Ceylon Investment PLC A/c No. 2	380,561	0.76%
12 Peoples Leasing and Finance PLC/HL Line Trading (Pvt) Ltd	369,959	0.74%
13 Suktam Holdings (Pvt) Ltd	279,434	0.56%
14 Andysel (Pvt) Ltd	250,000	0.50%
15 Corporate Holdings (Pvt) Ltd A/c No.1	245,103	0.49%
16 Mr. Vikas Sharda	203,000	0.41%
17 Mr. A.A.A Rifkee	200,000	0.40%
18 Dr. S. Selliah	200,000	0.40%
19 Mr. K Aravinthan	200,000	0.40%
20 Mr. D.V.H Palihena	199,114	0.40%
	39,322,831	78.66%

Public Shareholding

30th June 2019

* Float Adjusted Market Capitalisation (Rs.)	2,145,030,944
Percentage of Shares held by the Public	38.30%
Number of Public Shareholders	3,481

The Company complies the minimum public Shareholding requirement under option 5 of section 7.13.1(a) of the Listing Rules.

* Float Adjusted Market Capitalisation = Market Capitalisation X Public Holding Percentage

Share Information (Contd.)

Shareholdings of Directors

Name of the Director	No. of Shares 30th June 2019
Mrs. M A R C Cooray	18,035
Mr. J A P M Jayasekara	83,057
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	200,000
Mr. D P Lokuarachchi - (Managing Director/Chief Executive Officer)	Nil
Mr. D R Abeysuriya	1,000
Mr. L U D Fernando	166
Mr. S A Chapman	Nil

Number of Shares

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

Share Performance

	Rs.
Net Asset Value Per Share as at 30th June 2019 - Group	121.44
Net Asset Value Per Share as at 30th June 2019 - Company	113.36
Net Asset Value Per Share as at 30th June 2019 without one-off Surplus - Group	113.82
Net Asset Value Per Share as at 30th June 2019 without one-off Surplus - Company	105.74
Highest Price Per Share for the Interim Period	121.90
Lowest Price Per Share for the Interim Period	98.60
Last Traded Price Per Share as at 30th June 2019	112.00