

INTERIM FINANCIAL STATEMENTS

31st December 2012



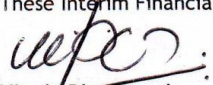
HNB ASSURANCE PLC
for a brighter future

Company Reg. No. PQ 108


STATEMENT OF FINANCIAL POSITION


	Note	COMPANY		
		Unaudited as at 31st Dec 2012 Rs. '000	Unaudited as at 31 st Dec 2011 Rs. '000 <i>Restated</i>	Unaudited as at 1 st Jan 2011 Rs. '000 <i>Restated</i>
Assets				
Investments	5	5,705,330	4,884,537	3,535,595
Intangible Assets		61,068	48,875	52,308
Property, Plant and Equipment		118,447	121,568	130,971
Loans to Life Policyholders		29,888	20,097	15,000
Reinsurance Receivable		163,412	131,210	122,431
Premium Receivable		247,417	231,385	231,929
Other Assets		480,076	396,768	445,491
Cash and Cash Equivalents		209,270	190,355	81,444
Total Assets		7,014,908	6,024,795	4,615,169
Liabilities and Equity				
Liabilities				
Insurance Provision - Life	6	3,545,716	2,968,472	2,416,649
Insurance Provision - General	6	949,473	924,262	730,658
Other Liabilities		524,045	371,737	309,685
Reinsurance Creditors		85,033	110,263	81,983
Employee Benefits		42,360	34,129	25,076
Total Liabilities		5,146,627	4,408,863	3,564,051
Equity				
Stated Capital - 50 Million Ordinary Shares		1,171,875	1,171,875	375,000
Revenue Reserves		696,406	444,057	676,118
Total Equity		1,868,281	1,615,932	1,051,118
Total Liabilities and Equity		7,014,908	6,024,795	4,615,169

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;


Manjula de Silva
Managing Director / Chief Executive Officer


J A P M Jayasekera
Director

Colombo, Sri Lanka
6th February 2013

INCOME STATEMENT

<i>For the Year Ended 31st December,</i>	Note	Unaudited		Change
		2012 Rs. '000	2011 Rs. '000 <i>Restated</i>	%
Revenue	7	3,362,160	2,760,646	22
Gross Written Premium	8	3,211,232	2,984,710	8
Premium Ceded to Reinsurers		(519,709)	(492,821)	5
Net Written Premium		2,691,523	2,491,889	8
Net Change in Reserves for Unearned Premium		5,501	(142,270)	(104)
Net Earned Premium		2,697,024	2,349,619	15
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(1,154,520)	(865,133)	33
Increase in Life Insurance Fund		(555,909)	(558,325)	(0)
Underwriting and Net Acquisition Costs		(276,434)	(232,129)	19
Other Insurance Related Costs		(14,859)	(17,510)	(15)
Total Benefits, Losses and Expenses		(2,001,722)	(1,673,097)	20
Net Earned Premium Less Benefits, Losses and Expenses		695,302	676,522	3
Other Revenue				
Income from Investments	9	661,762	408,334	62
Other Net Income		3,374	2,693	25
Expenses				
Other Operating, Investment Related and Administration Expenses		(966,572)	(815,709)	18
Profit Before Taxation		393,866	271,840	45
Income Tax Expenses	10	(42,726)	(25,772)	66
Profit for the Year		351,140	246,068	43
Earnings Per Share (Rs.)	13	7.02	5.14	37
Dividend Per Share (Rs.)		2.75	2.10	31

