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Condensed Consolidated Interim Financial Statements  
30<sup>th</sup> June 2014



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## Independent Auditor's Review Report

### To the Shareholders of HNB Assurance PLC

We have reviewed the accompanying statements of financial position of HNB Assurance PLC and its subsidiary as at 30 June 2014, and the related statements comprehensive income and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2400 applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects in accordance with Sri Lanka Accounting Standards 34 – Interim Financial Reporting.

4 August 2014

COLOMBO

*PricewaterhouseCoopers*  
CHARTERED ACCOUNTANTS

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**Partners** Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA,  
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

# Statement of Financial Position

	Note	Group		Company	
		as at	Audited	as at	Audited
		30th June 2014	31st Dec. 2013	30th June 2014	31st Dec. 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>					
Intangible Assets		51,393	53,807	51,393	53,807
Property, Plant and Equipment		130,401	137,009	130,401	137,009
Deferred Tax Assets		-	2	-	2
Financial Investments	3	7,294,075	6,656,438	7,192,036	6,656,438
Investment in Subsidiary	4	-	-	100,000	-
Loans to Life Policyholders		62,872	53,656	62,872	53,656
Reinsurance Receivables		152,551	105,390	152,551	105,390
Premium Receivables		318,871	301,182	318,871	301,182
Other Assets		620,583	575,180	620,936	575,180
Insurance Contract - Deferred Expenses		46,640	32,912	46,640	32,912
Cash and Cash Equivalents		297,114	144,087	296,713	144,087
<b>Total Assets</b>		<b>8,974,500</b>	<b>8,059,663</b>	<b>8,972,413</b>	<b>8,059,663</b>
<b>Liabilities and Equity</b>					
<b>Equity</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		886,836	941,820	885,761	941,820
Available for Sale Reserve		819	1,427	419	1,427
Other Reserves		2,172	2,172	2,172	2,172
Life Policyholder Reserve Fund	5	19,340	(4,182)	19,340	(4,182)
<b>Total Equity</b>		<b>2,081,042</b>	<b>2,113,112</b>	<b>2,079,567</b>	<b>2,113,112</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life	6	5,031,109	4,348,490	5,031,109	4,348,490
Insurance Contract Liabilities - Non Life	7	1,237,830	1,011,102	1,237,830	1,011,102
Employee Benefits		61,989	56,637	61,989	56,637
Current Tax Liabilities		48,837	35,143	48,225	35,143
Deferred Tax Liabilities		5,148	-	5,148	-
Reinsurance Creditors		147,708	100,881	147,708	100,881
Other Liabilities		360,837	394,298	360,837	394,298
<b>Total Liabilities</b>		<b>6,893,458</b>	<b>5,946,551</b>	<b>6,892,846</b>	<b>5,946,551</b>
<b>Total Equity and Liabilities</b>		<b>8,974,500</b>	<b>8,059,663</b>	<b>8,972,413</b>	<b>8,059,663</b>

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

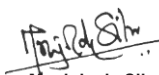


**Vipula Dharmapala**  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Condensed Consolidated Interim Financial Statements.  
Signed on behalf of the Board;



