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Condensed Consolidated Interim Financial Statements
31st December 2015

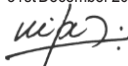


Consolidated Statements of Financial Position

Note	Group		Company*	
	Unaudited as at 31st Dec 2015	Audited as at 31st Dec 2014	Unaudited as at 31st Dec 2015	Audited as at 31st Dec 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
	136,279	133,942	94,107	133,942
Property, Plant and Equipment				
	45,185	51,622	45,185	51,622
Intangible Assets				
	49,394	-	-	-
Deferred Tax Assets				
Financial Investments	3	9,751,611	8,277,895	7,849,625
Investment in Subsidiary	4	-	-	1,150,000
Loans to Life Policyholders		91,992	71,082	91,992
Reinsurance Receivables		141,354	162,260	34,269
Premium Receivables		345,916	364,051	5,592
Other Assets		625,985	683,149	493,571
Insurance Contract - Deferred Expenses		65,935	52,072	-
Cash and Cash Equivalents		386,929	173,245	258,222
Total Assets		11,640,580	9,969,318	10,022,563
Equity and Liabilities				
Equity				
	1,171,875	1,171,875	1,171,875	1,171,875
Stated Capital				
	1,174,262	1,196,546	1,397,806	1,189,039
Retained Earnings				
	(4,748)	3,590	53	3,523
Available for Sale Reserve				
Life Policyholders' Available for Sale Reserve Fund	5	(56,350)	40,748	(56,350)
Other Reserves		(1,093)	1,177	(2,039)
Total Equity		2,283,946	2,413,936	2,511,345
Liabilities				
	7,007,080	5,562,648	7,007,080	5,562,648
Insurance Contract Liabilities - Life	6			
Insurance Contract Liabilities - General	7	1,546,265	1,279,138	-
Employee Defined Benefit Liabilities		81,001	71,493	44,008
Current Tax Liabilities		-	12,012	-
Deferred Tax Liabilities		-	8,845	-
Reinsurance Creditors		131,905	110,778	37,547
Other Liabilities		590,383	510,468	422,583
Total Liabilities		9,356,634	7,555,382	7,511,218
Total Equity and Liabilities		11,640,580	9,969,318	10,022,563

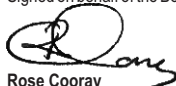
These Condensed Consolidated Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.

* Financial Position of the Company as at 31st December 2014 includes both Life and General Insurance Segments while Financial Position as at 31st December 2015 includes Life Insurance segment only.




Vipula Dharmapala
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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,

	Note	Group			Company*	
		Unaudited	Audited	Change	Unaudited	Audited
		2015 Rs. '000	2014 Rs. '000	%	2015 Rs. '000	2014 Rs. '000
Gross Written Premium	8	5,447,164	4,665,618	17	2,788,716	4,665,618
Premium Ceded to Reinsurers		(599,084)	(601,022)	-	(107,963)	(601,022)
Net Written Premium		4,848,080	4,064,596	19	2,680,753	4,064,596
Net Change in Reserves for Unearned Premium		(122,677)	(219,086)	(44)	-	(219,086)
Net Earned Premium		4,725,403	3,845,510	23	2,680,753	3,845,510
Other Revenue						
Interest and Dividend Income	9	871,049	824,015	6	705,571	816,876
Net Realised Gains		30,025	108,823	(72)	22,512	105,785
Net Fair Value Gains		16,583	99,281	(83)	4,028	99,281
Fee and Commission Income		122,552	123,425	(1)	51,000	123,425
Other Income		8,943	12,366	(28)	15	12,366
		1,049,152	1,167,910	(10)	783,126	1,157,733
Net Income		5,774,555	5,013,420	15	3,463,879	5,003,243
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims		(2,117,789)	(1,573,104)	35	(280,495)	(1,573,104)
Change in Contract Liabilities - Life Fund		(1,462,100)	(1,192,273)	23	(1,462,100)	(1,192,273)
Other Operating and Administration Expenses		(1,363,757)	(1,303,710)	5	(735,521)	(1,303,130)
Underwriting and Net Acquisition Costs		(632,107)	(474,826)	33	(510,961)	(474,826)
Other Insurance Related Costs		(29,029)	(30,924)	(6)	(17,774)	(30,924)
Total Benefits, Claims and Other Expenses		(5,604,782)	(4,574,837)	23	(3,006,851)	(4,574,257)
Profit Before Taxation		169,773	438,583	(61)	457,028	428,986
Income Tax Reversal/(Expenses)	10	27,571	(20,857)	(232)	(29,383)	(19,267)
Profit for the Year	11	197,344	417,726	(53)	427,645	409,719
Other Comprehensive Income, Net of Related Tax						
Items that are or may be reclassified to profit or loss						
- Net Change in fair value of available-for-sale financial assets		(87,480)	116,815	(175)	(80,350)	113,710
- Realized Gains transferred to Income Statement		(19,242)	(69,722)	(72)	(20,218)	(66,684)
- Net Change in fair value of available-for-sale financial assets transferred from/(to) Life Policyholders' Available for Sale Reserve Fund		97,098	(44,930)	(316)	97,098	(44,930)
- Related Tax	10	1,286	-	-	-	-
Items that will never be reclassified to profit or loss						
Actuarial Losses on Defined Benefit Plans		(2,270)	(995)	128	(3,216)	(995)
Total Other Comprehensive Income for the year net of related tax		(10,608)	1,168	(1,008)	(6,686)	1,101
Total Comprehensive Income for the year		186,736	418,894	(55)	420,959	410,820
Profit Attributable to:						
Equity Holders of the Company		197,344	417,726	(53)	-	-
Total Comprehensive Income Attributable to:						
Equity Holders of the Company		186,736	418,894	(55)	-	-
Basic Earnings Per Share (Rs.)	12	3.95	8.35	(53)	-	-