INCOME STATEMENT

<i>For the Three Months Ended 31st December,</i>		Unaudited		Change %
		2012 Rs. '000	2011 Rs. '000 <i>Restated</i>	
	Note			
Revenue	7	906,366	777,307	17
Gross Written Premium	8	836,170	812,429	3
Premium Ceded to Reinsurers		(109,034)	(123,651)	(12)
Net Written Premium		727,136	688,778	6
Net Change in Reserves for Unearned Premium		7,314	(13,327)	(155)
Net Earned Premium		734,450	675,451	9
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(327,886)	(203,471)	61
Increase in Life Insurance Fund		730	(30,056)	(102)
Underwriting and Net Acquisition Costs		(76,130)	(71,079)	7
Other Insurance Related Costs		(2,666)	(5,738)	(54)
Total Benefits, Losses and Expenses		(405,952)	(310,344)	31
Net Earned Premium Less Benefits, Losses and Expenses		328,498	365,107	(10)
Other Revenue				
Income from Investments		170,193	100,539	69
Other Net Income		1,723	1,317	31
Expenses				
Other Operating, Investment Related and Administration Expenses		(280,394)	(242,769)	15
Profit Before Taxation		220,020	224,194	(2)
Income Tax Expenses	10	(8,764)	(10,198)	(14)
Profit for the Period		211,256	213,996	(1)
Earnings Per Share (Rs.)	13	4.23	4.47	(5)

STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>For the Year Ended 31st December,</i>	Unaudited		Change
	2012 Rs. '000	2011 Rs. '000 <i>Restated</i>	%
Profit for the Period	351,140	246,068	43
Changes in fair value of available-for-sale Financial Assets	27,544	6,149	348
Transfer to Long term Insurance Fund	(21,335)	(6,149)	(247)
Other comprehensive income for the year	6,209	-	-
Total comprehensive income for the year	357,349	246,068	45

STATEMENT OF CHANGES IN EQUITY

<i>For the Year Ended 31st December 2012</i>		Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Equity Rs. '000
	Note				
Audited balance as at 31st December 2010	A	37,500	375,000	641,340	1,016,340
Prior period adjustment				34,778	34,778
Unaudited balance as at 1st January 2011 - Restated		37,500	375,000	676,118	1,051,118
Profit for the Year - <i>Unaudited and Restated</i>		-	-	246,068	246,068
Dividend paid for 2010		-	-	(67,500)	(67,500)
Capitalisation of Reserves		6,250	406,250	(406,250)	-
Rights Issue		6,250	390,625	-	390,625
Share issue related costs		-	-	(4,379)	(4,379)
Unaudited balance as at 31st December 2011 - Restated		50,000	1,171,875	444,057	1,615,932
Profit for the Year - <i>Unaudited</i>		-	-	351,140	351,140
Other Comprehensive income for the year - <i>Unaudited</i>		-	-	6,209	6,209
Dividend paid for 2011		-	-	(105,000)	(105,000)
Unaudited balance as at 31st December 2012		50,000	1,171,875	696,406	1,868,281

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2011 - 50 Million Ordinary Shares)

Note A

Audited balances shown as of 31st December 2010 is based on the previously applied Sri Lanka Accounting Standards (SLAS).

