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HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
30<sup>th</sup> September 2016

# Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Sep 2016 Rs. '000	31st Dec 2015 Rs. '000	30th Sep 2016 Rs. '000	31st Dec 2015 Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		141,482	136,279	97,660	94,107
Intangible Assets		64,145	45,185	64,145	45,185
Deferred Tax Assets		49,398	49,394	-	-
Financial Investments	3	11,271,614	9,751,611	9,466,853	7,849,625
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		114,523	91,992	114,523	91,992
Reinsurance Receivables		563,336	141,354	40,244	34,269
Premium Receivables		426,707	345,916	6,566	5,592
Other Assets		728,359	625,985	507,742	493,571
Insurance Contract - Deferred Expenses		76,630	65,935	-	-
Cash and Cash Equivalents		326,789	386,929	219,183	258,222
<b>Total Assets</b>		<b>13,762,983</b>	<b>11,640,580</b>	<b>11,666,916</b>	<b>10,022,563</b>
<b>Equity and Liabilities</b>					
<b>Equity Attributable to the Equity Holders of Parent</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		1,180,154	1,174,262	1,401,473	1,397,806
Available for Sale Reserve		7,456	(4,748)	8,321	53
Other Reserves		(1,093)	(1,093)	(2,039)	(2,039)
Life Policyholders' Available for Sale Reserve Fund	5	(66,283)	(56,350)	(66,283)	(56,350)
<b>Total Equity</b>		<b>2,292,109</b>	<b>2,283,946</b>	<b>2,513,347</b>	<b>2,511,345</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	6	8,639,002	7,007,080	8,639,002	7,007,080
Insurance Contract Liabilities - General Insurance	7	1,906,023	1,546,265	-	-
Employee Defined Benefit Liabilities		87,789	81,001	46,311	44,008
Reinsurance Creditors		192,332	131,905	47,113	37,547
Other Liabilities		645,728	590,383	421,143	422,583
<b>Total Liabilities</b>		<b>11,470,874</b>	<b>9,356,634</b>	<b>9,153,569</b>	<b>7,511,218</b>
<b>Total Equity and Liabilities</b>		<b>13,762,983</b>	<b>11,640,580</b>	<b>11,666,916</b>	<b>10,022,563</b>

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

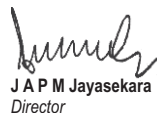


Indika Perera  
Head of Finance

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



Rose Cooray  
Chairperson



J A P M Jayasekara  
Director

Colombo, Sri Lanka  
04th November 2016

## Statement of Profit or Loss and Other Comprehensive Income

Group			Group		Company		Change		
Year Ended	31 <sup>st</sup> Dec 2015		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company	
(Audited)	Rs. '000	For the Nine Months Ended 30th September,	2016	2015	2016	2015	%	%	
Rs. '000	Note		Rs. '000	Rs. '000	Rs. '000	Rs. '000			
5,447,164		Gross Written Premium	8	4,857,718	4,052,347	2,601,465	1,991,747	20	31
(599,084)		Premium Ceded to Reinsurers		(603,382)	(449,506)	(115,786)	(76,722)	34	51
4,848,080		Net Written Premium		4,254,336	3,602,841	2,485,679	1,915,025	18	30
(122,677)		Net Change in Reserves for Unearned Premium		(140,652)	(184,110)	-	-	(24)	-
4,725,403		<b>Net Earned Premium</b>		<b>4,113,684</b>	<b>3,418,731</b>	<b>2,485,679</b>	<b>1,915,025</b>	<b>20</b>	<b>30</b>
		<b>Other Revenue</b>							
871,049		Interest and Dividend Income	9	843,666	647,225	703,834	522,148	30	35
30,025		Net Realised Gains/(Losses)		(21,052)	25,352	(14,532)	17,341	(183)	(184)
16,583		Net Fair Value Gains		2,619	8,737	950	615	(70)	54
122,552		Fee and Commission Income		105,124	84,526	52,995	33,618	24	58
8,943		Other Income		8,192	4,292	(178)	14	91	(1,371)
1,049,152		Total Other Revenue		938,549	770,132	743,069	573,736	22	30
5,774,555		<b>Net Income</b>		<b>5,052,233</b>	<b>4,188,863</b>	<b>3,228,748</b>	<b>2,488,761</b>	<b>21</b>	<b>30</b>
		<b>Net Benefits, Claims and Expenses</b>							
(2,117,789)		Net Insurance Benefits and Claims		(1,446,107)	(1,535,141)	(269,488)	(196,611)	(6)	37
(1,462,100)		Change in Contract Liabilities - Life Fund		(1,615,387)	(1,265,601)	(1,615,387)	(1,265,601)	28	28
(1,363,757)		Other Operating and Administration Expenses		(1,174,734)	(972,416)	(671,494)	(536,933)	21	25
(632,107)		Underwriting and Net Acquisition Costs		(623,033)	(458,193)	(511,440)	(365,788)	36	40
(29,029)		Other Insurance Related Costs		(47,922)	(46,917)	(18,114)	(13,815)	2	31
(5,604,782)		<b>Total Benefits, Claims and Other Expenses</b>		<b>(4,907,183)</b>	<b>(4,278,268)</b>	<b>(3,085,923)</b>	<b>(2,378,748)</b>	<b>15</b>	<b>30</b>
169,773		<b>Profit Before Taxation</b>		<b>145,050</b>	<b>(89,405)</b>	<b>142,825</b>	<b>110,013</b>	<b>262</b>	<b>30</b>
27,571		Income Tax (Expenses)/Reversals	10	(39,158)	36,122	(39,158)	(20,832)	(208)	88
197,344		<b>Profit for the Period</b>	11	<b>105,892</b>	<b>(53,283)</b>	<b>103,667</b>	<b>89,181</b>	<b>299</b>	<b>16</b>
		<b>Other Comprehensive Income, Net of Related Tax</b>							
		<b>Items that are or may be reclassified to profit or loss</b>							
(87,480)		- Net Change in fair value of Available-For-Sale financial assets		(4,708)	(88,151)	(5,849)	(81,701)	(95)	(93)
(19,242)		- Realized Gains/(Losses) transferred to Income Statement		6,975	(12,410)	4,184	(13,386)	156	131
		- Net Change in fair value of Available-For-Sale financial assets							
97,098		transferred to Life Policyholders' Available For Sale Reserve Fund		9,933	91,591	9,933	91,591	(89)	(89)
1,286		- Related Tax	10	4	-	-	-	-	-
		<b>Items that will never be reclassified to profit or loss</b>							
(2,270)		Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
(10,608)		<b>Total Other Comprehensive Income for the period net of Related Tax</b>		<b>12,204</b>	<b>(8,970)</b>	<b>8,268</b>	<b>(3,496)</b>	<b>236</b>	<b>336</b>
186,736		<b>Total Comprehensive Income for the period</b>		<b>118,096</b>	<b>(62,253)</b>	<b>111,935</b>	<b>85,685</b>	<b>290</b>	<b>31</b>
		<b>Profit Attributable to:</b>							
197,344		Equity Holders of the Company		105,892	(53,283)	-	-	299	-
		<b>Total Comprehensive Income Attributable to:</b>							
186,736		Equity Holders of the Company		118,096	(62,253)	-	-	290	-
3.95		Basic Earnings/(Loss) Per Share (Rs.)	12	2.12	(1.07)	2.07	1.78	299	16

