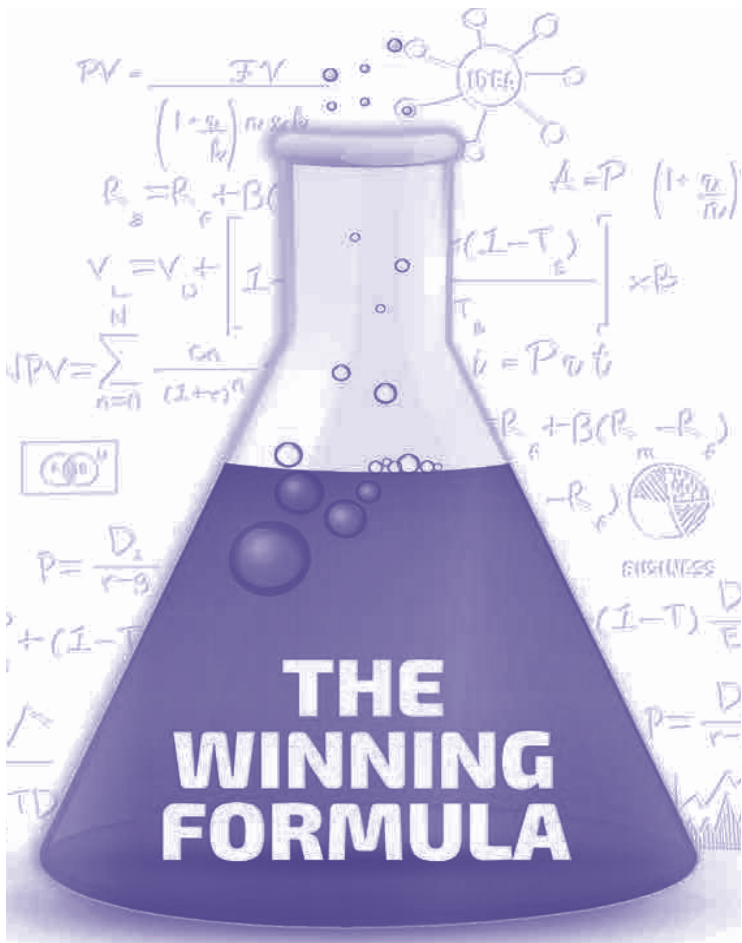




**HNB ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
31<sup>st</sup> March 2018



# Statement of Financial Position

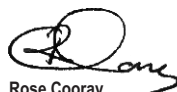
As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2018 Rs. '000	31st Dec 2017 Rs. '000	31st Mar 2018 Rs. '000	31st Dec 2017 Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		165,509	169,620	113,983	119,078
Intangible Assets		58,164	57,841	57,165	57,841
Deferred Tax Assets		65,841	64,098	-	-
Financial Investments	3	15,689,123	15,054,910	13,220,797	12,741,015
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		177,451	162,285	177,451	162,285
Reinsurance Receivables		559,925	569,778	51,702	65,010
Premium Receivables		919,826	786,319	8,836	7,488
Other Assets		1,022,183	1,036,846	744,067	764,256
Insurance Contract - Deferred Expenses		117,681	105,287	-	-
Cash and Cash Equivalents		511,959	641,950	245,128	352,307
<b>Total Assets</b>		<b>19,287,662</b>	<b>18,648,934</b>	<b>15,769,129</b>	<b>15,419,280</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		2,399,019	2,381,427	2,350,499	2,373,601
Available for Sale Reserve		15,470	30,685	9,136	17,415
Other Reserves		(13,004)	(10,760)	(12,128)	(9,884)
Life Policyholders' Available for Sale Reserve Fund	5	157,083	223,272	157,083	223,272
Restricted Regulatory Reserve	6	381,156	-	381,156	-
<b>Total Equity</b>		<b>4,111,599</b>	<b>3,796,499</b>	<b>4,057,621</b>	<b>3,776,279</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	7	11,029,648	10,915,858	11,029,648	10,915,858
Insurance Contract Liabilities - General Insurance	8	2,503,082	2,384,906	-	-
Employee Defined Benefit Liabilities		136,542	126,083	81,093	73,875
Current Tax Liabilities		44,134	34,598	-	-
Reinsurance Creditors		394,211	353,042	69,139	90,650
Other Liabilities		923,470	896,288	489,639	529,862
Bank Overdraft		144,976	141,660	41,989	32,756
<b>Total Liabilities</b>		<b>15,176,063</b>	<b>14,852,435</b>	<b>11,711,508</b>	<b>11,643,001</b>
<b>Total Equity and Liabilities</b>		<b>19,287,662</b>	<b>18,648,934</b>	<b>15,769,129</b>	<b>15,419,280</b>

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

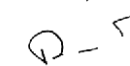


**Indika Perera**  
Chief Financial Officer

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



**Dr. Sivakumar Selliah**  
Director

Colombo, Sri Lanka  
14th May 2018.