CASH FLOW STATEMENT

<i>For the Year Ended 31st December,</i>	Company	
	2012 (Unaudited) Rs. '000	2011 (Unaudited) Rs. '000 <i>Restated</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Premium Received from Customers	3,217,847	3,004,584
Reinsurance Premium Paid	(427,919)	(327,361)
Claims Paid	(1,206,473)	(915,580)
Reinsurance Receipts in Respect of Claims	103,236	102,590
Cash Paid to and on behalf of Employees	(370,613)	(316,923)
Interest Received	595,610	382,712
Dividend Received	11,395	3,489
Other Operating Cash Payments	(902,594)	(794,206)
Cash Inflow Generated from Operating Activities (Note A)	1,020,489	1,139,305
Gratuity Paid	(3,155)	(1,607)
Economic Service Charges (ESC) Paid	(25,775)	(16,428)
Net Cash Generated from Operating Activities	991,559	1,121,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Liquid Investments (Other than Cash Equivalents)	(62,702,869)	(70,593,281)
Purchase of Other Investments (Other than Cash Equivalents)	(1,821,404)	(1,640,158)
Sale of Liquid Investments (Other than Cash Equivalents)	62,300,106	70,337,493
Sale of Other Investments (Other than Cash Equivalents)	1,396,721	609,101
Purchase of Intangible Assets	(2,997)	(19,739)
Purchase of Property, Plant and Equipment	(37,808)	(24,703)
Proceeds on Sale of Property, Plant and Equipment	608	181
Net Cash used in Investing Activities	(867,643)	(1,331,106)
Net Cash Outflow before Financing Activities	123,916	(209,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(105,000)	(67,500)
Proceeds from Rights Issue of Shares	-	390,625
Share Issue related Costs Paid	-	(4,379)
	(105,000)	318,746
Net Increase in Cash and Cash Equivalents (Note B)	18,916	108,910
Notes to the Cash Flow Statement		
A. Reconciliation of Profit before Taxation with Cash Flow from Operating Activities		
Profit Before Taxation	393,866	271,840
Amortisation Charge	13,172	11,839
Depreciation Charge	40,153	33,343
Provision for Retiring Gratuity	11,386	10,660
Provision for Diminution in Value of Investments	31,654	(13,323)
Loss on Sale of Property, Plant and Equipment	168	582
Increase in Trade and Other Receivables	(165,647)	(85,031)
Increase in Life Insurance Fund	555,909	605,752
Increase / (Decrease) in Unearned Premium	(9,277)	133,048
Increase in Claims Provisions	83,487	60,921
Increase in Creditors	65,618	109,674
Cash Inflow Generated from Operating Activities	1,020,489	1,139,305
B. Net Increase in Cash and Cash Equivalents		
Net Cash and Cash Equivalents at the End of the Period	209,270	190,355
Net Cash and Cash Equivalents at the Beginning of the Year	190,355	81,444
Net Increase in Cash and Cash Equivalents	18,916	108,910

STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND - SUPPLEMENTAL

		Unaudited as at 31st Dec 2012 Rs. '000	Unaudited as at 31 st Dec 2011 Rs. '000 <i>Restated</i>	Unaudited as at 1st Jan 2011 Rs. '000 <i>Restated</i>
	Note			
Assets				
Investments	5 a	3,528,887	2,935,762	2,322,485
Intangible Assets	14	-	22,203	20,773
Property, Plant and Equipment	14	-	4,276	4,573
Loans to Life Policyholders		29,888	20,097	15,000
Reinsurance Receivable		40,716	27,849	18,617
Other Assets		145,904	128,947	195,931
Cash and Cash Equivalents		129,916	62,468	13,005
Total Assets		3,875,311	3,201,602	2,590,384
Liabilities				
Insurance Provision - Life		3,545,716	2,968,472	2,416,649
Other Liabilities		294,724	200,459	144,988
Reinsurance Creditors		29,928	28,106	25,341
Employee Benefits		4,943	4,565	3,406
Total Liabilities		3,875,311	3,201,602	2,590,384

Notes to the Interim Financial Statements

1 a) APPLICATION OF SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS)

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards (SLFRS/LKAS) which have become applicable for financial periods commenced on or after 1st January 2012. Therefore interim results shall be required to be reported by entities in accordance with LKAS 34, Interim Financial Reporting.

However the Institute of Chartered Accountants of Sri Lanka has granted three alternatives for the entities when preparing the Interim Financial Statements during the first financial year commencing on or after 1st January 2012. Such options are,

1. To prepare interim financial statements in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS), or
2. Prepare interim financial statements in accordance with Sri Lanka Accounting Standards existed immediately prior to 1st January 2012 (SLASs), with disclosures on impact to the Statement of Comprehensive Income for the period based on SLFRS / LKAS or
3. Prepare interim financial statements presenting the current period figures based on Sri Lanka Accounting Standards (SLFRS / LKAS) effecting from 1st January 2012, while presenting the comparative figures under the Sri Lanka Accounting Standards existed immediately prior to 1st January 2012 (SLASs).

Accordingly, these Interim Financial Statements have been prepared in line with the first option given by the Institute of Chartered Accountants of Sri Lanka (ICASL).

b) AUDIT OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements for the year ended 31st December 2012 are unaudited.

