

Condensed Consolidated Interim Financial Statements
30th September 2015



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Statements of Financial Position

	Note	Group		Company*	
		Unaudited as at 30th Sep 2015 Rs. '000	Audited as at 31st Dec. 2014 Rs. '000	Unaudited as at 30th Sep 2015 Rs. '000	Audited as at 31st Dec. 2014 Rs. '000
Assets					
Intangible Assets		47,367	51,622	47,367	51,622
Property, Plant and Equipment		130,235	133,942	91,006	133,942
Deferred Tax Assets		48,108	-	-	-
Financial Investments	3	9,260,835	8,277,895	7,489,530	8,171,269
Investment in Subsidiary	4	-	-	1,000,000	100,000
Loans to Life Policyholders		87,550	71,082	87,550	71,082
Reinsurance Receivables		163,062	162,260	34,202	162,260
Premium Receivables		375,571	364,051	7,860	364,051
Other Assets		681,275	683,149	516,162	682,639
Insurance Contract - Deferred Expenses		72,336	52,072	-	52,072
Cash and Cash Equivalents		286,316	173,245	131,350	171,217
Total Assets		11,152,655	9,969,318	9,405,027	9,960,154
Equity and Liabilities					
Equity					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		955,765	1,196,546	1,090,720	1,189,039
Available for Sale Reserves		(5,380)	3,590	27	3,523
Life Policyholders' Available for Sale Reserve Fund	5	(50,843)	40,748	(50,843)	40,748
Other Reserves		1,177	1,177	1,177	1,177
Total Equity		2,072,593	2,413,936	2,212,956	2,406,362
Liabilities					
Insurance Contract Liabilities	6	8,347,211	6,841,786	6,804,362	6,841,786
Employee Benefits		77,744	71,493	38,168	71,493
Current Tax Liabilities		10,420	12,012	10,420	10,422
Deferred Tax Liabilities		-	8,845	-	8,845
Reinsurance Creditors		155,047	110,778	22,889	110,778
Other Liabilities		489,640	510,468	316,232	510,468
Total Liabilities		9,080,062	7,555,382	7,192,071	7,553,792
Total Equity and Liabilities		11,152,655	9,969,318	9,405,027	9,960,154

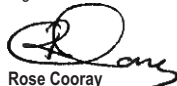
These Condensed Consolidated Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.

* Financial Position of the Company as at 31st December 2014 includes both Life and General Insurance Segments while Financial Position as at 30th September 2015 include Life Insurance segment only.



