

INTERIM REPORT

30th September 2009

HNB ASSURANCE PLC
for a brighter future

Company Reg. No. PQ 108

Balance Sheet

	Unaudited as at 30.09.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
Assets		
Investments	2,340,713	1,999,032
Intangible Assets	35,662	23,058
Property, Plant and Equipment	111,766	91,717
Loans to Life Policyholders	8,538	4,666
Reinsurance Receivables	70,326	69,314
Premium Receivables	128,282	120,922
Other Assets	409,850	334,882
Cash and Cash Equivalents	387,944	155,882
Total Assets	3,493,081	2,799,473
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	1,883,873	1,360,505
Insurance Provision - Non - Life	582,165	470,206
Other Liabilities	327,477	280,340
Interest Bearing Borrowings	-	988
Retirement Benefit Obligation	15,004	11,318
Total Liabilities	2,808,519	2,123,357
Shareholders' Equity		
Stated Capital (37.5 million Ordinary Shares)	375,000	375,000
Revenue Reserves	309,562	301,116
Total Shareholders' Equity	684,562	676,116
Total Liabilities and Shareholders' Equity	3,493,081	2,799,473

The Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.

Vipula Dharmapala

Head of Finance

For and on behalf of the Board;

Rienzie T. Wijetilleke

Chairman

Manjula de Silva

Managing Director

Colombo, Sri Lanka

29th October 2009

Balance Sheet of the Life Insurance Fund

	Unaudited as at 30.09.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
Assets		
Investments	1,597,303	1,263,166
Intangible Assets	5,154	5,742
Property, Plant and Equipment	6,703	8,151
Loans to Life Policyholders	8,538	4,666
Reinsurance Receivables	20,643	10,025
Other Assets	190,971	150,521
Cash and Cash Equivalents	198,306	39,939
Total Assets	2,027,618	1,482,210
Liabilities		
Insurance Provision - Life	1,883,873	1,360,505
Other Liabilities	141,497	120,024
Retirement Benefit Obligation	2,248	1,681
Total Liabilities	2,027,618	1,482,210

Statement of Income

For the year ended 31st December 2008 (Audited) Rs. '000	For the Nine Months Ended 30th September	Note	Unaudited		Change %
			2009 Rs. '000	2008 Rs. '000	
1,719,688	Revenue	3	1,553,277	1,260,099	23
1,838,879	Gross Written Premium	4	1,634,669	1,378,865	19
(388,913)	Premium Ceded to Reinsurers		(338,273)	(297,929)	14
1,449,966	Net Written Premium		1,296,396	1,080,936	20
(74,285)	Net Change in Reserves for Unearned Premium and Unexpired Risk		(93,073)	(63,479)	47
1,375,681	Net Earned Premium		1,203,323	1,017,457	18
	Benefits, Losses and Expenses				
(408,482)	Insurance Claims and Benefits (Net)		(369,627)	(298,490)	24
(479,831)	Increase in Life Insurance Fund		(523,368)	(432,577)	21
(168,166)	Underwriting and Net Acquisition Costs		(114,836)	(120,818)	(5)
(7,952)	Other Insurance Related Costs		(7,635)	(7,775)	(2)
(1,064,431)	Total Benefits, Losses and Expenses		(1,015,466)	(859,660)	18
311,250	Net Earned Premium Less Benefits, Losses and Expenses		187,857	157,797	19
	Other Revenue				
342,265	Income from Investments		347,263	241,256	44
1,742	Other Income		2,691	1,386	94
	Expenses				
(485,229)	Other Operating, Investment Related and Administration Expenses		(462,319)	(351,899)	31
170,028	Profit from Operations		75,492	48,540	56
(154)	Interest Expense		(43)	(122)	(65)
169,874	Profit before Income Tax		75,449	48,418	56
(5,401)	Income Tax Expenses		(20,128)	(162)	12,325
164,473	Profit for the Period		55,321	48,256	15
4.39	Basic Earnings Per Share (Rs.)		1.48	1.29	15
1.25	Dividend Per Share (Rs.)		-	-	-

Statement of Income

For the Three Months Ended 30th September	Note	Unaudited		Change %
		2009 Rs. '000	2008 Rs. '000	
Revenue	3	608,663	443,459	37
Gross Written Premium	4	640,272	517,545	24
Premium Ceded to Reinsurers		(96,794)	(138,374)	(30)
Net Written Premium		543,478	379,171	43
Net Change in Reserves for Unearned Premium and Unexpired Risk		(55,899)	(23,926)	134
Net Earned Premium		487,579	355,245	37
	Benefits, Losses and Expenses			
Insurance Claims and Benefits (Net)		(129,916)	(108,803)	19
Increase in Life Insurance Fund		(224,926)	(136,841)	64
Underwriting and Net Acquisition Costs		(47,184)	(52,832)	(11)
Other Insurance Related Costs		(3,688)	(2,582)	43
Total Benefits, Losses and Expenses		(405,714)	(301,058)	35
Net Earned Premium Less Benefits, Losses and Expenses		81,865	54,187	51
	Other Revenue			
Income from Investments		121,003	87,798	38
Other Income		81	416	(81)
	Expenses			
Other Operating, Investment Related and Administration Expenses		(173,866)	(128,505)	35
Profit from Operations		29,083	13,896	109
Interest Expense		-	(36)	(100)
Profit before Income Tax		29,083	13,860	110
Income Tax Expenses		(7,666)	9,768	(178)
Profit for the Period		21,417	23,628	(9)
Basic Earnings Per Share (Rs.)		0.57	0.63	(9)
Dividend Per Share (Rs.)		-	-	-