However, the Interim Financial Statements for the six months ended 30th June 2012 (prepared based on (SLFRS/LKAS) were audited by M/S KPMG). The audit and the opinion were limited only to the six months ended 30th June 2012 and not extended to the opening balances or the prior year comparatives.

2 DISCLOSURE REQUIREMENTS

These Interim Financial Statements do not include all disclosures as required by Sri Lanka Accounting Standards (SLFRS / LKAS) effective from 1st January 2012. However the Company has restated the comparative financial information presented in these Interim Financial Statements as required by SLFRS / LKAS.

The Company will publish a complete set of Financial Statements for the year ended 31st December 2012 including all the disclosure requirements under SLFRS / LKAS, which will be the first annual Financial Statements after the issue of the new accounting standards.

Presentation and classification of these financial statements are in line with the other interim financial statements published during the year. However, classification and presentation of the year-end Financial Statements will be different to the above due to the full implementation of new / revised Sri Lanka Accounting Standards (SLFRS / LKAS). Necessary information will be provided in the year end financial statements to understand the reasons for differences.

3 SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The significant accounting policy changes with those of the Audited financial statements presented for the year ended 31st December 2011 are as follows,

(i) Presentation of financial statements (LKAS 1)

It requires an entity to present all items of income and expenses recognised in a period either in a single statement of comprehensive income or in two statements, separate Statement of Comprehensive Income and a Statement of other Comprehensive Income. The Company has elected to present comprehensive income in two separate statements, Statement of Comprehensive Income and a Statement of other Comprehensive Income.

(ii) Financial Instruments - Presentation, recognition, measurement and disclosure (LKAS 32,39 and SLFRS 7)

The above standards require, an entity to recognize the financial assets and liabilities and apply the measurement, presentation and disclosure requirements set out by the standards. Therefore, the Company has classified its financial assets as follows,

Financial Asset	Category
- Treasury Bonds	Fair Value Through Profit or Loss, Available for Sale and Held to Maturity
- Treasury Bills	Fair Value Through Profit or Loss, Available for Sale and Held to Maturity
- Equity Shares	Fair Value Through Profit or Loss
- Unit Trusts	Fair Value Through Profit or Loss
- Corporate Debt	Loans and Receivables
- Term Deposits	Loans and Receivables
- Loans and receivables	Loans and Receivables

(iii) Operating Leases

The Company utilises the premises, its branches and Head office through Operating Lease agreements. According to the LKAS 17 (Lease), Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. Therefore, the Company changed the method of recognising rent expenses to the straight-line basis over the lease term as required by accounting standards after incorporating the impact of the escalation clauses, where applicable .

(iv) Liability Adequacy Test

The Company has performed the Liability Adequacy Test (LAT) in respect of Insurance Liabilities (Insurance Provisions) as required by SLFRS 4 - Insurance Contracts with the assistance of External Actuaries. Accordingly it has been concluded that recorded reserves in both Life and General Insurance is adequate to meet the Insurance contract liability as of the reporting date.

4 COMPARATIVE INFORMATION

Comparative information has been restated in line with the changes to the new Sri Lanka Accounting Standards (SLFRS / LKAS) which are effective from 1st January 2012.

Notes to the Interim Financial Statements

(Contd.)

5 INVESTMENTS	COMPANY		
	Unaudited as at 31st Dec 2012 Rs. '000	Unaudited as at 31st Dec 2011 Rs. '000 <i>Restated</i>	Unaudited as at 1st Jan 2011 Rs. '000 <i>Restated</i>
	Held-to-maturity financial assets, at amortised cost	1,567,967	1,579,942
Available-for-sale financial assets	973,681	96,686	132,063
Financial assets at fair value through profit or loss	414,350	769,177	655,834
Loans & Receivables	2,749,332	2,438,732	1,267,679
	5,705,330	4,884,537	3,535,595

