

2

are better
than
one

Condensed Consolidated Interim Financial Statements
30th June 2015



Statements of Financial Position

	Note	Group		Company*	
		Unaudited as at 30th June 2015	Audited as at 31st Dec. 2014	Unaudited as at 30th June 2015	Audited as at 31st Dec. 2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Intangible Assets		46,661	51,622	46,661	51,622
Property, Plant and Equipment		135,873	133,942	95,822	133,942
Deferred Tax Assets		7,539	-	-	-
Financial Investments	3	8,794,264	8,277,895	7,012,731	8,171,269
Investment in Subsidiary	4	-	-	1,000,000	100,000
Loans to Life Policyholders		80,364	71,082	80,364	71,082
Reinsurance Receivables		166,892	162,260	37,277	162,260
Premium Receivables		425,408	364,051	7,453	364,051
Other Assets		708,806	683,149	513,421	682,639
Insurance Contract - Deferred Expenses		69,318	52,072	-	52,072
Cash and Cash Equivalents		336,510	173,245	189,971	171,217
Total Assets		10,771,635	9,969,318	8,983,700	9,960,154
Liabilities and Equity					
Equity					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		1,088,566	1,196,546	1,059,448	1,189,039
Available for Sale Reserves		(1,352)	3,590	435	3,523
Life Policyholders' Available for Sale Reserve Fund	5	(1,249)	40,748	(1,249)	40,748
Other Reserves		1,177	1,177	1,177	1,177
Total Equity		2,259,017	2,413,936	2,231,686	2,406,362
Liabilities					
Insurance Contract Liabilities	6	7,761,333	6,841,786	6,381,538	6,841,786
Employee Benefits		73,894	71,493	36,564	71,493
Current Tax Liabilities		12,012	12,012	10,422	10,422
Deferred Tax Liabilities		-	8,845	-	8,845
Reinsurance Creditors		146,020	110,778	23,264	110,778
Other Liabilities		519,359	510,468	300,226	510,468
Total Liabilities		8,512,618	7,555,382	6,752,014	7,553,792
Total Equity and Liabilities		10,771,635	9,969,318	8,983,700	9,960,154

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 30th June 2015 includes Life 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

Statements of Comprehensive Income

Group Year Ended 31 st Dec 2014 (Audited) Rs. '000		Group			Company*		
<i>For the Six Months Ended 30th June,</i>		Unaudited		Change	Unaudited		
	Note	2015 Rs. '000	2014 Rs. '000	%	2015 Rs. '000	2014 Rs. '000	
4,665,618	Gross Written Premium	7	2,682,911	2,254,791	19	1,283,501	2,254,791
(601,022)	Premium Ceded to Reinsurers		(302,691)	(289,775)	4	(53,301)	(289,775)
4,064,596	Net Written Premium		2,380,220	1,965,016	21	1,230,200	1,965,016
(232,621)	Net Change in Reserves for Unearned Premium		(168,998)	(135,844)	24	-	(135,844)
3,831,975	Net Earned Premium		2,211,222	1,829,172	21	1,230,200	1,829,172
Other Revenue							
824,015	Interest and Dividend Income	8	427,454	406,415	5	342,059	404,223
108,823	Net Realised Gains		23,697	6,841	246	17,326	6,841
99,281	Net Fair Value Gains/(Losses)		(4,917)	32,655	(115)	(4,298)	32,655
136,960	Fee and Commission Income		123,088	124,376	(1)	28,920	124,376
12,366	Other Income		1,798	4,296	(58)	4	4,296
1,181,445			571,120	574,583	(1)	384,011	572,391
5,013,420	Net Income		2,782,342	2,403,755	16	1,614,211	2,401,563
Net Benefits, Claims and Expenses							
(1,528,233)	Net Insurance Benefits and Claims Paid		(917,794)	(679,658)	35	(147,582)	(679,658)
(44,871)	Net Change in Insurance Claims Outstanding		76,467	(29,255)	(361)	26,451	(29,255)
(1,192,273)	Change in Contract Liabilities - Life Fund		(839,565)	(687,726)	22	(839,565)	(687,726)
(1,303,710)	Other Operating and Administration Expenses		(662,762)	(581,234)	14	(348,927)	(581,229)
(474,826)	Underwriting and Net Acquisition Costs		(363,056)	(283,715)	28	(238,907)	(283,715)
(30,924)	Other Insurance Related Costs		(12,497)	(15,305)	(18)	(7,772)	(15,305)
(4,574,837)	Total Benefits, Claims and Other Expenses		(2,719,207)	(2,276,893)	19	(1,556,302)	(2,276,888)
438,583	Profit Before Taxation		63,135	126,862	(50)	57,909	124,675
(20,857)	Income Tax (Expenses)/Reversals	9	16,385	(18,845)	(187)	-	(18,233)
417,726	Profit for the Period	10	79,520	108,017	(26)	57,909	106,442
Other Comprehensive Income, Net of Tax							
116,815	- Net Change in fair value of available-for-sale financial assets		(36,030)	22,914	(257)	(31,699)	22,514
(69,722)	- Realized (Gains)/Loss transferred to Income Statement		(10,909)	-	-	(13,386)	-
(44,930)	- Net Change in fair value of available-for-sale financial assets (transferred to)/from Life Policyholders' Reserve Fund		41,997	(23,522)	(279)	41,997	(23,522)
(995)	Actuarial Gains/(Losses) on Defined Benefit Plans		-	-	-	-	-
1,168	Total Other Comprehensive Income for the Period		(4,942)	(608)	712	(3,088)	(1,008)
418,894	Total Comprehensive Income for the Period		74,578	107,409	(31)	54,821	105,434
Profit Attributable to:							
417,726	Equity Holders of the Company		79,520	108,017	(26)	57,909	106,442
Total Comprehensive Income Attributable to:							
418,894	Equity Holders of the Company		74,578	107,409	(31)	54,821	105,434
8.35	Basic Earnings Per Share (Rs.)	11	1.59	2.16	(26)	1.16	2.13