# Statement of Changes in Equity - Group

For the Period Ended 30th September 2016,

	Number of Shares	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Life Policyholders' Fund	Total Equity
	'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2015	50,000	1,171,875	1,196,546	3,590	1,177	40,748	2,413,936
Super Gain Tax			(31,378)	-	-	-	(31,378)
Total Comprehensive Income for the period	Note 14		(31,378)	-	-	-	(31,378)
Profit/(Loss) for the period- Unaudited			(31,378)	-	-	-	(31,378)
Other Comprehensive Income for the Period, net of tax			(53,283)	-	-	-	(53,283)
Net Change in fair value of Available-For-Sale financial assets			-	(100,561)	-	-	(100,561)
Net Change in fair value of Available-For-Sale financial assets			-	(100,561)	-	-	(100,561)
Transferred to Life Policyholders' Available For Sale Reserve Fund			-	91,591	-	-	91,591
Total Other Comprehensive Income for the period			-	(8,970)	-	-	(8,970)
Total Comprehensive Income for the period			(53,283)	(8,970)	-	-	(62,253)
Net Change in fair value of Available-For-Sale financial assets			-	-	-	-	-
- transferred from Available For Sale Reserve			-	-	-	(91,591)	(91,591)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company			(750)	-	-	-	(750)
Share Issue Transaction Cost - Subsidiary			(187,500)	-	-	-	(187,500)
Dividend paid to equity holders for 2014			-	-	-	-	-
Unaudited balance as at 30th September 2015	50,000	1,171,875	923,635	(5,380)	1,177	(50,843)	2,040,464
Total Comprehensive Income for the Period			250,627	-	-	-	250,627
Profit for the period- Unaudited			250,627	-	-	-	250,627
Other Comprehensive Income for the Period, net of tax			(4,875)	-	-	-	(4,875)
Net Change in fair value of Available-For-Sale financial assets			-	(4,875)	-	-	(4,875)
Net Change in fair value of Available-For-Sale financial assets			-	(4,875)	-	-	(4,875)
- transferred to Life Policyholders' Available For Sale Reserve Fund			-	5,507	-	-	5,507
Actuarial Losses on Defined Benefit Plans			-	-	(2,270)	-	(2,270)
Total Other Comprehensive Income for the period			-	632	(2,270)	-	(1,638)
Total Comprehensive Income for the period			250,627	632	(2,270)	-	248,989
Net Change in fair value of Available-For-Sale financial assets			-	-	-	-	-
- transferred from Available For Sale Reserve			-	-	-	(5,507)	(5,507)
Audited balance as at 31st December 2015	50,000	1,171,875	1,174,262	(4,748)	(1,093)	(56,350)	2,283,946
Balance as at 01st January 2016	50,000	1,171,875	1,174,262	(4,748)	(1,093)	(56,350)	2,283,946
Total Comprehensive Income for the Period			105,892	-	-	-	105,892
Profit for the period- Unaudited			105,892	-	-	-	105,892
Other Comprehensive Income for the Period, net of tax			2,271	-	-	-	2,271
Net Change in fair value of Available-For-Sale financial assets			-	2,271	-	-	2,271
Net Change in fair value of Available-For-Sale financial assets			-	2,271	-	-	2,271
- transferred to Life Policyholders' Available For Sale Reserve Fund			-	(9,933)	-	-	(9,933)
Total Other Comprehensive Income for the period			-	12,204	-	-	12,204
Total Comprehensive Income for the period			105,892	12,204	-	-	118,096
Net Change in fair value of Available-For-Sale financial assets			-	-	-	-	-
- transferred from Available For Sale Reserve			-	-	-	(9,933)	(9,933)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company			(100,000)	-	-	-	(100,000)
Dividend paid to equity holders for 2015			(1,180,154)	-	-	-	(1,180,154)
Unaudited balance as at 30th September 2016	50,000	1,171,875	7,456	-	(1,093)	(66,283)	2,292,109

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2016 (2015 - 50 Million Ordinary Shares).