## Statement of Profit or Loss and Other Comprehensive Income

Group			Group		Company		Change	
Year Ended	31 <sup>st</sup> Dec 2017		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
(Audited)	For Three Months Ended 31 <sup>st</sup> March,	Note	2018	2017	2018	2017	%	%
Rs. '000			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
7,821,468	Gross Written Premium	9	2,188,927	1,907,987	1,061,207	987,824	15	7
(1,100,573)	Premium Ceded to Reinsurers		(281,611)	(237,958)	(51,690)	(45,836)	18	13
6,720,895	Net Written Premium		1,907,316	1,670,029	1,009,517	941,988	14	7
(328,818)	Net Change in Reserves for Unearned Premium		(133,724)	(127,415)	-	-	5	-
6,392,077	<b>Net Earned Premium</b>		1,773,592	1,542,614	1,009,517	941,988	15	7
	<b>Other Revenue</b>							
1,693,191	Interest and Dividend Income	10	451,586	360,345	383,275	304,756	25	26
33,128	Net Realised Gains		16,660	3,475	12,523	2,911	379	330
9,704	Net Fair Value Gains/(Losses)		(2,791)	(3,453)	(4,407)	(3,768)	(19)	17
129,099	Fee and Commission Income		45,471	47,524	36,975	25,075	(4)	47
46,735	Other Income		6,008	8,603	2,579	6,868	(30)	(62)
1,911,857	<b>Total Other Revenue</b>		516,934	416,494	430,945	335,842	24	28
8,303,934	<b>Net Income</b>		2,290,526	1,959,108	1,440,462	1,277,830	17	13
	<b>Net Benefits, Claims and Expenses</b>							
(2,293,406)	Net Insurance Benefits and Claims		(645,829)	(519,555)	(132,735)	(105,221)	24	26
(2,166,427)	Change in Contract Liabilities - Life Fund		(528,021)	(629,363)	(528,021)	(629,363)	(16)	(16)
-	Change in Contract Liability due to Transfer of One-off Surplus	7	381,156	-	381,156	-	100	100
(1,839,018)	Other Operating and Administration Expenses		(483,988)	(432,767)	(265,161)	(236,239)	12	12
(1,028,872)	Underwriting and Net Acquisition Costs		(293,170)	(267,693)	(230,531)	(226,907)	10	2
(49,184)	Other Insurance Related Costs		(11,549)	(14,089)	(7,116)	(9,939)	(18)	(28)
(7,376,907)	<b>Total Benefits, Claims and Other Expenses</b>		(1,581,401)	(1,863,467)	(782,408)	(1,207,669)	(15)	(35)
927,027	<b>Profit Before Taxation</b>		709,126	95,641	658,054	70,161	641	838
(17,275)	Income Tax Expenses	11	(10,378)	(21,599)	-	(17,778)	(52)	(100)
909,752	<b>Profit for the Period</b>	12	698,748	74,042	658,054	52,383	844	1,156
	<b>Other Comprehensive Income, Net of Related Tax</b>							
	<b>Items that are or may be reclassified to profit or loss</b>							
489,495	- Net Change in fair value of Available For Sale financial assets		(68,575)	(49,787)	(62,659)	(46,779)	38	34
(30,485)	- Realised (Gains)/Losses transferred to Income Statement		(15,415)	3,233	(11,809)	2,681	(577)	(540)
(414,403)	- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholders' Available For Sale Reserve Fund		66,189	40,447	66,189	40,447	64	64
(6,770)	- Related Tax	11	2,586	686	-	-	277	-
(12,550)	<b>Items that will never be reclassified to profit or loss</b>							
(12,550)	Actuarial Losses on Defined Benefit Plans		(2,244)	-	(2,244)	-	(100)	(100)
25,287	<b>Total Other Comprehensive Income for the year net of Related Tax</b>		(17,459)	(5,421)	(10,523)	(3,651)	222	188
935,039	<b>Total Comprehensive Income for the Period</b>		681,289	68,621	647,531	48,732	893	1,229
	<b>Profit Attributable to:</b>							
909,752	Equity Holders of the Parent		698,748	74,042	-	-	844	-
	<b>Total Comprehensive Income Attributable to:</b>							
935,039	Equity Holders of the Parent		681,289	68,621	-	-	893	-
18.20	Basic Earnings Per Share (Rs.)	13	13.97	1.48	13.16	1.05	844	1,156
-	Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	13	6.35	1.48	5.54	1.05	329	429

