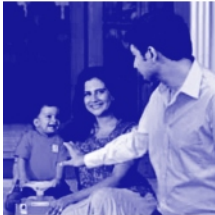
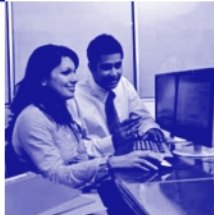


M-67

POSTAGE PRE PAID



Interim Report
31st March 2011



You
make
us **Who**
We are

Balance Sheet

	Unaudited as at 31.03.2011 Rs. '000	Audited as at 31.12.2010 Rs. '000
Assets		
Investments	3,629,927	3,403,905
Intangible Assets	64,285	66,999
Property, Plant and Equipment	124,673	130,971
Loans to Life Policyholders	14,259	13,263
Reinsurance Receivables	128,841	122,431
Premium Receivables	288,676	231,929
Other Assets	529,510	497,352
Cash and Cash Equivalents	77,834	81,354
Total Assets	4,858,005	4,548,204
Liabilities and Equity		
Liabilities		
Insurance Provision - Life	2,542,886	2,385,246
Insurance Provision - General	802,222	730,658
Other Liabilities	419,839	308,901
Reinsurance Creditors	92,728	81,983
Retirement Benefit Obligation	26,752	25,076
Total Liabilities	3,884,427	3,531,864
Equity		
Stated Capital (43.75 Million Ordinary Shares)	781,250	375,000
Revenue Reserves	192,328	641,340
Total Equity	973,578	1,016,340
Total Liabilities and Equity	4,858,005	4,548,204

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;



R Theagarajah
Director



Manjula de Silva
Managing Director / Chief Executive Officer

Colombo, Sri Lanka
27th April 2011

Statement of Income

Year Ended 31st December 2010 (Audited) Rs. '000	Note	For the Three Months Ended 31st March		
		2011 (Unaudited) Rs. '000	2010 (Unaudited) Rs. '000	Change %
2,361,240	Revenue	657,610	525,635	25
2,428,183	Gross Written Premium	684,016	538,028	27
(449,461)	Premium Ceded to Reinsurers	(99,796)	(102,429)	(3)
1,978,722	Net Written Premium	584,220	435,599	34
(134,362)	Net Change in Reserves for Unearned Premium	(64,281)	(28,500)	126
1,844,360	Net Earned Premium	519,939	407,099	28
Benefits, Losses and Expenses				
(648,137)	Insurance Claims and Benefits (Net)	(198,780)	(142,147)	40
(531,733)	Increase in Life Insurance Fund	(157,640)	(140,169)	12
(164,991)	Underwriting and Net Acquisition Costs	(67,584)	(43,271)	56
(15,758)	Other Insurance Related Costs	(3,511)	(4,856)	(28)
(1,360,619)	Total Benefits, Losses and Expenses	(427,515)	(330,443)	29
483,741	Net Earned Premium Less Benefits, Losses and Expenses	92,424	76,656	21
Other Revenue				
517,198	Income from Investments	137,993	118,220	17
(318)	Other Net Income / (Loss)	(322)	316	(202)
Expenses				
Other Operating, Investment Related and				
(731,096)	Administration Expenses	(200,771)	(166,577)	21
269,525	Profit Before Taxation	29,324	28,615	2
(27,786)	Income Tax Expense	(4,586)	(8,506)	(46)
241,739	Profit for the Period	24,738	20,109	23
5.38 (Restated)	Earnings Per Share (Rs.)	0.55	0.45 (Restated)	23
1.80	Dividends Per Share (Rs.)	-	-	-

Statement of Changes in Equity

<i>For the Three Months Ended 31st March 2011</i>	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2009	37,500	375,000	455,851	830,851
Profit for the Period	-	-	20,109	20,109
Dividend Paid for 2009	-	-	(56,250)	(56,250)
Unaudited balance as at 31st March 2010	37,500	375,000	419,710	794,710
Profit for the Period	-	-	221,630	221,630
Audited balance as at 31st December 2010	37,500	375,000	641,340	1,016,340
Dividend for 2010 *	-	-	(67,500)	(67,500)
Capitalisation of Reserves **	6,250	406,250	(406,250)	-
Profit for the Period	-	-	24,738	24,738
Unaudited balance as at 31st March 2011	43,750	781,250	192,328	973,578

Stated Capital represents 43.75 Million Ordinary Shares

* Dividend declared during the period was not taken for calculation of Dividend Per Share in 2011 as it represents the Dividends for 2010.