Vipula Dharmapala
Chief Financial Officer

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



Rose Cooray
Chairperson



J.A.P.M. Jayasekara
Director

Statements of Comprehensive Income

Group Year Ended 31 st Dec 2014 (Audited) Rs. '000		Note	Group			Company*	
			Unaudited		Change	Unaudited	
			2015 Rs. '000	2014 Rs. '000	%	2015 Rs. '000	2014 Rs. '000
4,665,618	Gross Written Premium	7	4,052,347	3,451,448	17	1,991,747	3,451,448
(601,022)	Premium Ceded to Reinsurers		(449,506)	(435,849)	3	(76,722)	(435,849)
4,064,596	Net Written Premium		3,602,841	3,015,599	19	1,915,025	3,015,599
(232,621)	Net Change in Reserves for Unearned Premium		(184,110)	(184,636)	-	-	(184,636)
3,831,975	Net Earned Premium		3,418,731	2,830,963	21	1,915,025	2,830,963
	Other Revenue						
824,015	Interest and Dividend Income	8	647,225	621,103	4	522,148	613,327
108,823	Net Realised Gains		25,352	19,195	32	17,341	19,195
99,281	Net Fair Value Gains/(Losses)		8,737	90,794	(90)	615	90,794
136,960	Fee and Commission Income		84,526	86,275	(2)	33,618	86,275
12,366	Other Income		4,292	7,319	(41)	14	7,319
1,181,445			770,132	824,686	(7)	573,736	816,910
5,013,420	Net Income		4,188,863	3,655,649	15	2,488,761	3,647,873
	Net Benefits, Claims and Expenses						
(1,573,104)	Net Insurance Benefits and Claims		(1,535,141)	(1,129,231)	36	(196,611)	(1,129,231)
(1,192,273)	Change in Contract Liabilities - Life Fund		(1,265,601)	(1,060,778)	19	(1,265,601)	(1,060,778)
(1,303,710)	Other Operating and Administration Expenses		(997,715)	(907,728)	10	(536,933)	(907,722)
(474,826)	Underwriting and Net Acquisition Costs		(458,193)	(349,016)	31	(365,788)	(349,016)
(30,924)	Other Insurance Related Costs		(21,617)	(24,065)	(10)	(13,815)	(24,065)
(4,574,837)	Total Benefits, Claims and Other Expenses		(4,278,267)	(3,470,818)	23	(2,378,748)	(3,470,812)
438,583	Profit/(Loss) Before Taxation		(89,404)	184,831	(148)	110,013	177,061
(20,857)	Net Income Tax (Expenses)/Reversals	9	36,122	(26,589)	(236)	(20,832)	(25,001)
417,726	Profit/(Loss) for the Period	10	(53,282)	158,242	(134)	89,181	152,060
	Other Comprehensive Income/(Loss), Net of Tax						
116,815	- Net Change in fair value of available-for-sale financial assets		(88,151)	127,231	(169)	(81,701)	127,118
(69,722)	- Realized (Gains)/Loss transferred to Income Statement		(12,410)	-	-	(13,386)	-
(44,930)	- Net Change in fair value of available-for-sale financial assets (transferred to)/from Life Policyholders' Reserve Fund		91,591	(126,478)	(172)	91,591	(126,478)
(995)	Actuarial Gains/(Losses) on Defined Benefit Plans		-	-	-	-	-
1,168	Total Other Comprehensive Income/(Loss) for the Period		(8,970)	753	(1,291)	(3,496)	640
418,894	Total Comprehensive Income/(Loss) for the Period		(62,252)	158,995	(139)	85,685	152,700
	Profit/(Loss) Attributable to:						
417,726	Equity Holders of the Company		(53,282)	158,242	(134)	89,181	152,060
	Total Comprehensive Income/(Loss) Attributable to:						
418,894	Equity Holders of the Company		(62,252)	158,995	(139)	85,685	152,700
8.35	Basic Earnings Per Share (Rs.)	11	(1.07)	3.16	(134)	1.78	3.04

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

Statement of Changes in Equity - Group

For the Period Ended 30th September 2015,

	Number of Shares	Stated Capital	Revenue Reserves	Available for Sale Reserves	Other Reserves	Life Policyholders' Fund Reserve	Total Equity
	'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	-	-	158,242	-	-	-	158,242
Share Issue Transaction cost	-	-	(500)	-	-	-	(500)
Other Comprehensive Income for the year							
Net Change in fair value of available-for-sale financial assets	-	-	-	127,231	-	-	127,231
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	(126,478)	-	-	(126,478)
Total Other Comprehensive Income for the Period	-	-	753	-	-	-	753
Total Comprehensive Income for the Period	-	-	157,742	753	-	-	126,478
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 Sep 2014	50,000	1,171,875	937,062	2,180	2,172	122,286	2,235,585
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	259,484	-	-	-	259,484
Other Comprehensive Income for the period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(80,138)	-	-	(80,138)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	81,548	-	(81,548)	-
Actual Losses on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the period	-	-	-	1,410	(995)	(81,548)	(81,133)
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							
Total Comprehensive Income for the Period	-	-	(53,282)	-	-	-	(53,282)
Loss for the Period - Unaudited	-	-	-	-	-	-	-
Other Comprehensive Income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(100,561)	-	-	(100,561)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	91,591	-	(81,591)	-
Total Other Comprehensive Income for the Period	-	-	(53,282)	(8,970)	-	(81,591)	(143,843)
Total Comprehensive Income for the Period	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2014	-	-	(187,500)	-	-	-	(187,500)
Unaudited balance as at 30th Sep 2015	50,000	1,171,875	955,765	(5,380)	1,177	(60,843)	2,072,593