**Dr. Raneer Jayamaha**  
Chairperson



**Manjula de Silva**  
Managing Director / Chief Executive Officer

## Statements of Comprehensive Income - Group

Year Ended 31 <sup>st</sup> Dec 2013 (Audited) Rs. '000	<i>For the Period Ended 30th June,</i>	Note	2014 Rs. '000	2013 Rs. '000	Change %
3,877,730	Gross Written Premium	8	<b>2,254,791</b>	1,818,622	24
(526,005)	Premium Ceded to Reinsurers		<b>(289,775)</b>	(271,663)	7
3,351,725	Net Written Premium		<b>1,965,016</b>	1,546,959	27
(82,544)	Net Change in Reserves for Unearned Premium		<b>(137,525)</b>	(38,931)	253
3,269,181	<b>Net Earned Premium</b>		<b>1,827,491</b>	1,508,028	21
	<b>Other Revenue</b>				
785,177	Interest and Dividend Income	9	<b>406,415</b>	387,441	5
53,411	Net Realised Gains		<b>6,841</b>	1,898	260
13,099	Net Fair Value Gains / (Losses)		<b>32,655</b>	24,098	36
72,900	Fee and Commission Income		<b>71,465</b>	48,190	48
12,830	Other Income		<b>4,296</b>	3,168	36
937,417			<b>521,672</b>	464,795	12
4,206,598	<b>Net Income</b>		<b>2,349,163</b>	1,972,823	19
	<b>Net Benefits, Claims and Expenses</b>				
(1,558,659)	Net Insurance Benefits and Claims Paid		<b>(679,658)</b>	(625,828)	9
(9,549)	Net Change in Insurance Claims Outstanding		<b>(29,255)</b>	(14,476)	102
(724,829)	Change in Contract Liabilities - Life Fund		<b>(687,726)</b>	(489,135)	41
(1,084,148)	Other Operating and Administration Expenses		<b>(581,236)</b>	(515,644)	13
(381,259)	Underwriting and Net Acquisition Costs		<b>(229,123)</b>	(190,836)	20
(23,061)	Other Insurance Related Costs		<b>(15,304)</b>	(9,601)	59
(3,781,505)	Total Benefits, Claims and other Expenses		<b>(2,222,302)</b>	(1,845,520)	20
425,093	Profit Before Taxation		<b>126,861</b>	127,303	(0)
(35,970)	Income Tax Expenses	10	<b>(18,845)</b>	(22,508)	(16)
389,123	Profit for the Period	11	<b>108,016</b>	104,795	3
	<b>Other Comprehensive Income</b>				
	<u>Investments classified as Available for Sale</u>				
38,065	- Net Change in fair value of available-for-sale financial assets		<b>22,914</b>	10,144	126
(45,838)	- Realized (Gains) / Loss transferred to Income Statement		-	-	-
	- Net Change in fair value of available-for-sale				
2,991	financial assets (transferred to) / from Life Policyholders Reserve		<b>(23,522)</b>	(8,344)	182
2,172	Remeasurement of Defined Benefit Plans		-	-	-
(2,610)	Total Other Comprehensive Income for the Period		<b>(608)</b>	1,800	(134)
386,513	Total Comprehensive Income for the Period		<b>107,408</b>	106,595	1
	<b>Profit Attributable to:</b>				
389,123	Equity Holders of the Company		<b>108,016</b>	104,795	3
	<b>Total Comprehensive Income Attributable to:</b>				
386,513	Equity Holders of the Company		<b>107,408</b>	106,595	1
7.78	Basic Earnings Per Share (Rs.)	12	<b>2.16</b>	2.10	3

## Statements of Comprehensive Income - Company

Year Ended 31 <sup>st</sup> Dec 2013 (Audited) Rs. '000	<i>For the Period Ended 30th June,</i>	Note	2014 Rs. '000	2013 Rs. '000	Change %
3,877,730	Gross Written Premium	8	<b>2,254,791</b>	1,818,622	24
(526,005)	Premium Ceded to Reinsurers		<b>(289,775)</b>	(271,663)	7
3,351,725	Net Written Premium		<b>1,965,016</b>	1,546,959	27
(82,544)	Net Change in Reserves for Unearned Premium		<b>(137,525)</b>	(38,931)	253
3,269,181	<b>Net Earned Premium</b>		<b>1,827,491</b>	1,508,028	21
	<b>Other Revenue</b>				
785,177	Interest and Dividend Income	9	<b>404,223</b>	387,441	4
53,411	Net Realised Gains		<b>6,841</b>	1,898	260
13,099	Net Fair Value Gains / (Losses)		<b>32,655</b>	24,098	36
72,900	Fee and Commission Income		<b>71,465</b>	48,190	48
12,830	Other Income		<b>4,296</b>	3,168	36
937,417			<b>519,480</b>	464,795	12
4,206,598	<b>Net Income</b>		<b>2,346,971</b>	1,972,823	19
	<b>Net Benefits, Claims and Expenses</b>				
(1,558,659)	Net Insurance Benefits and Claims Paid		<b>(679,658)</b>	(625,828)	9
(9,549)	Net Change in Insurance Claims Outstanding		<b>(29,255)</b>	(14,476)	102
(724,829)	Change in Contract Liabilities - Life Fund		<b>(687,726)</b>	(489,135)	41
(1,084,148)	Other Operating and Administration Expenses		<b>(581,231)</b>	(515,644)	13
(381,259)	Underwriting and Net Acquisition Costs		<b>(229,123)</b>	(190,834)	20
(23,061)	Other Insurance Related Costs		<b>(15,304)</b>	(9,601)	59
(3,781,505)	Total Benefits, Claims and other Expenses		<b>(2,222,297)</b>	(1,845,520)	20
425,093	Profit Before Taxation		<b>124,674</b>	127,303	(2)
(35,970)	Income Tax Expenses	10	<b>(18,233)</b>	(22,508)	(19)
389,123	Profit for the Period	11	<b>106,441</b>	104,795	2
	<b>Other Comprehensive Income</b>				
	<u>Investments classified as Available for Sale</u>				
38,065	- Net Change in fair value of available-for-sale financial assets		<b>22,514</b>	10,144	122
(45,838)	- Realized (Gains) / Loss transferred to Income Statement		-	-	-
	- Net Change in fair value of available-for-sale				
2,991	financial assets (transferred to) / from Life Policyholders Reserve		<b>(23,522)</b>	(8,344)	182
2,172	Remeasurement of Defined Benefit Plans		-	-	-
(2,610)	Total Other Comprehensive Income for the Period		<b>(1,008)</b>	1,800	(156)
386,513	Total Comprehensive Income for the Period		<b>105,433</b>	106,595	(1)
	<b>Profit Attributable to:</b>				
389,123	Equity Holders of the Company		<b>106,441</b>	104,795	2
	<b>Total Comprehensive Income Attributable to:</b>				
386,513	Equity Holders of the Company		<b>105,433</b>	106,595	(1)
7.78	Basic Earnings Per Share (Rs.)	12	<b>2.13</b>	2.10	2

