

15^{YEARS}

DELIGHTING

OUR STAKEHOLDERS



HNB Assurance PLC

**Condensed Consolidated Interim Financial Statements
31st December 2017**

Statement of Financial Position

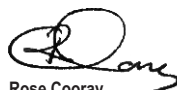
As at,	Note	Group		Company	
		Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Assets					
Property, Plant and Equipment		169,620	161,362	119,078	112,151
Intangible Assets		57,841	60,882	57,841	60,882
Deferred Tax Assets		64,098	52,922	-	-
Financial Investments	3	15,054,910	11,544,575	12,741,015	9,642,596
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		162,285	120,441	162,285	120,441
Reinsurance Receivables		569,778	494,726	65,010	54,814
Premium Receivables		786,319	623,294	7,488	6,805
Other Assets		1,036,846	770,674	764,256	575,676
Insurance Contract - Deferred Expenses		105,287	74,951	-	-
Cash and Cash Equivalents		641,950	625,527	352,307	476,572
Total Assets		18,648,934	14,529,354	15,419,280	12,199,937
Equity and Liabilities					
Equity Attributable to the Equity Holders of Parent					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		2,381,427	1,721,675	2,373,601	1,897,936
Available for Sale Reserve		30,685	(7,152)	17,415	(1,465)
Other Reserves		(10,760)	1,790	(9,884)	(1,886)
Life Policyholders' Available for Sale Reserve Fund	5	223,272	(191,131)	223,272	(191,131)
Total Equity		3,796,499	2,697,057	3,776,279	2,875,329
Liabilities					
Insurance Contract Liabilities - Life Insurance	6	10,915,858	8,747,856	10,915,858	8,747,856
Insurance Contract Liabilities - General Insurance	7	2,384,906	1,921,567	-	-
Employee Defined Benefit Liabilities		126,083	90,433	73,875	50,883
Current Tax Liabilities		34,598	3,300	-	-
Reinsurance Creditors		353,042	287,895	90,650	39,395
Other Liabilities		896,288	781,246	529,862	486,474
Bank Overdraft		141,660	-	32,756	-
Total Liabilities		14,852,435	11,832,297	11,643,001	9,324,608
Total Equity and Liabilities		18,648,934	14,529,354	15,419,280	12,199,937

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



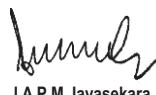
Indika Perera
Chief Financial Officer

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

Colombo, Sri Lanka
09th February 2018.



J A P M Jayasekara
Director

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,	Note	Group		Company		Change	
		Unaudited 2017	Audited 2016	Unaudited 2017	Audited 2016	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
Gross Written Premium	8	7,821,468	6,656,694	3,963,642	3,554,078	17	12
Premium Ceded to Reinsurers		(1,100,573)	(877,713)	(189,093)	(159,050)	25	19
Net Written Premium		6,720,895	5,778,981	3,774,549	3,395,028	16	11
Net Change in Reserves for Unearned Premium		(328,818)	(181,102)	-	-	82	-
Net Earned Premium		6,392,077	5,597,879	3,774,549	3,395,028	14	11
Other Revenue							
Interest and Dividend Income	9	1,693,191	1,180,085	1,442,073	987,959	43	46
Net Realised Gains/(Losses)		33,128	(29,119)	28,789	(22,435)	214	228
Net Fair Value Gains/(Losses)		9,704	(6,461)	7,653	(7,793)	250	198
Fee and Commission Income		129,099	128,798	61,494	62,858	0.2	(2)
Other Income		46,735	25,019	24,958	11,017	87	127
Total Other Revenue		1,911,857	1,298,322	1,564,967	1,031,606	47	52
Net Income		8,303,934	6,896,201	5,339,516	4,426,634	20	21
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(2,293,406)	(1,947,645)	(575,551)	(401,677)	18	43
Change in Contract Liabilities - Life Fund		(2,166,427)	(1,708,285)	(2,166,427)	(1,708,285)	27	27
Other Operating and Administration Expenses		(1,839,018)	(1,572,964)	(1,018,770)	(886,845)	17	15
Underwriting and Net Acquisition Costs		(1,028,872)	(922,881)	(822,715)	(748,051)	11	10
Other Insurance Related Costs		(49,184)	(38,905)	(30,388)	(25,134)	26	21
Total Benefits, Claims and Other Expenses		(7,376,907)	(6,190,680)	(4,613,851)	(3,769,992)	19	22
Profit Before Taxation		927,027	705,521	725,665	656,642	31	11
Income Tax Expenses	10	(17,275)	(58,108)	-	(56,512)	(70)	(100)
Profit for the Year	11	909,752	647,413	725,665	600,130	41	21
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale financial assets		489,495	(153,476)	461,179	(147,913)	419	412
- Realised (Gains)/Losses transferred to Income Statement		(30,485)	14,466	(27,896)	11,614	(311)	(340)
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholders' Available For Sale Reserve Fund		(414,403)	134,781	(414,403)	134,781	(407)	(407)
- Related Tax	10	(6,770)	1,825	-	-	(471)	-
Items that will never be reclassified to profit or loss							
Actuarial (Losses)/Gains on Defined Benefit Plans		(12,550)	2,883	(7,998)	153	(535)	(5,327)
Total Other Comprehensive Income for the year net of Related Tax		25,287	479	10,882	(1,365)	5,179	897
Total Comprehensive Income for the Year		935,039	647,892	736,547	598,765	44	23
Profit Attributable to:							
Equity Holders of the Parent		909,752	647,413	-	-	41	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		935,039	647,892	-	-	44	-
Basic Earnings Per Share (Rs.)	12	18.20	12.95	14.51	12.00	41	21