Noted A

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 September 2015,

	Number of Shares	Stated Capital	Revenue Reserves	Available for Sale Reserves	Other Reserves	Life Policyholders' Reserve Fund	Total Equity
	'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	-	-	152,060	-	-	-	152,060
Other Comprehensive income for the year							
Net Change in fair value of available-for-sale financial assets	-	-	-	127,118	-	-	127,118
Net Change in fair value of available-for-sale financial assets	-	-	-	(126,478)	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Period	-	-	-	640	-	-	126,478
Total Comprehensive Income for the Period	-	-	152,060	640	-	-	126,478
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 Sep 2014	50,000	1,171,875	931,380	2,067	2,172	122,296	2,229,790
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	257,659	-	-	-	257,659
Other Comprehensive income for the period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(80,092)	-	-	(80,092)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	81,548	-	(81,548)	-
Actuarial Losses on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the period	-	-	-	1,456	-	(81,548)	(81,087)
Total Comprehensive Income for the Period	-	-	257,659	1,456	(995)	-	176,572
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	-	-	89,181	-	-	-	89,181
Other Comprehensive income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	(95,087)	-	-	(95,087)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	91,591	-	(91,591)	-
Total Other Comprehensive Income for the Period	-	-	-	(3,496)	-	(91,591)	(95,087)
Total Comprehensive Income for the Period	-	-	89,181	(3,496)	-	(91,591)	(5,906)
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 Sep 2015	50,000	1,171,875	1,090,720	27	1,177	(50,843)	2,212,956

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 September,</i>	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash Flow From Operating Activities					
Profit/(Loss) Before Taxation		(89,404)	184,831	110,013	177,061
Adjustments for:					
Interest Income		(622,497)	(608,335)	(505,574)	(600,559)
Dividend Income		(24,728)	(12,767)	(16,574)	(12,767)
Amortisation of Intangible Assets		12,577	12,064	7,078	12,064
Depreciation		36,792	30,855	21,003	30,855
Provision for Employee Benefits		18,219	16,706	7,885	16,706
Net Fair Value Gains		(34,090)	(48,509)	(17,957)	(48,509)
Net Gain on Investments at Fair Value Through Profit or Loss		-	(61,479)	-	(61,479)
Net Gain on Sale of Property, Plant and Equipment		(45)	(38)	(14)	(38)
		(703,176)	(486,671)	(394,140)	(486,666)
Change in Operating Assets	A	(88,870)	(208,439)	(4,984)	(207,984)
Change in Operating Liabilities	B	1,546,276	1,277,187	1,168,962	1,276,688
Cash Flows from Operating Activities		754,230	582,077	769,838	582,038
Gratuity Paid		(12,043)	(3,720)	(10,054)	(3,720)
Economic Service Charges (ESC) Paid		(1,590)	-	-	-
Net Cash Generated from Operating Activities		740,597	578,357	759,784	578,318
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(964,293)	(1,006,032)	(957,448)	(900,791)
Investment in Subsidiary		-	-	-	(100,000)
Interest Received		540,901	613,502	436,171	606,180
Dividend Received		24,728	12,767	16,574	12,767
Acquisition of Intangible Assets		(8,323)	(5,964)	(8,323)	(5,964)
Acquisition of Property, Plant and Equipment		(33,328)	(25,122)	(25,935)	(25,122)
Proceeds from the Sale of Property, Plant and Equipment		289	33	119	33
Net Cash Used in Investing Activities		(440,026)	(410,816)	(538,842)	(412,897)
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	113,071	4,541	33,442	2,921
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		286,316	111,847	131,350	110,227
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease in Deferred Expenses		(20,263)	(19,177)	-	(19,177)
Increase in Loans to Life Policyholders		(16,468)	(14,741)	(16,468)	(14,741)
Increase in Reinsurance Receivables		(19,557)	(24,381)	(10,756)	(24,381)
Increase in Premium Receivables		(11,520)	(31,922)	(917)	(31,922)
Increase/(Decrease) in Other Assets		(21,062)	(118,218)	23,157	(117,763)
		(88,870)	(208,439)	(4,984)	(207,984)
B. Change in Operating Liabilities					
Increase/(Decrease) in Other Liabilities		(27,307)	6,290	(88,608)	5,791
Increase in Insurance Contract Liabilities -General Insurance		263,712	204,610	-	204,610
Increase in life Insurance Fund		1,265,601	1,060,778	1,265,601	1,060,778
Increase/(Decrease) in Reinsurance Creditors		44,270	5,509	(8,031)	5,509
		1,546,276	1,277,187	1,168,962	1,276,688
C. Increase in Cash and Cash Equivalents					
Net Cash and Cash Equivalents at the end of the Period		286,316	111,847	131,350	110,226
Net Cash and Cash Equivalents at 1st January		173,245	107,306	97,908	107,305
Net Increase in Cash and Cash Equivalents		113,071	4,541	33,442	2,921