* Financial results of the Company for 2014 include both Life and General Insurance segments while company financial results for 2015 include the Life Insurance segment only.

Statement of Changes in Equity - Group

For the Year Ended 31st December 2015

	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Total Equity Rs. '000
Audited Balance as at 01st January 2014	50,000	1,171,875	941,820	1,427	2,172	(41,82)	2,113,112
Total Comprehensive Income for the Year							
Profit for the Year - Audited	-	-	417,726	-	-	-	417,726
Other Comprehensive Income for the Year, Net of tax							
Net Change in fair value of available-for-sale financial assets				47,093			47,093
Net Change in fair value of available-for-sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund				(44,930)			(44,930)
Actuarial Losses on Defined Benefit Plans					(995)		(995)
Total Other Comprehensive Income				2,163	(995)		1,168
Total Comprehensive Income for the Year			417,726	2,163	(995)		418,894
Net Change in fair value of available-for-sale financial assets - transferred from Available For Sale Reserve							
Transactions with owners recorded directly in equity							
Distributions to owners of the Company			(162,500)				(162,500)
Dividend Paid to equity holders - for 2013			(500)				(500)
Share Issue Transaction Cost - Subsidiary							
Audited balance as at 31st December 2014	50,000	1,171,875	1,196,546	3,590	1,177	40,748	2,413,936
Balance as at 01st January 2015	50,000	1,171,875	1,196,546	3,590	1,177	40,748	2,413,936
Super Gain Tax			(31,378)				(31,378)
Total Comprehensive Income for the Year							
Profit for the Year - Unaudited			197,344				197,344
Other Comprehensive Income for the Year, net of tax							
Net Change in fair value of available-for-sale financial assets				(105,436)			(105,436)
Net Change in fair value of available-for-sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund				97,098			97,098
Actuarial Losses on Defined Benefit Plans					(2,270)		(2,270)
Total Other Comprehensive Income				(8,338)	(2,270)		(10,608)
Total Comprehensive Income for the Year			197,344	(8,338)	(2,270)		186,736
Net Change in fair value of available-for-sale financial assets - transferred from Available For Sale Reserve							
Transactions with owners recorded directly in equity							
Distributions to owners of the Company			(187,500)				(187,500)
Dividend paid to equity holders for 2014 (Note A)			(750)				(750)
Share Issue Transaction Cost - Subsidiary							
Unaudited balance as at 31st Dec 2015	50,000	1,171,875	1,174,262	(4,748)	(1,093)	(66,359)	2,285,946

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2014 - 50 Million Ordinary Shares).

Note A

Dividend declared and paid during the Year was not taken for calculation of Dividend Per Share in 2015 as it represents the dividend for 2014.

