

# Balance Sheet

Note	Unaudited as at 30.09.2011 Rs. '000	Audited as at 31.12.2010 Rs. '000
<b>Assets</b>		
	4,503,500	3,403,905
Investments		
	63,269	66,999
Intangible Assets		
	122,709	130,971
Property, Plant and Equipment		
	18,090	13,263
Loans to Life Policyholders		
	136,368	122,431
Reinsurance Receivables		
	223,077	231,929
Premium Receivables		
	586,400	497,352
Other Assets		
	57,669	81,354
Cash and Cash Equivalents		
<b>Total Assets</b>	<b>5,711,082</b>	<b>4,548,204</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
	2,942,601	2,385,246
Insurance Provision - Life		
	902,576	730,658
Insurance Provision - General		
	338,273	308,901
Other Liabilities		
	98,878	81,983
Reinsurance Creditors		
	30,910	25,076
Retirement Benefit Obligation		
<b>Total Liabilities</b>	<b>4,313,238</b>	<b>3,531,864</b>
<b>Equity</b>		
	1,171,875	375,000
Stated Capital		
(50 Million Ordinary Shares)	12	
Revenue Reserves		
	225,969	641,340
<b>Total Equity</b>	<b>1,397,844</b>	<b>1,016,340</b>
<b>Total Liabilities and Equity</b>	<b>5,711,082</b>	<b>4,548,204</b>

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  
01st November 2011

# Statement of Income

Year Ended 31st December 2010 (Audited) Rs. '000	Note	For the Nine Months Ended 30th September		
		2011 (Unaudited) Rs. '000	2010 (Unaudited) Rs. '000	Change %
2,361,240	Revenue	2,042,661	1,679,614	22
2,428,183	Gross Written Premium	2,172,281	1,725,609	26
(449,461)	Premium Ceded to Reinsurers	(369,170)	(330,395)	12
1,978,722	Net Written Premium	1,803,111	1,395,214	29
(134,362)	Net Change in Reserves for Unearned Premium	(128,943)	(80,518)	60
1,844,360	Net Earned Premium	1,674,168	1,314,696	27
<b>Benefits, Losses and Expenses</b>				
(648,137)	Insurance Claims and Benefits (Net)	(661,662)	(470,924)	41
(531,733)	Increase in Life Insurance Fund	(557,354)	(471,307)	18
(164,991)	Underwriting and Net Acquisition Costs	(161,050)	(114,589)	41
(15,758)	Other Insurance Related Costs	(11,772)	(13,301)	(11)
(1,360,619)	Total Benefits, Losses and Expenses	(1,391,838)	(1,070,121)	30
483,741	Net Earned Premium Less Benefits, Losses and Expenses	282,330	244,575	15
<b>Other Revenue</b>				
517,198	Income from Investments	367,118	365,054	1
(318)	Other Net Income / (Loss)	1,375	(136)	(1,111)
<b>Expenses</b>				
Other Operating, Investment Related and				
(731,096)	Administration Expenses	(572,491)	(526,013)	9
269,525	Profit Before Taxation	78,332	83,480	(6)
(27,786)	Income Tax Expense	(15,574)	(22,531)	(31)
241,739	Profit for the Period	62,758	60,949	3
5.38 (Restated)	Earnings Per Share (Rs.)	1.33	1.36 (Restated)	(2)
1.80	Dividend Per Share (Rs.)	-	-	-

## Statement of Changes in Equity

<i>For the Nine Months Ended 30th September 2011</i>	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Equity Rs. '000
<b>Audited balance as at 31st December 2009</b>	37,500	375,000	455,851	830,851
Profit for the Period	-	-	60,949	60,949
Dividend Paid for 2009	-	-	(56,250)	(56,250)
<b>Unaudited balance as at 30th September 2010</b>	37,500	375,000	460,550	835,550
Profit for the Period	-	-	180,790	180,790
<b>Audited balance as at 31st December 2010</b>	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 Period	-	-	62,758	62,758
Dividend for 2010 *	-	-	(67,500)	(67,500)
<b>Unaudited balance as at 30th September 2011</b>	<b>50,000</b>	<b>1,171,875</b>	<b>225,969</b>	<b>1,397,844</b>