# Statement of Changes in Equity - Group

For the Period Ended 31st March 2018,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Life Policyholders' AFS Reserve Fund	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st January 2017</b>	1,177,875	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	-	74,042	-	-	-	-	74,042
<b>Other Comprehensive Income for the Period, net of related tax</b>	-	-	(45,868)	-	-	-	(45,868)
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	-	-	40,447	-	-	-	40,447
<b>Total Other Comprehensive Income for the Period</b>	-	74,042	(5,421)	-	-	-	68,621
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale financial assets	-	-	-	-	(40,447)	-	(40,447)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
<b>Distributions to owners of the Parent</b>	-	(250,000)	-	-	-	-	(250,000)
Dividend to equity holders for 2016	-	-	-	-	-	-	-
<b>Unaudited balance as at 31st March 2017</b>	1,177,875	1,545,717	(12,573)	1,790	(231,578)	-	2,475,231
<b>Total Other Comprehensive Income for the Period</b>	-	-	-	-	-	-	-
Profit for the period - Unaudited	-	835,710	-	-	-	-	835,710
<b>Other Comprehensive Income for the Period, net of tax</b>	-	-	498,108	-	-	-	498,108
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	-	-	(454,850)	-	-	-	(454,850)
Actuarial Gains on Defined Benefit Plans	-	-	-	(12,550)	-	-	(12,550)
<b>Total Other Comprehensive Income for the Period</b>	-	-	43,258	(12,550)	-	-	30,708
<b>Total Comprehensive Income for the Period</b>	-	835,710	43,258	(12,550)	-	-	866,418
Net Change in fair value of Available-For-Sale financial assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	454,850	-	454,850
<b>Audited balance as at 31st December 2017</b>	1,177,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
<b>Balance as at 01st January 2018</b>	1,177,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
<b>Total Comprehensive Income for the Period</b>	-	317,592	-	-	-	381,156	698,748
Profit for the Period - Unaudited	-	-	-	-	-	-	-
<b>Other Comprehensive Income for the Period, net of related tax</b>	-	-	(81,404)	-	-	-	(81,404)
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	-	-	66,189	-	-	-	66,189
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
<b>Total Other Comprehensive Income for the Period</b>	-	-	(15,215)	(2,244)	-	-	(17,459)
<b>Total Comprehensive Income for the Period</b>	-	317,592	(15,215)	(2,244)	-	381,156	687,289
Net Change in fair value of Available For Sale financial assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(66,189)	-	(66,189)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
<b>Distributions to owners of the Parent</b>	-	(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	-	-	-	-	-	-
<b>Unaudited balance as at 31st March 2018</b>	1,177,875	2,399,019	15,470	(13,004)	157,083	381,156	4,111,599

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

# Statement of Changes in Equity - Company

For the Period Ended 31st March 2018,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Life Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2017	1,177,875	1,897,936	(1,465)	(1,886)	(191,131)	-	2,875,329
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	52,393	-	-	-	-	52,393
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	(44,098)	-	-	-	(44,098)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	40,447	-	-	-	40,447
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>		52,393	(3,651)	(1,886)	(191,131)	-	46,732
Net Change in fair value of Available For Sale financial assets	-	-	-	-	(40,447)	-	(40,447)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>		(250,000)	-	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	-	-	-	-	-	-
<b>Unaudited balance as at 31st March 2017</b>	1,177,875	1,700,319	(5,116)	(1,886)	(231,578)	-	2,633,614
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	675,282	-	-	-	-	675,282
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	477,381	-	-	-	477,381
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(454,850)	-	-	-	(454,850)
Actuarial Losses on Defined Benefit Plans	-	-	-	(7,988)	-	-	(7,988)
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>		675,282	22,531	(7,988)	-	-	14,533
Net Change in fair value of Available For Sale financial assets	-	-	22,531	-	-	-	22,531
- transferred from Available For Sale Reserve	-	-	(22,531)	-	-	-	(22,531)
<b>Unaudited and Restated balance as at 31st December 2017</b>	1,177,875	2,375,601	17,415	(9,884)	454,850	-	3,776,279
Balance as at 01st January 2018	1,177,875	2,375,601	17,415	(9,884)	223,272	-	3,776,279
<b>Total Comprehensive Income for the Period</b>							
Profit for the period - Unaudited	-	276,898	-	-	-	381,156	658,054
<b>Other Comprehensive Income for the Period net related of tax</b>							
Net Change in fair value of Available For Sale financial assets	-	-	(74,468)	-	-	-	(74,468)
- transferred from Available For Sale Reserve	-	-	66,189	-	-	-	66,189
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>		276,898	(8,279)	(2,244)	-	381,156	647,531
Net Change in fair value of Available For Sale financial assets	-	-	(8,279)	-	-	-	(8,279)
- transferred from Available For Sale Reserve	-	-	66,189	-	-	-	66,189
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>		(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	-	-	-	-	-	-
<b>Unaudited balance as at 31st March 2018</b>	1,177,875	2,350,489	9,136	(12,128)	157,083	381,156	4,057,621