Statement of Changes in Equity - Company

For the Year Ended 31st December 2015

	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Total Equity Rs. '000
Audited balance as at 01st January 2014	50,000	1,171,875	941,820	1,427	2,172	(4,182)	2,113,112
Total Comprehensive Income for the Year							
Profit for the Year - Audited	-	-	403,719	-	-	-	403,719
Other Comprehensive Income for the Year, Net of Tax							
Net Change in fair value of available-for-sale financial assets	-	-	-	47,026	-	-	47,026
Net Change in fair value of available-for-sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(44,930)	-	-	(44,930)
Actuarial Losses on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income	-	-	-	2,096	(995)	-	1,101
Total Comprehensive Income for the Year	-	-	403,719	2,096	(995)	-	410,820
Net Change in fair value of available-for-sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity Distributions to owners of the Company	-	-	-	-	-	-	-
Dividend Paid to equity holders - for 2013	-	-	(162,500)	-	-	-	(162,500)
Audited balance as at 31st December 2014	50,000	1,171,875	1,188,039	3,523	1,177	40,748	2,406,362
Audited balance as at 01st January 2015	50,000	1,171,875	1,188,039	3,523	1,177	40,748	2,406,362
Super Gain Tax (Note 14)	-	-	(31,378)	-	-	-	(31,378)
Total Comprehensive Income for the Year	-	-	427,645	-	-	-	427,645
Profit for the Year - Unaudited	-	-	427,645	-	-	-	427,645
Other Comprehensive Income for the Year, Net of Tax							
Net Change in fair value of available-for-sale financial assets	-	-	-	(100,668)	-	-	(100,668)
Net Change in fair value of available-for-sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	97,098	-	-	97,098
Actuarial Losses on Defined Benefit Plans	-	-	-	-	(3,216)	-	(3,216)
Total Other Comprehensive Income	-	-	-	(3,470)	(3,216)	-	(6,686)
Total Comprehensive Income for the Year	-	-	427,645	(3,470)	(3,216)	-	420,959
Net Change in fair value of available-for-sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	-	(97,098)	(97,098)
Transactions with owners recorded directly in equity Distributions to owners of the Company	-	-	-	-	-	-	-
Dividend paid to equity holders for 2014 (Note A)	-	-	(187,500)	-	-	-	(187,500)
Unaudited balance as at 31st Dec 2015	50,000	1,171,875	1,397,806	53	(2,039)	(56,350)	2,511,345

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2014 - 50 Million Ordinary Shares).

Note A

Dividend declared and paid during the year was not taken for calculation of Dividend Per Share in 2015 as it represents the dividend for 2014.

Consolidated Cash Flow Statements

<i>For the Year Ended 31st December,</i>	Group		Company		
	Note	Unaudited 2015	Audited 2014	Unaudited 2015	Audited 2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		169,773	438,583	457,028	428,986
<i>Adjustments for:</i>					
Interest Income		(843,579)	(808,970)	(687,104)	(801,831)
Dividend Income		(27,470)	(15,045)	(18,467)	(15,045)
Amortisation of Intangible Assets		17,226	17,975	17,226	17,975
Depreciation		51,116	40,330	38,082	40,330
Provision for Employee Benefits		22,201	19,050	12,849	19,050
Net Fair Value Gains		(16,583)	(99,281)	(4,028)	(99,281)
Net Realised Gains		(30,025)	(108,823)	(22,512)	(105,785)
Unrealised Gain on assets Transferred		(3,523)	-	(3,523)	-
(Gain) / Losses on Sale of Property, Plant and Equipment		(46)	174	(15)	174
		(660,910)	(516,007)	(210,464)	(515,427)
Change in Operating Assets	A	65,699	(299,620)	(24,825)	(299,110)
Change in Operating Liabilities	B	1,812,602	1,608,263	1,533,751	1,608,263
Cash Flows from Operating Activities		1,217,391	792,636	1,298,462	793,726
Gratuity Paid		(14,963)	(5,189)	(11,292)	(5,189)
Income Tax Paid		(1,280)	-	-	-
Super Gain Tax Paid		(31,378)	-	(31,378)	-
Net Cash Generated from Operating Activities		1,169,770	787,447	1,255,792	788,537
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(1,442,521)	(1,148,749)	(1,294,693)	(1,047,491)
Interest Received		711,684	591,459	568,571	586,583
Dividend Received		27,198	15,228	18,467	15,228
Investment in Subsidiary		-	-	(150,000)	(100,000)
Acquisition of Intangible Assets		(10,789)	(15,790)	(10,789)	(15,790)
Acquisition of Property, Plant and Equipment		(53,597)	(37,747)	(39,679)	(37,747)
Proceeds from the Sale of Property, Plant and Equipment		189	310	146	310
Net Cash Used in Investing Activities		(767,836)	(595,289)	(907,977)	(598,907)
Cash Flows from Financing Activities					
Dividend Paid		(187,500)	(162,500)	(187,500)	(162,500)
Share Issue Related Costs Paid- Subsidiary		(750)	(500)	-	-
Net Cash Used in Financing Activities		(188,250)	(163,000)	(187,500)	(162,500)
Net Increase in Cash and Cash Equivalents	C	213,684	29,158	160,315	27,130
Cash and Cash Equivalents at the beginning of the Year		173,245	144,087	171,217	144,087
Cash and Cash Equivalents Transferred to HNB GI Limited on Segregation		-	-	(73,310)	-
Cash and Cash Equivalents at the beginning of the Year - After segregation		-	-	97,907	-
Cash and Cash Equivalents at the end of the Year		386,929	173,245	258,222	171,217
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Increase in Deferred Expenses		(13,863)	(19,160)	-	(19,160)
Increase in Loans to Life Policyholders		(20,910)	(17,426)	(20,910)	(17,426)
Decrease/(Increase) in Reinsurance Receivables		20,906	(56,870)	(10,823)	(56,870)
Decrease/(Increase) in Premium Receivables		18,135	(62,869)	1,351	(62,869)
Decrease/(Increase) in Other Assets		61,431	(143,295)	5,557	(142,785)
		65,699	(299,620)	(24,825)	(299,110)
B. Change in Operating Liabilities					
Increase Other Liabilities		79,916	116,172	82,693	116,172
Increase Insurance Contract Liabilities - General Insurance		267,127	268,036	-	268,036
Increase Insurance Contract Liabilities - Life Insurance		1,444,432	1,214,158	1,444,432	1,214,158
Increase in Reinsurance Creditors		21,127	9,897	6,626	9,897
		1,812,602	1,608,263	1,533,751	1,608,263
C. Increase/(Decrease) in Cash and Cash Equivalents					
Net Cash and Cash Equivalents at the end of the Year		386,929	173,245	258,222	171,217
Net Cash and Cash Equivalents at the beginning of the Year		173,245	144,087	171,217	144,087
Cash and Cash Equivalents Transferred to HNB GI Limited on Segregation		-	-	(73,310)	-
Cash and Cash Equivalents at the beginning of the Year - After segregation		-	-	97,907	-
Net Increase in Cash and Cash Equivalents		213,684	29,158	160,315	27,130

