

**15**<sup>YEARS</sup>

# **DELIGHTING**

**OUR STAKEHOLDERS**



**HNB Assurance PLC**

**Condensed Consolidated Interim Financial Statements  
30<sup>th</sup> June 2017**

# Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th June 2017 Rs. '000	31st Dec 2016 Rs. '000	30th June 2017 Rs. '000	31st Dec 2016 Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		165,495	161,362	114,583	112,151
Intangible Assets		60,424	60,882	60,424	60,882
Deferred Tax Assets		50,970	52,922	-	-
Financial Investments	3	13,386,904	11,544,575	11,186,586	9,642,596
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		140,804	119,941	140,804	119,941
Reinsurance Receivables		817,242	494,726	73,273	54,814
Premium Receivables		703,159	623,294	7,570	6,805
Other Assets		819,923	770,674	559,735	575,676
Insurance Contract - Deferred Expenses		97,748	74,951	-	-
Cash and Cash Equivalents		326,704	625,527	167,754	476,572
<b>Total Assets</b>		<b>16,569,373</b>	<b>14,528,854</b>	<b>13,460,729</b>	<b>12,199,437</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		1,647,855	1,721,675	1,747,941	1,897,936
Available for Sale Reserve		8,273	(7,152)	5,989	(1,465)
Other Reserves		1,790	1,790	(1,886)	(1,886)
Life Policyholders' Available for Sale Reserve Fund	5	(39,808)	(191,131)	(39,808)	(191,131)
<b>Total Equity</b>		<b>2,789,985</b>	<b>2,697,057</b>	<b>2,884,111</b>	<b>2,875,329</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	6	9,982,854	8,747,856	9,982,854	8,747,856
Insurance Contract Liabilities - General Insurance	7	2,485,956	1,921,567	-	-
Employee Defined Benefit Liabilities		100,166	90,433	56,679	50,883
Current Tax Liabilities		18,409	3,300	-	-
Reinsurance Creditors		391,522	287,895	83,498	39,395
Other Liabilities		800,481	780,746	453,587	485,974
<b>Total Liabilities</b>		<b>13,779,388</b>	<b>11,831,797</b>	<b>10,576,618</b>	<b>9,324,108</b>
<b>Total Equity and Liabilities</b>		<b>16,569,373</b>	<b>14,528,854</b>	<b>13,460,729</b>	<b>12,199,437</b>

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

  
**Indika Perera**  
 Chief Financial Officer

The Board of Directors is responsible for 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  
 28th July 2017

## Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change	
Year Ended	31 <sup>st</sup> Dec 2016	<i>For the Six Months Ended 30th June,</i>		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
(Audited)	Rs. '000	2017	2016	2017	2016	2017	2016	%	%
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
6,656,694	Gross Written Premium	8	3,805,231	3,126,928	1,919,137	1,642,298		22	17
(877,713)	Premium Ceded to Reinsurers		(548,123)	(422,682)	(91,612)	(75,845)		30	21
5,778,981	Net Written Premium		3,257,108	2,704,246	1,827,525	1,566,453		20	17
(181,102)	Net Change in Reserves for Unearned Premium		(209,021)	(69,509)	-	-		201	-
5,597,879	<b>Net Earned Premium</b>		<b>3,048,087</b>	2,634,737	<b>1,827,525</b>	1,566,453		16	17
<b>Other Revenue</b>									
1,180,085	Interest and Dividend Income	9	743,411	526,913	626,612	437,596		41	43
(29,119)	Net Realised Gains/(Losses)		7,942	(9,187)	4,946	(5,224)		186	195
(6,461)	Net Fair Value Gains/(Losses)		19,850	(17,688)	15,837	(15,445)		212	203
128,798	Fee and Commission Income		88,875	76,271	40,593	39,933		17	2
25,024	Other Income		21,968	9,328	10,993	2,176		136	405
1,298,327	<b>Total Other Revenue</b>		<b>882,046</b>	585,637	<b>698,981</b>	459,036		51	52
6,896,206	<b>Net Income</b>		<b>3,930,133</b>	3,220,374	<b>2,526,506</b>	2,025,489		22	25
<b>Net Benefits, Claims and Expenses</b>									
(1,947,645)	Net Insurance Benefits and Claims		(1,039,002)	(926,267)	(236,032)	(138,749)		12	70
(1,708,285)	Change in Contract Liabilities - Life Fund		(1,237,022)	(1,023,708)	(1,237,022)	(1,023,708)		21	21
(1,572,964)	Other Operating and Administration Expenses		(899,622)	(742,526)	(493,167)	(406,499)		21	21
(922,886)	Underwriting and Net Acquisition Costs		(495,052)	(448,305)	(405,422)	(358,121)		10	13
(38,905)	Other Insurance Related Costs		(26,287)	(15,749)	(17,263)	(10,312)		67	67
(6,190,685)	<b>Total Benefits, Claims and Other Expenses</b>		<b>(3,696,985)</b>	(3,156,555)	<b>(2,388,906)</b>	(1,937,389)		17	23
705,521	<b>Profit Before Taxation</b>		<b>233,148</b>	63,819	<b>137,600</b>	88,100		265	56
(58,108)	Income Tax Expenses	10	(56,968)	(23,021)	(37,595)	(23,021)		147	63
647,413	<b>Profit for the Period</b>	11	<b>176,180</b>	40,798	<b>100,005</b>	65,079		332	54
<b>Other Comprehensive Income, Net of Related Tax</b>									
<b>Items that are or may be reclassified to profit or loss</b>									
(153,476)	- Net Change in fair value of Available For Sale financial assets		162,465	(154,251)	154,329	(145,105)		205	206
14,466	- Realised Gains/(Losses) transferred to Income Statement		6,236	(3,169)	4,448	(3,169)		297	240
134,781	- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholders' Available For Sale Reserve Fund		(151,323)	147,442	(151,323)	147,442		(203)	(203)
1,825	- Related Tax	10	(1,953)	1,877	-	-		(204)	-
<b>Items that will never be reclassified to profit or loss</b>									
2,883	Actuarial Gains on Defined Benefit Plans		-	-	-	-		-	-
479	<b>Total Other Comprehensive Income for the period net of Related Tax</b>		<b>15,425</b>	(8,101)	<b>7,454</b>	(832)		290	996
647,892	<b>Total Comprehensive Income for the Period</b>		<b>191,605</b>	32,697	<b>107,459</b>	64,247		486	67
<b>Profit Attributable to:</b>									
647,413	Equity Holders of the Parent		176,180	40,798	-	-		332	-
<b>Total Comprehensive Income Attributable to:</b>									
647,892	Equity Holders of the Parent		191,605	32,697	-	-		486	-
12.95	Basic Earnings Per Share (Rs.)	12	3.52	0.82	2.00	1.30		332	54