Statement of Changes in Equity

<i>For the Nine Months Ended 30th September 2009</i>	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2007	37,500	375,000	174,143	549,143
Net Profit for the Period	-	-	48,256	48,256
Dividend Paid for 2007	-	-	(37,500)	(37,500)
Unaudited balance as at 30th September 2008	37,500	375,000	184,899	559,899
Net Profit for the Period			116,217	116,217
Audited balance as at 31st December 2008	37,500	375,000	301,116	676,116
Net Profit for the Period	-	-	55,321	55,321
Dividend for 2008*	-	-	(46,875)	(46,875)
Unaudited balance as at 30th September 2009	37,500	375,000	309,562	684,562

* Dividend declared during the period was not taken for calculation of Dividend Per Share in 2009 as it represents the dividend for the year 2008.

Cash Flow Statement

<i>For the Nine Months Ended 30th September</i>		Unaudited	
		2,009	2,008
	Note	Rs. '000	Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		1,621,633	1,299,639
Reinsurance Premium Paid		(286,071)	(224,018)
Claims Paid		(353,937)	(306,756)
Reinsurance Receipts in Respect of Claims		42,599	45,179
Cash Paid to and on behalf of Employees		(170,369)	(126,407)
Interest Received		343,402	195,790
Dividend Received		3,287	1,087
Other Operating Cash Payments		(521,384)	(416,918)
Cash Inflow Generated from Operating Activities	(A)	679,160	467,596
Gratuity Paid		(239)	(617)
Dividend Paid		(46,875)	(37,500)
Income Tax Paid		(8,250)	(5,198)
Net Cash Generated from Operating Activities		623,796	424,281
Cash Flows From Investing Activities			
Purchase of Investments (Other than Cash Equivalents)		(15,705,355)	(12,749,548)
Sale of Investments (Other than Cash Equivalents)		15,371,920	12,351,918
Purchase of Intangible Assets		(18,859)	(5,449)
Purchase of Property, Plant and Equipment		(40,451)	(27,947)
Proceeds on Sale of Property, Plant and Equipment		2,042	76
Net Cash used in Investing Activities		(390,703)	(430,950)
Net Cash Inflow / (Outflow) before Financing Activities		233,093	(6,669)
Cash Flows From Financing Activities			
Lease Installments Paid		(1,031)	(447)
Cash used in Financing Activities		(1,031)	(447)
Net Increase / (Decrease) in Cash and Cash Equivalents	(B)	232,062	(7,116)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit before Tax with Cash Flow from Operating Activities			
Profit before Income Tax		75,449	48,418
Amortisation Charge		6,254	4,878
Depreciation Charge		19,911	14,615
Provision for Retiring Gratuity		3,925	2,584
Provision for Diminution in Value of Investments		(8,245)	3,530
(Profit) / Loss on Sale of Property, Plant and Equipment		(1,551)	9
Lease Interest Paid		43	122
Increase in Trade and Other Receivables		(97,468)	(194,681)
Increase in Amount Owed by Long Term Insurance Fund		523,368	432,577
Increase in Unearned Premium		92,096	60,318
Increase in Claims Provisions		32,444	32,944
Increase in Creditors		32,934	62,282
Cash Inflow Generated from Operating Activities		679,160	467,596
B. Net Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		387,944	108,955
Net Cash and Cash Equivalents at the beginning of the Period		155,882	116,071
Increase / (Decrease)		232,062	(7,116)

Notes to the Financial Statements

1 Figures as at 30th September 2009 are provisional and unaudited.

2 The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2008 are followed in preparation and presentation of these Interim Financial Statements. Further, provisions of the Companies Act No. 7 of 2007 have been considered where necessary in preparing and presenting these Interim Financial Statements.

