



Interim Report
30th September 2010



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

Balance Sheet

	Unaudited as at 30.09.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	3,081,988	2,717,415
Intangible Assets	61,235	54,744
Property, Plant and Equipment	119,899	117,070
Loans to Life Policyholders	11,613	9,309
Reinsurance Receivables	113,715	73,824
Premium Receivables	212,810	157,029
Other Assets	595,313	448,210
Cash and Cash Equivalents	62,340	94,100
Total Assets	4,258,913	3,671,701
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	2,324,820	1,853,513
Insurance Provision - General	686,212	599,364
Other Liabilities	277,106	282,542
Reinsurance Creditors	112,127	87,251
Retirement Benefit Obligation	23,098	18,180
Total Liabilities	3,423,363	2,840,850
Shareholders' Equity		
Stated Capital (37.5 Million Ordinary Shares)	375,000	375,000
Revenue Reserves	460,550	455,851
Total Shareholders' Equity	835,550	830,851
Total Liabilities and Shareholders' Equity	4,258,913	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 / Chief Financial Officer

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 / Chief Executive Officer

Colombo, Sri Lanka
27th October 2010

Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 30.09.2010 Rs. '000	Audited as at 31.12.2009 Rs. '000
Assets		
Investments	2,093,823	1,686,073
Intangible Assets	18,266	14,653
Property, Plant and Equipment	5,085	6,174
Loans to Life Policyholders	11,613	9,309
Reinsurance Receivables	12,811	16,283
Other Assets	336,317	220,524
Cash and Cash Equivalents	12,680	45,252
Total Assets	2,490,595	1,998,268
Liabilities		
Insurance Provision - Life	2,324,820	1,853,513
Other Liabilities	137,875	117,221
Reinsurance Creditors	24,479	24,937
Retirement Benefit Obligation	3,421	2,597
Total Liabilities	2,490,595	1,998,268

Statement of Income

Year Ended 31st December 2009 (Audited) Rs. '000	<i>For the Nine Months Ended 30th September</i>	Note	Unaudited		Change %
			2010 Rs. '000	2009 Rs. '000	
2,038,096	Revenue	3	1,680,022	1,552,137	8
2,115,647	Gross Written Premium	4	1,725,609	1,634,669	6
(453,517)	Premium Ceded to Reinsurers		(330,396)	(338,273)	(2)
1,662,130	Net Written Premium		1,395,213	1,296,396	8
(94,383)	Net Change in Reserves for Unearned Premium		(80,518)	(93,073)	(13)
1,567,747	Net Earned Premium		1,314,695	1,203,323	9
Benefits, Losses and Expenses					
(511,911)	Insurance Claims and Benefits (Net)		(470,924)	(369,627)	27
(493,008)	Increase in Life Insurance Fund		(471,307)	(523,368)	(10)
(154,870)	Underwriting and Net Acquisition Costs		(114,998)	(111,599)	3
(9,865)	Other Insurance Related Costs		(13,281)	(7,635)	74
(1,169,654)	Total Benefits, Losses and Expenses		(1,070,510)	(1,012,229)	6
398,093	Net Earned Premium Less Benefits, Losses and Expenses		244,185	191,094	28
Other Revenue					
467,823	Income from Investments		365,461	347,263	5
2,526	Other Income		(134)	1,551	(109)
Expenses					
Other Operating, Investment Related and					
(637,317)	Administration Expenses		(526,032)	(464,416)	13
231,125	Profit from Operations		83,480	75,492	11
(44)	Finance Expenses		-	(43)	(100)
231,081	Profit Before Taxation		83,480	75,449	11
(29,471)	Income Tax Expense		(22,531)	(20,128)	12
201,610	Profit for the Period		60,949	55,321	10
5.38	Basic Earnings Per Share (Rs.)		1.63	1.48	10
1.50	Dividends Per Share (Rs.)		-	-	-

Statement of Income

For the Three Months Ended 30th September	Note	Unaudited		Change %
		2010 Rs. '000	2009 Rs. '000	
Revenue	3	618,367	607,523	2
Gross Written Premium	4	661,408	640,272	3
Premium Ceded to Reinsurers		(114,500)	(96,794)	18
Net Written Premium		546,908	543,478	1
Net Change in Reserves for Unearned Premium		(52,494)	(55,899)	(6)
Net Earned Premium		494,414	487,579	1
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(177,863)	(129,916)	37
Increase in Life Insurance Fund		(195,426)	(224,926)	(13)
Underwriting and Net Acquisition Costs		(42,872)	(43,947)	(2)
Other Insurance Related Costs		(4,233)	(3,688)	15
Total Benefits, Losses and Expenses		(420,394)	(402,477)	4
Net Earned Premium Less Benefits, Losses and Expenses		74,020	85,102	(13)
Other Revenue				
Income from Investments		124,821	121,003	3
Other Income		(868)	(1,059)	(18)
Expenses				
Other Operating, Investment Related and Administration Expenses		(176,746)	(175,963)	0
Profit from Operations		21,227	29,083	(27)
Finance Expenses		-	-	-
Profit Before Taxation		21,227	29,083	(27)
Income Tax Expense		(4,557)	(7,666)	(41)
Profit for the Period		16,670	21,417	(22)
Basic Earnings Per Share (Rs.)		0.44	0.57	(22)
Dividends Per Share (Rs.)		-	-	-

