

Balance Sheet

	Unaudited as at 31st Dec. 2011 Rs. '000	Audited as at 31st Dec. 2010 Rs. '000
Assets		
Investments	4,655,042	3,403,905
Intangible Assets	48,876	52,308
Property, Plant and Equipment	121,568	130,971
Loans to Life Policyholders	20,097	15,000
Reinsurance Receivables	131,210	122,431
Premium Receivables	231,385	231,929
Other Assets	638,273	510,306
Cash and Cash Equivalents	189,453	81,354
Total Assets	6,035,904	4,548,204
Liabilities and Equity		
Liabilities		
Insurance Provision - Life	2,990,998	2,385,246
Insurance Provision - General	924,262	730,658
Other Liabilities	366,536	308,901
Reinsurance Creditors	110,263	81,983
Retirement Benefit Obligation	34,129	25,076
Total Liabilities	4,426,188	3,531,864
Equity		
Stated Capital - 50 Million Ordinary Shares (2010 - 37.5 Million Ordinary Shares)	1,171,875	375,000
Revenue Reserves	437,841	641,340
Total Equity	1,609,716	1,016,340
Total Liabilities and Equity	6,035,904	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
Acting Chairman



Manjula de Silva
Managing Director / Chief Executive Officer

Colombo, Sri Lanka
30th January 2012

Statement of Income

		For the Year Ended 31st December		
	Note	2011 (Unaudited) Rs. '000	2010 (Audited) Rs. '000	Change %
Revenue	3	2,826,870	2,361,240	20
Gross Written Premium	4	3,002,511	2,428,183	24
Premium Ceded to Reinsurers		(510,621)	(449,461)	14
Net Written Premium		2,491,890	1,978,722	26
Net Change in Reserves for Unearned Premium		(142,270)	(134,362)	6
Net Earned Premium		2,349,620	1,844,360	27
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(865,133)	(648,137)	33
Increase in Life Insurance Fund		(605,752)	(531,733)	14
Underwriting and Net Acquisition Costs		(232,128)	(164,991)	41
Other Insurance Related Costs		(17,510)	(15,758)	11
Total Benefits, Losses and Expenses		(1,720,523)	(1,360,619)	26
Net Earned Premium Less Benefits, Losses and Expenses		629,097	483,741	30
Other Revenue				
Income from Investments		474,557	517,198	(8)
Other Net Income / (Loss)		2,693	(318)	947
Expenses				
Other Operating, Investment Related and Administration Expenses		(805,945)	(731,096)	10
Profit Before Taxation		300,402	269,525	11
Income Tax Expense	7	(25,772)	(27,786)	(7)
Profit After Taxation		274,630	241,739	14
Earnings Per Share (Rs.)	8	5.74	5.38 <i>(Restated)</i>	7
Dividend Per Share (Rs.)		2.10	1.80	17

Statement of Changes in Equity

<i>For the Year Ended 31st December 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 Year	-	-	241,739	241,739
Dividend Paid for 2009	-	-	(56,250)	(56,250)
Audited balance as at 31st December 2010	37,500	375,000	641,340	1,016,340
Capitalisation of Reserves (Note 12 a)	6,250	406,250	(406,250)	-
Rights Issue (Note 12 b)	6,250	390,625	-	390,625
Share issue related costs	-	-	(4,379)	(4,379)
Profit for the Year	-	-	274,630	274,630
Dividend for 2010 *	-	-	(67,500)	(67,500)
Unaudited balance as at 31st December 2011	50,000	1,171,875	437,841	1,609,716

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2010 - 37.5 Million Ordinary Shares)

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

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 31st Dec. 2011 Rs. '000	Audited as at 31st Dec. 2010 Rs. '000
Assets		
Investments	2,755,264	2,242,702
Intangible Assets	22,203	20,903
Property, Plant and Equipment	4,276	4,573
Loans to Life Policyholders	20,097	15,000
Reinsurance Receivables	27,849	18,617
Other Assets	327,756	244,181
Cash and Cash Equivalents	62,194	13,005
Total Assets	3,219,639	2,558,981
Liabilities		
Insurance Provision - Life	2,990,998	2,385,246
Other Liabilities	195,970	144,988
Reinsurance Creditors	28,106	25,341
Retirement Benefit Obligation	4,565	3,406
Total Liabilities	3,219,639	2,558,981