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Three Months Ended 31st December,

	Note	Group			Company*	
		2015 Rs. '000	2014 Rs. '000	Change %	2015 Rs. '000	2014 Rs. '000
Gross Written Premium	8	1,394,817	1,214,170	15	796,969	1,214,170
Premium Ceded to Reinsurers		(149,578)	(165,173)	(9)	(31,241)	(165,173)
Net Written Premium		1,245,239	1,048,997	19	765,728	1,048,997
Net Change in Reserves for Unearned Premium		61,433	(34,450)	(278)	-	(34,450)
Net Earned Premium		1,306,672	1,014,547	29	765,728	1,014,547
Other Revenue						
Interest and Dividend Income	9	223,824	202,911	10	183,423	203,549
Net Realised Gains		4,673	89,628	(95)	5,171	86,590
Net Fair Value Gains		7,846	8,487	(8)	3,413	8,487
Fee and Commission Income		38,026	37,150	2	17,382	37,150
Other Income		4,651	5,047	(8)	-	5,047
		279,020	343,223	(19)	209,389	340,823
Net Income		1,585,692	1,357,770	17	975,117	1,355,370
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims		(582,648)	(443,873)	31	(83,884)	(443,873)
Change in Contract Liabilities - Life Fund		(196,499)	(131,495)	49	(196,499)	(131,495)
Other Operating and Administration Expenses		(366,042)	(395,982)	(8)	(198,588)	(395,409)
Underwriting and Net Acquisition Costs		(173,914)	(125,809)	38	(145,174)	(125,809)
Other Insurance Related Costs		(7,412)	(6,860)	8	(3,959)	(6,860)
Total Benefits, Claims and other Expenses		(1,326,515)	(1,104,019)	20	(628,104)	(1,103,446)
Profit Before Taxation		259,177	253,751	2	347,014	251,924
Income Tax (Expenses)/Reversal	10	(8,552)	5,734	(249)	(8,552)	5,734
Profit for the Period	11	250,625	259,485	(3)	338,462	257,658
Other Comprehensive Income, Net of Related Tax						
Items that are or may be reclassified to profit or loss						
- Net Change in fair value of available-for-sale financial assets		671	(10,416)	(106)	1,351	(13,408)
- Realized Gains transferred to Income Statement		(6,832)	(69,722)	(90)	(6,832)	(66,684)
- Net Change in fair value of available-for-sale financial assets transferred to Life Policyholders' Available For Sale Reserve Fund		5,507	81,548	(93)	5,507	81,548
- Related Tax	10	1,286	-	-	-	-
Items that will never be reclassified to profit or loss						
Actuarial Losses on Defined Benefit Plans		(2,270)	(995)	128	-	(995)
Total Other Comprehensive Income for the Period		(1,638)	415	(495)	26	461
Total Comprehensive Income for the Period		248,987	259,900	(4)	338,488	258,119
Profit Attributable to:						
Equity Holders of the Company		250,625	259,485	(3)	-	-
Total Comprehensive Income Attributable to:						
Equity Holders of the Company		248,987	259,900	(6)	-	-
Basic Earnings Per Share (Rs.)	12	5.01	5.19	(3)	-	-