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

Statements of Comprehensive Income

For the Three Months Ended 30th June ,

	Note	Group			Company*	
		Unaudited		Change	Unaudited	
		2015	2014		2015	2014
		Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
Gross Written Premium	7	1,325,099	1,109,544	19	657,083	1,109,544
Premium Ceded to Reinsurers		(142,472)	(155,016)	(8)	(18,543)	(155,016)
Net Written Premium		1,182,627	954,528	24	638,540	954,528
Net Change in Reserves for Unearned Premium		(30,994)	(30,979)	-	-	(30,979)
Net Earned Premium		1,151,633	923,549	25	638,540	923,549
Other Revenue						
Interest and Dividend Income	8	225,150	207,788	8	179,720	205,596
Net Realised Gains		9,539	6,688	43	5,349	6,688
Net Fair Value Gains		6,703	19,369	(65)	5,064	19,369
Fee and Commission Income		82,583	68,080	21	5,275	68,080
Other Income		1,098	2,187	(50)	64	2,187
		325,073	304,112	7	195,472	301,920
Net Income		1,476,706	1,227,661	20	834,012	1,225,469
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims Paid		(432,902)	(320,391)	35	(58,212)	(320,391)
Net Change in Insurance Claims Outstanding		8,201	(28,169)	(129)	2,858	(28,169)
Change in Contract Liabilities - Life Fund		(450,632)	(370,988)	21	(450,632)	(370,988)
Other Operating and Administration Expenses		(350,210)	(280,672)	25	(188,935)	(280,667)
Underwriting and Net Acquisition Costs		(196,192)	(155,031)	27	(104,902)	(155,031)
Other Insurance Related Costs		(7,659)	(8,276)	(7)	(5,250)	(8,276)
Total Benefits, Claims and other Expenses		(1,429,394)	(1,163,527)	23	(805,073)	(1,163,522)
Profit Before Taxation		47,312	64,134	(26)	28,940	61,947
Income Tax (Expenses)/Reversals	9	16,682	(9,988)	(267)	297	(9,376)
Profit for the Period	10	63,994	54,146	18	29,237	52,571
Other Comprehensive Income, Net of Income Tax						
- Net Change in fair value of available-for-sale financial assets		56,387	15,404	266	52,552	15,004
- Realized (Gains)/Loss transferred to Income Statement		(3,523)	-	100	(3,523)	-
- Net Change in fair value of available-for-sale financial assets (transferred to)/from Life Policyholders' Reserve Fund		(42,254)	(15,399)	174	(42,254)	(15,399)
Actuarial Gains/(Losses) on Defined Benefit Plans		-	-	-	-	-
Total Other Comprehensive Income for the Period		10,610	5,231,813	6,775	(395)	
Total Comprehensive Income for the Period		74,604	54,151	38	36,012	52,176
Profit Attributable to:						
Equity Holders of the Company		63,994	54,146	18	29,237	52,571
Total Comprehensive Income Attributable to:						
Equity Holders of the Company		74,604	54,151	38	36,012	52,176
Basic Earnings Per Share (Rs.)	11	1.28	1.08	18	0.58	1.05

