



Interim Report
31st December 2010



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

Balance Sheet

	Unaudited as at 31.12.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	3,403,905	2,717,415
Intangible Assets	66,999	54,744
Property, Plant and Equipment	130,971	117,070
Loans to Life Policyholders	13,263	9,309
Reinsurance Receivables	122,431	73,824
Premium Receivables	231,929	157,029
Other Assets	497,352	448,210
Cash and Cash Equivalents	81,354	94,100
Total Assets	4,548,204	3,671,701
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	2,385,246	1,853,513
Insurance Provision - General	730,658	599,364
Other Liabilities	308,901	282,542
Reinsurance Creditors	81,983	87,251
Retirement Benefit Obligation	25,076	18,180
Total Liabilities	3,531,864	2,840,850
Shareholders' Equity		
Stated Capital (37.5 Million Ordinary Shares)	375,000	375,000
Revenue Reserves	641,340	455,851
Total Shareholders' Equity	1,016,340	830,851
Total Liabilities and Shareholders' Equity	4,548,204	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 / Chief Financial Officer

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

Signed on behalf of the Board;



Rienzie T. Wijetilleke
Chairman



Manjula de Silva
Managing Director / Chief Executive Officer

Colombo, Sri Lanka
31st January 2011

Statement of Income

<i>For the Year Ended 31st December</i>	Note	Unaudited 2010 Rs. '000	Audited 2009 Rs. '000	Change %
Revenue	3	2,361,240	2,036,785	16
Gross Written Premium	4	2,428,183	2,115,647	15
Premium Ceded to Reinsurers		(449,461)	(453,517)	(1)
Net Written Premium		1,978,722	1,662,130	19
Net Change in Reserves for Unearned Premium		(134,362)	(94,383)	42
Net Earned Premium		1,844,360	1,567,747	18
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(648,137)	(511,911)	27
Increase in Life Insurance Fund		(531,733)	(493,008)	8
Underwriting and Net Acquisition Costs		(164,991)	(150,108)	10
Other Insurance Related Costs		(15,758)	(9,865)	60
Total Benefits, Losses and Expenses		(1,360,619)	(1,164,892)	17
Net Earned Premium Less Benefits, Losses and Expenses		483,741	402,855	20
Other Revenue				
Income from Investments		517,198	467,823	11
Other Net Income / (Loss)		(318)	1,215	(126)
Expenses				
Other Operating, Investment Related and Administration Expenses		(731,096)	(640,768)	14
Profit from Operations		269,525	231,125	17
Finance Expenses		-	(44)	(100)
Profit Before Taxation		269,525	231,081	17
Income Tax Expense		(27,786)	(29,471)	(6)
Profit for the Period		241,739	201,610	20
Basic Earnings Per Share (Rs.)		6.45	5.38	20
Dividends Per Share (Rs.)		1.80	1.50	20

Statement of Changes in Equity

<i>For the Year Ended 31st December</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 Year	-	-	201,610	201,610
Dividend Paid for 2008	-	-	(46,875)	(46,875)
Audited balance as at 31st December 2009	37,500	375,000	455,851	830,851
Profit for the Year	-	-	241,739	241,739
Dividend for 2009	-	-	(56,250)	(56,250)
Unaudited balance as at 31th December 2010	37,500	375,000	641,340	1,016,340

Stated Capital represents 37.5 Million Ordinary Shares

Statement of Income

<i>For the Three Months Ended 31st December</i>	Note	Unaudited 2010 Rs. '000	Unaudited 2009 Rs. '000	Change %
Revenue	3	681,218	484,648	41
Gross Written Premium	4	702,574	480,978	46
Premium Ceded to Reinsurers		(119,065)	(115,244)	3
Net Written Premium		583,509	365,734	60
Net Change in Reserves for Unearned Premium		(53,844)	(1,310)	4,010
Net Earned Premium		529,665	364,424	45
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(177,213)	(142,284)	25
(Increase) / Decrease in Life Insurance Fund		(60,426)	30,360	(299)
Underwriting and Net Acquisition Costs		(49,993)	(38,509)	30
Other Insurance Related Costs		(2,477)	(2,230)	11
Total Benefits, Losses and Expenses		(290,109)	(152,663)	90
Net Earned Premium Less Benefits, Losses and Expenses		239,556	211,761	13
Other Revenue				
Income from Investments		151,737	120,560	26
Other Net Income / (Loss)		(184)	(336)	(45)
Expenses				
Other Operating, Investment Related and Administration Expenses		(205,064)	(176,352)	16
Profit from Operations		186,045	155,633	20
Finance Expenses		-	(1)	(100)
Profit Before Taxation		186,045	155,632	20
Income Tax Expense		(5,255)	(9,343)	(44)
Profit for the Period		180,790	146,289	24
Basic Earnings Per Share (Rs.)		4.82	3.90	24