Statements of Comprehensive Income

For the Three Months Ended 30th September ,

	Note	Group			Company*	
		Unaudited		Change	Unaudited	
		2015	2014		2015	2014
		Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
Gross Written Premium	7	1,369,436	1,196,657	14	708,246	1,196,657
Premium Ceded to Reinsurers		(146,815)	(146,074)	1	(23,421)	(146,074)
Net Written Premium		1,222,621	1,050,583	16	684,825	1,050,583
Net Change in Reserves for Unearned Premium		(15,112)	(48,792)	(69)	-	(48,792)
Net Earned Premium		1,207,509	1,001,791	21	684,825	1,001,791
Other Revenue						
Interest and Dividend Income	8	219,771	214,688	2	180,089	209,104
Net Realised Gains		1,655	12,354	(87)	15	12,354
Net Fair Value Gains		13,654	58,139	(77)	4,913	58,139
Fee and Commission Income		21,723	16,491	32	4,698	16,491
Other Income		2,494	3,023	(17)	10	3,023
		259,298	304,695	(15)	189,725	299,111
Net Income		1,466,807	1,306,486	12	874,550	1,300,902
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims		(693,814)	(420,318)	65	(75,480)	(420,318)
Change in Contract Liabilities - Life Fund		(426,036)	(373,052)	14	(426,036)	(373,052)
Other Operating and Administration Expense		(334,953)	(326,494)	3	(188,006)	(326,493)
Underwriting and Net Acquisition Costs		(155,422)	(119,892)	30	(126,881)	(119,892)
Other Insurance Related Costs		(9,120)	(8,760)	4	(6,043)	(8,760)
Total Benefits, Claims and other Expenses		(1,619,345)	(1,248,516)	30	(822,444)	(1,248,515)
Profit/(Loss) Before Taxation		(152,538)	57,970	(363)	52,105	52,387
Income Tax Expenses	9	19,737	(7,744)	(355)	(20,832)	(6,768)
Profit/(Loss) for the Period	10	(132,801)	50,226	(364)	31,273	45,619
Other Comprehensive Income/(Loss), Net of Tax						
- Net Change in fair value of available-for-sale financial assets		(52,121)	104,317	(150)	(50,002)	104,604
- Realized (Gains)/Loss transferred to Income Statement		(13,386)	(10,909)	23	(13,386)	(10,909)
- Net Change in fair value of available-for-sale financial assets (transferred to)/from Life Policyholders Reserve		49,594	(102,956)	(148)	49,594	(102,956)
Total Other Comprehensive Income/(Loss) for the Period		(15,913)	(9,548)	67	(13,794)	(9,261)
Total Comprehensive Income/(Loss) for the Period		(148,714)	40,679	(466)	17,479	36,358
Profit/(Loss) Attributable to:						
Equity Holders of the Company		(132,801)	50,226	(364)	31,273	45,619
Total Comprehensive Income/(Loss) Attributable to:						
Equity Holders of the Company		(148,714)	40,679	(466)	17,479	36,358
Basic Earnings Per Share (Rs.)	11	(2.66)	1.00	(364)	0.63	0.91