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

Statement of Changes in Equity - Group

For the Period Ended 30th June 2015

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserves Rs. '000	Other Reserves Rs. '000	Life Policyholders' Fund Reserve Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2013	50,000	1,171,875	941,820	1,427	2,172	(4,182)	2,113,112
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	108,017	-	-	-	108,017
Share Issue Transaction cost	-	-	(500)	-	-	-	(500)
Other Comprehensive Income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	22,914	-	-	22,914
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	(23,522)	-	-	(23,522)
Total Other Comprehensive Income for the Period	-	-	-	(609)	-	-	(609)
Total Comprehensive Income for the Period			107,517	(608)		23,522	130,430
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2013	-	-	(162,500)	-	-	-	(162,500)
Unaudited Balance as at 30th June 2014	50,000	1,171,875	886,837	819	2,172	19,340	2,061,042
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	309,710	-	-	-	309,710
Other Comprehensive Income for the period	-	-	-	-	-	-	-
Net Change in fair value of available-for-sale financial assets	-	-	-	24,179	-	-	24,179
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	(21,408)	-	-	(21,408)
Actual Losses on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the period	-	-	-	2,771	(995)	-	1,776
Audited balance as at 31st December 2014	50,000	1,171,875	1,196,546	3,590	1,177	40,748	2,413,936
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	79,520	-	-	-	79,520
Other Comprehensive Income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(46,939)	-	-	(46,939)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	41,997	-	-	41,997
Total Other Comprehensive Income for the Period	-	-	-	(4,942)	-	-	(4,942)
Total Comprehensive Income for the Period			79,520	(4,942)			32,581
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 30th June 2015	50,000	1,171,875	1,088,566	1,352	1,177	(1,249)	2,259,017

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

Note A

Dividend declared and paid during the period 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 Period Ended 30th June 2015

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserves Rs. '000	Other Reserves Rs. '000	Policyholders' AFS Reserve Fund Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2013	50,000	1,171,875	941,820	1,427	2,172	(4,182)	2,113,112
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	106,442	-	-	-	106,442
Other Comprehensive Income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	22,514	-	-	22,514
Net Change in fair value of available-for-sale financial assets - Transferred to/(from) Profit or Loss - Life Fund	-	-	-	(23,522)	-	-	(23,522)
Total Other Comprehensive Income for the Period	-	-	-	(1,008)	-	-	(1,008)
Total Comprehensive Income for the Period			106,442	(1,008)			128,956
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2013	-	-	(162,500)	-	-	-	(162,500)
Unaudited Balance as at 30th June 2014	50,000	1,171,875	885,762	419	2,172	19,340	2,079,568
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	303,277	-	-	-	303,277
Other Comprehensive Income for the period							
Net Change in fair value of available-for-sale financial assets	-	-	-	24,512	-	-	24,512
Net Change in fair value of available-for-sale financial assets - Transferred to/(from) Profit or Loss - Life Fund	-	-	-	(21,408)	-	-	(21,408)
Actuarial Losses on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the period	-	-	-	3,104	(995)	-	2,109
Total Comprehensive Income for the Period			303,277	3,104	(995)		326,794
Audited balance as at 31st December 2014	50,000	1,171,875	1,189,039	3,523	1,177	40,748	2,406,362
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	57,909	-	-	-	57,909
Other Comprehensive income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(45,085)	-	-	(45,085)
Net Change in fair value of available-for-sale financial assets - Transferred to/(from) Profit or Loss - Life Fund	-	-	-	41,997	-	-	41,997
Total Other Comprehensive Income for the Period	-	-	-	(3,088)	-	-	(3,088)
Total Comprehensive Income for the Period			57,909	(3,088)			12,824
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 30th June 2015	50,000	1,171,875	1,059,448	435	1,177	(1,249)	2,231,686