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 31.12.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	2,242,702	1,686,073
Intangible Assets	20,903	14,653
Property, Plant and Equipment	4,573	6,174
Loans to Life Policyholders	13,263	9,309
Reinsurance Receivables	18,617	16,283
Other Assets	245,918	220,524
Cash and Cash Equivalents	13,005	45,252
Total Assets	2,558,981	1,998,268
Liabilities		
Insurance Provision - Life	2,385,246	1,853,513
Other Liabilities	144,988	117,221
Reinsurance Creditors	25,341	24,937
Retirement Benefit Obligation	3,406	2,597
Total Liabilities	2,558,981	1,998,268

Cash Flow Statement

For the Year Ended 31st December	Company		
	Note	Unaudited 2010 Rs. '000	Audited 2009 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		2,368,943	2,079,023
Reinsurance Premium Paid		(364,416)	(362,623)
Claims Paid		(739,086)	(498,057)
Reinsurance Receipts in Respect of Claims		85,215	53,680
Cash Paid to and on behalf of Employees		(267,169)	(220,603)
Interest Received		490,107	429,806
Dividend Received		7,609	3,873
Other Operating Cash Payments		(776,437)	(707,233)
Cash Inflow Generated from Operating Activities	(A)	804,766	777,866
Gratuity Paid		(795)	(648)
Economic Service Charges (ESC) Paid		(12,374)	(14,247)
Net Cash Generated from Operating Activities		791,597	762,971
Cash Flows From Investing Activities			
Purchase of Liquid Investments (Other than Cash Equivalents)		(45,623,529)	(21,037,765)
Purchase of Other Investments (Other than Cash Equivalents)		(496,835)	(380,888)
Sale of Liquid Investments (Other than Cash Equivalents)		45,246,960	20,546,911
Sale of Other Investments (Other than Cash Equivalents)		186,913	200,217
Purchase of Intangible Assets		(22,238)	(19,781)
Purchase of Property, Plant and Equipment		(39,734)	(49,026)
Proceeds on Sale of Property, Plant and Equipment		370	2,096
Net Cash used in Investing Activities		(748,093)	(738,236)
Net Cash Inflow before Financing		43,504	24,735
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)	(12,746)	(23,171)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		269,525	231,081
Amortisation Charge		9,983	8,279
Depreciation Charge		30,354	26,933
Provision for Retiring Gratuity		7,691	7,510
Provision for Diminution in Value of Investments		-	(8,245)
(Profit) / Loss on Sale of Property, Plant and Equipment		318	(1,215)
Lease Interest Paid		-	44
Increase in Trade and Other Receivables		(204,761)	(162,815)
Increase in Life Insurance Fund		531,733	493,008
Increase in Unearned Premium		124,127	96,421
Increase in Claims Provisions		12,451	38,364
Increase in Creditors		23,345	48,501
Cash Inflow Generated from Operating Activities		804,766	777,866
B. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Year		81,354	94,100
Net Cash and Cash Equivalents at the beginning of the Year		94,100	117,271
Net Decrease in Cash and Cash Equivalents		(12,746)	(23,171)

Notes to the Interim Financial Statements

- Figures as at 31st December 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.