Statement of Changes in Equity - Group

For the Year Ended 31st December 2017,

	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
Balance as at 01st January 2016	1,171,875	1,174,262	(4,748)	(1,093)	(56,350)	2,283,946
Total Comprehensive Income for the Year	-	647,413	-	-	-	647,413
Profit for the Year-Audited	-	647,413	-	-	-	647,413
Other Comprehensive Income for the Year, net of related tax						
Net Change in fair value of Available For Sale financial assets			(137,185)			(137,185)
Net Change in fair value of Available For Sale financial assets						
- transferred to Life Policyholders' Available For Sale Reserve Fund			134,781			134,781
Actuarial Gains on Defined Benefit Plans				2,883		2,883
Total Other Comprehensive Income for the Year			(2,404)	2,883		479
Total Comprehensive Income for the Year		647,413	(2,404)	2,883		647,892
Net Change in fair value of Available For Sale financial assets						
- transferred from Available For Sale Reserve Fund					(134,781)	(134,781)
Transactions with owners recorded directly in equity						
Distributions to owners of the Parent						
Dividend to equity holders for 2015		(100,000)				(100,000)
Audited balance as at 31st December 2016	1,171,875	1,721,675	(7,152)	1,790	(191,131)	2,697,057
Balance as at 01st January 2017	1,171,875	1,721,675	(7,152)	1,790	(191,131)	2,697,057
Total Comprehensive Income for the Year						
Profit for the Year - Unaudited		909,752				909,752
Other Comprehensive Income for the Year, net of related tax						
Net Change in fair value of Available For Sale financial assets			452,240			452,240
Net Change in fair value of Available For Sale financial assets						
- transferred to Life Policyholders' Available For Sale Reserve Fund			(414,403)			(414,403)
Actuarial Losses on Defined Benefit Plans				(12,550)		(12,550)
Total Other Comprehensive Income for the Year			37,837	(12,550)		25,287
Total Comprehensive Income for the Year		909,752	37,837	(12,550)		935,039
Net Change in fair value of Available For Sale financial assets						
- transferred from Available For Sale Reserve Fund					414,403	414,403
Transactions with owners recorded directly in equity						
Distributions to owners of the Parent						
Dividend paid to equity holders for 2016		(250,000)				(250,000)
Unaudited balance as at 31st December 2017	1,171,875	2,381,427	30,685	(10,760)	223,272	3,796,499

Stated Capital represents 50 Million Ordinary Shares as at 31st December 2017 (2016 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Year Ended 31st December 2017,