Stated Capital represents 50 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 30.09.2011 Rs. '000	Audited as at 31.12.2010 Rs. '000
<b>Assets</b>		
Investments	2,797,690	2,242,702
Intangible Assets	17,876	20,903
Property, Plant and Equipment	4,236	4,573
Loans to Life Policyholders	18,090	13,263
Reinsurance Receivables	36,184	18,617
Other Assets	290,371	245,918
Cash and Cash Equivalents	22,707	13,005
<b>Total Assets</b>	<b>3,187,154</b>	<b>2,558,981</b>
<b>Liabilities</b>		
Insurance Provision - Life	2,942,601	2,385,246
Other Liabilities	191,850	144,988
Reinsurance Creditors	48,964	25,341
Retirement Benefit Obligation	3,739	3,406
<b>Total Liabilities</b>	<b>3,187,154</b>	<b>2,558,981</b>

# Statement of Income

For the Three Months Ended 30th September				
	Note	2011 (Unaudited) Rs. '000	2010 (Unaudited) Rs. '000	Change %
<b>Revenue</b>	3	722,152	618,843	17
Gross Written Premium	4	773,746	661,408	17
Premium Ceded to Reinsurers		(130,489)	(114,499)	14
Net Written Premium		643,257	546,909	18
Net Change in Reserves for Unearned Premium		(38,316)	(52,494)	(27)
Net Earned Premium		604,941	494,415	22
<b>Benefits, Losses and Expenses</b>				
Insurance Claims and Benefits (Net)		(254,585)	(177,863)	43
Increase in Life Insurance Fund		(202,173)	(195,426)	3
Underwriting and Net Acquisition Costs		(56,114)	(45,475)	23
Other Insurance Related Costs		(4,303)	(4,248)	1
Total Benefits, Losses and Expenses		(517,175)	(423,012)	22
Net Earned Premium Less Benefits, Losses and Expenses		87,766	71,403	23
<b>Other Revenue</b>				
Income from Investments		115,515	124,414	(7)
Other Net Income / (Loss)		1,696	14	12,014
<b>Expenses</b>				
Other Operating, Investment Related and Administration Expenses		(187,179)	(174,603)	7
Profit Before Taxation		17,798	21,228	(16)
Income Tax Expense		(4,400)	(4,557)	(3)
Profit for the Period		13,398	16,671	(20)
Earnings Per Share (Rs.)	8	0.28	0.37 <i>(Restated)</i>	(23)
Dividend Per Share (Rs.)		-	-	-