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

# Statement of Cash Flows

<i>For the Period Ended 31st March ,</i>	Group		Company		
	Note	Unaudited 2018	Unaudited 2017	Unaudited 2018	Unaudited 2017
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit Before Taxation		709,126	95,641	658,054	70,161
<i>Adjustments for:</i>					
Interest Income		(450,003)	(358,477)	(381,741)	(303,259)
Dividend Income		(1,583)	(1,868)	(1,534)	(1,497)
Amortisation of Intangible Assets		4,718	4,468	4,718	4,468
Depreciation		13,195	12,316	9,646	8,784
Provision for Employee Benefits		8,287	6,036	4,974	3,497
Net Realised Gains		(16,660)	(3,475)	(12,523)	(2,911)
Net Fair Value Losses		2,791	3,453	4,407	3,768
Losses on Sale of Property, Plant and Equipment		253	1,151	220	1,085
		<b>270,124</b>	<b>(240,755)</b>	<b>281,221</b>	<b>(215,904)</b>
Change in Operating Assets	A	(124,478)	(88,660)	17,669	17,450
Change in Operating Liabilities	B	293,675	743,196	52,056	569,266
<b>Cash Flows from Operating Activities</b>		<b>439,321</b>	<b>413,781</b>	<b>355,946</b>	<b>370,812</b>
Gratuity Paid		(72)	(1,518)	-	(371)
Economic Service Charges (ESC) Paid		(4,865)	(3,723)	-	-
<b>Net Cash Generated from Operating Activities</b>		<b>434,384</b>	<b>408,540</b>	<b>355,946</b>	<b>370,441</b>
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(537,686)	(687,949)	(381,433)	(639,277)
Interest Received		283,357	355,347	217,040	299,866
Dividend Received		1,017	2,634	848	2,058
Acquisition of Intangible Assets		(5,042)	(7,019)	(4,042)	(7,019)
Acquisition of Property, Plant and Equipment		(11,321)	(14,896)	(5,965)	(7,474)
Proceeds from the Sale of Property, Plant and Equipment		1,984	921	1,194	716
<b>Net Cash Used in Investing Activities</b>		<b>(267,691)</b>	<b>(350,962)</b>	<b>(172,358)</b>	<b>(351,130)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(300,000)	(250,000)	(300,000)	(250,000)
<b>Net Cash Used in Financing Activities</b>		<b>(300,000)</b>	<b>(250,000)</b>	<b>(300,000)</b>	<b>(250,000)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(133,307)</b>	<b>(192,422)</b>	<b>(116,412)</b>	<b>(230,689)</b>
Cash and Cash Equivalents at the beginning of the Year		500,290	625,527	319,551	476,572
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>366,983</b>	<b>433,105</b>	<b>203,139</b>	<b>245,883</b>
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		(12,394)	(11,578)	-	-
Increase in Loans to Life Policyholders		(15,166)	(8,741)	(15,166)	(8,741)
Decrease/(Increase) in Reinsurance Receivables		9,853	92,811	13,308	(3,286)
(Increase)/Decrease in Premium Receivables		(133,507)	(141,174)	(1,348)	16
Decrease/(Increase) in Other Assets		26,736	(19,978)	20,875	29,461
		<b>(124,478)</b>	<b>(88,660)</b>	<b>17,669</b>	<b>17,450</b>
<b>B. Change in Operating Liabilities</b>					
Increase/(Decrease) in Other Liabilities		20,540	22,295	(40,223)	(49,410)
Increase in Insurance Contract Liabilities - Life Insurance		113,790	94,425	113,790	-
Increase in Insurance Contract Liabilities - General Insurance		118,176	597,264	-	597,264
Increase /(Decrease) in Reinsurance Creditors		41,169	29,212	(21,511)	21,412
		<b>293,675</b>	<b>743,196</b>	<b>52,056</b>	<b>569,266</b>

## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st March 2018		31st December 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	113,983	51,526	119,078	50,542
Intangible Assets	57,165	999	57,841	-
Deferred Tax Assets	-	65,841	-	64,098
Financial Investments	13,220,797	2,468,326	12,741,015	2,313,895
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	177,451	-	162,285	-
Reinsurance Receivables	51,702	508,223	65,010	504,768
Premium Receivables	8,836	910,990	7,488	778,831
Other Assets	744,067	286,245	764,256	278,711
Insurance Contract - Deferred Expenses	-	117,681	-	105,287
Cash and Cash Equivalents	245,128	266,831	352,307	289,643
<b>Total Assets</b>	<b>15,769,129</b>	<b>4,676,662</b>	<b>15,419,280</b>	<b>4,385,775</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	11,029,648	-	10,915,858	-
Insurance Contract Liabilities - General Insurance	-	2,503,082	-	2,384,906
Employee Defined Benefit Liabilities	81,093	55,449	73,875	52,208
Current Tax Liabilities	-	44,134	-	34,598
Reinsurance Creditors	69,139	325,072	90,650	262,392
Other Liabilities	489,639	441,960	529,862	372,547
Bank Overdraft	41,989	102,987	32,756	108,904
<b>Total Liabilities</b>	<b>11,711,508</b>	<b>3,472,684</b>	<b>11,643,001</b>	<b>3,215,555</b>

## Operating Segment Information - Profitability

For the Three Months Ended,	Unaudited		Unaudited	
	31st March 2018		31st March 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	1,061,207	1,137,579	987,824	929,152
Premium Ceded to Reinsurers	(51,690)	(229,921)	(45,836)	(192,122)
<b>Net Written Premium</b>	<b>1,009,517</b>	<b>907,658</b>	<b>941,988</b>	<b>737,030</b>
Net Change in Reserves for Unearned Premium	-	(133,724)	-	(127,415)
<b>Net Earned Premium</b>	<b>1,009,517</b>	<b>773,934</b>	<b>941,988</b>	<b>609,615</b>
<b>Other Revenue</b>				
Interest and Dividend Income	383,275	68,311	304,756	55,589
Net Realised Gains	12,523	4,137	2,911	564
Net Fair Value (Losses)/Gains	(4,407)	1,616	(3,768)	315
Fees and Commission Income	36,975	11,970	25,075	26,828
Other Income	2,579	3,429	6,868	1,735
<b>Total Other Revenue</b>	<b>430,945</b>	<b>89,463</b>	<b>335,842</b>	<b>85,031</b>
<b>Net Income</b>	<b>1,440,462</b>	<b>863,397</b>	<b>1,277,830</b>	<b>694,646</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(132,735)	(513,269)	(105,221)	(414,334)
Change in Contract Liabilities - Life Fund	(528,021)	-	(629,363)	-
Change in Contract Liability due to Transfer of One-off Surplus	381,156	-	-	-
Other Operating and Administration Expenses	(265,161)	(229,757)	(236,239)	(206,561)
Underwriting and Net Acquisition Cost	(230,531)	(64,866)	(226,907)	(44,121)
Other Insurance Related Cost	(7,116)	(4,433)	(9,939)	(4,150)
<b>Total Benefits, Claims and other Expenses</b>	<b>(782,408)</b>	<b>(812,325)</b>	<b>(1,207,669)</b>	<b>(669,166)</b>
<b>Profit Before Taxation</b>	<b>658,054</b>	<b>51,072</b>	<b>70,161</b>	<b>25,480</b>
Income Tax Expense	-	(10,378)	(17,778)	(3,821)
<b>Profit for the Period</b>	<b>658,054</b>	<b>40,694</b>	<b>52,383</b>	<b>21,659</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. 30, Iceland Business Centre, 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 14th May 2018.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 31st March 2018 are provisional and unaudited.

## 2 BASIS OF PREPARATION

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2017 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

### Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 9 provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2021. Having considered the above, since HNB Assurance PLC and HNB GI Limited are predominantly carrying out Insurance activities, the companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2021.

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

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

## 3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Mar 2018	31st Dec 2017	31st Mar 2018	31st Dec 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to maturity financial assets, at amortised cost	-	180,460	-	180,460
Loans and Receivables	9,063,503	8,417,430	7,330,485	6,789,740
Available for sale financial assets	6,512,550	6,326,735	5,793,587	5,659,291
Financial assets at fair value through profit or loss	113,070	130,285	96,725	111,524
Total Financial Investments	15,689,123	15,054,910	13,220,797	12,741,015

## 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 where necessary.



## Notes to the Condensed Consolidated Interim Financial Statements

### 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 assets.

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

### 6 RESTRICTED REGULATORY RESERVE

	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Balance at the beginning of the period	-	-	-	-
Transfer of One-off Surplus from Policyholder Fund to Shareholder Fund	<b>381,156</b>	-	<b>381,156</b>	-
Balance at the end of the period	<b>381,156</b>	-	<b>381,156</b>	-

#### 6 a) Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new Direction. Based on the new Direction, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 7 (c) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

#### 6 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st March 2018

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

Asset Category	Market Value / Carrying Value as at 31st March 2018 (Rs. 000)
Term Deposits	381,825