# Statement of Changes in Equity - Company

For the Period Ended 30th September 2016

	Number of Shares	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Life Policyholders' AFS Reserve Fund	Total Equity
	'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st January 2015</b>	50,000	1,171,875	1,189,039	3,523	1,177	40,748	2,406,362
Super Gain Tax			(31,378)	-	-	-	(31,378)
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited			89,181	-	-	-	89,181
<b>Other Comprehensive Income for the Period, net of tax</b>				(95,087)	-	-	(95,087)
Net Change in fair value of Available-For-Sale financial assets							
Net Change in fair value of Available-For-Sale financial assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund				91,591			91,591
<b>Total Other Comprehensive Income</b>				(3,496)			(3,496)
<b>Total Comprehensive Income for the Period</b>			89,181	(3,496)			85,685
Net Change in fair value of Available-For-Sale financial assets							
- transferred from Available For Sale Reserve							
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Company			(187,500)			(91,591)	(91,591)
Dividend paid to equity holders for 2014			1,959,342	27	1,177	(50,848)	(187,500)
<b>Unaudited balance as at 30th September 2015</b>	50,000	1,171,875	1,959,342	27	1,177	(50,848)	2,181,576
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited			338,464	-	-	-	338,464
<b>Other Comprehensive Income for the Period, net of tax</b>				(5,481)	-	-	(5,481)
Net Change in fair value of Available-For-Sale financial assets							
Net Change in fair value of Available-For-Sale financial assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund				5,507			5,507
Actuarial Losses on Defined Benefit Plans					(3,216)		(3,216)
<b>Total Other Comprehensive Income for the period</b>				26	(3,216)		(3,190)
<b>Total Comprehensive Income for the period</b>			338,464	26	(3,216)		335,274
Net Change in fair value of Available-For-Sale financial assets							
- transferred from Available For Sale Reserve							
<b>Audited balance as at 31st December 2015</b>	50,000	1,171,875	1,397,806	53	(2,039)	(5,507)	(5,507)
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited			103,667	-	-	-	103,667
<b>Other Comprehensive Income for the Period, net of tax</b>				(1,665)	-	-	(1,665)
Net Change in fair value of Available-For-Sale financial assets							
Net Change in fair value of Available-For-Sale financial assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund				9,933			9,933
<b>Total Other Comprehensive Income for the period</b>				8,268			8,268
<b>Total Comprehensive Income for the period</b>			103,667	8,268			111,935
Net Change in fair value of Available-For-Sale financial assets							
- transferred from Available For Sale Reserve							
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Company			(100,000)			(9,833)	(9,833)
Dividend paid to equity holders for 2015			1,407,473	8,321	(2,039)		(100,000)
<b>Unaudited balance as at 30th September 2016</b>	50,000	1,171,875	1,407,473	8,321	(2,039)	(66,283)	2,513,347

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2016 (2015 - 50 Million Ordinary Shares).