* Financial results of the Company for 2014 include both Life and General Insurance segments while Company financial results for 2015 include the Life Insurance segment only.

Notes to the Condensed Consolidated Interim Financial Statements

- 1 Figures in these Condensed Consolidated Interim Financial Statements for the year ended 31st December 2015 are provisional and unaudited.
- 2 These Condensed Consolidated Interim Financial Statements of the Company and Group 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 - 2014 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.
- New SLRFSs and interpretations issued but not yet effective have not been early adopted during the year.
- Comparative information has been re-valued/re-classified where necessary, to conform to the current year recognition, measurement and presentations.

3 FINANCIAL INVESTMENTS

For the Year Ended 31st December,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Held-to-maturity financial assets, at amortised cost	472,565	782,667	320,426	782,667
Loans & Receivables	6,444,029	5,408,961	5,151,718	5,322,047
Available-for-sale financial assets	1,659,296	1,600,593	1,559,525	1,580,881
Financial assets at fair value through profit or loss	1,175,721	485,674	817,956	485,674
Total Investment	<u>9,751,611</u>	<u>8,277,895</u>	<u>7,849,625</u>	<u>8,171,269</u>

4 INVESTMENT IN SUBSIDIARY

HNB Assurance PLC transferred its General Insurance Business to its Subsidiary (HNB General Insurance Ltd) w.e.f 1st January 2015 in line with the segregation guidelines issued by the Insurance Board of Sri Lanka (IBSL). Also, the Stated Capital of HNB General Insurance Ltd was increased up to Rs. 1 Billion w.e.f 01st January 2015. Further, investment of Rs. 150 Million was made on 13th November 2015 in order to meet the regulatory and business capital requirements.

4 a) THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by subsidiary company are adjusted to conform with the Group's accounting policies when necessary.

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the initial impact of the implementation of new accounting standards w.e.f. 1st January 2012 and the Other Comprehensive Income in respect of Life Insurance related assets.

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

Notes to the Condensed Consolidated Interim Financial Statements

6 INSURANCE CONTRACT LIABILITIES - LIFE

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Life Insurance Fund (Note 6.a)	6,926,109	5,464,009	6,926,109	5,464,009
Claims Outstanding	80,971	98,639	80,971	98,639
Total Insurance Contract Liabilities - Life Insurance	<u>7,007,080</u>	<u>5,562,648</u>	<u>7,007,080</u>	<u>5,562,648</u>

6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the Year	5,464,009	4,271,736	5,464,009	4,271,736
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Change in Contract Liabilities Life Fund

Increase in Life Insurance Fund Before Surplus

Distribution to Shareholders	1,772,169	1,420,294	1,772,169	1,420,294
Surplus Distributed to Shareholders	(310,069)	(228,021)	(310,069)	(228,021)
Increase in Life Insurance Fund	<u>1,462,100</u>	<u>1,192,273</u>	<u>1,462,100</u>	<u>1,192,273</u>
Balance as at the end of the year	<u>6,926,109</u>	<u>5,464,009</u>	<u>6,926,109</u>	<u>5,464,009</u>

6 b) The valuation of Insurance Contract liabilities - Life Fund was carried out by the Consultant Actuary for the year ended 31st December 2015 and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial statements in line with Actuarial Valuation. Group has recognised a profit of Rs 310 Million (2014 - Rs 228 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.

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 31st December 2015 as required by SLFRS 4 - Insurance Contracts. According to the Consultant Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2015. No additional provisions were required against the LAT as at 31st December 2015.