Statement of Income

					For the Three Months Ended 31 st December		
		2011 (Unaudited) Rs. '000	2010 (Unaudited) Rs. '000	Change %			
	Note						
Revenue	3	784,209	681,626	15			
Gross Written Premium	4	830,230	702,574	18			
Premium Ceded to Reinsurers		(141,451)	(119,066)	19			
Net Written Premium		688,779	583,508	18			
Net Change in Reserves for Unearned Premium		(13,327)	(53,844)	(75)			
Net Earned Premium		675,452	529,664	28			
Benefits, Losses and Expenses							
Insurance Claims and Benefits (Net)		(203,471)	(177,213)	15			
Increase in Life Insurance Fund		(48,398)	(60,426)	(20)			
Underwriting and Net Acquisition Costs		(71,078)	(50,402)	41			
Other Insurance Related Costs		(5,738)	(2,457)	134			
Total Benefits, Losses and Expenses		(328,685)	(290,498)	13			
Net Earned Premium Less Benefits, Losses and Expenses		346,767	239,166	45			
Other Revenue							
Income from Investments		107,439	152,144	(29)			
Other Net Income / (Loss)		1,318	(182)	824			
Expenses							
Other Operating, Investment Related and Administration Expenses		(233,454)	(205,083)	14			
Profit Before Taxation		222,070	186,045	19			
Income Tax Expense	7	(10,198)	(5,255)	94			
Profit After Taxation		211,872	180,790	17			
Earnings Per Share (Rs.)	8	4.43	4.03 <i>(Restated)</i>	10			

Cash Flow Statement

<i>For the Year Ended 31 st December</i>		Company	
		Unaudited 2011 Rs. '000	Audited 2010 Rs. '000
	Note		
Cash Flows From Operating Activities			
Premium Received from Customers		3,022,384	2,368,943
Reinsurance Premium Paid		(362,961)	(364,416)
Claims Paid		(915,580)	(739,086)
Reinsurance Receipts in Respect of Claims		102,590	85,215
Cash Paid to and on behalf of Employees		(316,923)	(267,169)
Interest Received		391,515	490,107
Dividend Received		8,886	7,609
Other Operating Cash Payments		(802,275)	(776,437)
Cash Inflow Generated from Operating Activities	(A)	1,127,636	804,766
Gratuity Paid		(1,607)	(795)
Economic Service Charges (ESC) Paid		(16,429)	(12,374)
Net Cash Generated from Operating Activities		1,109,600	791,597
Cash Flows From Investing Activities			
Purchase of Liquid Investments	(Other than Cash Equivalents)	(71,243,053)	(45,623,529)
Purchase of Other Investments	(Other than Cash Equivalents)	(743,668)	(496,835)
Sale of Liquid Investments	(Other than Cash Equivalents)	66,578,454	45,246,960
Sale of Other Investments	(Other than Cash Equivalents)	4,121,590	186,913
Purchase of Intangible Assets		(9,048)	(22,238)
Purchase of Property, Plant and Equipment		(24,703)	(39,734)
Proceeds on Sale of Property, Plant and Equipment		181	370
Net Cash used in Investing Activities		(1,320,247)	(748,093)
Net Cash Outflow before Financing		(210,647)	43,504
Cash Flows From Financing Activities			
Dividend Paid		(67,500)	(56,250)
Proceeds from Rights Issue of Shares		390,625	-
Share issue related costs paid		(4,379)	-
Cash used in Financing Activities		318,746	(56,250)
Net Increase / (Decrease) in Cash and Cash Equivalents	(B)	108,099	(12,746)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		300,402	269,525
Amortisation Charge		11,839	9,983
Depreciation Charge		33,343	30,354
Provision for Retiring Gratuity		10,660	7,691
Provision for Diminution in Value of Investments		35,541	-
Loss on Sale of Property, Plant and Equipment		582	318
Increase in Trade and Other Receivables		(141,638)	(204,761)
Increase in Life Insurance Fund		605,752	531,733
Increase in Unearned Premium		133,048	124,127
Increase in Claims Provisions		60,921	12,451
Increase in Creditors		77,186	23,345
Cash Inflow Generated from Operating Activities		1,127,636	804,766
B. Net Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Year		189,453	81,354
Net Cash and Cash Equivalents at the Beginning of the Year		81,354	94,100
Net Increase / (Decrease) in Cash and Cash Equivalents		108,099	(12,746)