** Capitalisation of Reserves as described in Note No. 12.

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 31.03.2011 Rs. '000	Audited as at 31.12.2010 Rs. '000
Assets		
Investments	2,406,416	2,242,702
Intangible Assets	19,810	20,903
Property, Plant and Equipment	4,648	4,573
Loans to Life Policyholders	14,259	13,263
Reinsurance Receivables	31,933	18,617
Other Assets	256,626	245,918
Cash and Cash Equivalents	38,586	13,005
Total Assets	2,772,278	2,558,981
Liabilities		
Insurance Provision - Life	2,542,886	2,385,246
Other Liabilities	185,236	144,988
Reinsurance Creditors	40,719	25,341
Retirement Benefit Obligation	3,437	3,406
Total Liabilities	2,772,278	2,558,981

Cash Flow Statement

<i>For the Three Months Ended 31st March</i>	Note	Unaudited 2011 Rs. '000	Unaudited 2010 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		649,773	510,581
Reinsurance Premium Paid		(66,075)	(94,712)
Claims Paid		(195,492)	(157,828)
Reinsurance Receipts in Respect of Claims		35,462	13,649
Cash Paid to and on behalf of Employees		(111,401)	(94,265)
Interest Received		124,095	125,350
Dividend Received		2,091	2,511
Other Operating Cash Payments		(208,930)	(190,185)
Cash Inflow Generated from Operating Activities	(A)	229,523	115,101
Gratuity Paid		(573)	(144)
Economic Service Charges (ESC) Paid		(3,775)	(3,157)
Net Cash Generated from Operating Activities		225,175	111,800
Cash Flows From Investing Activities			
Purchase of Liquid Investments	(Other than Cash Equivalents)	(10,130,687)	(10,627,062)
Purchase of Other Investments	(Other than Cash Equivalents)	(71,206)	(22,597)
Sale of Liquid Investments	(Other than Cash Equivalents)	9,956,624	10,468,235
Sale of Other Investments	(Other than Cash Equivalents)	19,247	53,182
Purchase of Intangible Assets		(316)	(1,148)
Purchase of Property, Plant and Equipment		(2,420)	(5,845)
Proceeds on Sale of Property, Plant and Equipment		63	69
Net Cash used in Investing Activities		(228,695)	(135,166)
Net Cash Outflow before Financing		(3,520)	(23,366)
Cash Flows From Financing Activities			
Net Decrease in Cash and Cash Equivalents	(B)	(3,520)	(23,366)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		29,324	28,615
Amortisation Charge		3,030	2,354
Depreciation Charge		8,332	7,070
Provision for Retiring Gratuity		2,248	2,072
(Profit) / Loss on Sale of Property, Plant and Equipment		323	28
Increase in Trade and Other Receivables		(96,310)	(47,665)
Increase in Life Insurance Fund		157,640	140,169
Increase in Unearned Premium		53,976	25,050
Increase / (Decrease) in Claims Provisions		37,370	(24,477)
Increase / (Decrease) in Creditors		33,590	(18,115)
Cash Inflow Generated from Operating Activities		229,523	115,101
B. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		77,834	70,734
Net Cash and Cash Equivalents at the beginning of the Period		81,354	94,100
Net Decrease in Cash and Cash Equivalents		(3,520)	(23,366)

Notes to the Interim Financial Statements

1. Figures as at 31st March 2011 are provisional and unaudited.
2. The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2010 were followed in preparation of these Interim Financial Statements. Comparative information has been re-classified where necessary, to conform to the current period presentations.

Year Ended 31st December 2010 (Audited) Rs. '000	<i>For the Three Months ended 31st March</i>	
	2011 (Unaudited) Rs. '000	2010 (Unaudited) Rs. '000
3. Revenue		
2,428,183	684,016	538,028
(449,461)	(99,796)	(102,429)
<u>1,978,722</u>	584,220	435,599
(134,362)	(64,281)	(28,500)
<u>1,844,360</u>	519,939	407,099
517,198	137,993	118,220
(318)	(322)	316
<u>2,361,240</u>	657,610	525,635
4. Gross Written Premium by Segment		
General Insurance		
287,660	60,685	70,130
916,406	275,445	200,128
24,147	5,814	4,865
115,490	56,442	30,716
<u>1,343,703</u>	398,386	305,839
Life Insurance		
1,074,972	282,198	231,754
9,508	3,432	435
<u>1,084,480</u>	285,630	232,189
<u>2,428,183</u>	684,016	538,028

5. The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these Standards have not been applied in preparing these Interim Financial Statements as they were not effective for the period ended 31st March 2011.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRS's.

The Company is currently in the process of evaluating the potential effects of these Standards on its Financial Statements. Impact on the adoption of these Standards has not been quantified as at the Balance Sheet date.

Notes to the Interim Financial Statements (Contd.)

6. Pending finalisation of the Life Fund 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.
7. The Company is liable to pay income tax at the rate of 28% (2010 - 35%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.
8. **Earnings Per Share (EPS)**
The Company's earnings per share is based on the profit attributable to shareholders, and the average weighted number of ordinary shares which are deemed to be in issue for the year. The implications of the Capitalisation of Reserves which has been completed as at the balance sheet date and the Rights Issue which has been approved have been taken into consideration for the computation of EPS. Details of the Capitalisation of Reserves and the Rights Issue are stated in Note 12 of these Interim Financial Statements.

