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Interim Report
30th June 2010



HNB Assurance PLC
Company Reg. No. PQ 108
No. 10, Sri Uttarananda Mawatha,
Colombo - 03, Sri Lanka.

Balance Sheet

	Unaudited as at 30.06.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	2,944,334	2,717,415
Intangible Assets	59,840	54,744
Property, Plant and Equipment	119,396	117,070
Loans to Life Policyholders	10,603	9,309
Reinsurance Receivables	76,591	73,824
Premium Receivables	211,440	157,029
Other Assets	475,748	448,210
Cash and Cash Equivalents	91,183	94,100
Total Assets	3,989,135	3,671,701
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	2,129,395	1,853,513
Insurance Provision - General	638,962	599,364
Other Liabilities	290,219	282,542
Reinsurance Creditors	89,368	87,251
Retirement Benefit Obligation	22,312	18,180
Total Liabilities	3,170,256	2,840,850
Shareholders' Equity		
Stated Capital (37.5 Million Ordinary Shares)	375,000	375,000
Revenue Reserves	443,879	455,851
Total Shareholders' Equity	818,879	830,851
Total Liabilities and Shareholders' Equity	3,989,135	3,671,701

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



Vipula Dharmapala
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Interim Financial Statements.

For and on behalf of the Board;



Rienzie T. Wijetilleke
Chairman



Manjula de Silva
Managing Director

Colombo, Sri Lanka
30th July 2010

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 30.06.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	1,939,830	1,686,073
Intangible Assets	18,115	14,653
Property, Plant and Equipment	5,417	6,174
Loans to Life Policyholders	10,603	9,309
Reinsurance Receivables	6,608	16,283
Other Assets	265,712	220,524
Cash and Cash Equivalents	40,999	45,252
Total Assets	2,287,284	1,998,268
Liabilities		
Insurance Provision - Life	2,129,395	1,853,513
Other Liabilities	131,076	117,221
Reinsurance Creditors	23,419	24,937
Retirement Benefit Obligation	3,394	2,597
Total Liabilities	2,287,284	1,998,268

Statement of Income

Year Ended 31st December 2009 (Audited) Rs. '000	<i>For the Six Months Ended 30th June</i>	Note	Unaudited		Change %
			2010 Rs. '000	2009 Rs. '000	
2,038,096	Revenue	3	1,061,654	944,614	12
2,115,647	Gross Written Premium	4	1,064,201	994,397	7
(453,517)	Premium Ceded to Reinsurers		(215,896)	(241,479)	(11)
1,662,130	Net Written Premium		848,305	752,918	13
(94,383)	Net Change in Reserves for Unearned Premium		(28,024)	(37,174)	(25)
1,567,747	Net Earned Premium		820,281	715,744	15
Benefits, Losses and Expenses					
(511,911)	Insurance Claims and Benefits (Net)		(293,061)	(239,711)	22
(493,008)	Increase in Life Insurance Fund		(275,881)	(298,442)	(8)
(154,870)	Underwriting and Net Acquisition Costs		(72,126)	(67,652)	7
(9,865)	Other Insurance Related Costs		(9,048)	(3,947)	129
(1,169,654)	Total Benefits, Losses and Expenses		(650,116)	(609,752)	7
398,093	Net Earned Premium Less Benefits, Losses and Expenses		170,165	105,992	61
Other Revenue					
467,823	Income from Investments		240,640	226,260	6
2,526	Other Income		733	2,610	(72)
Expenses					
Other Operating, Investment Related and					
(637,317)	Administration Expenses		(349,286)	(288,453)	21
231,125	Profit from Operations		62,252	46,409	34
(44)	Finance Expenses		-	(43)	(100)
231,081	Profit Before Taxation		62,252	46,366	34
(29,471)	Income Tax Expense		(17,974)	(12,462)	44
201,610	Profit for the Period		44,278	33,904	31
5.38	Basic Earnings Per Share (Rs.)		1.18	0.90	31
1.50	Dividends Per Share (Rs.)		-	-	-

Statement of Income

<i>For the Three Months Ended 30th June</i>	Note	Unaudited		Change %
		2010 Rs. '000	2009 Rs. '000	
Revenue	3	536,019	488,528	10
Gross Written Premium	4	526,173	537,110	(2)
Premium Ceded to Reinsurers		(113,467)	(148,379)	(24)
Net Written Premium		412,706	388,731	6
Net Change in Reserves for Unearned Premium		476	(19,690)	(102)
Net Earned Premium		413,182	369,041	12
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(150,914)	(116,119)	30
Increase in Life Insurance Fund		(135,712)	(166,670)	(19)
Underwriting and Net Acquisition Costs		(28,855)	(25,262)	14
Other Insurance Related Costs		(4,192)	(2,065)	103
Total Benefits, Losses and Expenses		(319,673)	(310,116)	3
Net Earned Premium Less Benefits, Losses and Expenses		93,509	58,925	59
Other Revenue				
Income from Investments		122,420	118,593	3
Other Income		417	894	(53)
Expenses				
Other Operating, Investment Related and Administration Expenses		(182,709)	(153,907)	19
Profit from Operations		33,637	24,505	37
Finance Expenses		-	(15)	-
Profit Before Taxation		33,637	24,490	37
Income Tax Expense		(9,468)	(6,453)	47
Profit for the Period		24,169	18,037	34
Basic Earnings Per Share (Rs.)		0.64	0.48	34
Dividends Per Share (Rs.)		-	-	-