Notes to the Interim Financial Statements

- Figures as at 31st December 2011 are provisional and unaudited.
- 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. During the period, Company incurred various expenses related to the share issues, and decided to charge such expenses to the equity.
Comparative information has been re-classified where necessary, to confirm to the current period presentations.

	<i>For the Year Ended</i>		<i>For the Three Months Ended</i>	
	31st December 2011 (Unaudited) Rs. '000	31st December 2010 (Audited) Rs. '000	31st December 2011 (Unaudited) Rs. '000	31st December 2010 (Unaudited) Rs. '000
3. Revenue				
Gross Written Premium	3,002,511	2,428,183	830,230	702,574
Premium Ceded to Reinsurers	(510,621)	(449,461)	(141,451)	(119,066)
Net Written Premium	2,491,890	1,978,722	688,779	583,508
Net Change in Reserves for Unearned Premium	(142,270)	(134,362)	(13,327)	(53,844)
Net Earned Premium	2,349,620	1,844,360	675,452	529,664
Income from Investments	474,557	517,198	107,439	152,144
Other Net Income / (Loss)	2,693	(318)	1,318	(182)
Total Revenue	2,826,870	2,361,240	784,209	681,626
4. Gross Written Premium by Segment				
General Insurance				
Fire	313,820	287,660	86,991	65,028
Motor	1,188,867	916,406	311,922	274,636
Marine	26,584	24,147	6,503	6,977
Miscellaneous	182,873	115,490	37,890	35,345
General Insurance Gross Written Premium	1,712,144	1,343,703	443,306	381,986
Life Insurance				
Individual Policies	1,273,025	1,074,972	379,742	315,157
Corporate Policies	17,342	9,508	7,182	5,431
Life Insurance Gross Written Premium	1,290,367	1,084,480	386,924	320,588
Total Gross Written Premium	3,002,511	2,428,183	830,230	702,574

- 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 December 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. Profits from Life Insurance

Pending finalisation of the Life Fund valuation by our Consultant Actuary for the year ended 31st December 2011, the Company has recognised a provisional profit of Rs. 172 Mn. (2010 - 156 Mn.) from the Life Insurance business.

7. Income Tax Expense

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 weighted average number of ordinary shares which are deemed to be in issue for the year. The implications of the Capitalisation of Reserves and the Issue 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 to these Interim Financial Statements.

	For the Year Ended 31st December		For the Three Months Ended 31st December	
	2011 Unaudited	2010 Audited	2011 Unaudited	2010 Unaudited
Profit for the year (Rs. '000)	274,630	241,739	211,872	180,790
Weighted average number of shares ('000)	47,872	44,894	47,872	44,894
Earnings Per Share (Rs.)	5.74	5.38	4.43	4.03
		(Restated)		(Restated)

9. Related Party Disclosure

Mr. Rienzie T.Wijetilleke, Chairman of HNB Assurance PLC and its parent company Hatton National Bank PLC resigned from the Boards w.e.f. 29th March 2011 and 31st March 2011 respectively.

Mr. M V Theagarajah and Mr. R Seevaratnam, Directors of Hatton National Bank PLC resigned from the Board of the Bank w.e.f. 31st March 2011.