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

Note A

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

Cash Flow Statements

<i>For the period ended 30th June,</i>	Note	Group		Company	
		Unaudited 2015	Unaudited 2014	Unaudited 2015	Unaudited 2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		63,135	126,862	57,909	124,675
Adjustments for:					
Interest Income		(407,698)	(397,018)	(329,682)	(394,826)
Dividend Income		(19,756)	(9,397)	(12,377)	(9,397)
Amortisation of Intangible Assets		7,418	8,181	4,168	8,181
Depreciation		25,616	20,060	14,469	20,060
Provision for Employee Benefits		12,146	8,939	5,246	8,939
Net Fair Value Gains		(18,780)	(39,496)	(13,027)	(39,496)
Net (Gain)/Loss on Sale of Property, Plant and Equipment		(34)	(29)	(4)	(29)
		(337,953)	(281,897)	(273,297)	(281,893)
Change in Operating Assets	A	(93,530)	(82,425)	19,130	(82,278)
Change in Operating Liabilities	B	935,517	872,059	730,503	871,560
Cash Flows from Operating Activities		504,034	507,737	476,336	507,389
Gratuity Paid		(9,745)	(3,587)	(8,846)	(3,587)
Net Cash Generated from Operating Activities		494,289	504,150	467,490	503,802
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(504,332)	(543,074)	(474,176)	(441,582)
Investment in Subsidiary		-	-	-	(100,000)
Interest Received		371,023	354,195	298,878	352,150
Dividend Received		19,756	9,397	12,377	9,397
Acquisition of Intangible Assets		(2,458)	(5,766)	(2,458)	(5,766)
Acquisition of Property, Plant and Equipment		(27,616)	(13,458)	(22,613)	(13,458)
Proceeds from the Sale of Property, Plant and Equipment		103	33	65	33
Net Cash Used in Investing Activities		(143,524)	(198,673)	(187,927)	(199,226)
Cash Flows from Financing Activities					
Share Issue Related Costs Paid		-	(500)	-	-
Dividend Paid		(187,500)	(162,500)	(187,500)	(162,500)
Net Cash Used in Financing Activities		(187,500)	(163,000)	(187,500)	(162,500)
Net Increase in Cash and Cash Equivalents	C	163,265	142,477	92,063	142,076
Cash and Cash Equivalents at the beginning of the Period		173,245	107,306	97,908	107,306
Cash and Cash Equivalents at the end of the Period		336,510	249,783	189,971	249,382
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease in Deferred Expenses		(17,246)	(13,728)	-	(13,728)
Increase in Loans to Life Policyholders		(9,281)	(9,216)	(9,281)	(9,216)
Decrease/(Increase) in Reinsurance Receivables		(20,620)	1,107	(13,831)	1,107
Increase in Premium Receivables		(61,357)	(17,690)	(509)	(17,690)
(Increase)/Decrease in Other Assets		14,974	(42,898)	42,751	(42,751)
		(93,530)	(82,425)	19,130	(82,278)
B. Change in Operating Liabilities					
Decrease in Other Liabilities		(39,947)	(40,956)	(101,405)	(41,455)
Increase in Insurance Contract Liabilities - General Insurance		100,657	178,462	-	178,462
Increase in Life Insurance Fund		839,565	687,726	839,565	687,726
Increase/(Decrease) in Reinsurance Creditors		35,242	46,827	(7,657)	46,827
		935,517	872,059	730,503	871,560
C. Increase in Cash and Cash Equivalents					
Net Cash and Cash Equivalents at the end of the Period		336,510	249,783	189,971	249,382
Net Cash and Cash Equivalents at 1st January		173,245	107,306	97,908	107,306
Net Increase in Cash and Cash Equivalents		163,265	142,477	92,063	142,076

Notes to the Condensed Consolidated Interim Financial Statements

1 Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th June 2015 are provisional and unaudited.

2 These Condensed Consolidated Interim Financial Statements of the 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 - 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 review period.