Statement of Changes in Equity

<i>For the Six Months Ended 30th June 2010</i>	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Shareholders' Equity Rs. '000
Audited balance as at 31st December 2008	37,500	375,000	301,116	676,116
Profit for the Period	-	-	33,904	33,904
Dividend Paid for 2008	-	-	(46,875)	(46,875)
Unaudited balance as at 30th June 2009	37,500	375,000	288,145	663,145
Profit for the Period	-	-	167,706	167,706
Audited balance as at 31st December 2009	37,500	375,000	455,851	830,851
Profit for the Period	-	-	44,278	44,278
Dividend for 2009*	-	-	(56,250)	(56,250)
Unaudited balance as at 30th June 2010	37,500	375,000	443,879	818,879

* Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2010 as it represents the dividend for 2009.

Stated Capital represents 37.5 Million Ordinary Shares

Cash Flow Statement

For the Six Months Ended 30th June	Company		
	Note	Unaudited 2010 Rs. '000	Unaudited 2009 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		1,024,672	904,622
Reinsurance Premium Paid		(171,213)	(142,752)
Claims Paid		(302,910)	(234,571)
Reinsurance Receipts in Respect of Claims		41,515	23,303
Cash Paid to and on behalf of Employees		(153,304)	(121,125)
Interest Received		219,419	219,093
Dividend Received		4,286	230
Other Operating Cash Payments		(348,867)	(298,684)
Cash Inflow Generated from Operating Activities	(A)	313,598	350,116
Gratuity Paid		(144)	(159)
Economic Service Charges (ESC) Paid		(6,011)	(6,067)
Net Cash Generated from Operating Activities		307,443	343,890
Cash Flows From Investing Activities			
Purchase of Liquid Investments (Other than Cash Equivalents)		(17,128,161)	(10,018,090)
Purchase of Other Investments (Other than Cash Equivalents)		(160,418)	(55,641)
Sale of Liquid Investments (Other than Cash Equivalents)		16,990,872	9,751,686
Sale of Other Investments (Other than Cash Equivalents)		70,788	10,004
Purchase of Intangible Assets		(10,198)	(17,666)
Purchase of Property, Plant and Equipment		(17,171)	(29,003)
Proceeds on Sale of Property, Plant and Equipment		178	1,999
Net Cash used in Investing Activities		(254,110)	(356,711)
Net Cash Inflow / (Outflow) before Financing Activities		53,333	(12,821)
Cash Flows From Financing Activities			
Lease Installments Paid		-	(1,031)
Dividend Paid		(56,250)	(46,875)
Cash used in Financing Activities		(56,250)	(47,906)
Net Decrease in Cash and Cash Equivalents	(B)	(2,917)	(60,727)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		62,252	46,366
Amortisation Charge		5,102	4,117
Depreciation Charge		14,518	12,911
Provision for Retiring Gratuity		4,277	2,556
Provision for Diminution in Value of Investments		-	(6,414)
(Profit) / Loss on Sale of Property, Plant and Equipment		150	(1,916)
Lease Interest Paid		-	43
Increase in Trade and Other Receivables		(114,653)	(165,692)
Increase in Life Insurance Fund		275,881	298,442
Increase in Unearned Premium		20,460	38,529
Increase in Claims Provisions		15,028	25,897
Increase Creditors		30,583	95,277
Cash Inflow Generated from Operating Activities		313,598	350,116
B. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		91,183	56,544
Net Cash and Cash Equivalents at the beginning of the Period		94,100	117,271
Net Decrease in Cash and Cash Equivalents		(2,917)	(60,727)

Notes to the Interim Financial Statements

- Figures as at 30th June 2010 are provisional and unaudited.
- The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2009 are followed in preparation of these Interim Financial Statements. Comparative Information has been re-classified where necessary, to confirm to the current period presentations.

