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INTERIM REPORT

30<sup>TH</sup> June 2009

**M-67**

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**HNB Assurance PLC**

Company Reg. No. PQ 108

No. 10, Sri Uttarananda Mawatha,  
Colombo - 03, Sri Lanka.

## Balance Sheet

	Unaudited as at 30.06.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
<b>Assets</b>		
Investments	1,996,421	1,999,032
Intangible Assets	36,607	23,058
Property, Plant and Equipment	107,726	91,717
Loans to Life Policyholders	7,640	4,666
Reinsurance Receivables	86,330	69,314
Premium Receivable	212,364	120,922
Other Assets	376,081	334,882
Cash and Cash Equivalents	416,220	155,882
<b>Total Assets</b>	<b>3,239,389</b>	<b>2,799,473</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Insurance Provision - Life	1,658,947	1,360,505
Insurance Provision - Non - Life	528,304	470,206
Other Liabilities	375,278	280,340
Interest Bearing Borrowings	-	988
Retirement Benefit Obligation	13,715	11,318
<b>Total Liabilities</b>	<b>2,576,244</b>	<b>2,123,357</b>
<b>Shareholders' Equity</b>		
Stated Capital (37.5 million Ordinary Shares)	375,000	375,000
Revenue Reserves	288,145	301,116
<b>Total Shareholders' Equity</b>	<b>663,145</b>	<b>676,116</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,239,389</b>	<b>2,799,473</b>

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



**Vipula Dharmapala**  
Head of Finance

Signed on behalf of the Board;



**Rienzie T. Wijetilleke**  
Chairman



**Manjula de Silva**  
Managing Director

Colombo, Sri Lanka  
31st July 2009

## Balance Sheet of the Life Insurance Fund

	Unaudited as at 30.06.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
<b>Assets</b>		
Investments	1,374,478	1,263,166
Intangible Assets	5,173	5,742
Property, Plant and Equipment	7,123	8,151
Loans to Life Policyholders	7,640	4,666
Reinsurance Receivables	16,406	10,025
Other Assets	175,997	150,521
Cash and Cash Equivalents	209,877	39,939
<b>Total Assets</b>	<b>1,796,694</b>	<b>1,482,210</b>
<b>Liabilities</b>		
Insurance Provision - Life	1,658,947	1,360,505
Other Liabilities	135,645	120,024
Retirement Benefit Obligation	2,102	1,681
<b>Total Liabilities</b>	<b>1,796,694</b>	<b>1,482,210</b>

## Statement of Income

For the year ended 31st December 2008 (Audited) Rs. '000	For the Six Months Ended 30th June	Note	Unaudited		Change %
			2009 Rs. '000	2008 Rs. '000	
1,719,688	<b>Revenue</b>	3	944,614	816,640	16
1,838,879	Gross Written Premium	4	994,397	861,320	15
(388,913)	Premium Ceded to Reinsurers		(241,479)	(159,555)	51
1,449,966	Net Written Premium		752,918	701,765	7
(74,285)	Net Change in Reserves for Unearned Premium and Unexpired Risk		(37,174)	(39,553)	(6)
1,375,681	Net Earned Premium		715,744	662,212	8
<b>Benefits, Losses and Expenses</b>					
(408,482)	Insurance Claims and Benefits (Net)		(239,711)	(189,687)	26
(479,831)	Increase in Life Insurance Fund		(298,442)	(295,736)	1
(168,166)	Underwriting and Net Acquisition Costs		(67,652)	(67,986)	0
(7,952)	Other Insurance Related Costs		(3,947)	(5,193)	(24)
(1,064,431)	Total Benefits, Losses and Expenses		(609,752)	(558,602)	9
311,250	Net Earned Premium Less Benefit, Losses and Expenses		105,992	103,610	2
<b>Other Revenue</b>					
342,265	Income from Investments		226,260	153,458	47
1,742	Other Income		2,610	970	169
<b>Expenses</b>					
(485,229)	Other Operating, Investment Related and Administration Expenses		(288,453)	(223,394)	29
170,028	Profit from Operations		46,409	34,644	34
(154)	Interest Expense		(43)	(86)	(50)
169,874	Profit before Income Tax		46,366	34,558	34
(5,401)	Income Tax Expenses		(12,462)	(9,930)	25
164,473	Profit for the Period		33,904	24,628	38
4.39	Basic Earnings Per Share (Rs.)		0.90	0.66	38
1.25	Dividend Per Share (Rs.)		-	-	-