# Statement of Changes in Equity - Group

For the Period Ended 30th June 2017,

	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' ARS Reserve Fund Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2016</b>	50,000	1,171,975	1,174,322	(4,748)	(1,083)	(56,350)	2,283,346
<b>Total Comprehensive Income for the Period</b>							
Profit for the period- Unaudited	-	-	40,798	-	-	-	40,798
<b>Other Comprehensive Income for the Period, net of related tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	(155,543)	-	-	(155,543)
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	147,442	-	-	147,442
Total Other Comprehensive Income for the Period	-	-	-	(8,101)	-	-	(8,101)
<b>Total Comprehensive Income for the Period</b>			40,798	(8,101)	-	-	32,697
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	(147,442)	(147,442)
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Parent Dividend to equity holders for 2015	-	-	(100,000)	-	-	-	(100,000)
<b>Unaudited balance as at 30th June 2016</b>	50,000	1,171,975	1,115,060	(12,849)	(1,083)	(203,792)	2,069,201
<b>Total Other Comprehensive Income for the Period</b>							
Profit for the period- Unaudited	-	-	606,616	-	-	-	606,616
<b>Other Comprehensive Income for the Period, net of related tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	18,358	-	-	18,358
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(12,661)	-	-	(12,661)
Actuarial Gains on Defined Benefit Plans	-	-	-	-	2,883	-	2,883
Total Other Comprehensive Income for the Period	-	-	-	5,697	2,883	-	8,580
<b>Total Comprehensive Income for the Period</b>			606,616	5,697	2,883	-	615,196
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	12,861	12,861
<b>Audited balance as at 31st December 2016</b>	50,000	1,171,975	1,721,675	(7,152)	1,790	(191,131)	2,697,057
<b>Balance as at 01st January 2017</b>	50,000	1,171,975	1,721,675	(7,152)	1,790	(191,131)	2,697,057
<b>Total Comprehensive Income for the Period</b>							
Profit for the period- Unaudited	-	-	176,180	-	-	-	176,180
<b>Other Comprehensive Income for the Period, net of related tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	186,748	-	-	186,748
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(151,323)	-	-	(151,323)
Total Other Comprehensive Income for the Period	-	-	-	15,425	-	-	15,425
<b>Total Comprehensive Income for the Period</b>			176,180	15,425	-	-	191,605
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	151,323	151,323
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Parent Dividend paid to equity holders for 2016	-	-	(250,000)	-	-	-	(250,000)
<b>Unaudited balance as at 30th June 2017</b>	50,000	1,171,975	1,647,855	8,273	1,790	(39,808)	2,789,985

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2017 (2016 - 50 Million Ordinary Shares).