# Statement of Cash Flows

<i>For the Nine Months Ended 30th September ,</i>	Group		Company		
	Note	Unaudited 2016	Unaudited 2015	Unaudited 2016	Unaudited 2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit/(Loss) Before Taxation		145,050	(89,405)	142,825	110,013
<i>Adjustments for:</i>					
Interest Income		(831,175)	(622,497)	(693,793)	(505,574)
Dividend Income		(12,491)	(24,728)	(10,041)	(16,574)
Amortisation of Intangible Assets		15,012	12,577	15,012	7,078
Depreciation		34,022	36,792	24,461	21,002
Provision for Employee Benefits		16,745	18,219	9,731	7,885
Net Realised (Gains)/Losses		21,052	(25,352)	14,532	(17,341)
Net Fair Value Losses		(2,619)	(8,737)	(950)	(615)
(Gains)/Losses on Sale of Property, Plant and Equipment		363	(45)	178	(14)
		<b>(614,041)</b>	<b>(703,176)</b>	<b>(498,045)</b>	<b>(394,140)</b>
Change in Operating Assets	A	(639,046)	(88,870)	(44,053)	(4,984)
Change in Operating Liabilities	B	<b>2,110,613</b>	<b>1,546,277</b>	<b>1,640,048</b>	<b>1,168,962</b>
Cash Flows from Operating Activities		<b>857,526</b>	<b>754,231</b>	<b>1,097,950</b>	<b>769,838</b>
Gratuity Paid		(9,957)	(12,043)	(7,428)	(10,054)
Economic Service Charges (ESC) Paid		(3,161)	(1,590)	-	-
Net Cash Generated from Operating Activities		<b>844,408</b>	<b>740,598</b>	<b>1,090,522</b>	<b>759,784</b>
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(1,587,879)	(964,294)	(1,670,032)	(957,448)
Interest Received		843,726	540,901	692,192	436,171
Dividend Received		13,165	24,728	10,443	16,574
Acquisition of Intangible Assets		(33,972)	(8,323)	(33,972)	(8,323)
Acquisition of Property, Plant and Equipment		(39,693)	(33,328)	(28,242)	(25,935)
Proceeds from the Sale of Property, Plant and Equipment		105	289	50	119
Net Cash Used in Investing Activities		<b>(804,548)</b>	<b>(440,027)</b>	<b>(1,029,561)</b>	<b>(538,842)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(100,000)	(187,500)	(100,000)	(187,500)
Net Cash Used in Financing Activities		<b>(100,000)</b>	<b>(187,500)</b>	<b>(100,000)</b>	<b>(187,500)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	C	(60,140)	113,071	(39,039)	33,442
Cash and Cash Equivalents at the beginning of the Period		<b>386,929</b>	<b>173,245</b>	<b>258,222</b>	<b>97,908</b>
<b>Cash and Cash Equivalents at the end of the Period</b>		<b>326,789</b>	<b>286,316</b>	<b>219,183</b>	<b>131,350</b>
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		(10,695)	(20,263)	-	-
Increase in Loans to Life Policyholders		(22,531)	(16,468)	(22,531)	(16,468)
Increase in Reinsurance Receivables		(421,982)	(19,557)	(5,975)	(10,756)
Increase in Premium Receivables		(80,791)	(11,520)	(974)	(917)
(Increase)/Decrease in Other Assets		(103,047)	(21,062)	(14,573)	23,157
		<b>(639,046)</b>	<b>(88,870)</b>	<b>(44,053)</b>	<b>(4,984)</b>
<b>B. Change in Operating Liabilities</b>					
Increase/(Decrease) in Other Liabilities		58,506	(3,419)	(1,440)	(64,721)
Increase in Insurance Contract Liabilities - General Insurance		359,758	263,712	-	-
Increase in Insurance Contract Liabilities - Life Insurance		1,631,922	1,241,714	1,631,922	1,241,714
Increase/(Decrease) in Reinsurance Creditors		60,427	44,270	9,566	(8,031)
		<b>2,110,613</b>	<b>1,546,277</b>	<b>1,640,048</b>	<b>1,168,962</b>
<b>C. Increase / (Decrease) in Cash and Cash Equivalents</b>					
Net Cash and Cash Equivalents at the end of the period		<b>326,789</b>	<b>286,316</b>	<b>219,183</b>	<b>131,350</b>
Net Cash and Cash Equivalents at the beginning of the period		<b>386,929</b>	<b>173,245</b>	<b>258,222</b>	<b>97,908</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		<b>(60,140)</b>	<b>113,071</b>	<b>(39,039)</b>	<b>33,442</b>

## Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	%	%
<i>For the Three Months Ended 30th September,</i>							
Gross Written Premium	8	1,730,790	1,369,436	959,167	708,246	26	35
Premium Ceded to Reinsurers		(180,700)	(146,815)	(39,941)	(23,421)	23	71
Net Written Premium		1,550,090	1,222,621	919,226	684,825	27	34
Net Change in Reserves for Unearned Premium		(71,143)	(15,112)	-	-	371	-
<b>Net Earned Premium</b>		<b>1,478,947</b>	<b>1,207,509</b>	<b>919,226</b>	<b>684,825</b>	<b>22</b>	<b>34</b>
<b>Other Revenue</b>							
Interest and Dividend Income	9	316,753	219,771	266,238	180,089	44	48
Net Realised Gains/(Losses)		(11,865)	1,655	(9,308)	15	(817)	(62,153)
Net Fair Value Gains		20,307	13,654	16,395	4,913	49	234
Fee and Commission Income		26,686	21,723	10,895	4,698	23	132
Other Income		1,031	2,494	(187)	10	(59)	(1,970)
Total Other Revenue		352,912	259,298	284,033	189,725	36	50
<b>Net Income</b>		<b>1,831,859</b>	<b>1,466,807</b>	<b>1,203,259</b>	<b>874,550</b>	<b>25</b>	<b>38</b>
<b>Net Benefits, Claims and Expenses</b>							
Net Insurance Benefits and Claims		(519,840)	(693,814)	(130,740)	(75,480)	(25)	73
Change in Contract Liabilities - Life Fund		(591,679)	(426,035)	(591,679)	(426,035)	39	39
Other Operating and Administration Expenses		(412,801)	(309,654)	(245,589)	(188,006)	33	31
Underwriting and Net Acquisition Costs		(210,923)	(155,422)	(172,725)	(126,881)	36	36
Other Insurance Related Costs		(15,384)	(34,420)	(7,802)	(6,043)	(55)	29
<b>Total Benefits, Claims and Other Expenses</b>		<b>(1,750,627)</b>	<b>(1,619,345)</b>	<b>(1,148,535)</b>	<b>(822,445)</b>	<b>8</b>	<b>40</b>
<b>Profit/(Loss) Before Taxation</b>		<b>81,232</b>	<b>(152,539)</b>	<b>54,725</b>	<b>52,105</b>	<b>153</b>	<b>5</b>
Income Tax (Expenses)/Reversal	10	(16,137)	19,737	(16,137)	(20,832)	(182)	(23)
<b>Profit/(Loss) for the Period</b>	11	<b>65,095</b>	<b>(132,802)</b>	<b>38,588</b>	<b>31,273</b>	<b>149</b>	<b>23</b>
<b>Other Comprehensive Income, Net of Related Tax</b>							
<b>Items that are or may be reclassified to profit or loss</b>							
- Net Change in fair value of Available-For-Sale financial assets		149,550	(52,121)	139,256	(50,002)	387	379
- Realized Gains/(Losses) transferred to Income Statement		10,137	(1,501)	7,353	-	775	-
- Net Change in fair value of Available-For-Sale financial assets transferred to Life Policyholder's Available For Reserve Fund		(137,509)	49,594	(137,509)	49,594	377	377
- Related Tax	10	(1,873)	-	-	-	-	-
<b>Items that will never be reclassified to profit or loss</b>							
<b>Total Other Comprehensive Income for the Period</b>		<b>20,305</b>	<b>(4,028)</b>	<b>9,100</b>	<b>(408)</b>	<b>604</b>	<b>2,330</b>
<b>Total Comprehensive Income for the Period</b>		<b>85,400</b>	<b>(136,830)</b>	<b>47,688</b>	<b>30,865</b>	<b>162</b>	<b>55</b>
<b>Profit Attributable to:</b>							
Equity Holders of the Company		65,095	(132,802)	-	-	149	-
<b>Total Comprehensive Income Attributable to:</b>							
Equity Holders of the Company		85,400	(136,830)	-	-	162	-
Basic Earnings/(Loss) Per Share (Rs.)	12	1.30	(2.66)	0.77	0.63	149	23