# Statement of Changes in Equity - Group

For the Period Ended 30th June 2014

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' Reserve Fund Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2012	50,000	1,171,875	690,197	6,209	-	(1,191)	1,867,090
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	104,795	-	-	-	104,795
<b>Other Comprehensive Income for the year</b>							
Net Change in fair value of available-for-sale financial assets	-	-	-	10,144	-	-	10,144
Net Change in fair value of available-for-sale financial assets - Transferred (to)/from Profit or Loss - Life Fund	-	-	-	(8,344)	-	8,344	-
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>			104,795	1,800	-	8,344	10,144
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>							
Dividend paid to equity holders for 2012	-	-	(137,500)	-	-	-	(137,500)
<b>Unaudited Balance as at 30th June 2013</b>	<b>50,000</b>	<b>1,171,875</b>	<b>657,492</b>	<b>8,009</b>	<b>-</b>	<b>7,153</b>	<b>1,844,529</b>
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	264,328	-	-	-	264,328
<b>Other Comprehensive Income for the period</b>							
Net Change in fair value of available-for-sale financial assets	-	-	-	(17,917)	-	-	(17,917)
Net Change in fair value of available-for-sale financial assets - Transferred (to)/from Profit or Loss - Life Fund	-	-	-	11,335	-	(11,335)	-
Remeasurement of Defined Benefit Plans	-	-	-	-	2,172	-	2,172
<b>Total Other Comprehensive Income for the year</b>							
<b>Audited balance as at 31st December 2013</b>	<b>50,000</b>	<b>1,171,875</b>	<b>941,820</b>	<b>1,427</b>	<b>2,172</b>	<b>(11,335)</b>	<b>(15,745)</b>
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	108,016	-	-	-	108,016
Share Issue Transaction cost	-	-	(500)	-	-	-	(500)
<b>Other Comprehensive Income for the Period</b>							
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	-
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>			107,516	(608)	-	23,522	22,914
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>							
Dividend paid to equity holders for 2013	-	-	(162,500)	-	-	-	(162,500)
<b>Unaudited balance as at 30th June 2014</b>	<b>50,000</b>	<b>1,171,875</b>	<b>886,836</b>	<b>819</b>	<b>2,172</b>	<b>19,340</b>	<b>2,081,042</b>

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2013 - 50 Million Ordinary Shares)

Note A

Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2014 as it represents the dividend for 2013.

# Statement of Changes in Equity - Company

For the Period Ended 30th June 2014

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders Reserves Fund Rs. '000	Total Equity Rs. '000
<b>Audited balance as at 31st December 2012</b>	50,000	1,171,875	690,197	6,209	-	(1,191)	1,867,090
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	104,795	-	-	-	104,795
<b>Other Comprehensive Income for the year</b>							
Net Change in fair value of available-for-sale financial assets	-	-	-	10,144	-	-	10,144
Net Change in fair value of available-for-sale financial assets - Transferred (to)/from Profit or Loss - Life Fund	-	-	-	(8,344)	-	8,344	-
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>			104,795	1,800	-	8,344	10,144
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>							
Dividend paid to equity holders for 2012	-	-	(137,500)	-	-	-	(137,500)
<b>Unaudited Balance as at 30th June 2013</b>	50,000	1,171,875	657,492	8,009	-	7,153	1,844,529
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	284,328	-	-	-	284,328
<b>Other Comprehensive Income for the period</b>							
Net Change in fair value of available-for-sale financial assets	-	-	-	(17,917)	-	-	(17,917)
Net Change in fair value of available-for-sale financial assets - Transferred (to)/from Profit or Loss - Life Fund	-	-	-	11,335	-	(11,335)	-
Remeasurement of Defined Benefit Plans	-	-	-	-	2,172	-	2,172
<b>Total Other Comprehensive Income for the year</b>							
<b>Audited balance as at 31st December 2013</b>	50,000	1,171,875	941,820	1,427	2,172	(11,335)	2,113,112
<b>Total Comprehensive Income for the Period</b>							
Profit for the Period - Unaudited	-	-	106,441	-	-	-	106,441
<b>Other Comprehensive Income for the Period</b>							
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	-
<b>Total Other Comprehensive Income for the Period</b>							
<b>Total Comprehensive Income for the Period</b>			106,441	(1,008)	-	23,522	128,955
<b>Transactions with owners recorded directly in equity</b>							
<b>Distributions to owners of the Company</b>							
Dividend paid to equity holders for 2013	-	-	(162,500)	-	-	-	(162,500)
<b>Unaudited balance as at 30th June 2014</b>	50,000	1,171,875	885,761	419	2,172	19,340	2,079,567

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2013 - 50 Million Ordinary Shares)

Note A

Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2014 as it represents the dividend for 2013.