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2014 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

New SLRFSs and interpretations issued but not yet effective have not been early adopted.

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	As at	As at	As at
	30th Sep 2015	31st Dec 2014	30th Sep 2015	31st Dec 2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held-to-maturity financial assets, at amortised cost	461,197	782,667	312,210	782,667
Loans & Receivables	6,677,058	5,408,961	5,330,169	5,322,047
Available-for-sale financial assets	1,636,686	1,600,593	1,520,388	1,580,881
Financial assets at fair value through profit or loss	485,894	485,674	326,763	485,674
	9,260,835	8,277,895	7,489,530	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 up to 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 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.

5a) 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

6 INSURANCE CONTRACT LIABILITIES

	Group		Company	
	As at 30th Sep 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000	As at 30th Sep 2015 (Unaudited) Rs. '000	As at 31st Dec 2014 (Audited) Rs. '000
Life Insurance				
Life Insurance Fund (Note 6.a)	6,729,610	5,464,009	6,729,610	5,464,009
Claims Outstanding	74,752	98,639	74,752	98,639
Total Insurance Contract Liabilities - Life Insurance	6,804,362	5,562,648	6,804,362	5,562,648
General Insurance				
Reserves for Net Unearned Premium	1,160,308	977,827	-	977,827
Reserves for Title Insurance	18,495	16,866	-	16,866
Reserves for Gross Outstanding Claims	364,046	284,445	-	284,445
Total Insurance Contract Liabilities - General Insurance	1,542,849	1,279,138	-	1,279,138
Total Insurance Contract Liabilities	8,347,211	6,841,786	6,804,362	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	1,265,601	1,420,294	1,265,601	1,420,294
Surplus Distributed to Shareholders	-	(228,021)	-	(228,021)
Increase in Life Insurance Fund	1,265,601	1,192,273	1,265,601	1,192,273
Balance as at the end of the period	6,729,610	5,464,009	6,729,610	5,464,009

6 b) The valuation of the Insurance Contract Liabilities - Life Fund is pending for the period ended 30th September 2015.

However, the valuation of Insurance Contract liabilities - Life Fund was 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 not been carried out by the Consultant Actuary for the period ended 30th September 2015. As stated in the annual report 2014, the valuation of IBNR/IBNER is carried out semi-annually and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

6 d) Liability Adequacy Test

The Company has not carried out a Liability Adequacy Tests (LAT) in respect of Insurance Contract Liabilities as required by the SLFRS 4 - Insurance Contracts as at 30th September 2015. As stated in the Annual Report 2014, LAT will be performed semi-annually.

Notes to the Condensed Consolidated Interim Financial Statements

7 GROSS WRITTEN PREMIUM

31st Dec 2014 Audited Rs. '000	For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
General Insurance					
344,070	Fire	287,134	263,839	-	263,839
1,668,421	Motor	1,577,688	1,193,474	-	1,193,474
33,807	Marine	29,312	22,091	-	22,091
276,453	Miscellaneous	181,591	229,030	-	229,030
<u>2,322,751</u>	General Insurance Gross Written Premium	<u>2,075,725</u>	<u>1,708,434</u>	-	<u>1,708,434</u>
Life Insurance					
2,307,315	Individual Policies	1,940,775	1,720,220	1,940,775	1,720,220
35,552	Corporate Policies	35,847	22,794	50,972	22,794
<u>2,342,867</u>	Life Insurance Gross Written Premium	<u>1,976,622</u>	<u>1,743,014</u>	<u>1,991,747</u>	<u>1,743,014</u>
<u>4,665,618</u>	Total Gross Written Premium	<u>4,052,347</u>	<u>3,451,448</u>	<u>1,991,747</u>	<u>3,451,448</u>