7 INSURANCE CONTRACT LIABILITIES - GENERAL

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
For the Year Ended 31st December ,				
Reserves for Net Unearned Premium	1,098,217	977,827	-	977,827
Reserves for Title Insurance	19,153	16,866	-	16,866
Reserves for Gross Outstanding Claims	428,895	284,445	-	284,445
Total Insurance Contract Liabilities - General Insurance	<u>1,546,265</u>	<u>1,279,138</u>	<u>-</u>	<u>1,279,138</u>

7 a) The Valuation of the IBNR/IBNER was carried out by the Consultant Actuary for the year ended 31st December 2015 and have been ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

7b) A Liability Adequacy Test (LAT) for General Insurance contract liability was carried out by Mr. Matthew Maguire, FIAA, for and behalf of NMG Consulting as at 31st December 2015 as required by the 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 31st December 2015. No additional provisions were required against the LAT as at 31st December 2015.

8 GROSS WRITTEN PREMIUM

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
General Insurance				
Fire	370,886	344,070	-	344,070
Motor	2,048,504	1,668,421	-	1,668,421
Marine	36,062	33,806	-	33,806
Miscellaneous	222,804	276,454	-	276,454
General Insurance Gross Written Premium	2,678,256	2,322,751	-	2,322,751
Life Insurance				
Individual Policies	2,704,394	2,307,315	2,704,394	2,307,315
Corporate Policies	64,514	35,552	84,322	35,552
Life Insurance Gross Written Premium	2,768,908	2,342,867	2,788,716	2,342,867
Total Gross Written Premium	5,447,164	4,665,618	2,788,716	4,665,618

<i>For the Three Months Ended 31st December,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
General Insurance				
Fire	83,751	80,230	-	80,230
Motor	470,815	474,947	-	474,947
Marine	6,751	11,716	-	11,716
Miscellaneous	41,213	47,423	-	47,423
General Insurance Gross Written Premium	602,530	614,316	-	614,316
Life Insurance				
Individual Policies	763,619	587,096	763,619	587,096
Corporate Policies	28,668	12,758	33,350	12,758
Life Insurance Gross Written Premium	792,287	599,854	796,969	599,854
Total Gross Written Premium	1,394,817	1,214,170	796,969	1,214,170

9 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Interest Income	843,579	808,970	687,104	801,831
Dividend Income	27,470	15,045	18,467	15,045
Total	871,049	824,015	705,571	816,876

Notes to the Condensed Consolidated Interim Financial Statements

9 INTEREST AND DIVIDEND INCOME (Cont.)

	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<i>For the Three Months Ended 31st December,</i>				
Interest Income	221,082	200,632	181,530	201,270
Dividend Income	2,742	2,279	1,893	2,279
Total	223,824	202,911	183,423	203,549

10 INCOME TAX (EXPENSES) / REVERSAL

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<i>For the Year Ended 31st December,</i>				
Current Tax Charge	-	(12,012)	-	(10,422)
Provision for Notional Tax (NTC) - Life Insurance	(29,383)	-	(29,383)	-
Deferred Income Tax	56,954	(8,845)	-	(8,845)
Total	27,571	(20,857)	(29,383)	(19,267)
Deferred Income Tax - Other Comprehensive Income	1,286	-	-	-
Total	1,286	-	-	-

	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<i>For the Three Months Ended 31st December,</i>				
Current Tax Charge	-	7,834	-	7,834
Provision for Notional Tax (NTC) - Life Insurance	(8,552)	-	(8,552)	-
Deferred Income Tax	-	(2,100)	-	(2,100)
Total	(8,552)	5,734	(8,552)	5,734
Deferred Income Tax - Other Comprehensive Income	1,286	-	-	-
Total	1,286	-	-	-

The Company and the Group is liable to pay income tax at the rate of 28% (2014 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

HNB General Insurance Ltd. has tax losses amounting to LKR 326.6 million (2014 - Nil) available indefinitely for offset against future taxable profits of the company in line with Tax Regulations. Considering the recoverability of the tax loss based on the previous experience of General Insurance Business, a deferred tax asset has been created for Rs. 49.4 million. The recoverability of this Deferred Tax Asset would be assessed frequently at the end of each reporting period.

11 PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<i>For the Year Ended 31st December,</i>				
HNB General Insurance Ltd	(227,346)	8,007	-	-
HNB Assurance PLC*	424,690	409,719	427,645	409,719
Total	197,344	417,726	427,645	409,719

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended 31st December,	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
HNB General Insurance Ltd	(87,837)	1,827	-	-
HNB Assurance PLC*	338,462	257,658	338,462	257,658
Total	250,625	259,485	338,462	257,658

* Profit/(Loss) After Tax of HNB Assurance PLC during the year 2014 represents profit from both Life Insurance Segment and General Insurance Segment of HNB Assurance PLC.