# Cash Flow Statement

For the period ended 30th June,	Note	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Cash Flow From Operating Activities</b>					
Profit Before Taxation		126,861	127,303	124,674	127,303
<b>Adjustments for:</b>					
Interest Income		(397,018)	(374,893)	(394,826)	(374,893)
Dividend Income		(9,397)	(12,548)	(9,397)	(12,548)
Amortisation of Intangible Assets		8,181	7,903	8,181	7,903
Depreciation		20,060	17,381	20,060	17,381
Provision for Employee Benefits		8,907	5,085	8,907	5,085
Net Fair Value Gains		(39,496)	(25,996)	(39,496)	(25,996)
Net Gain on Sale of Property, Plant and Equipment		(29)	(120)	(29)	(120)
		(281,931)	(255,885)	(281,926)	(255,885)
Change in Operating Assets	A	(100,486)	(145,959)	(100,338)	(145,959)
Change in Operating Liabilities	B	889,501	589,047	889,500	589,047
Cash Flows from Operating Activities		507,084	187,203	507,236	187,203
Gratuity Paid		(3,555)	(1,495)	(3,555)	(1,495)
Net Cash Generated from Operating Activities		503,529	185,708	503,681	185,708
<b>Cash Flows from Investing Activities</b>					
Net Acquisition of Investment Securities		(532,375)	(337,099)	(430,883)	(337,099)
Investment in Subsidiary		-	-	(100,000)	-
Interest Received		354,167	418,070	352,122	418,070
Dividend Received		9,397	12,548	9,397	12,548
Acquisition of Intangible Assets		(5,766)	-	(5,766)	-
Acquisition of Property, Plant and Equipment		(13,458)	(18,435)	(13,458)	(18,435)
Proceeds from the Sale of Property, Plant and Equipment		33	297	33	297
Net Cash Generated from / (Used in) Investing Activities		(188,002)	75,381	(188,555)	75,381
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(162,500)	(137,500)	(162,500)	(137,500)
Net Cash Used in Financing Activities		(162,500)	(137,500)	(162,500)	(137,500)
Net Increase in Cash and Cash Equivalents	C	153,027	123,589	152,625	123,589
Cash and Cash Equivalents at the beginning of the Period		144,087	209,294	144,087	209,294
Cash and Cash Equivalents at the end of the Period		297,114	332,883	296,713	332,883
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		(13,728)	(7,760)	(13,728)	(7,760)
Increase in Loans to Life Policyholders		(9,216)	(10,292)	(9,216)	(10,292)
Decrease/ (Increase) in Reinsurance Receivables		1,107	(8,980)	1,107	(8,980)
Increase in Premium Receivables		(17,690)	(16,993)	(17,690)	(16,993)
Increase in Other Assets		(60,959)	(101,934)	(60,812)	(101,934)
		(100,486)	(145,959)	(100,339)	(145,959)
<b>B. Change in Operating Liabilities</b>					
Increase /(Decrease) Other Liabilities		(23,515)	2,750	(23,515)	2,750
Increase Insurance Contract Liabilities - Non Life		178,462	58,609	178,462	58,609
Increase in life Insurance Fund		687,726	489,135	687,726	489,135
Increase in Reinsurance Creditors		46,828	38,553	46,827	38,553
		889,501	589,047	889,500	589,047
<b>C. Increase in Cash and Cash Equivalents</b>					
Net Cash and Cash Equivalents at the end of the Period		297,114	332,883	296,713	332,883
Net Cash and Cash Equivalents at 1st January		144,087	209,294	144,087	209,294
Net Increase in Cash and Cash Equivalents		153,027	123,589	152,625	123,589