## Operating Segment Information - Profitability

For the Nine Months ended,

	Unaudited		Unaudited	
	30th September 2016	30th September 2015	30th September 2016	30th September 2015
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	2,601,465	2,272,655	1,991,747	2,091,394
Premium Ceded to Reinsurers	(115,786)	(487,596)	(76,722)	(372,784)
Net Written Premium	2,485,679	1,785,059	1,915,025	1,718,610
Net Change in Reserves for Unearned Premium	-	(140,652)	-	(184,110)
<b>Net Earned Premium</b>	<b>2,485,679</b>	<b>1,644,407</b>	<b>1,915,025</b>	<b>1,534,500</b>
<b>Other Revenue</b>				
Interest and Dividend Income	703,834	139,832	522,148	125,077
Net Realised Gains/(Losses)	(14,532)	(6,520)	17,341	10,966
Net Fair Value Gains	950	1,669	615	8,122
Fees and Commission Income	52,995	55,165	33,618	53,921
Other Income/(Losses)	(178)	8,370	14	4,278
Total Other Revenue	743,069	198,516	573,736	202,364
<b>Net Income</b>	<b>3,228,748</b>	<b>1,842,923</b>	<b>2,488,761</b>	<b>1,736,864</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(269,488)	(1,177,252)	(196,611)	(1,338,530)
Change in Contract Liabilities - Life Fund	(1,615,387)	-	(1,265,601)	-
Other Operating and Administration Expenses	(671,494)	(522,045)	(536,933)	(469,289)
Underwriting and Net Acquisition Cost	(511,440)	(111,593)	(365,788)	(92,405)
Other Insurance Related Cost	(18,114)	(29,808)	(13,815)	(33,102)
<b>Total Benefits, Claims and other Expenses</b>	<b>(3,085,923)</b>	<b>(1,840,698)</b>	<b>(2,378,748)</b>	<b>(1,933,326)</b>
<b>Profit/(Loss) Before Taxation</b>	<b>142,825</b>	<b>2,225</b>	<b>110,013</b>	<b>(196,462)</b>
Income Tax (Expense) / Reversal	(39,158)	-	(20,832)	56,954
<b>Profit/(Loss) for the Period</b>	<b>103,667</b>	<b>2,225</b>	<b>89,181</b>	<b>(139,508)</b>

## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th September 2016	31st December 2015	30th September 2016	31st December 2015
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	97,660	43,822	94,107	42,172
Intangible Assets	64,145	-	45,185	-
Deferred Tax Assets	-	49,398	-	49,394
Financial Investments	9,466,853	1,804,761	7,849,625	1,901,986
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	114,523	-	91,992	-
Reinsurance Receivables	40,244	523,092	34,269	107,085
Premium Receivables	6,566	420,141	5,592	340,324
Other Assets	507,742	222,758	493,571	141,431
Insurance Contract - Deferred Expenses	-	76,630	-	65,935
Cash and Cash Equivalents	219,183	107,606	258,222	128,707
<b>Total Assets</b>	<b>11,666,916</b>	<b>3,248,208</b>	<b>10,022,563</b>	<b>2,777,034</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	8,639,002	-	7,007,080	-
Insurance Contract Liabilities - General Insurance	-	1,906,023	-	1,546,265
Employee Defined Benefit Liabilities	46,311	41,478	44,008	36,993
Reinsurance Creditors	47,113	145,219	37,547	94,358
Other Liabilities	421,143	226,725	422,583	176,817
<b>Total Liabilities</b>	<b>9,153,569</b>	<b>2,319,445</b>	<b>7,511,218</b>	<b>1,854,433</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 1 CORPORATE INFORMATION

### a). Reporting Entity

HNB Assurance PLC ("the Company") is a Listed Company incorporated on 23rd August 2001 with limited liability and domiciled in Sri Lanka. The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 10, Sri Uttarananda Mawatha, Colombo 3. 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 incorporated in Sri Lanka.

### b). Approval of financial statements

The financial statements were authorized for issue by the Board of Directors on 04th November 2016.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th September 2016 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 2015 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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

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

## 3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th Sep 2016	31st Dec 2015	30th Sep 2016	31st Dec 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held-to-maturity financial assets, at amortised cost	168,788	472,565	168,788	320,426
Loans and Receivables	5,177,921	6,444,029	4,166,277	5,151,718
Available-for-sale financial assets	5,756,531	1,659,296	5,003,603	1,559,525
Financial assets at fair value through profit or loss	168,374	1,175,721	128,185	817,956
Total Financial Investments	11,271,614	9,751,611	9,466,853	7,849,625

## 4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

## 5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the initial impact of the implementation of new accounting standards and the Other Comprehensive Income in respect of Life Insurance related assets.