# Statement of Changes in Equity - Company

For the Period Ended 30th June 2017,

	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserves Rs. '000	Policyholders' AFS Reserve Fund Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2016</b>	50,000	1,174,875	1,397,806	53	(2,039)	(66,350)	2,511,345
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited	-	-	65,079	-	-	-	65,079
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	(148,274)	-	-	(148,274)
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	147,442	-	-	147,442
<b>Total Other Comprehensive Income for the period</b>				(832)			(832)
<b>Total Comprehensive Income for the period</b>			65,079	(832)			64,247
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	(147,442)	(147,442)
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Company	-	-	(100,000)	-	-	-	(100,000)
Dividend paid to equity holders for 2015	-	-	1,362,865	(779)	(2,039)	(203,792)	2,328,160
<b>Unaudited balance as at 30th June 2016</b>	50,000	1,174,875	1,362,865	(779)	(2,039)	(203,792)	2,328,160
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited	-	-	535,051	-	-	-	535,051
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	11,975	-	-	11,975
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(12,661)	-	-	(12,661)
Actual Gains on Defined Benefit Plans	-	-	-	-	153	-	153
<b>Total Other Comprehensive Income for the period</b>				(686)	153	(533)	(533)
<b>Total Comprehensive Income for the period</b>			535,051	(686)	153	-	534,518
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	12,661	12,661
<b>Audited balance as at 31st December 2016</b>	50,000	1,174,875	1,897,936	(1,465)	(1,896)	(191,131)	2,876,329
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited	-	-	100,005	-	-	-	100,005
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	-	158,777	-	-	158,777
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(151,323)	-	-	(151,323)
<b>Total Other Comprehensive Income for the period</b>				7,454			7,454
<b>Total Comprehensive Income for the period</b>			100,005	7,454			107,459
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	151,323	151,323
<b>Transactions with owners recorded directly in equity</b>							
Distributions to owners of the Company	-	-	(250,000)	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	-	1,747,941	(1,886)	-	-	2,864,111
<b>Unaudited balance as at 30th June 2017</b>	50,000	1,174,875	5,869	(1,886)		(39,808)	2,864,111

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2017 (2016 - 50 Million Ordinary Shares).

# Statement of Cash Flows

<i>For the Six Months Ended 30th June,</i>	Group		Company		
	Note	Unaudited 2017	Unaudited 2016	Unaudited 2017	Unaudited 2016
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit Before Taxation		233,148	63,819	137,600	88,100
<i>Adjustments for:</i>					
Interest Income		(739,118)	(518,593)	(623,187)	(430,831)
Dividend Income		(4,293)	(8,320)	(3,425)	(6,765)
Amortisation of Intangible Assets		9,157	9,896	9,157	9,896
Depreciation		27,751	20,576	19,062	14,486
Provision for Employee Benefits		13,278	11,195	7,691	6,519
Net Realised (Gain)/Losses		(7,942)	9,187	(4,946)	5,224
Net Fair Value (Gain)/Losses		(19,850)	17,688	(15,837)	15,445
Losses/(Gains) on Sale of Property, Plant and Equipment		1,730	(9)	1,422	(9)
		<b>(486,139)</b>	<b>(394,561)</b>	<b>(472,463)</b>	<b>(297,935)</b>
Change in Operating Assets	A	(477,339)	(880,355)	(24,707)	(140,062)
Change in Operating Liabilities	B	1,907,629	1,782,341	1,246,714	1,012,237
Cash Flows from Operating Activities		944,151	507,425	749,544	574,240
Gratuity Paid		(3,545)	(7,025)	(1,895)	(5,165)
Tax Paid		(7,862)	(3,151)	-	-
Net Cash Generated from Operating Activities		<b>932,744</b>	<b>497,249</b>	<b>747,649</b>	<b>569,075</b>
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(1,607,885)	(963,657)	(1,327,755)	(911,534)
Interest Received		663,573	553,599	548,917	455,068
Dividend Received		5,059	8,543	3,986	6,844
Acquisition of Intangible Assets		(8,699)	(29,658)	(8,699)	(29,658)
Acquisition of Property, Plant and Equipment		(37,503)	(15,919)	(25,662)	(7,366)
Proceeds from the Sale of Property, Plant and Equipment		3,888	9	2,746	9
Net Cash Used in Investing Activities		<b>(981,567)</b>	<b>(447,083)</b>	<b>(806,467)</b>	<b>(486,637)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(250,000)	(100,000)	(250,000)	(100,000)
Net Cash Used in Financing Activities		<b>(250,000)</b>	<b>(100,000)</b>	<b>(250,000)</b>	<b>(100,000)</b>
Net Decrease in Cash and Cash Equivalents	C	(298,823)	(49,834)	(308,818)	(17,562)
Cash and Cash Equivalents at the beginning of the Period		625,527	386,929	476,572	258,222
Cash and Cash Equivalents at the end of the Period		<b>326,704</b>	<b>337,095</b>	<b>167,754</b>	<b>240,660</b>
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		(22,797)	(5,356)	-	-
Increase in Loans to Life Policyholders		(20,863)	(10,813)	(20,863)	(10,813)
Increase in Reinsurance Receivables		(322,516)	(616,327)	(18,459)	(2,610)
Increase in Premium Receivables		(79,865)	(97,348)	(765)	(1,596)
(Increase)/Decrease in Other Assets		(31,298)	(150,511)	15,381	(125,043)
		<b>(477,339)</b>	<b>(880,355)</b>	<b>(24,707)</b>	<b>(140,062)</b>
<b>B. Change in Operating Liabilities</b>					
Increase/(Decrease) in Other Liabilities		4,616	58,480	(32,388)	(6,751)
Increase in Insurance Contract Liabilities - General Insurance		564,388	574,770	-	-
Increase in Insurance Contract Liabilities - Life Insurance		1,234,998	1,010,688	1,234,998	1,010,688
Increase in Reinsurance Creditors		103,627	138,403	44,103	8,300
		<b>1,907,629</b>	<b>1,782,341</b>	<b>1,246,714</b>	<b>1,012,237</b>
<b>C. Increase in Cash and Cash Equivalents</b>					
Net Cash and Cash Equivalents at the end of the period		326,704	337,095	167,754	240,660
Net Cash and Cash Equivalents at the beginning of the period		625,527	386,929	476,572	258,222
Net Decrease in Cash and Cash Equivalents		<b>(298,823)</b>	<b>(49,834)</b>	<b>(308,818)</b>	<b>(17,562)</b>

## Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2017	2016	2017	2016	%	%
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>For the Three Months Ended 30th June,</b>							
Gross Written Premium	8	1,897,244	1,515,977	931,313	804,848	25	16
Premium Ceded to Reinsurers		(310,165)	(210,110)	(45,776)	(38,210)	48	20
Net Written Premium		1,587,079	1,305,867	885,537	766,638	22	16
Net Change in Reserves for Unearned Premium		(81,606)	(7,626)	-	-	970	-
<b>Net Earned Premium</b>		<b>1,505,473</b>	<b>1,298,241</b>	<b>885,537</b>	<b>766,638</b>	<b>16</b>	<b>16</b>
<b>Other Revenue</b>							
Interest and Dividend Income	9	383,066	283,843	321,856	236,695	35	36
Net Realised Gains		4,467	1,912	2,035	2,113	134	(4)
Net Fair Value Gains		23,303	18,867	19,605	11,314	24	73
Fee and Commission Income		38,016	22,588	15,518	6,067	68	156
Other Income		13,365	6,370	4,125	1,844	110	124
<b>Total Other Revenue</b>		<b>462,217</b>	<b>333,580</b>	<b>363,139</b>	<b>258,033</b>	<b>39</b>	<b>41</b>
<b>Net Income</b>		<b>1,967,690</b>	<b>1,631,821</b>	<b>1,248,676</b>	<b>1,024,671</b>	<b>21</b>	<b>22</b>
<b>Net Benefits, Claims and Expenses</b>							
Net Insurance Benefits and Claims		(519,447)	(492,990)	(130,811)	(71,703)	5	82
Change in Contract Liabilities - Life Fund		(607,659)	(524,232)	(607,659)	(524,232)	16	16
Other Operating and Administration Expenses		(466,855)	(377,668)	(256,928)	(212,629)	24	21
Underwriting and Net Acquisition Costs		(224,024)	(210,304)	(178,515)	(164,142)	7	9
Other Insurance Related Costs		(12,198)	(8,666)	(7,324)	(5,243)	41	40
<b>Total Benefits, Claims and Other Expenses</b>		<b>(1,830,183)</b>	<b>(1,613,860)</b>	<b>(1,181,237)</b>	<b>(977,949)</b>	<b>13</b>	<b>21</b>
<b>Profit Before Taxation</b>		<b>137,507</b>	<b>17,961</b>	<b>67,439</b>	<b>46,722</b>	<b>666</b>	<b>44</b>
Income Tax Expenses	10	(35,369)	(10,695)	(19,817)	(13,258)	231	49
<b>Profit for the Period</b>	11	<b>102,138</b>	<b>7,266</b>	<b>47,622</b>	<b>33,464</b>	<b>1,306</b>	<b>42</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		212,252	(3,155)	201,108	(4,071)	6,827	5,040
- Realised Gains/(Losses) transferred to Income Statement		3,003	(3,169)	1,767	(3,169)	195	156
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For Reserve Fund		(191,770)	7,312	(191,770)	7,312	(2,723)	(2,723)
- Related Tax	10	(1,267)	1,877	-	-	(168)	-
<b>Total Other Comprehensive Income for the Period net of related tax</b>		<b>22,218</b>	<b>2,865</b>	<b>11,105</b>	<b>72</b>	<b>675</b>	<b>15,324</b>
<b>Total Comprehensive Income for the Period</b>		<b>124,356</b>	<b>10,131</b>	<b>58,727</b>	<b>33,536</b>	<b>1,128</b>	<b>75</b>
<b>Profit Attributable to:</b>							
Equity Holders of the Parent		102,138	7,266	47,622	33,464	1,306	42
<b>Total Comprehensive Income Attributable to:</b>							
Equity Holders of the Parent		124,356	10,131	58,727	33,536	1,128	75
Basic Earnings Per Share (Rs.)	12	2.04	0.15	0.95	0.67	1,306	42

## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 2017		31st December 2016	
	Life Insurance	General Insurance	Life Insurance	General Insurance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	114,583	50,912	112,151	49,211
Intangible Assets	60,424	-	60,882	-
Deferred Tax Assets	-	50,970	-	52,922
Financial Investments	11,186,586	2,200,318	9,642,596	1,901,979
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	140,804	-	119,941	-
Reinsurance Receivables	73,273	743,969	54,814	439,912
Premium Receivables	7,570	695,589	6,805	616,489
Other Assets	559,735	267,712	575,676	208,118
Insurance Contract - Deferred Expenses	-	97,748	-	74,951
Cash and Cash Equivalents	167,754	158,950	476,572	148,955
<b>Total Assets</b>	<b>13,460,729</b>	<b>4,266,168</b>	<b>12,199,437</b>	<b>3,492,537</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	9,982,854	-	8,747,856	-
Insurance Contract Liabilities - General Insurance	-	2,485,956	-	1,921,567
Employee Defined Benefit Liabilities	56,679	43,487	50,883	39,550
Current Tax Liabilities	-	18,409	-	3,300
Reinsurance Creditors	83,498	308,024	39,395	248,500
Other Liabilities	453,587	354,417	485,974	307,892
<b>Total Liabilities</b>	<b>10,576,618</b>	<b>3,210,293</b>	<b>9,324,108</b>	<b>2,520,809</b>

## Operating Segment Information - Profitability

For the Six Months ended,	Unaudited		Unaudited	
	30th June 2017		30th June 2016	
	Life Insurance	General Insurance	Life Insurance	General Insurance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	1,919,137	1,901,357	1,642,298	1,495,228
Premium Ceded to Reinsurers	(91,612)	(456,511)	(75,845)	(346,837)
Net Written Premium	1,827,525	1,444,846	1,566,453	1,148,391
Net Change in Reserves for Unearned Premium	-	(209,021)	-	(69,509)
<b>Net Earned Premium</b>	<b>1,827,525</b>	<b>1,235,825</b>	<b>1,566,453</b>	<b>1,078,882</b>
<b>Other Revenue</b>				
Interest and Dividend Income	626,612	116,799	437,596	89,317
Net Realised Gains/(Losses)	4,946	2,996	(5,224)	(3,962)
Net Fair Value Gains/(Losses)	15,837	4,013	(15,445)	(2,243)
Fees and Commission Income	40,593	55,537	39,933	38,368
Other Income	10,993	10,975	2,176	7,152
<b>Total Other Revenue</b>	<b>698,981</b>	<b>190,320</b>	<b>459,036</b>	<b>128,632</b>
<b>Net Income</b>	<b>2,526,506</b>	<b>1,426,145</b>	<b>2,025,489</b>	<b>1,207,514</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(236,032)	(802,970)	(138,749)	(787,518)
Change in Contract Liabilities - Life Fund	(1,237,022)	-	(1,023,708)	-
Other Operating and Administration Expenses	(493,167)	(423,874)	(406,499)	(348,656)
Underwriting and Net Acquisition Cost	(405,422)	(94,729)	(358,121)	(90,184)
Other Insurance Related Cost	(17,263)	(9,024)	(10,312)	(5,437)
<b>Total Benefits, Claims and other Expenses</b>	<b>(2,388,906)</b>	<b>(1,330,597)</b>	<b>(1,937,389)</b>	<b>(1,231,795)</b>
<b>Profit Before Taxation</b>	<b>137,600</b>	<b>95,548</b>	<b>88,100</b>	<b>(24,281)</b>
Income Tax Expense	(37,595)	(19,373)	(23,021)	-
<b>Profit for the Period</b>	<b>100,005</b>	<b>76,175</b>	<b>65,079</b>	<b>(24,281)</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, TB Jayaw Mawatha, Colombo 10 and the principal place of business is situated at Iceland Business Center, No. 30, Sri Uttaranda 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 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 28th July 2017.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th June 2017 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 - 2016 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

New SLFRSs 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 June 2017	31st Dec 2016	30th June 2017	31st Dec 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to maturity financial assets, at amortised cost	177,136	174,025	177,136	174,025
Loans and Receivables	7,172,973	5,344,482	5,646,788	4,253,239
Available For Sale financial assets	5,893,854	5,869,558	5,240,352	5,095,600
Financial assets at fair value through profit or loss	142,941	156,510	122,310	119,732
Total Financial Investments	<u>13,386,904</u>	<u>11,544,575</u>	<u>11,186,586</u>	<u>9,642,596</u>

## 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 fair value changes recorded in Other Comprehensive Income in respect of Life Insurance related assets.

5a) Unrealised gains and losses of Available For Sale financial assets of Life Insurance are included under Life Policyholders' Available For Sale Reserve Fund in Equity.