# Statements of Comprehensive Income

For the Three Months Ended 30th June,

	Note	Group			Company		
		2014 Rs. '000	2013 Rs. '000	Change %	2014 Rs. '000	2013 Rs. '000	Change %
Gross Written Premium	8	1,109,544	895,274	24	1,109,544	895,274	24
Premium Ceded to Reinsurers		(155,016)	(138,556)	12	(155,016)	(138,556)	12
Net Written Premium		954,528	756,718	26	954,528	756,718	26
Net Change in Reserves for Unearned Premium		(32,660)	27,657	(218)	(32,660)	27,657	(218)
<b>Net Earned Premium</b>		<b>921,868</b>	<b>784,375</b>	<b>18</b>	<b>921,868</b>	<b>784,375</b>	<b>18</b>
<b>Other Revenue</b>							
Interest and Dividend Income	9	207,788	198,006	5	205,596	198,006	4
Net Realised Gains		6,687	1,898	252	6,687	1,898	252
Net Fair Value Gains / (Losses)		19,370	18,240	6	19,370	18,240	6
Fee and Commission Income		15,169	32,304	(53)	15,169	32,304	(53)
Other Income		2,187	2,085	5	2,187	2,085	5
		<b>251,201</b>	<b>252,533</b>	<b>(1)</b>	<b>249,009</b>	<b>252,533</b>	<b>(1)</b>
<b>Net Income</b>		<b>1,173,069</b>	<b>1,036,908</b>	<b>13</b>	<b>1,170,877</b>	<b>1,036,908</b>	<b>13</b>
<b>Net Benefits, Claims and Expenses</b>							
Net Insurance Benefits and Claims Paid		(320,391)	(359,871)	(11)	(320,391)	(359,871)	(11)
Net Change in Insurance Claims Outstanding		(28,169)	(23,928)	18	(28,169)	(23,928)	18
Change in Contract Liabilities - Life Fund		(370,988)	(223,828)	66	(370,988)	(223,828)	66
Other Operating and Administration Expenses		(281,298)	(276,583)	2	(281,293)	(276,583)	2
Underwriting and Net Acquisition Costs		(100,438)	(81,862)	23	(100,438)	(81,862)	23
Other Insurance Related Costs		(7,651)	(5,583)	37	(7,651)	(5,583)	37
Total Benefits, Claims and other Expenses		<b>(1,108,935)</b>	<b>(971,655)</b>	<b>14</b>	<b>(1,108,935)</b>	<b>(971,655)</b>	<b>14</b>
Profit Before Taxation		64,134	65,253	(2)	61,947	65,253	(5)
Income Tax Expenses	10	(9,988)	(10,544)	(5)	(9,376)	(10,544)	(11)
Profit for the Period	11	<b>54,146</b>	<b>54,709</b>	<b>(1)</b>	<b>52,571</b>	<b>54,709</b>	<b>(4)</b>
<b>Other Comprehensive Income</b>							
<u>Investments classified as Available for Sale</u>							
- Net Change in fair value of available-for-sale financial assets		15,404	491	3,037	15,004	491	2,956
- Net Change in fair value of available-for-sale financial assets (transferred to) / from Life Policyholders Reserve		(15,399)	(499)	2,986	(15,399)	(499)	2,986
<b>Total Other Comprehensive Income for the Period</b>		<b>5</b>	<b>(8)</b>	<b>(163)</b>	<b>(395)</b>	<b>(8)</b>	<b>4,838</b>
<b>Total Comprehensive Income for the Period</b>		<b>54,151</b>	<b>54,701</b>	<b>(1)</b>	<b>52,176</b>	<b>54,701</b>	<b>(5)</b>
<b>Profit Attributable to:</b>							
Equity Holders of the Company		54,146	54,709	(1)	52,571	54,709	(4)
<b>Total Comprehensive Income Attributable to:</b>							
Equity Holders of the Company		54,151	54,701	(1)	52,176	54,701	(5)
Basic Earnings Per Share (Rs.)	12	1.08	1.09	(1)	1.05	1.09	(4)

## Statement of Financial Position of the Life Insurance Fund - Supplemental

	Note	as at 30 <sup>th</sup> June 2014 Rs. '000	as at 31 <sup>st</sup> Dec 2013 Rs. '000
<b>Assets</b>			
Financial Investments	3 (a)	4,889,208	4,270,216
Loans to Life Policyholders		62,872	53,656
Reinsurance Receivables		36,610	23,626
Premium Receivables		7,753	6,710
Other Assets		188,474	169,032
Cash and Cash Equivalents		156,682	74,705
<b>Total Assets</b>		<b>5,341,599</b>	<b>4,597,945</b>
<b>Equity</b>			
Life Policyholder Reserve Fund	5	19,340	(4,182)
Other Reserves		928	928
<b>Total Equity</b>		<b>20,268</b>	<b>(3,254)</b>
<b>Liabilities</b>			
Insurance Contract Liabilities - Life	6	5,031,109	4,348,490
Employee Benefits		8,151	6,747
Reinsurance Creditors		57,804	24,849
Other Liabilities		224,267	221,113
<b>Total Liabilities</b>		<b>5,321,331</b>	<b>4,601,199</b>
<b>Total Equity and Liabilities</b>		<b>5,341,599</b>	<b>4,597,945</b>

## Notes to the Condensed Consolidated Interim Financial Statements

1 Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th June 2014 have been reviewed, not audited.