	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
Balance as at 01st January 2016	1,171,875	1,397,806	53	(2,039)	(56,350)	2,511,345
Total Comprehensive Income for the Year						
Profit for the year - Audited	-	600,130	-	-	-	600,130
Other Comprehensive Income for the Year, net of related tax						
Net Change in fair value of Available For Sale financial assets	-	-	(1,36,298)	-	-	(1,36,298)
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders Available For Sale Reserve Fund	-	-	134,781	-	-	134,781
Actuarial Gains on Defined Benefit Plans	-	-	-	153	-	153
Total Other Comprehensive Income for the Year	-	-	(1,518)	153	-	(1,365)
Total Comprehensive Income for the Year		600,130	(1,518)	153	-	598,765
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve Fund	-	-	(1,518)	-	-	(1,518)
Transactions with owners recorded directly in equity						
Distributions to owners of the Company	-	-	-	-	(134,781)	(134,781)
Dividend paid to equity holders for 2015	-	(100,000)	-	-	-	(100,000)
Audited balance as at 31st December 2016	1,171,875	1,897,936	(1,465)	(1,886)	(191,131)	2,675,329
Balance as at 01st January 2017	1,171,875	1,897,936	(1,465)	(1,886)	(191,131)	2,675,329
Total Comprehensive Income for the Year		725,665	-	-	-	725,665
Profit for the year - Unaudited	-	725,665	-	-	-	725,665
Other Comprehensive Income for the Year, net of related tax						
Net Change in fair value of Available For Sale financial assets	-	-	433,283	-	-	433,283
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders Available For Sale Reserve Fund	-	-	(414,403)	-	-	(414,403)
Actuarial Losses on Defined Benefit Plans	-	-	-	(7,998)	-	(7,998)
Total Other Comprehensive Income for the Year	-	-	18,880	(7,998)	-	10,882
Total Comprehensive Income for the Year		725,665	18,880	(7,998)	-	736,547
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve Fund	-	-	-	-	414,403	414,403
Transactions with owners recorded directly in equity						
Distributions to owners of the Company	-	(250,000)	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	-	-	-	-	-
Unaudited balance as at 31st December 2017	1,171,875	2,373,601	17,415	(9,884)	223,272	3,776,279

Stated Capital represents 50 Million Ordinary Shares as at 31st December 2017 (2016 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited 2017	Audited 2016	Unaudited 2017	Audited 2016
	Note	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities				
Profit Before Taxation	927,027	705,521	725,665	656,642
Adjustments for:				
Interest Income	(1,684,689)	(1,166,369)	(1,435,151)	(976,943)
Dividend Income	(8,502)	(13,716)	(6,922)	(11,016)
Amortisation of Intangible Assets	18,937	20,107	18,937	20,107
Depreciation	51,770	44,878	36,142	31,708
Provision for Employee Benefits	30,540	24,142	18,028	13,984
Net Realised (Gains)/Losses	(33,128)	29,119	(28,789)	22,435
Net Fair Value (Gains)/Losses	(9,704)	6,461	(7,653)	7,793
(Gains)/Losses on Sale of Property, Plant and Equipment	(5,584)	3,763	(5,934)	2,592
	(713,333)	(346,094)	(685,677)	(232,698)
Change in Operating Assets	A (548,793)	(787,055)	(241,501)	(130,454)
Change in Operating Liabilities	B 2,796,294	2,447,424	2,262,645	1,806,015
Cash Flows from Operating Activities	1,534,168	1,314,275	1,335,467	1,442,863
Gratuity Paid	(7,440)	(11,827)	(3,397)	(8,156)
Economic Service Charges (ESC) Paid	(16,919)	(10,250)	-	-
Net Cash Generated from Operating Activities	1,509,809	1,292,198	1,332,070	1,434,707
Cash Flows from Investing Activities				
Net Acquisition of Investment Securities	(2,767,527)	(1,937,075)	(2,425,152)	(1,920,005)
Interest Received	1,443,722	1,079,377	1,231,609	880,938
Dividend Received	9,100	13,625	7,483	10,858
Acquisition of Intangible Assets	(15,896)	(35,804)	(15,896)	(35,804)
Acquisition of Property, Plant and Equipment	(64,943)	(75,393)	(46,196)	(53,895)
Proceeds from the Sale of Property, Plant and Equipment	10,498	1,670	9,061	1,551
Net Cash Used in Investing Activities	(1,385,046)	(953,600)	(1,239,091)	(1,116,357)
Cash Flows from Financing Activities				
Dividend Paid	(250,000)	(100,000)	(250,000)	(100,000)
Net Cash Used in Financing Activities	(250,000)	(100,000)	(250,000)	(100,000)
Net (Decrease)/Increase in Cash and Cash Equivalents	(125,237)	238,598	(157,021)	218,350
Cash and Cash Equivalents at the beginning of the Year	625,527	386,929	476,572	258,222
Cash and Cash Equivalents at the end of the Year	500,290	625,527	319,551	476,572
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
Increase in Deferred Expenses	(30,336)	(9,016)	-	-
Increase in Loans to Life Policyholders	(41,844)	(27,949)	(41,844)	(27,949)
Increase in Reinsurance Receivables	(75,052)	(353,372)	(10,196)	(20,545)
Increase in Premium Receivables	(163,025)	(277,378)	(683)	(1,213)
Increase in Other Assets	(238,536)	(119,340)	(188,778)	(80,747)
	(548,793)	(787,055)	(241,501)	(130,454)
B. Change in Operating Liabilities				
Increase in Other Liabilities	99,806	175,356	43,388	63,391
Increase in Insurance Contract Liabilities - Life Insurance	2,168,002	1,740,776	2,168,002	1,740,776
Increase in Insurance Contract Liabilities - General Insurance	463,339	375,302	-	-
Increase in Reinsurance Creditors	65,147	155,990	51,255	1,848
	2,796,294	2,447,424	2,262,645	1,806,015