12 BASIC EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the net PAT for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For the Year Ended 31st December,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015	2014	2015	2014
Profit for the year (Rs. '000)	197,344	417,726	427,645	409,719
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	3.95	8.35	8.55	8.19

For the Three Months Ended 31st December,	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2015	2014	2015	2014
Profit for the period (Rs. '000)	250,625	259,485	338,462	257,658
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	5.01	5.19	6.77	5.15

13 RELATED PARTY DISCLOSURES

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

Nature of Transaction	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
For the Year Ended 31st December,				
Insurance Premium	10,475	11,428	-	11,428
Investment Income	28,970	26,460	23,702	26,460
Administration Expenses	150,889	155,958	80,399	155,958
Claims Incurred	9,361	9,839	-	9,839
Rent and other Expenses	48,817	49,383	48,817	49,383
Dividend Paid	112,474	97,477	112,474	97,477

Notes to the Condensed Consolidated Interim Financial Statements

Nature of Transaction	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
For the Year Ended 31st December,				
Investments Balance (Includes Deposits and Debentures)	300,886	286,566	212,825	286,566
Cash at Bank Balances	168,583	159,480	87,949	159,480

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

Nature of Transaction	Unaudited 2015 Rs. '000
Transactions due to the Segregation of Life and General Insurance Businesses	

Transfer of Assets*	2,470,677
Transfer of Liabilities*	1,570,677
Investment in Stated Capital**	1,050,000
Profit Realised from Transfer of Available-For-Sale Assets*	3,523

Other transactions

Insurance Premium	19,808
Insurance Expenses	19,920
Administration Expenses Reimbursement	154,059

* These transactions took place on 1st January 2015 as a result of transferring the General Insurance business segment to the subsidiary company HNB General Insurance Ltd.

** On 1st January 2015, HNB Assurance PLC invested Rs 900 Million in HNB General Insurance Limited. Further Rs 150 Million was invested in HNB General Insurance Limited on 13th November 2015 in order to meet its regulatory and business capital requirements.

C) Transactions with / between Subsidiary Companies of the Parent Company

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Splendor Media (Pvt) Ltd.	Insurance Premium	-	328	-	328
	Claims Incurred	-	156	-	156
	Media Placements				
	Commission Fee	-	4,378	-	4,378
Sithma Development (Pvt) Ltd.	Insurance Premium	214	1,206	-	1,206
HNB Grameen Finance Ltd.	Insurance Premium	33,989	-	33,256	-
	Claims Incurred	3,632	-	3,558	-
	Administration Expenses	4,000	-	3,918	-

Notes to the Condensed Consolidated Interim Financial Statements

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	160	144	-	144
	Brokerage Fee	-	285	-	285
ACUITY Securities Ltd	Insurance Premium	81	63	-	63
	Investment In REPO	918,569	298,148	755,544	298,148
	Investment Income from REPO	19,724	15,191	15,219	15,191

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

Nature of Transaction	Company	
	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000
Short-term and Post employment benefits	40,020	46,071

Mr. Manjula Hiranya De Silva resigned from the post of Managing Director of HNB Assurance PLC w.e.f. 31st March 2015.

Also, Dr. Rane Jayamaha ceased to be the Chairperson/Director of HNB Assurance PLC w.e.f. 30th March 2015.

Further, Mr. A.J. Alles resigned from the Directorship of the Company w.e.f. 3rd December 2015 and Mr. M.U. de Silva resigned from the Directorship of the Company w.e.f. 8th January 2016.

Therefore, they ceased to be key management personnel of the Company w.e.f. the above dates.

Mrs. M.A.R.C Cooray was appointed as a Director (non-executive/non-independent) and Chairperson of HNB Assurance PLC w.e.f. 6th July 2015.

Also Mr N. H. T. I. Perera was appointed as a Director (non-executive/non-independent) to the Board of HNB Assurance PLC w.e.f. 8th January 2016.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2014 except for the above changes.

14 SUPER GAIN TAX

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

15 EVENTS OCCURRING AFTER THE REPORTING DATE

a) Proposed Dividend

A Board of Directors has recommended a payment of first and final dividend of Rs 2.00/- per share for the year ended 31st December 2015 (2014 – Rs 3.75/- per share) which is to be approved at the Annual General Meeting to be held on the 29th March 2016.