2 These Condensed Interim Financial Statements of the Company have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) 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 - 2013 have been followed in preparation of these Condensed Consolidated Interim Financial Statements except for the change in accounting policy as explained in Note number 4.

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 June 2014 Rs. '000	As at 31st Dec 2013 Rs. '000	As at 30th June 2014 Rs. '000	As at 31st Dec 2013 Rs. '000
	Held-to-maturity financial assets, at amortised cost	831,902	931,680	831,902
Loans & Receivables	4,662,469	4,745,790	4,607,827	4,745,790
Available-for-sale financial assets	1,417,266	644,889	1,369,869	644,889
Financial assets at fair value through profit or loss	382,438	334,079	382,438	334,079
	<b>7,294,075</b>	<b>6,656,438</b>	<b>7,192,036</b>	<b>6,656,438</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 3 a) INVESTMENTS - GROUP/COMPANY

	LONG TERM INSURANCE	
	As at	As at
	30th June 2014	31st Dec 2013
	Rs. '000	Rs. '000
Held-to-maturity financial assets, at amortised cost	580,643	630,291
Loans & Receivables	2,804,994	2,930,948
Available-for-sale financial assets	1,279,748	512,929
Financial assets at fair value through profit or loss	223,823	196,048
	4,889,208	4,270,216

### 4 INVESTMENT IN SUBSIDIARY

The Company has incorporated a fully owned subsidiary, HNB General Insurance Ltd., on 30th January 2014 in order to transfer the General Insurance (Non – Life Insurance) business w.e.f. 1st January 2015 in line with the requirement to segregate Life and General Insurance (Non – Life Insurance) business as required by RII (Amendment) Act No. 03 of 2011. HNB Assurance PLC invested Rs. 100 Million in line with the regulatory requirements in the said subsidiary company on 20th March 2014. The subsidiary company, HNB General Insurance Ltd., does not have any commercial operations as at the reporting date except for the investments made using the Stated Capital.

### 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 are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiary company has been adjusted to conform with the group's accounting policies.

### 5 LIFE POLICYHOLDER RESERVE FUND

Life Policyholder 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.

### 6 INSURANCE CONTRACT LIABILITIES - LIFE

#### 6 a) Insurance Contract Liabilities - Life

	As at	As at
	30th June 2014	31st Dec 2013
	Rs. '000	Rs. '000
Life Insurance Fund (Note 6.a)	4,959,462	4,271,736
Claims Outstanding	71,647	76,754
	5,031,109	4,348,490

#### 6 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the Period	4,271,736	3,546,907
<i>Change in Contract Liabilities Life Fund</i>		
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	687,726	906,318
Surplus Distributed to Shareholders	-	(181,489)
Increase in Life Insurance Fund	687,726	724,829
Balance as at the end of the period	4,959,462	4,271,736

## Notes to the Condensed Consolidated Interim Financial Statements

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 2014 and have ensured that adequate provisions have been made in these Condensed Interim Financial Statements in line with the Actuarial Valuation.

### 6 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. John C. Vieren, FSA MAA, of M/s The Pinnacle Consulting Group Limited as at 30th June 2014 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. 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 30th June 2014. No additional provision was required against the LAT as at 30th June 2014.

6 d) As disclosed in Note 5, unrealised gains and losses of Available For Sale financial assets of Life Insurance is included under Life Policyholders Reserve Fund in Equity.

## 7 INSURANCE CONTRACT LIABILITIES - NON-LIFE

### 7 a) Insurance Contract Liabilities - Non Life (Group / Company)

	As at 30th June 2014 Rs. '000	As at 31st Dec 2013 Rs. '000
Reserves for Net Unearned Premium	886,888	753,237
Reserves for Title Insurance	24,562	22,370
Reserves for Gross Outstanding Claims	326,997	235,495
Total	<u>1,237,830</u>	<u>1,011,102</u>

7 b) The valuation of the IBNR/IBNER have been carried out by the Consultant Actuary for the period ended 30th June 2014 and have ensured that adequate provisions have been made in the these Condensed Interim Financial Statements.

### 7 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. Matthew Maguire, FIAA, for and on behalf of NMG Consulting as at 30th June 2014 as required by SLFRS 4- Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on semi-annual basis. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 30th June 2014. No additional provision was required against the LAT as at 30th June 2014.