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2017	2016	2017	2016	%	%
For the Three Months Ended 31st December,		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Gross Written Premium	8	2,015,842	1,798,976	1,044,747	952,613	12	10
Premium Ceded to Reinsurers		(315,094)	(274,331)	(50,959)	(43,264)	15	18
Net Written Premium		1,700,748	1,524,645	993,788	909,349	12	9
Net Change in Reserves for Unearned Premium		4,232	(40,450)	-	-	110	-
Net Earned Premium		1,704,980	1,484,195	993,788	909,349	15	9
Other Revenue							
Interest and Dividend Income	9	527,305	336,419	459,499	284,125	57	62
Net Realised Gains/(Losses)		16,505	(8,067)	16,173	(7,903)	305	305
Net Fair Value Losses		(4,619)	(9,080)	(4,544)	(8,743)	(49)	(48)
Fee and Commission Income		12,783	28,452	10,956	11,379	(55)	(4)
Other Income		15,282	12,054	6,147	6,417	27	(4)
Total Other Revenue		567,256	359,778	488,231	285,275	58	71
Net Income		2,272,236	1,843,973	1,482,019	1,194,624	23	24
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(630,030)	(501,538)	(171,719)	(132,189)	26	30
Change in Contract Liabilities - Life Fund		(242,587)	(92,898)	(242,587)	(92,898)	161	161
Other Operating and Administration Expenses		(491,016)	(426,794)	(269,896)	(240,654)	15	12
Underwriting and Net Acquisition Costs		(276,789)	(251,826)	(222,019)	(208,046)	10	7
Other Insurance Related Costs		(11,482)	(10,446)	(6,962)	(7,020)	10	(1)
Total Benefits, Claims and Other Expenses		(1,651,904)	(1,283,502)	(913,183)	(680,807)	29	34
Profit Before Taxation		620,332	560,471	568,836	513,817	11	11
Income Tax Reversal/(Expense)	10	7,501	(18,950)	-	(17,354)	140	(100)
Profit for the Period	11	627,833	541,521	568,836	496,463	16	15
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		55,956	(148,768)	50,122	(142,064)	(138)	135
- Realised (Gains)/Losses transferred to Income Statement		(43,921)	7,491	(38,779)	7,430	(686)	(622)
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For Reserve		(16,377)	124,848	(16,377)	124,848	(113)	(113)
- Related Tax	10	(13,253)	1,821	-	-	(828)	-
Actuarial (Losses)/Gains on Defined Benefit Plans		(12,550)	2,883	(7,998)	153	(535)	(5,327)
Total Other Comprehensive Income for the Period net of related tax		(30,145)	(11,725)	(13,032)	(9,633)	157	35
Total Comprehensive Income for the Period		597,688	529,796	555,804	486,830	13	14
Profit Attributable to:							
Equity Holders of the Parent		627,833	541,521	-	-	16	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		597,688	529,796	-	-	13	-
Basic Earnings Per Share (Rs.)	12	12.56	10.83	11.38	9.93	16	15