## Notes to the Condensed Consolidated Interim Financial Statements

### 6 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Life Insurance Fund (Note 6 a)	<b>9,871,416</b>	8,634,394	<b>9,871,416</b>	8,634,394
Claims Outstanding	<b>111,438</b>	113,462	<b>111,438</b>	113,462
Total Insurance Contract Liabilities	<b>9,982,854</b>	8,747,856	<b>9,982,854</b>	8,747,856

#### 6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the Period	<b>8,634,394</b>	6,926,109	<b>8,634,394</b>	6,926,109
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before				
Surplus Distribution to Shareholders	<b>1,237,022</b>	2,169,427	<b>1,237,022</b>	2,169,427
Surplus Distributed to Shareholders	-	(461,142)	-	(461,142)
Increase in Life Insurance Fund	<b>1,237,022</b>	1,708,285	<b>1,237,022</b>	1,708,285
Balance as at the end of the Period	<b>9,871,416</b>	8,634,394	<b>9,871,416</b>	8,634,394

As required by the Insurance Board of Sri Lanka (IBSL), 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 the Insurers are required to value the Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies as stipulated by the IBSL. The change in the valuation method from NPV to GPV resulted a release in Policyholder Liabilities of the Company as of 01st January 2016. This resulted release in liabilities as at 01st January 2016 amounted to Rs. 1,849.7 Million for fund based life products and Rs.330.6 Million for other life product. The Company has kept the release in liabilities under the Long term Insurance fund of Life Policyholders as required by the IBSL.

**6 b)** Valuation of the Life Insurance Contract Liabilities for the period ended 30th June 2017 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial statements in line with the Actuarial Valuation.

#### 6 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Mr. Hassan Scott Odierno, of M/S Actuarial Partners Consulting Sdn Bhd, as at 30th June 2017 as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, assets are sufficiently adequate as compared to the reserves as at 30th June 2017. No additional provisions were required against the LAT as at 30th June 2017.

### 7 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Reserves for Net Unearned Premium	<b>1,481,182</b>	1,278,861	-	-
Reserves for Title Insurance	<b>26,310</b>	19,611	-	-
Reserves for Gross Outstanding Claims	<b>978,464</b>	623,095	-	-
Total Insurance Contract Liabilities	<b>2,485,956</b>	1,921,567	-	-

## Notes to the Condensed Consolidated Interim Financial Statements

7 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 30th June 2017 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

### 7 b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 30th June 2017 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, the Company adequately satisfies the LAT as at 30th June 2017. No additional provisions were required against the LAT as at 30th June 2017.

## 8 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2016 Rs. '000	For the Six Months Ended,	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<b>Life Insurance</b>					
3,426,072	Individual Policies	<b>1,864,078</b>	1,579,559	<b>1,864,078</b>	1,579,559
128,006	Corporate Policies	<b>55,059</b>	62,739	<b>55,059</b>	62,739
(18,715)	Adjustment for Inter Company Premiums	<b>(10,366)</b>	(9,399)	-	-
<u>3,535,363</u>	<b>Life Insurance Gross Written Premium</b>	<u><b>1,908,771</b></u>	<u>1,632,899</u>	<u><b>1,919,137</b></u>	<u>1,642,298</u>
<b>General Insurance</b>					
461,583	Fire	<b>295,303</b>	250,025	-	-
2,229,050	Motor	<b>1,374,534</b>	1,041,772	-	-
42,051	Marine	<b>25,910</b>	19,786	-	-
408,875	Miscellaneous	<b>205,610</b>	183,645	-	-
(20,228)	Adjustment for Inter Company Premiums	<b>(4,897)</b>	(1,199)	-	-
<u>3,121,331</u>	<b>General Insurance Gross Written Premium</b>	<u><b>1,896,460</b></u>	<u>1,494,029</u>	<u>-</u>	<u>-</u>
<u>6,656,694</u>	<b>Total Gross Written Premium</b>	<u><b>3,805,231</b></u>	<u>3,126,928</u>	<u><b>1,919,137</b></u>	<u>1,642,298</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 8 GROSS WRITTEN PREMIUM (Contd.)

	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Three Months Ended,</i>				
<b>Life Insurance</b>				
Individual Policies	913,344	767,930	913,344	767,930
Corporate Policies	17,969	36,918	17,969	36,918
Adjustment for Inter Company Premiums	(5,533)	(4,655)	-	-
Life Insurance Gross Written Premium	925,780	800,193	931,313	804,848
<b>General Insurance</b>				
Fire	171,598	125,117	-	-
Motor	684,869	518,326	-	-
Marine	12,236	9,279	-	-
Miscellaneous	103,503	63,498	-	-
Adjustment for Inter Company Premiums	(742)	(436)	-	-
General Insurance Gross Written Premium	971,464	715,784	-	-
<b>Total Gross Written Premium</b>	<b>1,897,244</b>	<b>1,515,977</b>	<b>931,313</b>	<b>804,848</b>

## 9 INTEREST AND DIVIDEND INCOME

	Group		Company	
	Audited 31st Dec 2016 Rs. '000	Unaudited For the Six Months Ended, 30th June 2017 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
1,166,369 Interest Income		739,118	518,593	623,187
13,716 Dividend Income		4,293	8,320	3,425
1,180,085 Total		743,411	526,913	626,612

	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Three Months Ended,</i>				
Interest Income	380,641	278,761	319,928	232,719
Dividend Income	2,425	5,082	1,928	3,976
Total	383,066	283,843	321,856	236,695