Year Ended 31st December 2009 (Audited) Rs. '000		For the Six Months		For the Three Months	
		Ended 30th June 2010 (Unaudited) Rs. '000	Ended 30th June 2009 (Unaudited) Rs. '000	Ended 30th June 2010 (Unaudited) Rs. '000	Ended 30th June 2009 (Unaudited) Rs. '000
3.	Revenue				
2,115,647	Gross Written Premium	1,064,201	994,397	526,173	537,110
(453,517)	Premium Ceded to Reinsurers	(215,896)	(241,479)	(113,467)	(148,379)
1,662,130	Net Written Premium	848,305	752,918	412,706	388,731
(94,383)	Net Change in Reserves for Unearned Premium	(28,024)	(37,174)	476	(19,690)
1,567,747	Net Earned Premium	820,281	715,744	413,182	369,041
467,823	Income from Investments	240,640	226,260	122,420	118,593
2,526	Other Income	733	2,610	417	894
2,038,096	Total Revenue	1,061,654	944,614	536,019	488,528
4.	Gross Written Premium by Segment				
	General Insurance				
304,151	Fire	147,643	171,719	77,513	118,227
740,274	Motor	387,769	337,328	187,641	172,330
23,086	Marine	10,589	10,637	5,724	5,514
63,270	Miscellaneous	58,403	27,715	27,687	10,914
1,130,781	General Insurance Gross Written Premium	604,404	547,399	298,565	306,985
	Life Insurance				
975,537	Individual Policies	457,138	442,650	225,384	227,801
9,329	Corporate Policies	2,659	4,348	2,224	2,324
984,866	Life Insurance Gross Written Premium	459,797	446,998	227,608	230,125
2,115,647	Total Gross Written Premium	1,064,201	994,397	526,173	537,110

- The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued two new Sri Lanka Accounting Standards i.e. SLAS 44 - Financial Instruments Presentation and SLAS 45 - Financial Instruments Recognition and Measurement, which become effective for annual periods beginning on or after 1st January 2011. Accordingly, these standards have not been applied in preparing these Interim Financial Statements as they are not effective for the period ended 30th June 2010.

These Standards require application of fair value measurement techniques / amortised cost for financial instruments classified as Financial Assets / Financial Liabilities. SLAS 45 excludes the rights and obligations arising under Insurance Contracts. The Company is currently in the process of evaluating the potential effect of these Standards on its Financial Statements. However, the impact of the above requirements has not been quantified as at the Balance Sheet date.

- 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.
- The Company is liable to pay income tax at the rate of 35% (2009 - 35%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.
- The nature of the related party transactions in the current period is similar to those reported in the Audited Financial Statements – 2009.

9. a.) As at the end of the interim period, no capital expenditure approved by the Board and contracted for which no provision has been made in the accounts (as at 31st December 2009 - Nil)

b.) Future monthly commitments on operating leases

	As at 30.06.2010 (Unaudited) Rs '000	As at 31.12.2009 (Audited) Rs '000
Less than one year	12,270	15,994
Between one and five years	13,377	7,612
Total Operating Lease Commitments	25,647	23,606

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

11. 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 Interim Financial Statements where necessary.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 30th June 2010	
	Shareholding	%
1 Hatton National Bank PLC A/c No. 1	22,494,750	59.99
2 Mercantile Merchant Bank Ltd.	3,740,000	9.97
3 The Ceylon Guardian Investment Trust PLC A/c No. 2	1,500,000	4.00
4 Ceylon Investment PLC A/c No. 1	421,600	1.12
5 Mr. M F Hashim	293,550	0.78
6 National Savings Bank	211,300	0.56
7 Bank of Ceylon A/c Ceybank Century Growth Fund	187,400	0.50
8 Employees Trust Fund Board	155,700	0.42
9 Mr. K Laveendrakumar	143,300	0.38
10 Mr. M H V U Gunathilaka	120,075	0.32
11 Mr. A P Somasiri	115,000	0.31
12 Mr. S. Abishek	101,000	0.27
13 Mrs. N I Hashim	96,650	0.26
14 Malship Ceylon Ltd.	93,500	0.25
15 Mr. B Selvanayagam & Mrs. L Selvanayagam	90,000	0.24
16 Union Investments Limited	75,000	0.20
17 Mr. R Senathirajah	68,700	0.18
18 Mr. W C J Alwis	60,000	0.16
19 Miss. W N C Fernando	58,800	0.16
20 Mr. T G Perera	56,650	0.15
	30,082,975	80.22

Public Shareholding

	As at 30th June 2010	
	No. of Shares	% on Issued Shares
Number of Shares	14,927,250	39.81

Directors' Shareholdings

Name of the Director	No. of Shares as at 30th June 2010
Mr. Rienzie T. Wijetilleke - (Chairman)	750
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	25,000
Mr. M U de Silva	2,250
Mr. Pratapkumar de Silva	1,000
Mr. D M de S Wijeyeratne	500
Mr. Sarath Ratwatte	11,000
Mr. R Theagarajah	6,250
Mr. J M J Perera	5,250
Mr. J D N Kekulawala	26,000

Number of Shares

No. of shares representing the Stated Capital	37,500,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	30th June 2010 Rs.
Net Asset Value Per Share as at	21.84
Highest Price Per Share for the Period	75.00
Lowest Price Per Share for the Period	55.50
Last traded Price Per Share as at	68.00