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st December 2017		31st December 2016	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	119,078	50,542	112,151	49,211
Intangible Assets	57,841	-	60,882	-
Deferred Tax Assets	-	64,098	-	52,922
Financial Investments	12,741,015	2,313,895	9,642,596	1,901,979
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	162,285	-	120,441	-
Reinsurance Receivables	65,010	504,768	54,814	439,912
Premium Receivables	7,488	778,831	6,805	616,489
Other Assets	764,256	278,711	575,676	208,118
Insurance Contract - Deferred Expenses	-	105,287	-	74,951
Cash and Cash Equivalents	352,307	289,643	476,572	148,955
Total Assets	15,419,280	4,385,775	12,199,937	3,492,537
Liabilities				
Insurance Contract Liabilities - Life Insurance	10,915,858	-	8,747,856	-
Insurance Contract Liabilities - General Insurance	-	2,384,906	-	1,921,567
Employee Defined Benefit Liabilities	73,875	52,208	50,883	39,550
Current Tax Liabilities	-	34,598	-	3,300
Reinsurance Creditors	90,650	262,392	39,395	248,500
Other Liabilities	529,862	372,547	486,474	307,892
Bank Overdraft	32,756	108,904	-	-
Total Liabilities	11,643,001	3,215,555	9,324,608	2,520,809

Operating Segment Information - Profitability

	Unaudited		Audited	
	31st December 2017		31st December 2016	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	3,963,642	3,906,503	3,554,078	3,141,559
Premium Ceded to Reinsurers	(189,093)	(911,480)	(159,050)	(718,663)
Net Written Premium	3,774,549	2,995,023	3,395,028	2,422,896
Net Change in Reserves for Unearned Premium	-	(328,818)	-	(181,102)
Net Earned Premium	3,774,549	2,666,205	3,395,028	2,241,794
Other Revenue				
Interest and Dividend Income	1,442,073	251,118	987,959	192,126
Net Realised Gains/(Losses)	28,789	4,339	(22,435)	(6,684)
Net Fair Value Gains/(Losses)	7,653	2,051	(7,793)	1,332
Fees and Commission Income	61,494	80,889	62,858	73,029
Other Income	24,958	21,777	11,017	14,002
Total Other Revenue	1,564,967	360,174	1,031,606	273,805
Net Income	5,339,516	3,026,379	4,426,634	2,515,599
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(575,551)	(1,718,847)	(401,677)	(1,546,601)
Change in Contract Liabilities - Life Fund	(2,166,427)	-	(1,708,285)	-
Other Operating and Administration Expenses	(1,018,770)	(872,476)	(886,845)	(728,501)
Underwriting and Net Acquisition Cost	(822,715)	(214,898)	(748,051)	(177,847)
Other Insurance Related Cost	(30,388)	(18,796)	(25,134)	(13,771)
Total Benefits, Claims and other Expenses	(4,613,851)	(2,825,017)	(3,769,992)	(2,466,720)
Profit Before Taxation	725,665	201,362	656,642	48,879
Income Tax Expense	-	(17,275)	(56,512)	(1,596)
Profit for the Year	725,665	184,087	600,130	47,283

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

HNB Assurance PLC ("the Company") is a Listed Company incorporated on 23rd August 2001 with limited liability and domiciled in Sri Lanka. The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03. Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

The Group's controlling entity and ultimate parent under taking is Hatton National Bank PLC which is a licensed Commercial Bank incorporated in Sri Lanka.

b). Approval of financial statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 09th February 2018.

Figures in these Condensed Consolidated Interim Financial Statements for the year ended 31st December 2017 are provisional and unaudited.