5 a) INVESTMENTS	LIFE INSURANCE FUND		
	Unaudited as at 31st Dec 2012 Rs. '000	Unaudited as at 31st Dec 2011 Rs. '000 <i>Restated</i>	Unaudited as at 1st Jan 2011 Rs. '000 <i>Restated</i>
	Held-to-maturity financial assets, at amortised cost	1,223,283	1,180,928
Available-for-sale financial assets	600,825	96,686	132,063
Financial assets at fair value through profit or loss	214,387	459,085	319,338
Loans & Receivables	1,490,392	1,199,063	690,190
	3,528,887	2,935,762	2,322,485

6 INSURANCE PROVISION

Company has carried out the Valuation of the Life Fund and the IBNR / IBNER reserve by the Consultant Actuaries for the year ended 31st December 2012 and ensured adequate provisions are made in these Interim Financial Statements.

Company has recognised a profit of Rs. 165.2 Million (2011 - Rs. 172 Million) from the Life Insurance Business, based on the recommendation made by the Life Insurance Consultant Actuary Mr. M Poopalanathan, M/S Actuarial and Management Consultants (Pvt.) Ltd.

7 REVENUE

	For the Year Ended		For the Three Months Ended	
	31 st Dec 2012 (Unaudited) Rs. '000	31 st Dec 2011 (Unaudited and Restated) Rs. '000	31 st Dec 2012 (Unaudited) Rs. '000	31 st Dec 2011 (Unaudited and Restated) Rs. '000
	Gross Written Premium	3,211,232	2,984,710	836,170
Premium Ceded to Reinsurers	(519,709)	(492,821)	(109,034)	(123,651)
Net Written Premium	2,691,523	2,491,889	727,136	688,778
Net Change in Reserves for Unearned Premium	5,501	(142,270)	7,314	(13,327)
Net Earned Premium	2,697,024	2,349,619	734,450	675,451
Income from Investments	661,762	408,334	170,193	100,539
Other Net Income	3,374	2,693	1,723	1,317
Total Revenue	3,362,160	2,760,646	906,366	777,307

8 GROSS WRITTEN PREMIUM

Insurance Segment	For the Year Ended		For the Three Months Ended	
	31st Dec 2012 (Unaudited) Rs. '000	31st Dec 2011 (Unaudited and Restated) Rs. '000	31st Dec 2012 (Unaudited) Rs. '000	31st Dec 2011 (Unaudited and Restated) Rs. '000
	General Insurance			
Fire	294,479	303,185	60,478	76,356
Motor	1,204,174	1,188,867	305,076	311,922
Marine	23,727	25,335	5,551	5,254
Miscellaneous	188,824	176,956	35,204	31,973
General Insurance Gross Written Premium	1,711,204	1,694,343	406,309	425,505
Life Insurance				
Individual Policies	1,475,383	1,273,025	422,301	379,742
Corporate Policies	24,645	17,342	7,560	7,182
Life Insurance Gross Written Premium	1,500,028	1,290,367	429,861	386,924
Total Gross Written Premium	3,211,232	2,984,710	836,170	812,429

Notes to the Interim Financial Statements

(Contd.)

9 INCOME FROM INVESTMENTS

Insurance Segment	For the Year Ended		For the Three Months Ended	
	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	629,120	460,302	180,118	126,721
Dividend Income	13,206	10,065	1,594	2,699
Fair value adjustment	19,436	(62,033)	(11,519)	(28,881)
Total	661,762	408,334	170,193	100,539

10 INCOME TAX EXPENSES

The Company is liable to pay income tax at the rate of 28% (2011 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

11 Reconciliation of Total Comprehensive income in accordance with Sri Lanka Accounting Standards effective from 1st January 2012 and Sri Lanka Accounting Standards effective prior to 1st January 2012

	For the Year Ended	
	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)
	Rs. '000	Rs. '000
Profit After Tax in accordance with the accounting standards effective immediately prior to 1st January 2012	337,653	274,630
<i>Effect of adoption of SLFRS / LKAS</i>		
Investment Income	11,151	(28,632)
Operating Lease - Rent and other	2,336	70
Net Profit Reported in the Statement of Comprehensive Income	351,140	246,068
Changes in fair value of available for sale financial assets	6,209	-
Total Comprehensive Income in compliance with accounting standards effective from 1st January 2012	357,349	246,068