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 6 INSURANCE CONTRACT LIABILITIES - LIFE

As at,	Group		Company	
	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Life Insurance Fund (Note 6 a)	<b>8,541,496</b>	6,926,109	<b>8,541,496</b>	6,926,109
Claims Outstanding	<b>97,506</b>	80,971	<b>97,506</b>	80,971
<b>Total Insurance Contract Liabilities</b>	<b>8,639,002</b>	7,007,080	<b>8,639,002</b>	7,007,080

#### 6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the period	<b>6,926,109</b>	5,464,009	<b>6,926,109</b>	5,464,009
<b>Change in Contract Liabilities - Life Insurance Fund</b>				
Increase in Life Insurance Fund Before				
Surplus Distribution to Shareholders	<b>1,615,387</b>	1,772,169	<b>1,615,387</b>	1,772,169
Surplus Distributed to Shareholders	-	(310,069)	-	(310,069)
Increase in Life Insurance Fund	<b>1,615,387</b>	1,462,100	<b>1,615,387</b>	1,462,100
<b>Balance as at the end of the period</b>	<b>8,541,496</b>	6,926,109	<b>8,541,496</b>	6,926,109

6 b) The Valuation of the Insurance Contract Liabilities - Life Insurance Fund have been carried out by the Consultant Actuaries for the period ended 30th June 2016 and have ensured adequate provisions have been made in the Condensed Consolidated Interim Financial Statements.

#### 6 c) Liability Adequacy Test

Liability Adequacy Test (LAT) for Life Insurance contract liabilities was carried out as at 30th June 2016. It was carried out by Mr.Hassan Scott Odierno for and on behalf of Actuarial Partners Consulting Sdn Bhd.

### 7 INSURANCE CONTRACT LIABILITIES - GENERAL

As at,	Group		Company	
	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Reserves for Net Unearned Premium	<b>1,236,066</b>	1,098,217	-	-
Reserves for Title Insurance	<b>21,956</b>	19,153	-	-
Reserves for Gross Outstanding Claims	<b>648,001</b>	428,895	-	-
<b>Total Insurance Contract Liabilities</b>	<b>1,906,023</b>	1,546,265	-	-

7 a) The Valuation of the IBNR/IBNER have been carried out by the Consultant Actuaries for the period ended 30th September 2016 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

#### 7 b) Liability Adequacy Test

The Company has carried out a Liability Adequacy Test (LAT) in respect of General Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts as at 30th June 2016. It was carried out by Mr. Mattew Maguire for and on behalf of NMG Financial Services Consulting Pte Limited.

# Notes to the Condensed Consolidated Interim Financial Statements

## 8 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2015 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<b>General Insurance</b>					
372,146	Fire	354,420	287,599	-	-
2,048,698	Motor	1,647,195	1,577,834	-	-
36,062	Marine	29,712	29,312	-	-
241,270	Miscellaneous	241,327	196,649	-	-
(19,920)	Adjustment for Inter Company Premiums	(2,250)	(15,669)	-	-
<u>2,678,256</u>	<b>General Insurance Gross Written Premium</b>	<u>2,270,404</u>	<u>2,075,725</u>	<u>-</u>	<u>-</u>
<b>Life Insurance</b>					
2,704,394	Individual Policies	2,493,076	1,940,775	2,493,076	1,940,775
84,322	Corporate Policies	108,389	50,972	108,389	50,972
(19,808)	Adjustment for Inter Company Premiums	(14,151)	(15,125)	-	-
<u>2,768,908</u>	<b>Life Insurance Gross Written Premium</b>	<u>2,587,314</u>	<u>1,976,622</u>	<u>2,601,465</u>	<u>1,991,747</u>
<u>5,447,164</u>	<b>Total Gross Written Premium</b>	<u>4,857,718</u>	<u>4,052,347</u>	<u>2,601,465</u>	<u>1,991,747</u>

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<b>General Insurance</b>					
104,395	Fire	93,841	-	-	-
605,424	Motor	538,419	-	-	-
9,927	Marine	5,881	-	-	-
57,681	Miscellaneous	39,707	-	-	-
(1,052)	Adjustment for Inter Company Premiums	(2,294)	-	-	-
<u>776,375</u>	<b>General Insurance Gross Written Premium</b>	<u>675,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Life Insurance</b>					
913,517	Individual Policies	680,222	913,517	680,222	913,517
45,650	Corporate Policies	28,024	45,650	28,024	45,650
(4,752)	Adjustment for Inter Company Premiums	(14,364)	-	-	-
<u>954,415</u>	<b>Life Insurance Gross Written Premium</b>	<u>693,882</u>	<u>959,167</u>	<u>708,246</u>	<u>708,246</u>
<u>1,730,790</u>	<b>Total Gross Written Premium</b>	<u>1,369,436</u>	<u>959,167</u>	<u>708,246</u>	<u>708,246</u>

## 9 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2015 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
843,579	Interest Income	831,175	622,497	693,793	505,574
27,470	Dividend Income	12,491	24,728	10,041	16,574
<u>871,049</u>	<b>Total</b>	<u>843,666</u>	<u>647,225</u>	<u>703,834</u>	<u>522,148</u>