2 BASIS OF PREPARATION

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2016 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 31st Dec 2017	Audited 31st Dec 2016	Unaudited 31st Dec 2017	Audited 31st Dec 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	180,460	174,025	180,460	174,025
Loans and Receivables	8,417,430	5,344,482	6,789,740	4,253,239
Available for Sale Financial Assets	6,326,735	5,869,558	5,659,291	5,095,600
Financial Assets at Fair Value Through Profit or Loss	130,285	156,510	111,524	119,732
Total Financial Investments	15,054,910	11,544,575	12,741,015	9,642,596

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

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the fair value changes recorded in Other Comprehensive Income in respect of Life Insurance 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.

Notes to the Condensed Consolidated Interim Financial Statements

6 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Life Insurance Fund (Note 6 a)	10,800,821	8,634,394	10,800,821	8,634,394
Claims Outstanding	115,037	113,462	115,037	113,462
Total Insurance Contract Liabilities	10,915,858	8,747,856	10,915,858	8,747,856

6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the year	8,634,394	6,926,109	8,634,394	6,926,109
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before				
Surplus Distribution to Shareholders	2,684,985	2,169,427	2,684,985	2,169,427
Surplus Distributed to Shareholders	(518,558)	(461,142)	(518,558)	(461,142)
Increase in Life Insurance Fund	2,166,427	1,708,285	2,166,427	1,708,285
Balance as at the end of the year	10,800,821	8,634,394	10,800,821	8,634,394

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. This resulted release in liabilities amounted to Rs. 1,849.7 Million for fund based life insurance products and Rs.330.6 Million for other life insurance products. The Company has kept the release in liabilities under the Long term Insurance fund of Life Policyholders as required by the IRCSL.

6 b) Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2017 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial statements in line with the Actuarial Valuation.

6 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd, as at 31st December 2017 as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, assets are sufficiently adequate as compared to the reserves as at 31st December 2017. No additional provisions were required against the LAT as at 31st December 2017.

7 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Reserves for Net Unearned Premium	1,592,450	1,278,861	-	-
Reserves for Title Insurance	34,840	19,611	-	-
Reserves for Gross Outstanding Claims	757,616	623,095	-	-
Total Insurance Contract Liabilities	2,384,906	1,921,567	-	-

Notes to the Condensed Consolidated Interim Financial Statements

7 a) Valuation of the IBNR/IBNER was carried out by the Consultant Actuary, Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 31st December 2017 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

7 b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 31st December 2017 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, Company adequately satisfies the LAT as at 31st December 2017. No additional provisions were required against the LAT as at 31st December 2017.

8 GROSS WRITTEN PREMIUM

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Life Insurance				
Individual Policies	3,891,527	3,426,072	3,891,527	3,426,072
Corporate Policies	72,115	128,006	72,115	128,006
Adjustment for Inter Company Premiums	(25,632)	(18,715)	-	-
Life Insurance Gross Written Premium	3,938,010	3,535,363	3,963,642	3,554,078

General Insurance

Fire	539,350	461,583	-	-
Motor	2,849,042	2,229,050	-	-
Marine	57,451	42,051	-	-
Miscellaneous	460,660	408,875	-	-
Adjustment for Inter Company Premiums	(23,045)	(20,228)	-	-
General Insurance Gross Written Premium	3,883,458	3,121,331	-	-
Total Gross Written Premium	7,821,468	6,656,694	3,963,642	3,554,078

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Unaudited 31st Dec 2016 Rs. '000
Life Insurance				
Individual Policies	1,036,191	932,997	1,036,191	932,997
Corporate Policies	8,556	19,616	8,556	19,616
Adjustment for Inter Company Premiums	(8,010)	(4,564)	-	-
Life Insurance Gross Written Premium	1,036,737	948,049	1,044,747	952,613

General Insurance

Fire	118,455	107,163	-	-
Motor	686,566	581,854	-	-
Marine	16,524	12,339	-	-
Miscellaneous	173,505	167,548	-	-
Adjustment for Inter Company Premiums	(15,945)	(17,977)	-	-
General Insurance Gross Written Premium	979,105	850,927	-	-
Total Gross Written Premium	2,015,842	1,798,976	1,044,747	952,613