Mr. D.H.S. Jayawardena, Director of Hatton National Bank PLC ceased to be a Director of the Bank w.e.f. 31st December 2011. Mr. R K Obeyesekere, Director of Hatton National Bank PLC resigned from the Board of w.e.f. 30th December 2011.

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

Dr. Raneer Jayamaha and Dr. W W Gamage were appointed to the Board of Hatton National Bank PLC, parent company, w.e.f. 31st March 2011. Dr. L R Karunaratne was appointed to the Board of the Bank w.e.f. 6th October 2011.

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

10. Events Occurring After The Balance Sheet Date

There have been no material events occurring after the Balance Sheet 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. 2.10 per share for the year ended 31st December 2011 (2010 - Rs. 1.80/- per share) which is to be approved at the Annual General Meeting to be held on 29th March 2012. In accordance with Sri Lanka Accounting Standards No.12 - Events after the Balance Sheet Date (revised 2006), this proposed dividend has not been recognised as a liability as at 31st December 2011.

11. 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 accounts. (as at 31st December 2010 - Nil)

b) Future commitments on operating leases;

	(Unaudited) As at 31st Dec 2011 Rs '000	(Audited) As at 31st Dec 2010 Rs '000
Less than one year	24,766	17,721
Between one and five years	24,937	10,351
Total Operating Lease Commitments	49,703	28,072

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.

12. Stated Capital

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. After the Capitalisation of Reserves, number of shares of the Company was increased to 43,750,000.

b) In addition, members also approved a Rights Issue of Shares in order to raise additional funds of Rs. 390,625,000/-. Accordingly another 6,250,000 new Ordinary Shares were issued under this on the basis of 1 new Ordinary Share for every 7 Ordinary Shares held by shareholders post Capitalisation of Reserves at an issue price of Rs. 62.50. After the Rights Issue, the total number of shares has been increased to 50 Million and the Stated Capital thereon was Rs. 1,171,875,000.

	(Unaudited) As at 31st Dec. 2011 Rs '000	(Audited) As at 31st Dec. 2010 Rs '000
Balance brought forward	375,000	375,000
Capitalisation of Reserves	406,250	-
Rights Issue	390,625	-
Total Stated Capital	1,171,875	375,000

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2011	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99
02 Mercantile Merchant Bank Ltd	3,065,596	6.13
03 Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00
04 DFCC Vardhana Bank Ltd / Mercantile Merchant Bank Ltd	1,156,070	2.31
05 Mr. Mohamed Faizer Hashim	521,186	1.04
06 Bank of Ceylon A/c Ceybank Century Growth Fund	444,066	0.89
07 Bank of Ceylon No.1 A/c	410,200	0.82
08 Employees Trust Fund Board	375,494	0.75
09 Union Assurance PLC/No. 1 A/c	336,266	0.67
10 Corporate Holdings (Pvt.) Ltd.	242,700	0.49
11 Deutsche Bank AG-Comtrust Equity Fund	200,000	0.40
12 Mr.Krishan Niraj Jayasekara Balendra	189,732	0.38
13 Malship Ceylon Ltd.	186,345	0.37
14 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	180,360	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.Addara Pathirana Somasiri	134,166	0.27
19 Phoenix Ventures Ltd	133,332	0.27
20 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	120,000	0.24
	40,119,399	80.24

Public Shareholding

	As at 31st December 2011	
	No. of Shares	% on Issued Shares
Number of Shares	19,883,757	39.77

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st December 2011
Mr. R Theagarajah (<i>Acting Chairman</i>)	8,332
Mr. Manjula de Silva - (<i>Managing Director / Chief Executive Officer</i>)	38,332
Mr. M U de Silva	3,000
Mr. Pratapkumar de Silva	1,332
Mr. D M de S Wijeyeratne	583
Mr. Sarath Ratwatte	14,666
Mr. J M J Perera	7,000
Mr. J D N Kekulawala	49,998

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 December 2011	32.19
Highest Price Per Share for the Interim Period	63.00
Lowest Price Per Share for the Interim Period	42.50
Last traded Price Per Share as at 31st December 2011	56.90