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
312,581	Interest Income	214,799	262,962	175,892	175,892
4,172	Dividend Income	4,972	3,276	4,197	4,197
<u>316,753</u>	<b>Total</b>	<u>219,771</u>	<u>266,238</u>	<u>180,089</u>	<u>180,089</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 10 INCOME TAX (EXPENSES) / REVERSAL

Group		Group		Company	
Audited 31st Dec 2015 Rs. '000	For the Nine months ended,	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
-	Current Tax Charge	-	-	-	-
(29,383)	Provision for Notional Tax Credit (NTC) - Life Insurance	(39,158)	(20,832)	(39,158)	(20,832)
56,954	Deferred Income Tax - Profit or Loss	-	56,954	-	-
<u>27,571</u>	Total	<u>(39,158)</u>	<u>36,122</u>	<u>(39,158)</u>	<u>(20,832)</u>
1,286	Deferred Income Tax - Other Comprehensive Income	4	-	-	-
<u>1,286</u>	Total	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
-	Current Tax Charge	-	-	-	-
(16,137)	Provision for Notional Tax Credit (NTC) - Life Insurance	(16,137)	(20,832)	(16,137)	(20,832)
-	Deferred Income Tax - Profit or Loss	-	40,569	-	-
<u>(16,137)</u>	Total	<u>(16,137)</u>	<u>19,737</u>	<u>(16,137)</u>	<u>(20,832)</u>
(1,873)	Deferred Income Tax - Other Comprehensive Income	(1,873)	-	-	-
<u>(1,873)</u>	Total	<u>(1,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

## 11 PROFIT/(LOSS) FOR THE PERIOD

Group		Group		Company	
Audited 31st Dec 2015 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
424,690	HNB Assurance PLC	103,667	86,225	103,667	89,181
(227,346)	HNB General Insurance Ltd	2,225	(139,508)	-	-
<u>197,344</u>	Total	<u>105,892</u>	<u>(53,283)</u>	<u>103,667</u>	<u>89,181</u>

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
38,588	HNB Assurance PLC	38,588	31,841	38,588	31,273
26,507	HNB General Insurance Ltd	26,507	(164,643)	-	-
<u>65,095</u>	Total	<u>65,095</u>	<u>(132,802)</u>	<u>38,588</u>	<u>31,273</u>

## 12 BASIC EARNINGS PER SHARE (EPS)

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

Group		Group		Company	
Audited 31st Dec 2015	for the Nine months ended,	Unaudited 30th Sep 2016	Unaudited 30th Sep 2015	Unaudited 30th Sep 2016	Unaudited 30th Sep 2015
197,344	Profit/(Loss) for the period (Rs. '000)	105,892	(53,283)	103,667	89,181
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
<u>3.95</u>	Basic Earnings/(Loss) Per Share (Rs.)	<u>2.12</u>	<u>(1.07)</u>	<u>2.07</u>	<u>1.78</u>

## Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2016	Unaudited 30th Sep 2015	Unaudited 30th Sep 2016	Unaudited 30th Sep 2015
Profit/(Loss) for the period (Rs. '000)	<b>65,095</b>	(132,802)	<b>38,588</b>	31,273
Weighted average number of shares ('000)	<b>50,000</b>	50,000	<b>50,000</b>	50,000
Basic Earnings/(Loss) Per Share (Rs.)	<b>1.30</b>	(2.66)	<b>0.77</b>	0.63

### 13 RELATED PARTY DISCLOSURES

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

<i>Nature of Transaction</i>	Group		Company	
	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<i>For the Nine Months Ended,</i>				
Insurance Premium	<b>6,432</b>	5,962	-	-
Investment Income	<b>25,985</b>	20,106	<b>22,006</b>	15,862
Administration Expenses	<b>137,942</b>	111,445	<b>85,176</b>	58,567
Claims Incurred	<b>6,684</b>	6,963	-	-
Rent and other Expenses	<b>39,148</b>	38,957	<b>30,096</b>	26,387
Dividend Paid	<b>59,986</b>	112,474	<b>59,986</b>	112,474
<i>Nature of Transaction</i>	Group		Company	
<i>Balance as at,</i>	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Investments Balance (Includes Deposits and Debentures)	<b>394,938</b>	281,542	<b>322,343</b>	189,736
Cash at Bank Balances	<b>130,406</b>	215,080	<b>92,163</b>	75,724

#### b) Transactions with / between the Subsidiary Company - HNB General Insurance Ltd

<i>Nature of Transaction</i>	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<i>For the Nine Months Ended,</i>				
Insurance Premium	<b>14,151</b>	15,125	<b>14,151</b>	15,125
Insurance Expenses	<b>2,250</b>	15,669	<b>2,250</b>	15,669
Claims Paid	<b>633</b>	-	<b>633</b>	-
Administrations Expenses Reimbursement	<b>152,789</b>	109,645	<b>152,789</b>	109,645
Profit Commission Expense	<b>2,862</b>	4,047	<b>2,862</b>	4,047

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

<i>Name of the Company</i>	<i>Nature of Transaction</i>	Group		Company	
		Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<i>For the Nine Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	-	38	-	-
HNB Grameen Finance Ltd	Insurance Premium	<b>69,457</b>	22,869	<b>68,850</b>	22,397
	Claims Incurred	<b>39,798</b>	1,131	<b>39,587</b>	1,088
	Administration Expenses	<b>7,029</b>	2,913	<b>6,935</b>	2,832

## Notes to the Condensed Consolidated Interim Financial Statements

### d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<i>For the Nine Months Ended,</i>					
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	5	-	-	-
	Claims incurred	288	-	222	-
ACUITY Partners (Pvt) Ltd	Insurance Premium	791	-	426	-
ACUITY Securities Ltd	Investment Income from REPO	33,432	16,859	25,160	13,048
Name of the Company	Nature of Transaction	Group		Company	
As at,		Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
ACUITY Securities Ltd	Investment In REPO	569,185	918,569	517,927	755,544

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

Nature of Transaction	Unaudited 30th Sep 2016 Rs. '000	Unaudited 30th Sep 2015 Rs. '000
<i>For the Nine Months Ended,</i>		
Director Fee	9,175	2,205
Short -term and Post employment benefits	41,871	34,018
Insurance Premium	1,323	752
Claims Paid	106	377

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

Mr. M U De Silva, a Director of HNB Assurance PLC has tendered his resignation from being a Director of the Company w.e.f 08th January 2016.