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

3 INVESTMENTS

	GROUP		COMPANY	
	As at 30th Jun 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000	As at 30th Jun 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000
Held-to-maturity financial assets, at amortised cost	621,806	782,667	419,709	782,667
Loans & Receivables	5,971,735	5,408,961	4,659,635	5,322,047
Available-for-sale financial assets	1,720,664	1,600,593	1,610,154	1,580,881
Financial assets at fair value through profit or loss	480,059	485,674	323,233	485,674
	8,794,264	8,277,895	7,012,731	8,171,269

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). Further, Stated Capital of HNB General Insurance Ltd was increased upto Rs. 1 Billion w.e.f 1st January 2015 (2014 - Rs.100 Million).

4.1 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 POLICYHOLDER RESERVE FUND

Life Policyholders' 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.

Notes to the Condensed Consolidated Interim Financial Statements

6 INSURANCE CONTRACT LIABILITIES

	GROUP		COMPANY	
	As at 30th Jun 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000	As at 30th Jun 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000
Life Insurance				
Life Insurance Fund (Note 6.a)	6,303,574	5,464,009	6,303,574	5,464,009
Claims Outstanding	77,964	98,639	77,964	98,639
Total Insurance Contract Liabilities - Life Insurance	6,381,538	5,562,648	6,381,538	5,562,648
General Insurance				
Reserves for Net Unearned Premium	1,145,792	977,827	-	977,827
Reserves for Title Insurance	17,899	16,866	-	16,866
Reserves for Gross Outstanding Claims	216,104	284,445	-	284,445
Total Insurance Contract Liabilities - General Insurance	1,379,795	1,279,138	-	1,279,138
Total Insurance Contract Liabilities	7,761,333	6,841,786	6,381,538	6,841,786

6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the Period	5,464,009	4,271,736	5,464,009	4,271,736
<i>Change in Contract Liabilities Life Fund</i>				
Increase in Life Insurance Fund Before				
Surplus Distribution to Shareholders	839,565	1,420,294	839,565	1,420,294
Surplus Distributed to Shareholders	-	(228,021)	-	(228,021)
Increase in Life Insurance Fund	839,565	1,192,273	839,565	1,192,273
Balance as at the end of the period	6,303,574	5,464,009	6,303,574	5,464,009

6 b) The valuation of the Insurance Contract Liabilities - Life Fund have been carried out by the Consultant Actuary for the period ended 30th June 2015 and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial Statements in line with Actuarial Valuation.

6 c) The valuation of the IBNR/IBNER have been carried out by the Consultant Actuary for the period ended 30th June 2015 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

6 d) Liability Adequacy Test

Liability Adequacy Tests ("LAT") for Life and General Insurance contract liabilities were carried out as at 30th June 2015. Liability Adequacy Test for Life Insurance contract liability was carried out by Mr. Hassan Scott Odierno for and on behalf of Actuarial Partners Consulting Sdn Bhd and Liability Adequacy Test for General Insurance Contract liability was carried out by Mr. Matthew Maguire, FIAA, for and on behalf of NMG Consulting.

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

Notes to the Condensed Consolidated Interim Financial Statements

7 GROSS WRITTEN PREMIUM

31st Dec 2014 Audited Rs. '000	<i>For the Six Months Ended</i>	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
General Insurance					
344,070	Fire	193,293	179,735	-	179,735
1,668,421	Motor	1,039,350	735,935	-	735,935
33,807	Marine	23,431	11,875	-	11,875
276,453	Miscellaneous	144,097	193,321	-	193,321
<u>2,322,751</u>	General Insurance Gross Written Premium	<u>1,400,171</u>	<u>1,120,866</u>	-	<u>1,120,866</u>
Life Insurance					
2,307,315	Individual Policies	1,260,553	1,117,721	1,260,553	1,117,721
35,552	Corporate Policies	22,187	16,204	22,948	16,204
<u>2,342,867</u>	Life Insurance Gross Written Premium	<u>1,282,740</u>	<u>1,133,925</u>	<u>1,283,501</u>	<u>1,133,925</u>
<u>4,665,618</u>	Total Gross Written Premium	<u>2,682,911</u>	<u>2,254,791</u>	<u>1,283,501</u>	<u>2,254,791</u>

