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Interim Report
31st March 2010



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

Balance Sheet

	Unaudited as at 31.03.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	2,845,658	2,717,415
Intangible Assets	53,537	54,744
Property, Plant and Equipment	115,748	117,070
Loans to Life Policyholders	9,729	9,309
Reinsurance Receivables	65,104	73,824
Premium Receivables	193,680	157,029
Other Assets	470,715	448,210
Cash and Cash Equivalents	70,733	94,100
Total Assets	3,824,904	3,671,701
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	1,993,682	1,853,513
Insurance Provision - General	609,772	599,364
Other Liabilities	332,406	282,542
Reinsurance Creditors	74,227	87,251
Retirement Benefit Obligation	20,107	18,180
Total Liabilities	3,030,194	2,840,850
Shareholders' Equity		
Stated Capital (37.5 Million Ordinary Shares)	375,000	375,000
Revenue Reserves	419,710	455,851
Total Shareholders' Equity	794,710	830,851
Total Liabilities and Shareholders' Equity	3,824,904	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
26th April 2010

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 31.03.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	1,844,325	1,686,073
Intangible Assets	13,989	14,653
Property, Plant and Equipment	5,721	6,174
Loans to Life Policyholders	9,729	9,309
Reinsurance Receivables	10,102	16,283
Other Assets	230,098	220,524
Cash and Cash Equivalents	19,475	45,252
Total Assets	2,133,439	1,998,268
Liabilities		
Insurance Provision - Life	1,993,682	1,853,513
Other Liabilities	112,335	117,221
Reinsurance Creditors	24,469	24,937
Retirement Benefit Obligation	2,953	2,597
Total Liabilities	2,133,439	1,998,268

Statement of Income

Year Ended 31st December 2009 (Audited) Rs. '000	<i>For the Three Months Ended 31st March</i>	Note	Unaudited		Change %
			2010 Rs. '000	2009 Rs. '000	
2,038,096	Revenue	3	525,635	456,086	15
2,115,647	Gross Written Premium	4	538,028	457,287	18
(453,517)	Premium Ceded to Reinsurers		(102,429)	(93,100)	10
1,662,130	Net Written Premium		435,599	364,187	20
(94,383)	Net Change in Reserves for Unearned Premium		(28,500)	(17,484)	63
1,567,747	Net Earned Premium		407,099	346,703	17
Benefits, Losses and Expenses					
(511,911)	Insurance Claims and Benefits (Net)		(142,147)	(123,592)	15
(493,008)	Increase in Life Insurance Fund		(140,169)	(131,772)	6
(154,870)	Underwriting and Net Acquisition Costs		(43,271)	(42,390)	2
(9,865)	Other Insurance Related Costs		(4,856)	(1,883)	158
(1,169,654)	Total Benefits, Losses and Expenses		(330,443)	(299,637)	10
398,093	Net Earned Premium Less Benefits, Losses and Expenses		76,656	47,066	63
Other Revenue					
467,823	Income from Investments		118,220	107,667	10
2,526	Other Income		316	1,716	(82)
Expenses					
Other Operating, Investment Related and					
(637,317)	Administration Expenses		(166,577)	(134,545)	24
231,125	Profit from Operations		28,615	21,904	31
(44)	Finance Expenses		-	(28)	(100)
231,081	Profit Before Taxation		28,615	21,876	31
(29,471)	Income Tax Expense		(8,506)	(6,009)	42
201,610	Profit for the Period		20,109	15,867	27
5.38	Basic Earnings Per Share (Rs.)		0.54	0.42	27
1.50	Dividends Per Share (Rs.)		-	-	-

Statement of Changes in Equity

<i>For the Three Months Ended 31st March 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	-	-	15,867	15,867
Dividend Paid for 2008	-	-	(46,875)	(46,875)
Unaudited balance as at 31st March 2009	37,500	375,000	270,108	645,108
Profit for the Period	-	-	185,743	185,743
Audited balance as at 31st December 2009	37,500	375,000	455,851	830,851
Profit for the Period	-	-	20,109	20,109
Dividend for 2009*	-	-	(56,250)	(56,250)
Unaudited balance as at 31st March 2010	37,500	375,000	419,710	794,710