### 7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2018 Rs. '000
Life Insurance Fund (Note 7a)	<b>10,947,686</b>	10,800,821	<b>10,947,686</b>	10,800,821
Claims Outstanding	<b>81,962</b>	115,037	<b>81,962</b>	115,037
<b>Total Insurance Contract Liabilities</b>	<b>11,029,648</b>	10,915,858	<b>11,029,648</b>	10,915,858

## Notes to the Condensed Consolidated Interim Financial Statements

### 7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE (Contd.)

As at,	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2018 Rs. '000
<b>7 a) Life Insurance Fund</b>				
The movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the period	10,800,821	8,634,394	10,800,821	8,634,394
Change in Contract Liability due to transfer of One-off Surplus (Note 7b)	(381,156)	-	(381,156)	-
	<b>10,419,665</b>	8,634,394	<b>10,419,665</b>	8,634,394
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before				
Surplus Distribution to Shareholders	737,793	2,684,985	737,793	2,684,985
Surplus Distributed to Shareholders	(209,772)	(518,558)	(209,772)	(518,558)
Increase in Life Insurance Fund	<b>528,021</b>	2,166,427	<b>528,021</b>	2,166,427
<b>Balance as at the end of the period</b>	<b>10,947,686</b>	10,800,821	<b>10,947,686</b>	10,800,821

7 b) As required by the Insurance Regulatory Commission of Sri Lanka (IRCSL) formerly known as 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 Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

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

#### Surplus created due to Change in Valuation Method

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

Further, distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off surplus in the shareholder Fund will remain invested in Term deposits as disclosed in Note No. 6(b) as per the directions of IRCSL.

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

### 7 c) Distribution of One-off Surplus

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

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

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

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case by case basis.

7 d) Valuation of the Life Insurance Contract Liabilities for the year ended 31st March 2018 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs 209.8 Million for the quarter ended 31st March 2018 (31st December 2017 - Rs. 518.6 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary Mr. Hassan Scott Odierno, of M/S Actuarial Partners Consulting Sdn Bhd.

### 7 e) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd, as at 31st March 2018 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 31st March 2018. No additional provisions were required against the LAT as at 31st March 2018.

## Notes to the Condensed Consolidated Interim Financial Statements

### 8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Reserves for Net Unearned Premium	1,722,808	1,595,450	-	-
Reserves for Title Insurance	38,205	34,840	-	-
Reserves for Gross Outstanding Claims	742,069	757,616	-	-
<b>Total Insurance Contract Liabilities</b>	<b>2,503,082</b>	<b>2,387,906</b>	<b>-</b>	<b>-</b>

8 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 31st March 2018 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

#### 8 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 31st December 2017 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually.

### 9 GROSS WRITTEN PREMIUM

Group	Audited 31st Dec 2017 Rs. '000	For the Three Months Ended,	Group		Company	
			Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
<b>Life Insurance</b>						
3,891,527		Individual Policies	972,922	950,734	972,922	950,734
72,115		Corporate Policies	88,285	37,090	88,285	37,090
(25,632)		Adjustment for Inter Company Premiums	(5,585)	(4,834)	-	-
<u>3,938,010</u>		<b>Life Insurance Gross Written Premium</b>	<b>1,055,622</b>	<b>982,990</b>	<b>1,061,207</b>	<b>987,824</b>
<b>General Insurance</b>						
539,350		Fire	150,850	123,704	-	-
2,849,042		Motor	848,894	689,665	-	-
57,451		Marine	19,632	13,677	-	-
460,660		Miscellaneous	118,203	102,107	-	-
(23,045)		Adjustment for Inter Company Premiums	(4,274)	(4,155)	-	-
<u>3,883,458</u>		<b>General Insurance Gross Written Premium</b>	<b>1,133,305</b>	<b>924,997</b>	<b>-</b>	<b>-</b>
<u>7,821,468</u>		<b>Total Gross Written Premium</b>	<b>2,188,927</b>	<b>1,907,987</b>	<b>1,061,207</b>	<b>987,824</b>

### 10 INTEREST AND DIVIDEND INCOME

Group	Audited 31st Dec 2017 Rs. '000	For the Three Months Ended,	Group		Company	
			Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
1,684,689		Interest Income	450,003	358,477	381,741	303,259
8,502		Dividend Income	1,583	1,868	1,534	1,497
<u>1,693,191</u>		<b>Total</b>	<b>451,586</b>	<b>360,345</b>	<b>383,275</b>	<b>304,756</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 11 INCOME TAX EXPENSES