For the Three Months Ended	Group		Company	
	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
General Insurance				
Fire	93,841	84,105	-	84,105
Motor	538,338	457,539	-	457,539
Marine	5,881	10,216	-	10,216
Miscellaneous	37,494	35,710	-	35,710
General Insurance Gross Written Premium	675,554	587,570	-	587,570
Life Insurance Individual Policies	680,222	602,497	680,223	602,497
Corporate Policies	13,660	6,590	28,023	6,590
Life Insurance Gross Written Premium	693,882	609,087	708,246	609,087
Total Gross Written Premium	1,369,436	1,196,657	708,246	1,196,657

8 INTEREST AND DIVIDEND INCOME

31st Dec 2014 (Audited) Rs. '000	For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
808,970	Interest Income	622,497	608,336	505,574	600,560
15,045	Dividend Income	24,728	12,767	16,574	12,767
<u>824,015</u>	Total	<u>647,225</u>	<u>621,103</u>	<u>522,148</u>	<u>613,327</u>

For the Three Months Ended	Group		Company	
	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
Interest Income	214,799	211,318	175,892	205,734
Dividend Income	4,972	3,370	4,197	3,370
Total	219,771	214,688	180,089	209,104

Notes to the Condensed Consolidated Interim Financial Statements

9 NET INCOME TAX (EXPENSES)/REVERSALS

31st Dec 2014 (Audited) Rs. '000	For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
		(12,012)	Current Tax Charge	-	(19,844)
-	Provision for Notional Tax (NTC) for the Period in Life Insurance	(20,832)	-	(20,832)	-
(8,845)	Deferred Income Tax	56,954	(6,745)	-	(6,745)
<u>(20,857)</u>	Total	<u>36,122</u>	<u>(26,589)</u>	<u>(20,832)</u>	<u>(25,001)</u>

For the Three Months Ended	Group		Company	
	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
	Current Tax Charge	-	(6,147)	-
Provision for Notional Tax (NTC) for the Period in Life Insurance	(20,832)	-	(20,832)	-
Deferred Income Tax	40,569	(1,597)	-	(1,597)
Total	<u>19,737</u>	<u>(7,744)</u>	<u>(20,832)</u>	<u>(6,768)</u>

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

HNB General Insurance Ltd. has tax losses amounting to Rs. 230.6 million (2014 - Nil) available indefinitely for offset against future taxable profits of the company in line with Tax Regulations. Considering the recoverability of the tax loss based on the previous experience of the Company, a deferred tax asset has been created for Rs. 48.1 million. The recoverability of this Deferred Tax Asset would be assessed frequently at the end of each reporting period.

10 PROFIT/(LOSS) AFTER TAX

31st Dec 2014 (Audited) Rs. '000	For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
		8,007	HNB General Insurance Ltd	(139,508)	6,182
409,719	HNB Assurance PLC*	86,226	152,060	89,181	152,060
<u>417,726</u>	Total	<u>(53,282)</u>	<u>158,242</u>	<u>89,181</u>	<u>152,060</u>

For the Three Months Ended	Group		Company	
	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
	HNB General Insurance Ltd	(164,640)	4,607	-
HNB Assurance PLC*	31,839	45,618	31,273	45,619
Total	<u>(132,801)</u>	<u>50,225</u>	<u>31,273</u>	<u>45,619</u>

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

The loss recorded in HNB General Insurance Ltd is due to increase in Net Claims and benefits particularly in Motor and Medical Insurance Classes. The Company has already analyzed the causes for the losses recorded and has taken the necessary steps in this regard.