# Cash Flow Statement

<i>For the Nine Months Ended 30th September</i>		Company	
		Unaudited 2011 Rs. '000	Unaudited 2010 Rs. '000
	Note		
<b>Cash Flows From Operating Activities</b>			
Premium Received from Customers		2,205,953	1,682,969
Reinsurance Premium Paid		(317,243)	(243,696)
Claims Paid		(657,720)	(515,053)
Reinsurance Receipts in Respect of Claims		70,067	47,092
Cash Paid to and on behalf of Employees		(251,877)	(209,485)
Interest Received		500,063	365,874
Dividend Received		6,686	6,302
Other Operating Cash Payments		(753,800)	(696,130)
Cash Inflow Generated from Operating Activities	(A)	802,129	437,873
Gratuity Paid		(1,331)	(500)
Dividend Paid		(67,500)	(56,250)
Economic Service Charges (ESC) Paid		(12,148)	(9,203)
Net Cash Generated from Operating Activities		721,150	371,920
<b>Cash Flows From Investing Activities</b>			
Purchase of Liquid Investments	(Other than Cash Equivalents)	(57,937,203)	(27,699,788)
Purchase of Other Investments	(Other than Cash Equivalents)	(578,505)	(239,769)
Sale of Liquid Investments	(Other than Cash Equivalents)	53,366,973	27,496,904
Sale of Other Investments	(Other than Cash Equivalents)	4,039,972	78,080
Purchase of Intangible Assets		(5,258)	(13,905)
Purchase of Property, Plant and Equipment		(17,118)	(25,394)
Proceeds on Sale of Property, Plant and Equipment		58	193
Net Cash used in Investing Activities		(1,131,081)	(403,679)
Net Cash Outflow before Financing		(409,931)	(31,759)
<b>Cash Flows From Financing Activities</b>			
Proceeds from Rights Issue of Shares		390,625	-
Share issue related costs paid		(4,379)	-
Cash used in Financing Activities		386,246	-
Net Decrease in Cash and Cash Equivalents	(B)	(23,685)	(31,759)
<b>Notes to the Cash Flow Statement</b>			
<b>A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities</b>			
Profit Before Taxation		78,332	83,480
Amortisation Charge		8,988	7,397
Depreciation Charge		24,902	22,254
Provision for Retiring Gratuity		7,165	5,419
Provision for Diminution in Value of Investments		9,168	-
Loss on Sale of Property, Plant and Equipment		419	136
Increase in Trade and Other Receivables		(102,514)	(273,723)
Increase in Life Insurance Fund		557,354	471,307
Increase in Unearned Premium		119,167	68,751
Increase in Claims Provisions		65,770	19,667
Increase in Creditors		33,378	33,185
Cash Inflow Generated from Operating Activities		802,129	437,873
<b>B. Net Increase / (Decrease) in Cash and Cash Equivalents</b>			
Net Cash and Cash Equivalents at the end of the Period		57,669	62,341
Net Cash and Cash Equivalents at the beginning of the Period		81,354	94,100
Net Decrease in Cash and Cash Equivalents		(23,685)	(31,759)

## Notes to the Interim Financial Statements

1. Figures as at 30th September 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 Nine Months ended</i>		<i>For the Three Months ended</i>	
	30 <sup>th</sup> Setepmebr 2011 (Unaudited) Rs. '000	30 <sup>th</sup> Setepmebr 2010 (Unaudited) Rs. '000	30 <sup>th</sup> Setepmebr 2011 (Unaudited) Rs. '000	30 <sup>th</sup> Setepmebr 2010 (Unaudited) Rs. '000
<b>3. Revenue</b>				
2,428,183 Gross Written Premium	<b>2,172,281</b>	1,725,609	<b>773,746</b>	661,408
(449,461) Premium Ceded to Reinsurers	<b>(369,170)</b>	(330,395)	<b>(130,489)</b>	(114,499)
1,978,722 Net Written Premium	<b>1,803,111</b>	1,395,214	<b>643,257</b>	546,909
(134,362) Net Change in Reserves for Unearned Premium	<b>(128,943)</b>	(80,518)	<b>(38,316)</b>	(52,494)
1,844,360 Net Earned Premium	<b>1,674,168</b>	1,314,696	<b>604,941</b>	494,415
517,198 Income from Investments	<b>367,118</b>	365,054	<b>115,515</b>	124,414
(318) Other Net Income / (Loss)	<b>1,375</b>	(136)	<b>1,696</b>	14
<b>2,361,240 Total Revenue</b>	<b>2,042,661</b>	1,679,614	<b>722,152</b>	618,843
<b>4. Gross Written Premium by Segment</b>				
<b>General Insurance</b>				
287,660 Fire	<b>226,829</b>	222,632	<b>79,889</b>	74,989
916,406 Motor	<b>876,945</b>	641,770	<b>328,168</b>	254,001
24,147 Marine	<b>20,081</b>	17,170	<b>5,835</b>	6,581
115,490 Miscellaneous	<b>144,983</b>	80,145	<b>34,283</b>	21,742
<b>1,343,703 General Insurance Gross Written Premium</b>	<b>1,268,838</b>	961,717	<b>448,175</b>	357,313
<b>Life Insurance</b>				
1,074,972 Individual Policies	<b>893,283</b>	759,815	<b>323,102</b>	302,677
9,508 Corporate Policies	<b>10,160</b>	4,077	<b>2,469</b>	1,418
<b>1,084,480 Life Insurance Gross Written Premium</b>	<b>903,443</b>	763,892	<b>325,571</b>	304,095
<b>2,428,183 Total Gross Written Premium</b>	<b>2,172,281</b>	1,725,609	<b>773,746</b>	661,408