## 8 GROSS WRITTEN PREMIUM - GROUP / COMPANY

31st Dec 2013 Audited Rs. '000	For the Six Months Ended		For the Three Months Ended	
	30th June 2014 Rs. '000	30th June 2013 Rs. '000	30th June 2014 Rs. '000	30th June 2013 Rs. '000
<b>Non - Life Insurance</b>				
317,718	179,735	172,451	99,179	96,348
1,286,666	735,935	604,750	381,506	290,930
23,311	11,875	10,740	5,739	4,707
235,488	193,321	138,471	57,228	35,709
<u>1,863,183</u>	<u>1,120,866</u>	<u>926,412</u>	<u>543,652</u>	<u>427,694</u>
<b>Life Insurance</b>				
1,983,698	1,117,721	876,981	554,627	457,205
30,849	16,204	15,229	11,265	10,375
<u>2,014,547</u>	<u>1,133,925</u>	<u>892,210</u>	<u>565,892</u>	<u>467,580</u>
<u>3,877,730</u>	<u>2,254,791</u>	<u>1,818,622</u>	<u>1,109,544</u>	<u>895,274</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 INTEREST AND DIVIDEND INCOME - GROUP

31st Dec 2013 Audited Rs. '000		For the Six Months Ended		For the Three Months Ended	
		30th June 2014	30th June 2013	30th June 2014	30th June 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
766,566	Interest Income	397,018	374,893	199,895	189,401
18,611	Dividend Income	9,397	12,548	7,893	8,605
<u>785,177</u>	<b>Total</b>	<u>406,415</u>	<u>387,441</u>	<u>207,788</u>	<u>198,006</u>

## 9.a INTEREST AND DIVIDEND INCOME - COMPANY

31st Dec 2013 Audited Rs. '000		For the Six Months Ended		For the Three Months Ended	
		30th June 2014	30th June 2013	30th June 2014	30th June 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
766,566	Interest Income	394,826	374,893	197,703	189,401
18,611	Dividend Income	9,397	12,548	7,893	8,605
<u>785,177</u>	<b>Total</b>	<u>404,223</u>	<u>387,441</u>	<u>205,596</u>	<u>198,006</u>

## 10 INCOME TAX EXPENSES

The Company is liable to pay income tax at the rate of 28% (2013 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

## 11 SEGMENTAL PROFIT - GROUP

31st Dec 2013 Audited Rs. '000	Insurance Segment	For the Six Months Ended		For the Three Months Ended	
		30th June 2014	30th June 2013	30th June 2014	30th June 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
207,634	Non- Life Insurance	108,016	104,795	54,146	54,709
181,489	Life Insurance	-	-	-	-
<u>389,123</u>	<b>Total</b>	<u>108,016</u>	<u>104,795</u>	<u>54,146</u>	<u>54,709</u>

## 11.a SEGMENTAL PROFIT - COMPANY

31st Dec 2013 Audited Rs. '000	Insurance Segment	For the Six Months Ended		For the Three Months Ended	
		30th June 2014	30th June 2013	30th June 2014	30th June 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
207,634	Non- Life Insurance	106,441	104,795	52,571	54,709
181,489	Life Insurance	-	-	-	-
<u>389,123</u>	<b>Total</b>	<u>106,441</u>	<u>104,795</u>	<u>52,571</u>	<u>54,709</u>

Company has not recognised a profit for the Life Insurance business for the period ended 30th June 2014. According to the Life Insurance Business practice, a profit will be recognised at the end of each year based on the recommendation made by the Life Insurance Consultant Actuary after his year end valuation.

## 12 BASIC EARNINGS PER SHARE (EPS) - GROUP

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

31st Dec 2013 Audited Rs. '000	Insurance Segment	For the Six Months Ended		For the Three Months Ended	
		30th June 2014	30th June 2013	30th June 2014	30th June 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
389,123	Profit for the period (Rs. '000)	108,016	104,795	54,146	54,709
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
<u>7.78</u>	<b>Basic Earnings Per Share (Rs.)</b>	<u>2.16</u>	<u>2.10</u>	<u>1.08</u>	<u>1.09</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 12.a BASIC EARNINGS PER SHARE (EPS) - COMPANY

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

31st Dec 2013 Audited Rs. '000	Insurance Segment	For the Six Months Ended		For the Three Months Ended	
		30th June 2014 Rs. '000	30th June 2013 Rs. '000	30th June 2014 Rs. '000	30th June 2013 Rs. '000
389,123	Profit for the period (Rs. '000)	106,441	104,795	52,571	54,709
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
7.78	Basic Earnings Per Share (Rs.)	2.13	2.10	1.05	1.09

### 13 RELATED PARTY DISCLOSURE

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

		30th June 2014 Rs. '000	30th June 2013 Rs. '000
Insurance Premium	Non Life	1,230	3,789
	Life	7,400	6,495
Investment Income	Non Life	4,911	2,546
	Life	10,299	5,397
Administration Expenses	Non Life	44,813	46,198
	Life	25,941	18,186
Claims Incurred	Non Life	3,475	2,515
Rent and other Expenses		25,355	23,364
Dividend Paid		97,477	82,481