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

Notes to the Condensed Consolidated Interim Financial Statements

16 CAPITAL COMMITMENTS

a) As at the end of interim period, no material capital expenditure is approved by the Board and contracted for which no provision has been made in these Condensed Consolidated Interim Financial Statements. (2014 - Nil).

b) Future commitments on operating leases

Nature of Transaction	Company	
	Unaudited	Audited
	2015 Rs. '000	2014 Rs. '000
Less than one year	20,378	18,246
Between one and five years	28,994	28,067
Total Operating Lease Commitments	49,372	46,313

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

17 CONTINGENCIES

a) The Inland Revenue Department has taken the view that reinsurance claims and commission for the year of assessment 2010/11 on General insurance business is liable for value added tax (VAT). Accordingly The Company has received a VAT Assessment on Reinsurance Claims and Commissions amounting to Rs. 13.3 Million for the year of Assessment 2010/2011.

This has been a common assessment to most of the Insurance Companies who are in the General Insurance business by Inland Revenue Department. However the Companies in the insurance industry are in a strong view that they are not liable to pay VAT on Reinsurance and claims.

The Company has filed due responses in consultation with Tax Consultants and has made an appeal to the Tax Appeals Commission. As such the Company is of the strong view that no additional Tax liabilities are arising due to this Assessment. No further response has been received on this matter as of the date of authorizing these Consolidated Financial Statements. VAT on Reinsurance and claims has been exempted by the Inland Revenue Department w.e.f. 1st January 2011. This is an indication that realization of this liability is remote.

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

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

Notes to the Condensed Consolidated Interim Financial Statements

d) The Company has received an official communication from IRD stating that the Company is liable for VAT and NBT on Financial Services (FS). 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. Further, it stated that the Company has registered to pay VAT and NBT on FS w.e.f 01st January 2014. However, Companies who are engaged in Insurance Industry and our Tax Consultant's are of the view that Company is not liable for VAT and NBT on FS, as the Company is in the insurance business and do not engage in the business of financial service directly. Therefore, the Company has requested 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 be materialized in respect of the same.

18 TRANSFER PRICING

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

During the financial year, certain transactions including provision of insurance solutions and placement of deposits have taken place with the parent entity (associated undertaking).

Both the companies (HNB Assurance PLC and HNB General Insurance Limited) are of the view that the transactions with parent entity have taken place on arm's length pricing. As the aggregate value of transactions of each companies with associated undertaking is more than Rs. 50 Million, both the companies are required to maintain separate documentation as prescribed by transfer pricing regulation. The companies are in the process of seeking professional advice from tax consultants to prepare required documentation to comply with transfer pricing regulation.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2015	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
02 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
03 Mercantile Merchant Bank Ltd	913,265	1.83%
04 Janashakthi General Insurance Limited	824,425	1.65%
05 Bank of Ceylon A/c Ceybank Century Growth Fund	648,244	1.30%
06 Mr. Mohamed Faizer Hashim	530,534	1.06%
07 Salamander Investments (Pvt) Ltd.	475,000	0.95%
08 Arunodhaya Industries (Pvt) Ltd.	400,000	0.80%
09 Arunodhaya (Pvt) Ltd	400,000	0.80%
10 Arunodhaya Investments (Pvt) Ltd.	400,000	0.80%
11 Union Assurance PLC/No. 1 A/c	336,266	0.67%
12 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	300,000	0.60%
13 Phoenix Ventures Ltd.	260,000	0.52%
14 Corporate Holdings (Pvt) Ltd. A/c No. 1	242,700	0.49%
15 Mr. Madduma Hetti Vidanelage Upali Gunatilake	201,643	0.40%
16 Mr. Kailasapillai Viswanathar	200,000	0.40%
17 Mrs. Kailasapillai Abiramipillai	200,000	0.40%
18 Miss. Subramaniam Sivamalar	200,000	0.40%
19 Mrs.Selliah Arunthathi	200,000	0.40%
20 Andysel Private Limited	200,000	0.40%
	<u>38,925,077</u>	<u>77.86%</u>

Share Information (Contd.)

Public Shareholding

	As at 31st December 2015	
	No. of Shares	% on Issued Shares
Number of Shares	19,604,654	39.21

Public Shareholding

	As at 31st December 2015	
	No.	% on Total No. of shareholders
Number of Share Holders	3,514	99.69

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st December 2015
Mrs. Rose Cooray	5,000
Mr. M U de Silva	3,000
Mr. Sarath Ratwatte	14,666
Mr. J A P M Jayasekara	5,000
Mr. K Balasundaram	10,000
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	100,000

Number of Shares

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

Share Performance

	Rs.
Net Asset Value Per Share as at 31st December 2015	45.68
Highest Price Per Share for the Interim Period	83.00
Lowest Price Per Share for the Interim Period	69.40
Last traded Price Per Share as at 31st December 2015	74.60