<i>For the Three Months Ended</i>	Group		Company	
	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
General Insurance				
Fire	101,011	99,178	-	99,178
Motor	507,061	381,506	-	381,506
Marine	10,943	5,740	-	5,740
Miscellaneous	49,066	57,228	-	57,228
General Insurance Gross Written Premium	<u>668,081</u>	<u>543,652</u>	-	<u>543,652</u>
Life Insurance				
Individual Policies	639,410	554,627	639,410	554,627
Corporate Policies	17,608	11,265	17,673	11,265
Life Insurance Gross Written Premium	<u>657,018</u>	<u>565,892</u>	<u>657,083</u>	<u>565,892</u>
Total Gross Written Premium	<u>1,325,099</u>	<u>1,109,544</u>	<u>657,083</u>	<u>1,109,544</u>

8 INTEREST AND DIVIDEND INCOME

31st Dec 2014 (Audited) Rs. '000	<i>For the Six Months Ended</i>	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
808,970	Interest Income	407,698	397,018	329,682	394,826
15,045	Dividend Income	19,756	9,397	12,377	9,397
<u>824,015</u>	Total	<u>427,454</u>	<u>406,415</u>	<u>342,059</u>	<u>404,223</u>

<i>For the Three Months Ended</i>	Group		Company	
	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
Interest Income	207,844	199,895	169,270	197,703
Dividend Income	17,306	7,893	10,450	7,893
Total	<u>225,150</u>	<u>207,788</u>	<u>179,720</u>	<u>205,596</u>

Notes to the Condensed Consolidated Interim Financial Statements

9 INCOME TAX EXPENSES

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. recorded a tax reversal during the period due to a reversal of Deferred Tax Liability amounting to Rs. 16.3 Million. This was due to transfer of assets and liabilities which results in temporary differences to HNB General Insurance Ltd. originating from segregating the Company. This Deferred Tax Asset created through this would be reversed over next few years with increase in Fixed Assets in HNB General Insurance Ltd.

10 PROFIT AFTER TAX

31st Dec 2014 (Audited) Rs. '000	For the Six Months Ended	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
8,007	HNB General Insurance Ltd	25,132	1,575	-	-
409,719	HNB Assurance PLC*	54,388	106,442	57,909	106,442
417,726	Total	79,520	108,017	57,909	106,442

For the Three Months Ended	Group		Company	
	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
HNB General Insurance Ltd	34,756	1,575	-	-
HNB Assurance PLC*	29,238	52,571	29,237	52,571
Total	63,994	54,146	29,237	52,571

* Profit 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.

11 BASIC EARNINGS PER SHARE (EPS)

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

31st Dec 2014 (Audited)	For the Six Months Ended	Group		Company	
		30th Jun 2015 (Unaudited)	30th Jun 2014 (Unaudited)	30th Jun 2015 (Unaudited)	30th Jun 2014 (Unaudited)
417,726	Profit for the period (Rs. '000)	79,520	108,017	57,909	106,442
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
8.35	Basic Earnings Per Share (Rs.)	1.59	2.16	1.16	2.13

For the Three Months Ended	Group		Company	
	30th Jun 2015 (Unaudited)	30th Jun 2014 (Unaudited)	30th Jun 2015 (Unaudited)	30th Jun 2014 (Unaudited)
Profit for the period (Rs. '000)	63,994	54,146	29,237	52,571
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	1.28	1.08	0.58	1.05

Notes to the Condensed Consolidated Interim Financial Statements

12 RELATED PARTY DISCLOSURE

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

Nature of Transaction For the Six Months Ended	Group		Company	
	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
	Insurance Premium	2,442	1,230	2,388
Investment Income	15,549	15,210	12,797	15,210
Administration Expenses	86,164	70,754	35,026	70,754
Claims Incurred	4,894	3,475	-	3,475
Rent and Other Expenses	23,130	25,355	23,130	25,355
Dividend Paid	112,474	97,477	112,474	97,477

Nature of Transaction As at	Group		Company	
	30th Jun 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000
	Investments Balance (Includes Deposits and Debentures)	327,187	232,080	189,403
Cash at Bank Balances	271,958	213,966	118,006	213,966

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

Nature of Transaction	30th Jun 2015 (Unaudited) 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*	900,000
Profit Realised from Transfer of Available-For-Sale Assets*	3,523
Other transactions	
Insurance Premium	761
Insurance Expenses	13,374
Shared Service Expenses Reimbursement	74,239

* 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.