Nature of Transaction		As at 30th June 2014 Rs. '000	As at 31st Dec 2013 Rs. '000
Investments Balance (Includes Deposits and Debentures)	Non Life	110,297	118,788
	Life	103,293	99,553
Cash at Bank Balances	Non Life	115,471	74,959
	Life	109,096	97,095

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

Mr. J E P A de Silva, a Director of HNB Assurance PLC has resigned from the Board w.e.f. 21st May 2014. However, he will continue to be a Key Management Person since he has been appointed as a Director of the Subsidiary Company (HNB General Insurance Ltd.) w.e.f. 2nd June 2014.

Also Dr. Sivakumar Selliah was appointed to the Board with effect from 17th June 2014. Accordingly, he has been considered as Key Management Person of the Company w.e.f. 17th June 2014.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2013 except for the above changes.

### 14 EVENTS OCCURRING AFTER THE REPORTING DATE

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 15 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. (2013 - Nil).

b) Future commitments on operating leases

	As at 30th June 2014 Rs. '000	As at 31st Dec 2013 Rs. '000
Less than one year	32,015	20,869
Between one and five years	51,408	42,832
More than five years	45	979
Total Operating Lease Commitments	<u>83,468</u>	<u>64,680</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 Interim Financial Statements where necessary.

### 16 COMPARATIVE INFORMATION

The presentation and classification of following items in these Condensed Interim Financial Statements are amended to ensure comparability with the current year information.

For the Six Months Ended 30th June, As reported previously (2013 Interim Financial Statements)		2013 Rs. '000
Fee and Commission Income		103,093
Net Insurance Benefits and Claims Paid		(627,521)
Net Change in Insurance Claims Outstanding		(12,784)
Other Operating and Administration Expenses		(492,126)
Underwriting and Net Acquisition Costs		(269,257)
		<hr/>
For the Six Months Ended 30th June, Current Presentation		2014 Rs. '000
Fee and Commission Income	(Note 16.1)	71,465
Net Insurance Benefits and Claims Paid	(Note 16.2)	(679,658)
Net Change in Insurance Claims Outstanding	(Note 16.2)	(29,255)
Other Operating and Administration Expenses	(Note 16.3)	(581,236)
Underwriting and Net Acquisition Costs	(Note 16.1) & (Note 16.3)	(229,123)
		<hr/>
		2013 Rs. '000

16.1 Reinsurance Commission Income was classified under Fee and Commission Income previously. However, Reinsurance Commission is classified under Underwriting and Net Acquisition Costs in the current presentation.

16.2 Change in IBNR claims reserve was classified under Net Insurance Benefits and Claims Paid previously. Since the change in IBNR claims reserve is a part of claims outstanding reserves, it is now classified under Net Change in Insurance Claims Outstanding.

16.3 Sales Promotion was classified under Other Operating and Administration Expenses previously. However, Sales Promotion has been now classified under Underwriting and Net Acquisition Costs.

## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 30 <sup>th</sup> June 2014	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
03 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
02 Mercantile Merchant Bank Ltd	913,265	1.83%
04 Bank of Ceylon A/c Ceybank Century Growth Fund	599,657	1.20%
05 Mr. Mohamed Faizer Hashim	530,534	1.06%
06 Salamander Investments (Pvt) Ltd.	475,000	0.95%
07 Pershing LLC S/A Averbach Grauson & Co.	429,000	0.86%
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 Janashakthi Insurance PLC (Share Holders)	362,500	0.73%
12 Union Assurance PLC/No. 1 A/c	336,266	0.67%
13 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	300,000	0.60%
14 Phoenix Ventures Ltd.	257,716	0.52%
15 Corporate Holdings (Pvt) Ltd.	242,700	0.49%
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 Mr. Aravinthan Kailasapillai	200,000	0.40%
	<u>38,639,638</u>	<u>77.30%</u>

### Public Shareholding

	As at 30 <sup>th</sup> June 2014	
	No. of Shares	% on Issued Shares
Number of Shares	19,570,222	39.14

### Directors' Shareholdings

Name of the Director	No. of Shares as at 30 <sup>th</sup> June 2014
Dr. Ranee Jayamaha - ( <i>Chairperson</i> )	100
Mr. Manjula de Silva - ( <i>Managing Director / Chief Executive Officer</i> )	38,332
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



## Share Information (Contd.)

### 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 2014	41.62
Highest Price Per Share for the Interim Period	71.00
Lowest Price Per Share for the Interim Period	60.40
Last traded Price Per Share as at 30th June 2014	70.00