12 a) Reconciliation of Total Equity in accordance with Sri Lanka Accounting Standards effective from 1st January 2012 and Sri Lanka Accounting Standards effective prior to 1st January 2012

	As at 31st Dec 2012 (Unaudited)	As at 31st Dec 2011 (Unaudited)
	Rs. '000	Rs. '000
Total Equity in accordance with the accounting standards effective immediately prior to 1st January 2012	1,848,658	1,609,716
Reserve - Available For Sale financial assets	6,209	-
Effect of adoption of SLFRS / LKAS	13,414	6,217
Total Equity in accordance with the accounting standards effective from 1st January 2012	1,868,281	1,615,933

b) Reconciliation of Life Fund in accordance with Sri Lanka Accounting Standards effective from 1st January 2012 and Sri Lanka Accounting Standards effective prior to 1st January 2012

	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)
	Rs. '000	Rs. '000
Life Fund in accordance with the accounting standards effective immediately prior to 1st January 2012	3,541,305	2,990,998
Fair value movement transferred to Life Insurance Surplus	5,603	(47,426)
Reserve - Available For Sale financial assets	21,335	(6,149)
Effect of adoption of SLFRS / LKAS	(22,527)	31,049
Life Fund in accordance with the accounting standards effective from 1st January 2012	3,545,716	2,968,472

13 EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	For the Year Ended		For the Three Months Ended	
	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)	31st Dec 2012 (Unaudited)	31st Dec 2011 (Unaudited and Restated)
Profit for the period (Rs. '000)	351,140	246,068	211,256	213,996
Weighted average number of shares ('000)	50,000	47,872	50,000	47,872
Earnings per share (Rs.)	7.02	5.14	4.23	4.47

Notes to the Interim Financial Statements

(Contd.)

14 INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

During the year, all Intangible Assets / Property, Plant and Equipment under Life Insurance Fund were transferred to Life Shareholders Fund under General Insurance at their net book value of Rs. 24.5 Million and transferred approved assets for the equivalent amount from Life Shareholders Fund. This transfer was made to ensure compliance with the Approved Assets requirement in Life Insurance under Determination 1 (of 30/10/2005 and amended on 01/04/2011) of the Insurance Board of Sri Lanka (IBSL).

15 RELATED PARTY DISCLOSURE

a) Transaction with the parent and Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction	For the Year Ended		
	31st Dec 2012 (Unaudited) Rs '000	31st Dec 2011 (Audited) Rs '000	
Insurance Premium	General Life	36,681 27,298	41,275 10,750
Administration Expenses	General Life	96,861 35,331	66,171 29,551
Claims Incurred	General	6,573	8,156
Rent and other Expenses		22,660	16,409
Dividend Paid		62,985	40,491

Nature of Transaction	As at		
	31st Dec 2012 (Unaudited) Rs '000	31st Dec 2011 (Unaudited) Rs '000	
Investments Balance (Includes Deposits and Debentures)	General Life	98,999 52,875	134,510 127,749
Cash at Bank Balances	General Life	54,936 64,494	40,830 45,155
Investment Income	General Life	7,184 15,757	5,308 7,556

b) Transactions with Key Management Personnel of the Company or its parent Company

Dr. Raneer Jayamaha was appointed as the Chairperson of HNB Assurance PLC with effect from 29th June 2012. She was appointed as the Chairperson of our parent Company, Hatton National Bank PLC on 31st March 2011.

Following Directors have resigned from the Board during the year

<u>Director</u>	<u>Effective date of Resignation</u>
Mr. J M J Perera	27th April 2012
Mr. J D N Kekulawala	8th October 2012
Mr. D M de S Wijeyeratne	14th November 2012

Accordingly, all above personnel ceased to be Key Management Personnel of the Company w.e.f. those respective dates mentioned above.