## Statement of Income

For the Three Months Ended 30th June	Note	Unaudited		Change %
		2009 Rs. '000	2008 Rs. '000	
<b>Revenue</b>	3	<b>488,528</b>	437,999	12
Gross Written Premium	4	<b>537,110</b>	454,793	18
Premium Ceded to Reinsurers		<b>(148,379)</b>	(80,998)	83
Net Written Premium		<b>388,731</b>	373,795	4
Net Change in Reserves for Unearned Premium and Unexpired Risk		<b>(19,690)</b>	(13,751)	43
Net Earned Premium		<b>369,041</b>	360,044	2
<b>Benefits, Losses and Expenses</b>				
Insurance Claims and Benefits (Net)		<b>(116,119)</b>	(96,199)	21
Increase in Life Insurance Fund		<b>(166,670)</b>	(187,374)	(11)
Underwriting and Net Acquisition Costs		<b>(25,262)</b>	(23,484)	8
Other Insurance Related Costs		<b>(2,085)</b>	(2,074)	1
Total Benefits, Losses and Expenses		<b>(310,136)</b>	(309,131)	0
Net Earned Premium Less Benefit, Losses and Expenses		<b>58,905</b>	50,913	16
<b>Other Revenue</b>				
Income from Investments		<b>118,593</b>	77,509	53
Other Income		<b>894</b>	446	100
<b>Expenses</b>				
Other Operating, Investment Related and Administration Expenses		<b>(153,887)</b>	(113,899)	35
Profit from Operations		<b>24,505</b>	14,969	64
Interest Expense		<b>(15)</b>	(41)	(63)
Profit before Income Tax		<b>24,490</b>	14,928	64
Income Tax Expenses		<b>(6,453)</b>	(4,412)	46
Profit for the Period		<b>18,037</b>	10,516	72
Basic Earnings Per Share (Rs.)		<b>0.48</b>	0.28	72
Dividend Per Share (Rs.)		-	-	-

## Statement of Changes in Equity

For the Six Months Ended 30th June 2009	Number of Shares '000	Stated Capital Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
<b>Audited balance as at 31st December 2007</b>	37,500	375,000	174,143	549,143
Net Profit for the Period	-	-	24,628	24,628
Dividend Paid for 2007	-	-	(37,500)	(37,500)
<b>Unaudited balance as at 30th June 2008</b>	37,500	375,000	161,271	536,271
Net Profit for the Period	-	-	139,845	139,845
<b>Audited balance as at 31st December 2008</b>	37,500	375,000	301,116	676,116
Net Profit for the Period	-	-	33,904	33,904
Dividend for 2008*	-	-	(46,875)	(46,875)
<b>Unaudited balance as at 30th June 2009</b>	<b>37,500</b>	<b>375,000</b>	<b>288,145</b>	<b>663,145</b>

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

## Cash Flow Statement

For the Six Months Ended 30th June	Note	Unaudited	
		2009 Rs. '000	2008 Rs. '000
<b>Cash Flows From Operating Activities</b>			
Premium Received from Customers		904,622	845,175
Reinsurance Premium Paid		(142,752)	(163,728)
Claims Paid		(234,571)	(184,806)
Reinsurance Receipts in Respect of Claims		23,303	20,389
Cash Paid to and on behalf of Employees		(121,125)	(87,113)
Interest Received		219,093	132,367
Dividend Received		230	133
Other Operating Cash Payments		(298,684)	(262,489)
Cash Inflow Generated from Operating Activities	(A)	350,116	299,928
Gratuity Paid		(159)	(261)
Dividend Paid		(46,875)	(37,500)
Income Tax Paid		(6,067)	(3,183)
Net Cash Generated from Operating Activities		297,015	258,984
<b>Cash Flows From Investing Activities</b>			
Purchase of Investments (Other than Cash Equivalents)		(9,738,546)	(8,456,312)
Sale of Investments (Other than Cash Equivalents)		9,747,570	8,206,512
Purchase of Intangible Assets		(17,666)	(2,382)
Purchase of Property, Plant and Equipment		(29,003)	(18,904)
Proceeds on Sale of Property, Plant and Equipment		1,999	41
Net Cash used in Investing Activities		(35,646)	(271,045)
Net Cash Inflow / (Outflow) before Financing Activities		261,369	(12,061)
<b>Cash Flows From Financing Activities</b>			
Lease Installments Paid		(1,031)	(305)
Net Cash used in Financing Activities		(1,031)	(305)
Net Increase / (Decrease) in Cash and Cash Equivalents	(B)	260,338	(12,366)
<b>Notes to the Cash Flow Statement</b>			
<b>A. Reconciliation of Profit before Tax with Cash Flow from Operating Activities</b>			
Profit Before Income Tax		46,366	34,558
Amortisation Charge		4,117	3,170
Depreciation Charge		12,911	9,466
Provision for Retiring Gratuity		2,556	1,723
Provision for Diminution in Value of Investments		(6,414)	982
Profit on Sale Property, Plant and Equipment		(1,916)	(21)
Lease Interest Paid		43	86
Increase in Trade and Other Receivables		(165,692)	(95,750)
Increase in Amount Owed by Long Term Insurance Fund		298,442	295,736
Increase in Unearned Premium		38,529	38,055
Increase in Claims Provisions		25,897	29,027
Increase / (Decrease) in Creditors		95,277	(17,104)
Cash Inflow Generated from Operating Activities		350,116	299,928
<b>B. Net Increase / (Decrease) in Cash and Cash Equivalents</b>			
Net Cash and Cash Equivalents at the end of the Period		416,220	103,705
Net Cash and Cash Equivalents at the beginning of the Period		155,882	116,071
Increase / (Decrease)		260,338	(12,366)