## 10 INCOME TAX EXPENSES

	Group		Company	
	Audited 31st Dec 2016 Rs. '000	Unaudited For the Six months ended, 30th June 2017 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
(3,300) Current Tax Charge		(15,109)	-	-
(56,512) Provision for Tax Credits		(41,859)	(23,021)	(37,595)
1,704 Deferred Income Tax - Profit or Loss		-	-	-
(58,108) Total		(56,968)	(23,021)	(37,595)
1,825 Deferred Income Tax - Other Comprehensive Income		(1,953)	1,877	-
1,825 Total		(1,953)	1,877	-

# Notes to the Condensed Consolidated Interim Financial Statements

## 10 INCOME TAX EXPENSES (Contd.)

	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Three months ended,</i>				
Current Tax Charge	(11,288)	2,563	-	-
Provision for Tax Credits	(24,081)	(13,258)	(19,817)	(13,258)
Deferred Income Tax - Profit or Loss	-	-	-	-
Total	(35,369)	(10,695)	(19,817)	(13,258)
Deferred Income Tax - Other Comprehensive Income	(1,267)	1,877	-	-
Total	(1,267)	1,877	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2016 - 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 FOR THE PERIOD

	Group		Company	
	Unaudited 31st Dec 2016 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>				
600,130 HNB Assurance PLC		65,079	100,005	65,079
47,283 HNB General Insurance Ltd		(24,281)	-	-
647,413 Profit for the Period		40,798	100,005	65,079

	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Three Months Ended,</i>				
HNB Assurance PLC	47,622	33,464	47,622	33,464
HNB General Insurance Ltd	54,516	(26,198)	-	-
Profit for the Period	102,138	7,266	47,622	33,464

## 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		Company	
	Unaudited 31st Dec 2016 For the Six Months Ended, Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
647,413 Profit for the Period (Rs. '000)		40,798	100,005	65,079
50,000 Weighted average number of shares ('000)		50,000	50,000	50,000
12.95 Basic Earnings Per Share (Rs.)		0.82	2.00	1.30

	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Three Months Ended,</i>				
Profit for the period (Rs. '000)	102,138	7,265	47,622	33,464
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.04	0.15	0.95	0.67

## Notes to the Condensed Consolidated Interim Financial Statements

### 13 RELATED PARTY DISCLOSURES

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

Nature of Transaction	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>				
Insurance Premium	2,050	340	-	-
Claims Incurred	4,917	4,675	-	-
Investment Income	21,550	16,050	16,843	13,673
Administration Expenses	96,498	83,930	54,691	49,924
Rent and other Expenses	4,862	25,496	3,546	19,632
Dividend Paid	149,965	59,986	149,965	59,986
Nature of Transaction	Group		Company	
	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>Balance as at,</i>				
Investments Balance (Includes Deposits and Debentures)	409,305	416,312	330,685	329,123
Cash at Bank Balances	282,379	182,265	160,210	111,407

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

Nature of Transaction	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>		
Insurance Premium	10,366	9,399
Insurance Expenses	4,897	1,199
Claims Received	5,370	-
Claims Paid	1,000	-
Administrations Expenses Reimbursement	117,395	104,431
Fund Management Fee	2,156	2,031
Profit Commission Expense	5,099	2,713

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>					
HNB Grameen Finance Ltd	Insurance Premium	38,513	46,116	38,098	45,679
	Claims Incurred	35,460	7,738	35,265	7,591
	Administration Expenses	4,124	4,588	2,951	4,562
	Interest Income	1,212	-	1,212	-
Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>As at,</i>					
HNB Grameen Finance Ltd	Investment in Term Deposits	50,087	-	50,087	-

## 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 June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	11	791	-	426
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	32	-	-	-
ACUITY Securities Ltd	Investment Income from REPO	31,688	27,175	24,527	19,991

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	664,207	606,967	507,996	525,558

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

Nature of Transaction	Unaudited 30th June 2017 Rs. '000	Unaudited 30th June 2016 Rs. '000
<i>For the Six Months Ended,</i>		
Director Fee	6,405	6,370
Short -term and Post employment benefits	26,216	35,673
Insurance Premium	1,076	780
Claims Paid	34	106

Mr. N H T I Perera a Director of HNB Assurance PLC and General Insurance Limited has tendered his resignation from being a Director of HNB Assurance PLC w.e.f. 27th April 2017 and HNB General Insurance Limited w.e.f. 26th April 2017.

Mr. Deepthi Lokuarachchi has been appointed as the Managing Director of HNB Assurance PLC and HNB General Insurance Ltd w.e.f. 26th May 2017.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2016 except for the above changes.