Notes to the Condensed Consolidated Interim Financial Statements

9 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
Interest Income	1,684,689	1,166,369	1,435,151	976,943
Dividend Income	8,502	13,716	6,922	11,016
Total	1,693,191	1,180,085	1,442,073	987,959

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
Interest Income	526,212	335,194	458,660	283,150
Dividend Income	1,093	1,225	839	975
Total	527,305	336,419	459,499	284,125

10 INCOME TAX EXPENSES

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
Income Tax on Current Year's Profits	(34,600)	(3,300)	-	-
Notional Tax Unutilised	-	(56,512)	-	(56,512)
Under Provision of Current Taxes in respect of Prior Years	(621)	-	-	-
Deferred Income Tax - Profit or Loss	17,946	1704	-	-
Total	(17,275)	(58,108)	-	(56,512)
Deferred Income Tax - Other Comprehensive Income	(6,770)	1,825	-	-
Total	(6,770)	1,825	-	-

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
Current Tax Charge	(10,444)	(3,300)	-	-
Notional Tax Unutilised	-	(17,354)	-	(17,354)
Deferred Income Tax - Profit or Loss	17,945	1,704	-	-
Total	7,501	(18,950)	-	(17,354)
Deferred Income Tax - Other Comprehensive Income	(13,253)	(1,821)	-	-
Total	(13,253)	(1,821)	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2016 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

11 PROFIT FOR THE YEAR

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
HNB Assurance PLC	725,665	600,130	725,665	600,130
HNB General Insurance Ltd	184,087	47,283	-	-
Total	909,752	647,413	725,665	600,130

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
HNB Assurance PLC	568,836	496,463	568,836	496,463
HNB General Insurance Ltd	58,997	45,058	-	-
Total	627,833	541,521	568,836	496,463

12 BASIC EARNINGS PER SHARE (EPS)

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

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017	31st Dec 2016	31st Dec 2017	31st Dec 2016
Profit for the Year (Rs. '000)	909,752	647,413	725,665	600,130
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	18.20	12.95	14.51	12.00

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2017	31st Dec 2016	31st Dec 2017	31st Dec 2016
Profit for the period (Rs. '000)	627,833	541,521	568,836	496,463
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	12.56	10.83	11.38	9.93

13 RELATED PARTY DISCLOSURES

a) Transactions with/between Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
<i>For the Year Ended,</i>				
Insurance Premium	25,127	22,270	-	-
Claims Incurred	17,389	8,752	-	-
Investment Income	43,546	35,642	35,026	30,202
Administration Expenses	222,157	185,991	134,698	115,299
Rent and other Expenses	8,269	52,757	5,908	40,939
Dividend Paid	149,965	59,986	149,965	59,986

Nature of Transaction	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000	31st Dec 2017 Rs. '000	31st Dec 2016 Rs. '000
<i>Balance as at,</i>				
Investments (Includes Deposits and Debentures)	411,461	416,312	358,497	329,123
Cash at Bank Balances	426,156	182,265	260,759	111,407

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction <i>For the Year Ended,</i>	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Insurance Premium	25,631	18,715
Insurance Expenses	23,045	20,227
Claims Received	992	633
Claims Paid	3,500	2,000
Administrations Expenses Reimbursement	247,939	234,934
Fund Management Fee	4,543	4,072
Profit Commission Expense	8,741	3,017

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>For the Year Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	1,534	1,785	-	-
	Claims Incurred	13	-	-	-
HNB Grameen Finance Ltd	Insurance Premium	38,989	83,112	38,098	82,261
	Claims Incurred	83,591	74,608	83,355	74,306
	Administration Expenses	6,218	8,807	2,951	8,466
	Interest Income	4,992	-	4,992	-
Name of the Company	Nature of Transaction	Group		Company	
<i>As at,</i>					
HNB Grameen Finance Ltd	Investment in Term Deposits	50,243	-	50,243	-

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
<i>For the Year Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	402	1,482	-	704
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	226	112	-	-
	Claims incurred	-	288	-	222
ACUITY Securities Ltd	Insurance Premium	108	92	-	-
	Investment Income from REPO	62,223	50,901	47,264	40,051
Name of the Company	Nature of Transaction	Group		Company	
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	643,218	606,967	464,790	525,558

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction For the Year Ended,	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Director Fee	12,235	11,081
Short - term and Post employment benefits	45,520	48,008
Insurance Premium	1,893	1,651
Claims Paid	305	155

Appointment to the Board of Directors

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

Mr. Rajive Dissanayake has been appointed as a Non Executive Director to the Board of HNB Assurance PLC and HNB General Insurance Ltd w.e.f. 27th June 2017.