## Notes to the Financial Statements

1. Figures as at 30th June 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 of these Interim Financial Statements.

Year Ended 31st December 2008 (Audited) Rs '000		For the Six Months		For the Three Months	
		Ended 30th June 2009 (Unaudited)	Ended 30th June 2008 (Unaudited)	Ended 30th June 2009 (Unaudited)	Ended 30th June 2008 (Unaudited)
		Rs '000	Rs '000	Rs '000	Rs '000
3.	<b>Revenue</b>				
1,838,879	Gross Written Premium	<b>994,397</b>	861,320	<b>537,110</b>	454,793
(388,913)	Premium Ceded to Reinsurers	<b>(241,479)</b>	(159,555)	<b>(148,379)</b>	(80,998)
1,449,966	Net Written Premium	<b>752,918</b>	701,765	<b>388,731</b>	373,795
(74,285)	Net Change in Reserves for Unearned Premium and Unexpired Risk	<b>(37,174)</b>	(39,553)	<b>(19,690)</b>	(13,751)
1,375,681	Net Earned Premium	<b>715,744</b>	662,212	<b>369,041</b>	360,044
342,265	Income from Investments	<b>226,260</b>	153,458	<b>118,593</b>	77,509
1,742	Other Income	<b>2,610</b>	970	<b>894</b>	446
1,719,688	<b>Total Revenue</b>	<b>944,614</b>	816,640	<b>488,528</b>	437,999
4.	<b>Gross Written Premium by Segment</b>				
	General				
257,408	Fire	<b>171,719</b>	89,097	<b>118,227</b>	46,042
589,837	Motor	<b>337,328</b>	289,248	<b>172,330</b>	140,360
27,425	Marine	<b>10,637</b>	15,726	<b>5,514</b>	10,132
50,039	Miscellaneous	<b>27,715</b>	23,396	<b>10,914</b>	9,107
924,709		<b>547,399</b>	417,467	<b>306,985</b>	205,641
	Long Term				
907,326	Individual Policies	<b>442,650</b>	440,484	<b>227,801</b>	246,603
6,844	Corporate Policies	<b>4,348</b>	3,369	<b>2,324</b>	2,549
914,170		<b>446,998</b>	443,853	<b>230,125</b>	249,152
1,838,879	<b>Total</b>	<b>994,397</b>	861,320	<b>537,110</b>	454,793

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.
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. 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 June 2009		As at 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	3,740,350	9.97	3,774,350	10.06
3 Deutsche Bank AG-National Equity Fund	600,000	1.60		
4 Mr. W K V Fernando & Mrs. K W S H Fernando	362,650	0.97	474,850	1.26
5 Mr. M F Hashim	264,000	0.70	252,100	0.67
6 Miss. S A Fernando	249,300	0.66	279,300	0.74
7 Miss. W N C Fernando	191,800	0.51	232,500	0.62
8 Mr. K Laveendrakumar	130,500	0.35		
9 Mr. A R S Wijayapura	122,700	0.33	128,500	0.34
10 Mr. M H V U Gunathilaka	120,000	0.32	125,000	0.33
11 Mr. A P Somasiri	115,000	0.31	100,000	0.27
12 Miss. A M Udeshi	101,000	0.27	101,000	0.27
13 Mr. B Selvanayagam & Mrs. L Selvanayagam	100,000	0.27	100,000	0.27
14 Deutsche Bank AG-Namal Growth Fund	100,000	0.27		
15 Mr. M K De Vos & Mrs. D J De Vos	100,000	0.27	132,000	0.35
16 Malship Ceylon Ltd.	93,500	0.25	93,500	0.25
17 Mrs. N I Hashim	91,650	0.24	91,650	0.24
18 Mr. R P Senanayake	77,000	0.21	77,000	0.21
19 Mr. R Senathirajah	76,400	0.20		
20 J B Cocoshell (Pvt) Ltd.	75,400	0.20	96,800	0.26
	<b>29,206,000</b>	<b>77.88</b>		

### Public Shareholding

	As at 30th June 2009		As at 31st December 2008	
	No. of Shares	% on Issued Shares	No. of Shares	% on Issued Shares
<b>Number of Shares</b>	<b>14,945,250</b>	<b>39.85</b>	<b>14,956,750</b>	<b>39.88</b>

### Directors' Shareholdings

Name of the Director	No. of Shares as at	
	30th June 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 Kekulawala	9,000	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 Shares
Voting Rights	One vote per Ordinary Share

### Share Performance

	30th June 2009 Rs.	30th June 2008 Rs.	31st December 2008 Rs.
Net Asset Value Per Share as at	<b>17.68</b>	14.30	18.03
Highest Price Per Share for the Period	<b>33.50</b>	27.00	23.00
Lowest Price Per Share for the Period	<b>19.75</b>	22.75	17.00
Last traded Price as at	<b>31.00</b>	23.00	18.25