Notes to the Condensed Consolidated Interim Financial Statements

11 BASIC EARNINGS/(LOSS) PER SHARE (EPS)

Basic Earnings/(Loss) Per Share is calculated by dividing the net PAT/Loss 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 Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited)	30th Sep 2014 (Unaudited)	30th Sep 2015 (Unaudited)	30th Sep 2014 (Unaudited)
417,726	Profit/(Loss) for the period (Rs. '000)	(53,282)	158,242	89,181	152,060
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
8.35	Basic Earnings/(Loss) Per Share (Rs.)	(1.07)	3.16	1.78	3.04

For the Three Months Ended	Group		Company	
	30th Sep 2015 (Unaudited)	30th Sep 2014 (Unaudited)	30th Sep 2015 (Unaudited)	30th Sep 2014 (Unaudited)
	(132,801)	50,225	31,273	45,619
Profit/(Loss) for the period (Rs. '000)				
	50,000	50,000	50,000	50,000
Weighted average number of shares ('000)				
	(2.66)	1.00	0.63	0.91
Basic Earnings/(Loss) Per Share (Rs.)				

12 RELATED PARTY DISCLOSURE

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

Nature of Transaction For the Nine Months Ended	Group		Company	
	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
Insurance Premium	8,350	16,432	2,388	16,432
Investment Income	22,204	20,999	18,178	20,999
Administration Expenses	129,222	114,698	58,567	114,698
Claims Incurred	6,963	6,843	-	6,843
Rent and other Expenses	36,241	37,793	36,241	37,793
Dividend Paid	112,474	97,477	112,474	97,477

Nature of Transaction For the Nine Months Ended	Group		Company	
	30th Sep 2015 (Audited) Rs. '000	31st Sep 2014 (Audited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	31st Sep 2014 (Audited) Rs. '000
Investments Balance (Includes Deposits and Debentures)	281,542	232,080	189,736	232,080
Cash at Bank Balances	215,080	213,966	75,724	213,966

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction

30th Sep 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	15,125
Insurance Expenses	15,669
Administration Expenses Reimbursement	109,645

* 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.

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

Name of the Company	Nature of Transaction For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
Splendor Media (Pvt) Ltd	Insurance Premium	274	45	-	45
	Claims Incurred	369	51	-	51
	Media Placements Commission	4,927	3,366	4,917	3,366
Sithma Development (Pvt) Ltd.	Insurance Premium	38	82	-	82
Prime Grameen Micro Finance Ltd.	Insurance Premium	22,869	-	22,397	-
	Claims Incurred	1,131	-	1,088	-
	Administration Expenses	3,677	-	3,677	-

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction For the Nine Months Ended	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
ACUITY Stock Brokers	Insurance Premium	27	6	-	6
ACUITY Securities Ltd	Investment Income from REPO	16,859	10,787	13,048	10,277

Name of the Company	Nature of Transaction As at	Group		Company	
		30th Sep 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000	30th Sep 2015 (Unaudited) Rs. '000	31st Dec 2014 (Audited) Rs. '000
ACUITY Securities Ltd	Investment in REPO	79,518	274,966	74,740	274,966

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction

	30th Sep 2015 (Unaudited) Rs. '000	30th Sep 2014 (Unaudited) Rs. '000
Short -term and Post employment benefits	34,018	35,619
Total	<u>34,018</u>	<u>35,619</u>

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

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

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 and has become a key management person of the Company w.e.f the same date. Mrs. Cooray does not hold any interest in shares of HNB Assurance PLC as at 30th Sep 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 change.

13 EVENTS OCCURRING AFTER THE REPORTING DATE

13.1 Investment in Subsidiary

The Boards of Directors of HNB Assurance PLC and HNB General Insurance Ltd have given their approval to increase the stated capital of HNB General Insurance Ltd by Rs. 150 Million. The increase in capital will be in the form of issue of 15 Million new shares by HNB General Insurance Ltd to HNB Assurance PLC for a cash consideration of Rs. 150 Million during the month of November 2015.