Group		Group		Company	
Audited 31st Dec 2017 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
(34,600)	Income Tax on Current Period's Profits	(9,535)	(3,821)	-	-
-	- Notional Tax Unutilised	-	(17,778)	-	(17,778)
(621)	Under Provision of Current Taxes in respect of Prior Periods	-	-	-	-
17,946	Deferred Income Tax - Profit or Loss	(843)	-	-	-
(17,275)	<b>Total</b>	<b>(10,378)</b>	<b>(21,599)</b>	<b>-</b>	<b>(17,778)</b>
(6,770)	Deferred Income Tax - Other Comprehensive Income	<b>2,586</b>	686	-	-
(6,770)	<b>Total</b>	<b>2,586</b>	<b>686</b>	<b>-</b>	<b>-</b>

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2017 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

## 12 PROFIT FOR THE PERIOD

Group		Group		Company	
Audited 31st Dec 2017 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
725,665	HNB Assurance PLC	<b>658,054</b>	52,383	<b>658,054</b>	52,383
184,087	HNB General Insurance Ltd	<b>40,694</b>	21,659	-	-
909,752	<b>Total</b>	<b>698,748</b>	<b>74,042</b>	<b>658,054</b>	<b>52,383</b>

## 13 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.

Group		Group		Company	
Audited 31st Dec 2017	For the Three Months Ended,	Unaudited 31st Mar 2018	Unaudited 31st Mar 2017	Unaudited 31st Mar 2018	Unaudited 31st Mar 2017
909,752	Profit for the Period (Rs. '000)	<b>698,748</b>	74,042	<b>658,054</b>	52,383
50,000	Weighted average number of shares ('000)	<b>50,000</b>	50,000	<b>50,000</b>	50,000
18.20	Basic Earnings Per Share (Rs.)	<b>13.97</b>	1.48	<b>13.16</b>	1.05

## BASIC EARNINGS PER SHARE - EXCLUDING ONE-OFF SURPLUS (EPS)

		Group		Company	
For the Three Months Ended,		Unaudited 31st Mar 2018	Unaudited 31st Mar 2017	Unaudited 31st Mar 2018	Unaudited 31st Mar 2017
Profit for the Period (Rs. '000)		<b>317,592</b>	74,042	<b>276,898</b>	52,383
Weighted average number of shares ('000)		<b>50,000</b>	50,000	<b>50,000</b>	50,000
Basic Earnings Per Share (Rs.)		<b>6.35</b>	1.48	<b>5.54</b>	1.05

## Notes to the Condensed Consolidated Interim Financial Statements

### 14 RELATED PARTY DISCLOSURES

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

Nature of Transaction	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Insurance Premium	2,090	1,860	-	-
Claims Incurred	5,800	1,851	-	-
Investment Income	13,400	10,323	10,153	8,102
Administration Expenses	58,353	48,865	35,893	28,557
Rent and other Expenses	1,588	3,017	1,137	2,209
Dividend Paid	179,958	149,965	179,958	149,965

Nature of Transaction	Group		Company	
	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>Balance as at,</i>				
Investments Balance (Includes Deposits and Debentures)	411,086	411,461	352,546	358,497
Cash at Bank Balances	345,138	426,156	200,682	260,759

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

Nature of Transaction	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
<i>For the Three Months Ended,</i>		
Insurance Premium	5,585	4,834
Insurance Expenses	4,274	4,155
Claims Received	175	41
Claims Paid	-	1,000
Administrations Expenses Reimbursement	44,910	52,587
Fund Management Fee	1,248	1,044
Profit Commission Expense	2,227	3,335

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	268	-	-	-
	Claims Incurred	1,251	-	-	-
HNB Grameen Finance Ltd	Insurance Premium	3,909	29,537	-	29,537
	Claims Incurred	108	24,374	-	24,359
	Administration Expenses	1,634	3,405	-	2,951
	Interest Income	1,849	-	1,849	-

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
HNB Grameen Finance Ltd	Investment in Term Deposits	50,030	50,243	50,030	50,243

## Notes to the Condensed Consolidated Interim Financial Statements

### d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Mar 2017 Rs. '000
<i>For the Three Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	4	11	4	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	-	32	-	-
ACUITY Securities Ltd	Investment Income from REPO	21,361	13,386	15,540	11,552

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	791,095	643,217	562,606	464,790

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

Nature of Transaction	Unaudited 31st Mar 2018 Rs. '000	Unaudited 31st Dec 2017 Rs. '000
<i>For the Three Months Ended,</i>		
Director Fee	4,560	3,435
Short Term and Post employment benefit Insurance Premium	21,975	16,563
Claims Paid	1,020	818
	56	34

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

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

### 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 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 (2017 - Nil).
- b) Future commitments on operating leases

Nature of Transaction	Unaudited 31st Mar 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>		
Less than one year	121,048	116,311
Between one and five years	289,953	299,855
More than five years	7,980	6,424
<b>Total Operating Lease Commitments</b>	<b>418,981</b>	<b>422,590</b>

### 17 CONTINGENCIES

- a) The Inland Revenue Department (IRD) 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 amounting to Rs. 13.3 Million for the year of Assessment 2010/2011. This is a common assessment issued by IRD to most of the Insurance companies in the General Insurance business. However these companies are of the view that they are not liable to pay VAT on Reinsurance Claims.