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 30th September 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 a 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 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 Rights 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.

Year Ended 31st December 2010 (Audited)	For the Nine Months Ended		For the Three Months Ended	
	30 <sup>th</sup> September 2011 (Unaudited)	30 <sup>th</sup> September 2010 (Unaudited)	30 <sup>th</sup> September 2011 (Unaudited)	30 <sup>th</sup> September 2010 (Unaudited)
241,739 Profit for the year (Rs. '000)	<b>62,758</b>	60,949	<b>13,398</b>	16,671
44,894 Weighted average number of shares ('000)	<b>47,163</b>	44,894	<b>47,163</b>	44,894
5.38 Earnings Per Share (Rs.) (Restated)	<b>1.33</b>	1.36 (Restated)	<b>0.28</b>	0.37 (Restated)

### 9. Related Party Disclosure

Mr. Rienzie T. Wijetilleke, 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. 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.

### 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 30.09.2011 Rs '000	(Audited) As at 31.12.2010 Rs '000
Less than one year	<b>11,698</b>	17,721
Between one and five years	<b>13,892</b>	10,351
<b>Total Operating Lease Commitments</b>	<b>25,590</b>	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. Capitalisation of Reserves has been completed and the number of shares of the Company has thereby 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/-

During the period, Company incurred various expenses related to the share issues, and decided to charge such expenses to the equity.

	(Unaudited) As at 30.09.2011 Rs '000	(Audited) As at 31.12.2010 Rs '000
Balance brought forward	375,000	375,000
Capitalisation of reserves	406,250	-
Right issue	390,625	-
Total Stated Capital	1,171,875	375,000

## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 30th September 2011	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99
02 Mercantile Merchant Bank Ltd	4,221,666	8.44
03 Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00
04 Mr.Mohamed Faizer Hashim	511,886	1.02
05 Bank of Ceylon A/c Ceybank Century Growth Fund	437,266	0.87
06 Bank of Ceylon No.1 A/c	410,200	0.82
07 Employees Trust Fund Board	375,494	0.75
08 Union Assurance PLC/No. 1 A/c	336,266	0.67
09 Corporate Holdings (Pvt.) Ltd.	242,700	0.49
10 Deutsche Bank AG-Comtrust Equity Fund	200,000	0.40
11 Mr.Krishan Niraj Jayasekara Balendra	189,732	0.38
12 Malship Ceylon Ltd.	186,345	0.37
13 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	178,554	0.36
14 Mr.Rajaratnam Senathirajah	156,400	0.31
15 Mr.Sithampalam Abishek	137,666	0.28
16 Mrs.Noorul Imthiyaz Hashim	136,820	0.27
17 Mr.Addara Pathirana Somasiri	134,166	0.27
18 Phoenix Ventures Ltd	133,332	0.27
19 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	120,000	0.24
20 Mr. Kunjithapatham Laveendrakumar	111,632	0.22
	40,213,125	80.43



## Public Shareholding

	As at 30th September 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 30th September 2011
Mr. R Theagarajah	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 30th September 2011	27.96
Highest Price Per Share for the Interim Period	67.50
Lowest Price Per Share for the Interim Period	51.00
Last traded Price Per Share as at 30th September 2011	62.80