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

Resignation/Retirement from Board of Directors

Mr. Kandasamy Pillai Balasundaram, a Director of HNB Assurance PLC retired from being a Director of HNB Assurance PLC w.e.f. 22nd December 2017.

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

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

14 EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend Declaration

The Board of Directors has declared a payment of Rs. 6.00 per share as an interim dividend on 09th February 2018 for the year ended 31st December 2017 (2016 – final dividend Rs. 5.00 per share) which is to be paid on the 5th March 2018.

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

15 CAPITAL COMMITMENTS

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

As at,	Group	
	Unaudited 31st Dec 2017 Rs. '000	Audited 31st Dec 2016 Rs. '000
Less than one year	116,311	123,052
Between one and five years	299,855	373,522
More than five years	6,424	4,402
Total Operating Lease Commitments	422,590	500,976

16 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 at the Tax Appeals Commission, Company submitted a written appeal on 31st July 2016 and are yet to receive a response. A bank Guarantee of Rs 3.3 Million was also obtained against the appeal. As such the Company is of the view that no additional Tax liabilities will arise due to this Assessment. No further response has been received on this matter as of the date of authorising these Consolidated Financial Statements.

Further, VAT on Reinsurance Claims and Reinsurance Commissions has been exempted by the IRD w.e.f. 1st January 2011 which is an indication that realisation of this liability is remote.

Notes to the Condensed Consolidated Interim Financial Statements

- 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. 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 in 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.

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

Year of Assessment	Status of Assessment	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 Commission 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 Commission General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 132 Million will arise
2014/2015	Pending decision from Commission 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

As at 31st December 2017

Name of the Shareholder	As at 31st December 2017	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
3 Mercantile Merchant Bank Ltd	913,265	1.83%
4 Janashakthi General Insurance Limited	824,425	1.65%
5 Bank of Ceylon A/c Ceybank Century Growth Fund	575,317	1.15%
6 Mr. Mohamed Faizer Hashim	510,000	1.02%
7 Salamander Investments (Pvt) Ltd	475,000	0.95%
8 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
9 Mr. S.N.P.Palihena and Mrs. A.S. Palihena	400,000	0.80%
10 Mrs. Arunthathi Selliah	400,000	0.80%
11 Arunodhaya (Pvt) Ltd	400,000	0.80%
12 Arunodhaya Investments (Pvt) Ltd	400,000	0.80%
13 Arunodhaya Industries (Pvt) Ltd	400,000	0.80%
14 Union Assurance PLC A/c No. 1	336,266	0.67%
15 J.B Cocoshell (Pvt) Ltd	300,186	0.60%
16 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
17 Central Finance Company PLC A/c No.5	226,609	0.45%
18 Mr. Madduma Hetti Vidanage Upali Gunatilaka	205,978	0.41%
19 Mr. Vikas Sharda	203,000	0.41%
20 Mr. Kailasapillai Aravinthan	200,000	0.40%
	<u>39,408,149</u>	<u>78.82%</u>

Share Information (Contd.)

Public Shareholding

	As at 31st December 2017	
	No.	% on Issued Shares
Number of Shares	19,316,361	38.63%

Public Shareholding

	As at 31st December 2017	
	No.	% on Total No. of shareholders
Number of Shareholders	3,422	99.71%

Shareholdings of Directors

Name of the Director	No. of Shares as at 30st December 2017
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 Abesuriya (Appointed w.e.f. 01st January 2018)	Not Applicable
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 December 2017 - Group	75.93
Net Asset Value Per Share as at 31st December 2017 - Company	75.53
Highest Price Per Share for the Interim Period	74.40
Lowest Price Per Share for the Interim Period	65.00
Last traded Price Per Share as at 31st December 2017	72.50