Year Ended 31st December 2010 (Audited)		For the Three Months Ended 31st March	
		2011 (Unaudited)	2010 (Unaudited)
241,739	Profit for the year (Rs. '000)	24,738	20,109
44,894	Weighted average number of shares ('000)	44,894	44,894
5.38 <i>(Restated)</i>	Earnings Per Share (Rs.)	0.55	0.45 <i>(Restated)</i>

9. Mr. Rienzie T. Wijetillke, Chairman of HNB Assurance PLC retired from the Board w.e.f. 29th March 2011. He also retired from the Hatton National Bank PLC Board (Parent Company) w.e.f. 31st March 2011. Therefore, he ceases to be a Key Management Person of the Company w.e.f. 31st March 2011. Other than the said change, the nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2010.
10. 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 2010 - Nil)
- b.) Future monthly commitments on operating leases;

	(Unaudited) As at 31.03.2011 Rs '000	(Audited) As at 31.12.2010 Rs '000
Less than one year	14,987	17,721
Between one and five years	9,916	10,351
Total Operating Lease Commitments	24,903	28,072

11. 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 those disclosed in Note 12 (b) below in respect of the Rights Issue.
12. a.) At an Extra-Ordinary General Meeting held on 29th March 2011, members of the Company approved a Capitalisation of Reserves amounting to Rs. 406,250,000/- by way of issuing 6,250,000 new fully paid Ordinary Shares in the proportion of 1 new Ordinary Share for every 6 existing Ordinary Shares. Capitalisation of Reserves has already been completed and the number of shares of the Company has thereby increased to 43,750,000 as at the balance sheet date. Stated Capital after the Capitalisation of Reserves was increased to Rs. 781,250,000/-.

Notes to the Interim Financial Statements (Contd.)

b) In addition, members also approved a Rights Issue of Shares in order to raise additional funds of Rs. 390,625,000/-. Another 6,250,000 new Ordinary Shares will be issued under this on the basis of 1 new Ordinary Share for every 7 Ordinary Shares held by shareholders post Capitalisation of Reserves. The Company is in the process of issuing these Rights Shares in accordance with the applicable rules and regulations. Number of Shares will be increased to 50,000,000 after the Rights Issue and the Stated Capital is expected to be Rs.1,171,875,000/- when this process is completed.

13. 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

The below share information reflects the position post-capitalisation. However, shares were actually credited to CDS Accounts within the 1st week of April 2011.

Top 20 Shareholders

Name of the Shareholder	As at 31st March 2011	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	26,243,875	59.99
2 Mercantile Merchant Bank Ltd	3,689,583	8.43
3 Ceylon Guardian Investment Trust PLC A/c No.2	1,750,000	4.00
4 Mr.Mohamed Faizer Hashim	416,091	0.95
5 Bank of Ceylon No.1 A/c	410,200	0.94
6 Employees Trust Fund Board	360,733	0.82
7 Bank of Ceylon A/c Ceybank Century Growth Fund	307,316	0.70
8 Union Assurance PLC/No. 1 A/c	294,233	0.67
9 Deutsche Bank AG-Comtrust Equity Fund	175,000	0.40
10 Mr.Krishan Niraj Jayasekara Balendra	166,016	0.38
11 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	140,087	0.32
12 Mr.Rajaratnam Senathirajah	139,883	0.32
13 Mr.Addara Pathiranage Somasiri	134,166	0.31
14 Phoenix Ventures Ltd	116,666	0.27
15 Mr.Sithampalam Abishek	114,333	0.26
16 Mrs.Noorul Imthiyaz Hashim	112,758	0.26
17 Mr.Kunjithapatham Laveendrakumar	112,116	0.26
18 Malship Ceylon Ltd.	109,083	0.25
19 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	105,000	0.24
20 National Savings Bank	92,166	0.21
	34,989,305	79.98

Public Shareholding

As at 31st March 2011

	No. of Shares	% on Issued Shares
Number of Shares	17,410,462	39.80

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st March 2011
Mr. Rienzie T. Wijetilleke - (Chairman)**	875
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	29,166
Mr. M U de Silva	2,625
Mr. Pratapkumar de Silva	1,166
Mr. D M de S Wijeyeratne	583
Mr. Sarath Ratwatte	12,833
Mr. R Theagarajah	7,291
Mr. J M J Perera	6,125
Mr. J D N Kekulawala	34,999

** Director upto 29/03/2011

Number of Shares

No. of shares representing the Stated Capital	43,750,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	Rs.
Net Asset Value Per Share as at 31st March 2011	22.25
Highest Price Per Share for the Interim Period	90.00
Lowest Price Per Share for the Interim Period	75.20
Last traded Price Per Share as at 31st March 2011	80.00