#### 14 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.

#### 15 CAPITAL COMMITMENTS

a) As at the end of the financial period, no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements. (2016 - Nil).

b) Future commitments on operating leases

Nature of Transaction	Unaudited 30th June 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>As at,</i>		
Less than one year	127,043	123,052
Between one and five years	337,245	373,522
More than five years	2,984	4,402
Total Operating Lease Commitments	<u>467,272</u>	<u>500,976</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 16 CONTINGENCIES

- a) The Inland Revenue Department has taken the view that reinsurance claims 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 amounted 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 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 claims. The Company has filed due responses in consultation with Tax Consultants and has made an appeal to the Tax Appeals Commission and an appeal hearing was held on the 16th June 2016. The Tax Appeals Commission requested HNBA and the IRD to submit a written appeal in order to grant the final decision. The Company submitted the written appeal on 21st of July 2016 through the tax consultants and are yet to receive a response from 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 Consolidated Financial Statements.
- VAT on Reinsurance Claims and Commissions has been exempted by the Inland Revenue Department w.e.f. 1st January 2011. This is an indication that realisation of this liability is remote.
- b) The Company has received an official communication from IRD stating that the Company is liable for VAT and NBT on Financial Service (FS). The IRD is of the view that HNBA liability has arisen based on section 25C of VAT Act No 14 of 2002 with the application of attributable method. Accordingly, it stated that the Company has registered to pay VAT and NBT on FS w.e.f 01st January 2014. However, Companies who are in Insurance Industry and our Tax Consultants 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.
- c) The Company has received a Tax Intimation letter on Life Insurance Taxation for Y/A 2011/2012. However, no Assessment has been issued yet on this intimation. We have filed a response highlighting our view, which was done in consultation with Tax Consultants. However, as per the request of the IRD, we participated in the hearing held at their premises on 25th July 2016 and we were asked to provide a written submission. We made the written submission through our Tax Consultants on 15th August 2016 to IRD. Based on the hearing held and written submission, IRD sent a letter of determination on 20th December 2016 and determine to confirm the assessment. However the Company opposed with the said determination hence the Company submitted a letter of intention to appeal in the Tax Appeals Commission with the consultation of Tax consultants. On 08th February 2017 Company received the reasons for determination from IRD and through our tax consultant we filed a written appeal on 09th March 2017 appeal hearing is to be held on 07th December 2017. Even if this tax intimation would materialised against the Company, the Tax Loss recorded will come down by Rs. 310 Million.
- d) The Company has received a Notice of Assessment for Life Insurance taxation for the year of assessment 2012/2013 and filed a petition of appeal through the 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 liability is 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.
- e) The Company has received a Notice of Assessment for Life Insurance taxation for the year of assessment 2013/2014 and filed a petition of appeal through the Tax Consultants. In the event that this Assessment would materialise against the Company, there will be a tax liability of Rs 132 million after utilising all available tax losses. However, the Company together with Tax Consultants are of the strong view that the liability raised in this assessment would not materialise.
- f) The Company has received a Notice of Assessment for Life Insurance taxation for the year of assessment 2014/2015 and filed a petition of appeal through the Tax Consultants. According to the basis of tax assessor, In the event that this Assessment would materialise against the Company, there will be a tax liability of Rs 136 million after utilising all available brought forward tax losses. However, the Company together with Tax Consultants are of the strong view that the liabilities raised in this assessment would not materialise.
- g) 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 Financial Statements where necessary.



## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 30th June 2017	
	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 Ltd	824,425	1.65%
5 Bank of Ceylon A/c Ceybank Century Growth Fund	727,564	1.46%
6 Mr. Mohamed Faizer Hashim	530,534	1.06%
7 Salamander Investments (Pvt) Ltd	475,000	0.95%
8 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
9 Waldock Mackenzie Ltd/Mr.S.N.P.Palihena and Mrs. A.S. Palihena	400,000	0.80%
10 Mrs. Arunthathi Selliah	400,000	0.80%
11 Arunodhaya (Pvt) Ltd	400,000	0.80%
12 Arunodhaya Investments (Pvt) Ltd	400,000	0.80%
13 Arunodhaya Industries (Pvt) Ltd	400,000	0.80%
14 Union Assurance PLC A/c No. 1	336,266	0.67%
15 Corporate Holdings (Pvt) Ltd. A/c No. 1	245,103	0.49%
16 Cental Finance Company PLC A/c No.5	226,609	0.45%
17 Mr. Madduma Hetti Vidanelage Upali Gunatilake	206,728	0.41%
18 Mr. Kailasapillai Aravinthan	200,000	0.40%
19 Andysel Private Limited	200,000	0.40%
20 Corporate Holdings (Pvt) Ltd. A/c No.2	191,323	0.38%
	<u>39,469,817</u>	<u>78.94%</u>

### Public Shareholding

	As at 30th June 2017	
	No.	% on Issued Shares
Number of Shares	19,306,461	38.61%

### Public Shareholding

	As at 30th June 2017	
	No.	% on Total No. of shareholders
Number of Shareholders	3,453	99.71%

## Share Information (Contd.)

### Shareholdings of Directors

Name of the Director	No. of Shares as at As at 30th June 2017
Mrs. M A R C Cooray	18,035
Mr. S C 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. D P Lokuarachchi - (Managing Director/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 June 2017 - Group	55.80
Net Asset Value Per Share as at 30th June 2017 - Company	57.68
Highest Price Per Share for the Interim Period	70.00
Lowest Price Per Share for the Interim Period	57.20
Last traded Price Per Share as at 30th June 2017	65.00