Accordingly, the stated capital of HNB General Insurance Ltd will be increased to Rs. 1.15 Billion after the share issue.

13.2 Super Gains Tax

An imposition of a "One Off" Super Gains Tax (SGT) has been passed in parliament on the 20th of October 2015. This is a one off payment on any individual, a company or each company, of a group of companies, of which the aggregate of the profits before income tax of all subsidiaries and the holding company in that group of companies who or which has earned profits over Rs.2 Billion, in the year of assessment 2013/2014, at 25% on the taxable income. Since the Bill had not been approved by Parliament as at the reporting date, the Group has not accounted for the liability in the Financial Statements as at 30th September 2015.

The bill requires the charge to be an expenditure in the financial statements relating to the year of assessment commenced on April 1, 2013. The SGT is payable in three equal installments on 30/10/15, the second one is due by 30/11, and the last one is payable by 31/12/15. The tax liability of the Company is Rs. 31.4 Million and the Company paid Rs. 10.5 Million as the first installment on 30/10/15. The Company will make the balance two payments on the due dates.

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

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).

Notes to the Condensed Consolidated Interim Financial Statements

b) Future commitments on operating leases

	As at 30th Sep 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	38,175	28,067
More than five years	-	-
Total Operating Lease Commitments	58,582	46,313

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

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.

16 TRANSFER PRICING

Provision on transfer pricing under sections 104 and 104A of the Inland Revenue Act, No. 10 of 2006 covers the transactions with associated undertakings. Since compliance reporting will be enforced from the year of assessment 2015/16, Both the companies (Life & General) have commenced reviewing the transactions with associated undertakings to determine as to whether the transactions have been concluded on arm's length price.

During the financial year, certain transactions including provision of insurance solutions and placement of deposits have been taken place with parent entity (associated undertaking). Both the companies are of the view that the transactions with parent entity have been taken place on arm's length pricing.

As the aggregate value of transactions of each companies with associated undertaking is more than Rs. 50Mn, both the companies are required to maintain separate documentation as prescribed by transfer pricing regulation. The companies are in the process of seeking professional advice from tax consultants to prepare required documentation to comply with transfer pricing regulation.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 30th September 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	646,744	1.29
06 Mr. Mohamed Faizer Hashim	530,534	1.06
07 Salamander Investments (Pvt) Ltd.	475,000	0.95
08 Arunodhaya Industries (Pvt) Ltd.	400,000	0.80
09 Arunodhaya (Pvt) Ltd.	400,000	0.80
10 Arunodhaya Investments (Pvt) Ltd.	400,000	0.80
11 Union Assurance PLC/No. 1 A/c	336,266	0.67
12 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	300,000	0.60
13 Phoenix Ventures Ltd.	260,000	0.52
14 Corporate Holdings (Pvt) Ltd. A/c No.1	242,700	0.49
15 Mr. Madduma Hetti Vidanelage Upali Gunatilake	200,506	0.40
16 Mr. Kailasapillai Viswanathar	200,000	0.40
17 Mrs. Kailasapillai Abiramipillai	200,000	0.40
18 Miss. Subramaniam Sivamalar	200,000	0.40
19 Mrs.Selliah Arunthathi	200,000	0.40
20 Andysel Private Limited	200,000	0.40
	<u>38,922,440</u>	<u>77.85</u>

Public Shareholding

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

Public Shareholding

	As at 30th September 2015	
	No.	% on Total No. of shareholders
Number of Share Holders	3,511	99.69

Share Information (Contd.)

Directors' Shareholdings

Name of the Director	No. of Shares as at 30th Sep 2015
Mrs. Rose Cooray	NIL
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 September 2015	41.45
Highest Price Per Share for the Interim Period	87.50
Lowest Price Per Share for the Interim Period	79.00
Last traded Price Per Share as at 30th September 2015	80.00