* Dividend declared 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 Three Months Ended 31st March	Company		
	Note	Unaudited 2010 Rs. '000	Unaudited 2009 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		510,581	451,240
Reinsurance Premium Paid		(94,712)	(83,156)
Claims Paid		(157,953)	(116,743)
Reinsurance Receipts in Respect of Claims		13,648	8,469
Cash Paid to and on behalf of Employees		(94,265)	(71,388)
Interest Received		125,350	111,357
Dividend Received		2,511	40
Other Operating Cash Payments		(190,058)	(157,922)
Cash Inflow Generated from Operating Activities	(A)	115,102	141,897
Gratuity Paid		(145)	-
Economic Service Charges (ESC) Paid		(3,157)	(2,590)
Net Cash Generated from Operating Activities		111,800	139,307
Cash Flows From Investing Activities			
Purchase of Liquid Investments (Other than Cash Equivalents)		(10,644,471)	(5,341,691)
Purchase of Other Investments (Other than Cash Equivalents)		(5,189)	(22,575)
Sale of Liquid Investments (Other than Cash Equivalents)		10,510,480	5,193,402
Sale of Other Investments (Other than Cash Equivalents)		10,937	-
Purchase of Intangible Assets		(1,148)	(174)
Purchase of Property, Plant and Equipment		(5,845)	(20,036)
Proceeds on Sale of Property, Plant and Equipment		69	1,336
Net Cash used in Investing Activities		(135,167)	(189,738)
Net Cash Outflow before Financing Activities		(23,367)	(50,431)
Cash Flows From Financing Activities			
Lease Installments Paid		-	(189)
Cash used in Financing Activities		-	(189)
Net Decrease in Cash and Cash Equivalents	(B)	(23,367)	(50,620)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		28,615	21,876
Amortisation Charge		2,354	1,902
Depreciation Charge		7,070	6,297
Provision for Retiring Gratuity		2,072	1,248
Provision for Diminution in Value of Investments		-	(170)
(Profit) / Loss on Sale of Property, Plant and Equipment		28	(1,336)
Lease Interest Paid		-	28
Increase in Trade and Other Receivables		(47,664)	(33,818)
Increase in Life Insurance Fund		140,169	131,772
Increase in Unearned Premium		25,050	16,922
Increase in Claims Provisions		(24,477)	(4,688)
Increase / (Decrease) in Creditors		(18,115)	1,864
Cash Inflow Generated from Operating Activities		115,102	141,897
B. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		70,733	66,651
Net Cash and Cash Equivalents at the beginning of the Period		94,100	117,271
Net Decrease in Cash and Cash Equivalents		(23,367)	(50,620)

Notes to the Interim Financial Statements

- Figures as at 31st March 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 Three Months		
	Ended 31st March 2010 (Unaudited) Rs. '000	Ended 31st March 2009 (Unaudited) Rs. '000	
3. Revenue			
2,115,647	Gross Written Premium	538,028	457,287
(453,517)	Premium Ceded to Reinsurers	(102,429)	(93,100)
1,662,130	Net Written Premium	435,599	364,187
(94,383)	Net Change in Reserves for Unearned Premium	(28,500)	(17,484)
1,567,747	Net Earned Premium	407,099	346,703
467,823	Income from Investments	118,220	107,667
2,526	Other Income	316	1,716
2,038,096	Total Revenue	525,635	456,086
4. Gross Written Premium by Segment			
General Insurance			
304,151	Fire	70,130	53,492
740,274	Motor	200,128	164,998
23,086	Marine	4,865	5,123
63,270	Miscellaneous	30,716	16,801
1,130,781	General Insurance Gross Written Premium	305,839	240,414
Life Insurance			
975,537	Individual Policies	231,754	214,849
9,329	Corporate Policies	435	2,024
984,866	Life Insurance Gross Written Premium	232,189	216,873
2,115,647	Total Gross Written Premium	538,028	457,287

- 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 31st March 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 31.03.2010 (Unaudited) Rs '000	As at 31.12.2009 (Audited) Rs '000
Less than one year	14,961	15,994
Between one and five years	13,860	7,612
Total Operating Lease Commitments	28,821	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 31st March 2010		As at 31st December 2009	
	Shareholding	%	Shareholding	%
1 Hatton National Bank PLC A/c No. 1	22,494,750	59.99	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	282,000	0.75	264,000	0.70
6 Employees Trust Fund Board	155,700	0.42	465,700	1.24
7 Mr. K Laveendrakumar	142,000	0.38	142,000	0.38
8 Mr. M H V U Gunathilaka	118,725	0.32	117,545	0.31
9 Mr. A P Somasiri	115,000	0.31	115,000	0.31
10 Thurston Investments Ltd	112,500	0.30	-	-
11 Mr. S Abishek	101,000	0.27	101,000	0.27
12 Mr. B Selvanayagam & Mrs. L Selvanayagam	100,000	0.27	100,000	0.27
13 Life Insurance Corporation (Lanka) Ltd	100,000	0.27	-	-
14 Malship Ceylon Ltd.	93,500	0.25	93,500	0.25
15 Mrs. N I Hashim	91,650	0.24	91,650	0.24
16 Union Investments Limited	75,000	0.20	75,000	0.20
17 Mr. V T De Zoysa	75,000	0.20	-	-
18 Mr. R Senathirajah	60,000	0.16	60,000	0.16
19 Mr. W C J Alwis	60,000	0.16	-	-
20 Miss. W N C Fernando	58,800	0.16	182,700	0.49
	29,897,225	79.73		

Public Shareholding

	31st March 2010		31st December 2009	
	No. of Shares	% on Issued Shares	No. of Shares	% on Issued Shares
Number of Shares	14,927,250	39.81	14,928,250	39.81

Directors' Shareholdings

Name of the Director	No. of Shares as at	
	31st March 2010	31st December 2009
Mr. Rienzie T. Wijetilleke - (Chairman)	750	750
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	25,000	25,000
Mr. M U de Silva	2,250	2,250
Mr. Pratapkumar de Silva	1,000	-
Mr. D M de S Wijeyeratne	500	500
Mr. Sarath Ratwatte	11,000	11,000
Mr. R Theagarajah	6,250	6,250
Mr. J M J Perera	5,250	5,250
Mr. J D N Kekulawala	26,000	26,000

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

	31st March 2010 Rs.	31st March 2009 Rs.	31st December 2009 Rs.
Net Asset Value Per Share as at	21.19	17.20	22.16
Highest Price Per Share for the Period	60.00	23.75	57.00
Lowest Price Per Share for the Period	45.00	17.25	43.50
Market Price Per Share as at	55.50	20.25	49.50