Ms. Marina Tharmaratnam, was appointed as a Director (non-executive/independent) to the Board of HNB General Insurance Limited w.e.f 1st September 2016.

Mr. Deepthi Lokuarachchi was appointed as the Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited w.e.f 02 nd May 2016.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2015 except for the above changes.

#### 14 SUPER GAIN TAX

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

#### 15 EVENTS OCCURRING AFTER THE REPORTING DATE

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

#### 16 CAPITAL COMMITMENTS

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

b) Future commitments on operating leases

As at,	Unaudited 30th Sep 2016 Rs. '000	Audited 31st Dec 2015 Rs. '000
Less than one year	127,634	68,023
Between one and five years	387,844	142,620
More than five years	4,574	7,166
Total Operating Lease Commitments	520,052	217,809

# Notes to the Condensed Consolidated Interim Financial Statements

## 17 CONTINGENCIES

a) The Inland Revenue Department has taken the view that reinsurance claims and commission for the year of assessment 2010/11 on General Insurance business is liable for Value Added Tax (VAT). Accordingly the Company has received a VAT Assessment on Reinsurance Claims and Commissions amounting to Rs. 13.3 Million for the year of Assessment 2010/2011. This has been a common assessment to most of the Insurance Companies who are in the General Insurance business, issued by the Inland Revenue Department (IRD). However the companies in the Insurance Industry are of the strong view that they are not liable to pay VAT on Reinsurance and claims. The Company has filed due responses in consultation with Tax Consultants and has made an appeal to the Tax Appeals Commission. The Company has obtained a Bank Guarantee of Rs 3.3 Million against the appeal made. As such the Company is of the strong view that no additional tax liabilities will arise due to this Assessment. No further response has been received on this matter as of the date of authorising these Condensed Consolidated Financial Statements. VAT on reinsurance and claims has been exempted by the Inland Revenue Department w.e.f. 01st January 2011. This is an indication that realization of this liability is remote.

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

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

d) The Company has received a Notice of Assessment for Life Insurance taxation for the year of assessment 2013/2014. We have filed a petition of appeal through our Tax Consultants. In the event that this Assessment would materialise against the Company, there will be a tax liability of Rs 132 Million after utilizing all available tax losses. However, the Company together with our Tax Consultants are of the strong view that the liabilities raised in this assessment would not materialise.

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

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

## 18 TRANSFER PRICING

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

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

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

## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 30th September 2016	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
3 Mercantile Merchant Bank Ltd	913,265	1.83%
4 Janashakthi General Insurance Limited	824,425	1.65%
5 Bank of Ceylon A/c Ceybank Century Growth Fund	651,894	1.30%
6 Mr. Mohamed Faizer Hashim	530,534	1.06%
7 Salamander Investments (Pvt) Ltd	475,000	0.95%
8 Mrs. Arunthathi Selliah	400,000	0.80%
9 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	400,000	0.80%
10 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
11 Arunodhaya Industries (Pvt) Ltd	400,000	0.80%
12 Arunodhaya (Pvt) Ltd.	400,000	0.80%
13 Arunodhaya Investments (Pvt) Ltd	400,000	0.80%
14 Union Assurance PLC/No. 1 A/c	336,266	0.67%
15 Mr. Dueleep Fairlie George Dalpethado Joint Mrs. Hewa Fonsekage Anne Kumudini Devika	272,740	0.55%
16 Phoenix Ventures (Pvt) Ltd	260,000	0.52%
17 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
18 Mr. Madduma Hetti Vidanelage Upali Gunatilake	202,060	0.40%
19 Mr. Kailasapillai Aravinthan	200,000	0.40%
20 Andysel Private Limited	200,000	0.40%
	<u>39,504,287</u>	<u>79.01%</u>

### Public Shareholding

	As at 30th September 2016	
	No.	% on Issued Shares
Number of Shares	19,331,497	38.66%

### Public Shareholding

	As at 30th September 2016	
	No.	% on Total No. of shareholders
Number of Shareholders	3,465	99.71%



## Share Information (Contd.)

### Shareholdings of Directors and Chief Executive Officer

Name of the Director	No. of Shares as at 30th September 2016
Mrs. Rose Cooray	15,000
Mr. Sarath Ratwatte	14,666
Mr. J A P M Jayasekara	83,057
Mr. K Balasundaram	10,000
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	100,000
Mr. N H T I Perera	100
Mr. D P Lokuarachchi - (Chief Executive Officer)	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 September 2016 - Group	45.84
Net Asset Value Per Share as at 30th September 2016 - Company	50.27
Highest Price Per Share for the Interim Period	66.90
Lowest Price Per Share for the Interim Period	56.50
Last traded Price Per Share as at 30th September 2016	63.00