Notes to the Condensed Consolidated Interim Financial Statements

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

Name of the Company	Nature of Transaction For the Six Months Ended	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
Splendor Media (Pvt) Ltd	Insurance Premium	130	-	-	-
	Claims Incurred	260	32	-	32
	Media Placements Commission	4,691	3,062	4,681	3,062
Sithma Development (Pvt) Ltd.	Insurance Premium	38	82	-	-
Prime Grameen Micro	Insurance Premium	11,035	-	10,564	-

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction For the Six Months Ended	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
ACUITY Stock Brokers	Insurance Premium	1	6	-	6
ACUITY Securities Ltd	Investment Income from REPO	10,895	6,402	8,757	5,947

Name of the Company	Nature of Transaction As at	Group		Company	
		30th Jun 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000	30th Jun 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000
ACUITY Securities Ltd	Investment in REPO	381,288	274,966	325,969	274,966

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

Nature of Transaction	30th Jun 2015 (Unaudited) Rs. '000	30th Jun 2014 (Unaudited) Rs. '000
Short -term and Post employment benefits	27,684	22,635
Total	27,684	22,635

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

Also, Dr. Ranee Jayamaha ceased to be the Chairperson/Director of HNB Assurance PLC w.e.f 31st March 2015. Therefore, they ceased to be key management personnel of the Company w.e.f 31st March 2015.

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.

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. Mrs. Cooray does not hold any interest in shares of HNB Assurance PLC as at 6th July 2015.

Notes to the Condensed Consolidated Interim Financial Statements

13 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.

14 CAPITAL COMMITMENTS AND CONTINGENCIES

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

b) Future commitments on operating leases

	As at 30th Jun 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000
Less than one year	20,407	18,246
Between one and five years	43,791	28,067
More than five years	-	-
Total Operating Lease Commitments	<u>64,198</u>	<u>46,313</u>

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.

15 CONTINGENCIES

a) The Company has received a VAT Assessment on Reinsurance Claims and Commissions 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.

We have filed a response in consultation with Tax Consultants and the Tax Appeals Commission has issued the Company a Determination with the option of submitting an appeal to the Commission. The Company has already made an appeal to the Commission as the Company is of the strong view that no additional Tax liabilities will arise due to this Assessment.

Also, VAT on Reinsurance Claims and Commissions have 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. 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 Inland Revenue Department (IRD) has informed the Company that it has registered the Company for Value Added Tax on Financial Services and Nation Building Tax on Financial Services with effect from 1st January 2014. The registration has been made for the supply of loans which is a financial service. Almost all other insurance companies have been informed the same. However, the Company along with our Tax Consultants are of the view that the Company engages in insurance business and does not engage in the supply of loans. Therefore, we have requested the IRD in writing to cancel our registration and we are of the strong view that there will be no additional liability due to the same.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 30th June 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	625,595	1.25
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.	242,700	0.49
15 Mr. Kailasapillai Viswanathar	200,000	0.40
16 Mrs. Kailasapillai Abiramipillai	200,000	0.40
17 Miss. Subramaniam Sivamalar	200,000	0.40
18 Mrs.Selliah Arunthathi	200,000	0.40
19 Andysel Private Limited	200,000	0.40
20 Mr. Aravinthan Kailasapillai	200,000	0.40
	<u>38,900,785</u>	<u>77.81</u>

Public Shareholding

	As at 30th June 2015	
	No. of Shares	% on Issued Shares
Number of Shares	19,608,654	39.22

Public Shareholding

	As at 30th June 2015	
	No.	% on Total No. of shareholders
Number of Share Holders	3,478	99.68

Share Information (Contd.)

Directors' Shareholdings

Name of the Director	No. of Shares as at 30th June 2015
Mr. M U de Silva	3,000
Mr. Sarath Ratwatte	14,666
Mr. A J Alles	1,000
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 30th June 2015	45.18
Highest Price Per Share for the Interim Period	93.50
Lowest Price Per Share for the Interim Period	81.00
Last traded Price Per Share as at 30th June 2015	82.00