The Company has filed due responses in consultation with Tax Consultants and made an appeal to the Tax Appeals Commission. Following a hearing, Tax Appeals Commission has granted their determination confirming the assessment

## Notes to the Condensed Consolidated Interim Financial Statements

and Company in consultation with our tax consultant requested reasons for tax appeal commission's determination and their responses are yet to be received. Company will appeal in the Court of Appeal once the reasons for determination is received.

- b) The Company has received an official communication from IRD stating that the Company is liable for VAT and NBT on Financial Service (FS) based on Section 25C of VAT Act, No. 14 of 2002 with the application of attributable method. According to IRD, Company has been registered to pay VAT and NBT on FS w.e.f 01st January 2014. However, insurance companies in the industry and the Company's Tax Consultant are of the view that insurance companies are not liable for VAT and NBT on FS since the Companies are in the insurance business and do not engage in the business of financial services 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 Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015. These Assessments were issued by the Inland Revenue Department contrary to the Section 92 of Inland Revenue Act, No. 10 of 2016. Further, these Income Tax Assessments have been common Assessments for all Life Insurance companies in the insurance industry. It is the view of the industry and the Company's Tax Consultant that these assessments will not materialize. Therefore no additional provision has been made in the Financial Statements.

Year of Assessment	Status of Assessment	Nature of contingent impact to the company	Measurement of contingent impact to the company
2011/2012	Pending decision from Tax Appeals Commission	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million
2012/2013	Pending decision from Commissioner General of Inland Revenue	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million
2013/2014	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 132 Million will arise
2014/2015	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 136 Million will arise

## Share Information

### Top 20 Shareholders

#### Name of the Shareholder

31st March 2018

Name of the Shareholder	31st March 2018	
	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 Janashakthi General Insurance Limited	824,425	1.65%
4 J.B Cocoshell (Pvt) Ltd	565,436	1.13%
5 Mr. Mohamed Faizer Hashim	510,000	1.02%
6 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
7 Mrs. Arunthathi Selliah	400,000	0.80%
8 Arunodhaya Industries (Pvt) Ltd	400,000	0.80%
9 Arunodhaya Investments (Pvt) Ltd	400,000	0.80%
10 Arunodhaya (Pvt) Ltd	400,000	0.80%
11 Mrs. A.S. Palihena and Mr.S.N.P.Palihena	400,000	0.80%
12 Mr.S.N.P.Palihena and Mrs. A.S. Palihena	398,836	0.80%
13 Ceylon Investment PLC A/c No. 2	386,400	0.77%
14 Bank of Ceylon A/c Ceybank Century Growth Fund	360,394	0.72%
15 Union Assurance PLC A/c No. 1	336,266	0.67%
16 Mr. Dueleep Fairlie George Dalpethado and Mrs H.F.A.K.D. Fonseka	258,659	0.52%
17 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
18 Central Finance Company PLC A/c No.5	226,609	0.45%
19 Peacock Properties (Pvt) Ltd	218,633	0.44%
20 Mr. Vikas Sharda	203,000	0.41%
	<b>38,926,761</b>	<b>77.86%</b>



## Share Information (Contd.)

### Public Shareholding

**31st March 2018**

* Float Adjusted Market Capitalisation (Rs.)	1,624,430,808
Percentage of Shares held by the Public	38.68%
Number of Public Shareholders	3,421

The Company Complies the minimum public shareholding required under option 05 of section 7.13.1 (a) of the Listing Rules.

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

### Shareholdings of Directors

Name of the Director	No. of Shares as at 31st March 2018
Mrs. M A R C Cooray	18,035
Mr. S C Ratwatte	14,666
Mr. J A P M Jayasekara	83,057
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	100,000
Mr. A G R Dissanayake	100
Mr. D R Abeyhuriya	Nil
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 31st March 2018 - Group	82.23
Net Asset Value Per Share as at 31st March 2018 - Company	81.15
Net Asset Value Per Share as at 31st March 2018 without one-off Surplus - Group	74.61
Net Asset Value Per Share as at 31st March 2018 without one-off Surplus - Company	73.53
Highest Price Per Share for the Interim Period	88.50
Lowest Price Per Share for the Interim Period	72.60
Last traded Price Per Share as at 31st March 2018	84.00