Also following Directors were appointed to the Board during the year.

<u>Director</u>	<u>Effective date of Appointment</u>
Mr. A J Alles	3rd December 2012
Mr. J A P M Jayasekera	3rd December 2012
Mr. K Balasundaram	3rd December 2012

Accordingly, the above personnel have been considered as Key Management Personnel of the Company w.e.f. the dates of their appointments mentioned above.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements - 2011 other than the changes noted above.

16 EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no material events occurring after the Statement of Financial Position date that require adjustments to or disclosure in the Interim Financial Statements.

The Board of Directors has recommended the payment of a first and final dividend of Rs. 2.75 per share for the year ended 31st December 2012 (2011 - Rs. 2.10/- per share) which is to be approved at the Annual General Meeting to be held on 27th March 2013. In accordance with Sri Lanka Accounting Standards No.10 - Events after the Reporting Date, this proposed dividend has not been recognised as a liability as at 31st December 2012.

17 CAPITAL COMMITMENTS AND CONTINGENCIES

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 Interim Financial Statements. (as at 31st December 2011 - Nil)

b) Future commitments on operating leases

	As at	
	31st Dec 2012 (Unaudited) Rs '000	31st Dec 2011 (Unaudited) Rs '000
Less than one year	18,255	24,766
Between one and five years	36,522	24,937
More than five years	1,136	617
Total Operating Lease Commitments	55,914	50,320

c) 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 Dec 2012	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 Mercantile Merchant Bank Ltd	4,221,666	8.44%
3 Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
4 Bank of Ceylon A/c Ceybank Century Growth Fund	650,356	1.30%
5 Mr.Mohamed Faizer Hashim	525,386	1.05%
6 Employees Trust Fund Board	375,494	0.75%
7 Union Assurance PLC/No. 1 A/c	336,266	0.67%
8 Phoenix Ventures Ltd	325,289	0.65%
9 Pershing LLC S/A Averbach Grauson & Co.	300,000	0.60%
10 Corporate Holdings (Pvt.) Ltd.	242,700	0.49%
11 Deutsche Bank AG-Comtrust Equity Fund	195,500	0.39%
12 Malship Ceylon Ltd.	186,345	0.37%
13 Mr.Krishan Niraj Jayasekara Balendra	184,732	0.37%
14 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	180,629	0.36%
15 National Development Bank PLC / Mr.Rajaratnam Senathirajah	156,400	0.31%
16 Mr.Sithampalam Abishek	137,666	0.28%
17 Mrs.Noorul Imthiyaz Hashim	136,820	0.27%
18 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	120,000	0.24%
19 Mr. Laveendrakumar Kunjithapatham	111,632	0.22%
20 Mr. Rahul Gautam	106,727	0.21%
	40,486,608	80.96%

Public Shareholding

	As at 31st Dec 2012	
	No. of Shares	% on Issued Shares
Number of Shares	19,931,338	39.86

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st Dec 2012
Dr. Ranee Jayamaha - (Chairperson)	Nil
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	38,332
Mr. R Theagarajah	8,332
Mr. M U de Silva	3,000
Mr. Pratapkumar de Silva	1,332
Mr. Sarath Ratwatte	14,666
Mr. J A P M Jayasekera (appointed w.e.f. 3rd December 2012)	Nil
Mr. A J Alles (appointed w.e.f. 3rd December 2012)	Nil
Mr. K Balasundaram (appointed w.e.f. 3rd December 2012)	10,000
Mr. J D N Kekulawala	(resigned w.e.f 8th October 2012)
Mr. D M de S Wijeyeratne	(resigned w.e.f. 14th November 2012)
Mr. J M J Perera	(resigned w.e.f. 27th April 2012)

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 31st Dec 2012	37.37
Highest Price Per Share for the Interim Period	52.50
Lowest Price Per Share for the Interim Period	46.00
Last traded Price Per Share as at 31st Dec 2012	49.00