	<i>For the Year</i>		<i>For the Three Months</i>	
	Ended 31st December 2010 (Unaudited) Rs. '000	Ended 31st December 2009 (Audited) Rs. '000	Ended 31st December 2010 (Unaudited) Rs. '000	Ended 31st December 2009 (Unaudited) Rs. '000
3. Revenue				
Gross Written Premium	2,428,183	2,115,647	702,574	480,978
Premium Ceded to Reinsurers	(449,461)	(453,517)	(119,065)	(115,244)
Net Written Premium	1,978,722	1,662,130	583,509	365,734
Net Change in Reserves for Unearned Premium	(134,362)	(94,383)	(53,844)	(1,310)
Net Earned Premium	1,844,360	1,567,747	529,665	364,424
Income from Investments	517,198	467,823	151,737	120,560
Other Net Income / (Loss)	(318)	1,215	(184)	(336)
Total Revenue	2,361,240	2,036,785	681,218	484,648
4. Gross Written Premium by Segment				
General Insurance				
Fire	287,660	304,151	65,028	78,275
Motor	916,406	740,274	274,636	177,891
Marine	24,147	23,086	6,977	6,150
Miscellaneous	115,490	63,270	35,345	17,683
General Insurance Gross Written Premium	1,343,703	1,130,781	381,986	279,999
Life Insurance				
Individual Policies	1,074,972	975,537	315,157	197,700
Corporate Policies	9,508	9,329	5,431	3,279
Life Insurance Gross Written Premium	1,084,480	984,866	320,588	200,979
Total Gross Written Premium	2,428,183	2,115,647	702,574	480,978

- The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued three new Sri Lanka Accounting Standards (SLAS) i.e. SLAS 44 - Financial Instruments : Presentation, SLAS 45 - Financial Instruments : Recognition and Measurement and SLAS 46 - Financial Instruments : Disclosures which will 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 year ended 31st December 2010.

These Standards require application of fair value measurement techniques/ amortised cost for financial instruments classified as Financial Assets / Financial Liabilities. These standards exclude 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 finalisation of the Life Fund valuation by our Consultant Actuary for the year ended 31st December 2010, the Company has recognised a provisional profit of Rs. 156 Mn. (2009 - Rs. 130 Mn.) from the Life Insurance business.
- 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.

9a) 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)

9b) Future monthly commitments on operating leases

	As at 31.12.2010 (Unaudited) Rs '000	As at 31.12.2009 (Audited) Rs '000
Less than one year	17,721	15,994
Between one and five years	10,351	7,612
Total Operating Lease Commitments	28,072	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 other than disclosed below.

The Board of Directors have recommended the payment of final dividend of Rs. 1.80 per share for the year ended 31st December 2010 which is to be approved at the Annual General Meeting to be held on 29th March 2011. In accordance with Sri Lanka Accounting Standard 12 – Events after the Balance Sheet Date, the proposed dividend has not been recognised as a liability as at 31st December 2010.

11. In the opinion of the Directors, and in consultation with the Company Lawyers, litigation 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 are made in these Interim Financial Statements where necessary.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2010	
	Shareholding	%
1 Hatton National Bank PLC A/C No. 1	22,494,750	59.99
2 Mercantile Merchant Bank Ltd	3,287,800	8.77
3 The Ceylon Guardian Investment Trust PLC A/C No. 2	1,500,000	4.00
4 National Savings Bank	768,600	2.05
5 Employees Trust Fund Board	309,200	0.82
6 Mr. M F Hashim	303,350	0.81
7 Bank of Ceylon A/C Ceybank Century Growth Fund	288,100	0.77
8 Deutsche Bank AG - Comtrust Equity Fund	150,000	0.40
9 Mr. K N J Balendra	142,300	0.38
10 Mr. M H V U Gunathilaka	120,075	0.32
11 Mr. R Senathirajah	119,900	0.32
12 Mr. A P Somasiri	115,000	0.31
13 Mr. S Abishek	101,000	0.27
14 Mr. K Laveendrakumar	100,100	0.27
15 Mrs. N I Hashim	96,650	0.26
16 Malship Ceylon Ltd	93,500	0.25
17 Mr. B Selvanayagam / Mrs. L Selvanayagam	90,000	0.24
18 Union Bank of Colombo Ltd	76,500	0.20
19 Union Investments Ltd	75,000	0.20
20 The Sri Lanka Fund	70,700	0.19

Public Shareholding

	As at 31st December 2010	
	No. of Shares	% on Issued Shares
Number of Shares	14,923,250	39.80

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st December 2010
Mr. Rienzie T. Wijetilleke - <i>(Chairman)</i>	750
Mr. Manjula de Silva - <i>(Managing Director / Chief Executive Officer)</i>	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	30,000

Number of Shares

Number of shares representing the Stated Capital	37,500,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	Rs.
Net Asset Value Per Share as at 31st December 2010	27.10
Highest Price Per Share for the Interim Period	85.00
Lowest Price Per Share for the Interim Period	66.00
Last Traded Price Per Share as at 31st December 2010	78.00