3	Year Ended 31st December 2008 (Audited) Rs. '000	For the Nine Months		For the Three Months	
		Ended 30th September 2009 (Unaudited) Rs. '000	Ended 30th September 2008 (Unaudited) Rs. '000	Ended 30th September 2009 (Unaudited) Rs. '000	Ended 30th September 2008 (Unaudited) Rs. '000
	Revenue				
1,838,879	Gross Written Premium	1,634,669	1,378,865	640,272	517,545
(388,913)	Premium Ceded to Reinsurers	(338,273)	(297,929)	(96,794)	(138,374)
1,449,966	Net Written Premium	1,296,396	1,080,936	543,478	379,171
(74,285)	Net Change in Reserves for Unearned Premium and Unexpired Risk	(93,073)	(63,479)	(55,899)	(23,926)
1,375,681	Net Earned Premium	1,203,323	1,017,457	487,579	355,245
342,265	Income from Investments	347,263	241,256	121,003	87,798
1,742	Other Income	2,691	1,386	81	416
1,719,688	Total Revenue	1,553,277	1,260,099	608,663	443,459

4	Gross Written Premium by Segment				
	General				
257,408	Fire	225,876	193,808	54,157	104,711
589,837	Motor	562,383	452,605	225,055	163,357
27,425	Marine	16,936	20,749	6,299	5,023
50,039	Miscellaneous	45,587	30,705	17,872	7,309
924,709		850,782	697,867	303,383	280,400
	Long Term				
907,326	Individual Policies	777,837	677,411	335,187	236,927
6,844	Corporate Policies	6,050	3,587	1,702	218
914,170		783,887	680,998	336,889	237,145
1,838,879	Total	1,634,669	1,378,865	640,272	517,545

5 Pending a valuation by our Consultant Actuary at the year end, no provision or appropriation has been made in respect of transfers to or from the Life Fund.

6 The Company is liable to pay income tax at the rate of 35% (2008 - 35%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

The Income Tax Expense for the period has increased compared to the corresponding period due to reversal of a tax provision in the last year as a result of an amendment made to the Income Tax Law.

7 The nature of the related party transactions in the current period is similar to those reported in the Audited Financial Statements – 2008.

The Key management personnel of the Company now includes Mr. Sarath Ratwatte who was appointed as a Director during the period.

8 The capital expenditure committed to be paid to TATA Consultancy Services - India in terms of an acquisition of a computer software amounts to Rs.18Mn.

9 There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Interim Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 30th September 2009		31st December 2008	
	Shareholding	%	Shareholding	%
1 Hatton National Bank PLC A/c No. 1	22,494,750	59.99	22,494,750	59.99
2 Alliance Finance Co. PLC	3,110,350	8.29	3,774,350	10.06
3 Associated Electrical Corporation Limited	820,000	2.19		
4 Arpico Finance Company PLC	630,000	1.68		
5 Mrs. K W S H Fernando & Mr. W K V Fernando	349,750	0.93	474,850	1.26
6 Mr. M F Hashim	264,000	0.70	252,100	0.67
7 Miss. S A Fernando	234,300	0.62	279,300	0.74
8 Miss. W N C Fernando	182,700	0.49	232,500	0.62
9 Deutsche Bank AG-NAMAL Growth Fund	170,600	0.45		
10 Mr. K Laveendrakumar	130,500	0.35		
11 Mr. M H V U Gunathilaka	117,145	0.31	125,000	0.33
12 Mr. A P Somasiri	115,000	0.31	100,000	0.27
13 Miss. A M Udeshi	101,000	0.27	101,000	0.27
14 Mr. B Selvanayagam & Mrs. L Selvanayagam	100,000	0.27	100,000	0.27
15 Malship Ceylon Ltd.	93,500	0.25	93,500	0.25
16 Mrs. N I Hashim	91,650	0.24	91,650	0.24
17 Mr. R Senathirajah	90,000	0.24		
18 Union Investments Limited	75,000	0.20	75,000	0.20
19 Mr. P R B Perera	70,800	0.19		
20 Mr. W C J Alwis	60,000	0.16		
	29,301,045	78.14		

Public Shareholding

	As at 30th September 2009		31st December 2008	
	No. of Shares	% on Issued Shares	No. of Shares	% on Issued Shares
Number of Shares	14,928,250	39.81	14,956,750	39.88

Directors' Shareholdings

Name of the Director	No. of Shares as at	
	30th September 2009	31st December 2008
Mr. Rienzie T. Wijetilleke - (Chairman)	750	750
Mr. Manjula de Silva - (Managing Director)	25,000	25,000
Mr. R Theagarajah	6,250	6,250
Mr. J M J Perera	5,250	5,250
Mr. J D N Kekulawela	26,000	9,000
Mr. M U de Silva	2,250	2,250
Mr. Pratapkumar de Silva	-	-
Mr. D M de Silva Wijeyeratne	500	-
Mr. Sarath Ratwatte	11,000	-

Number of shares

Issued and Fully Paid Rs. 375,000,000/- i.e. 37,500,000 shares

Class of Share Ordinary

Voting Rights One vote per Ordinary Share

Share Performance

	30th September 2009	30th September 2008	31st December 2008
	Rs.	Rs.	Rs.
Net Asset Value Per Share as at	18.25	14.93	18.03
Highest Price Per Share for the Period	49.00	26.00	23.00
Lowest Price Per Share for the Period	29.00	22.50	17.00
Last traded Price as at	47.25	22.75	18.25