Statement of Changes in Equity

For the Nine Months Ended 30th September 2010	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	-	-	55,321	55,321
Dividend Paid for 2008	-	-	(46,875)	(46,875)
Unaudited balance as at 30th September 2009	37,500	375,000	309,562	684,562
Profit for the Period	-	-	146,289	146,289
Audited balance as at 31st December 2009	37,500	375,000	455,851	830,851
Profit for the Period	-	-	60,949	60,949
Dividend for 2009*	-	-	(56,250)	(56,250)
Unaudited balance as at 30th September 2010	37,500	375,000	460,550	835,550

* Dividend declared and paid 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 Nine Months Ended 30th September	Company		
	Note	Unaudited 2010 Rs. '000	Unaudited 2009 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		1,682,969	1,621,633
Reinsurance Premium Paid		(243,696)	(286,071)
Claims Paid		(515,053)	(353,937)
Reinsurance Receipts in Respect of Claims		47,092	42,599
Cash Paid to and on behalf of Employees		(209,485)	(170,369)
Interest Received		365,874	343,402
Dividend Received		6,302	3,287
Other Operating Cash Payments		(696,130)	(521,384)
Cash Inflow Generated from Operating Activities	(A)	437,873	679,160
Gratuity Paid		(500)	(239)
Economic Service Charges (ESC) Paid		(9,203)	(8,250)
Net Cash Generated from Operating Activities		428,170	670,671
Cash Flows From Investing Activities			
Purchase of Liquid Investments (Other than Cash Equivalents)		(27,699,788)	(15,958,925)
Purchase of Other Investments (Other than Cash Equivalents)		(239,769)	(91,827)
Sale of Liquid Investments (Other than Cash Equivalents)		27,496,904	15,423,091
Sale of Other Investments (Other than Cash Equivalents)		78,079	10,004
Purchase of Intangible Assets		(13,905)	(18,859)
Purchase of Property, Plant and Equipment		(25,394)	(40,452)
Proceeds on Sale of Property, Plant and Equipment		193	2,042
Net Cash used in Investing Activities		(403,680)	(674,926)
Net Cash Inflow / (Outflow) before Financing Activities		24,490	(4,255)
Cash Flows From Financing Activities			
Lease Installments Paid		-	(1,031)
Dividend Paid		(56,250)	(46,875)
Cash used in Financing Activities		(56,250)	(47,906)
Net Decrease in Cash and Cash Equivalents	(B)	(31,760)	(52,161)
Notes to the Cash Flow Statement			
A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities			
Profit Before Taxation		83,480	75,449
Amortisation Charge		7,397	6,254
Depreciation Charge		22,254	19,911
Provision for Retiring Gratuity		5,419	3,925
Provision for Diminution in Value of Investments		-	(8,245)
(Profit) / Loss on Sale of Property, Plant and Equipment		136	(1,551)
Lease Interest Paid		-	43
Increase in Trade and Other Receivables		(273,723)	(97,468)
Increase in Life Insurance Fund		471,307	523,368
Increase in Unearned Premium		68,751	92,096
Increase in Claims Provisions		19,667	32,444
Increase Creditors		33,185	32,934
Cash Inflow Generated from Operating Activities		437,873	679,160
B. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		62,340	65,110
Net Cash and Cash Equivalents at the beginning of the Period		94,100	117,271
Net Decrease in Cash and Cash Equivalents		(31,760)	(52,161)

Notes to the Interim Financial Statements

- Figures as at 30th September 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 Nine Months		For the Three Months		
	Ended 30th September 2010 (Unaudited) Rs. '000	Ended 30th September 2009 (Unaudited) Rs. '000	Ended 30th September 2010 (Unaudited) Rs. '000	Ended 30th September 2009 (Unaudited) Rs. '000	
3.	Revenue				
2,115,647	Gross Written Premium	1,725,609	1,634,669	661,408	640,272
(453,517)	Premium Ceded to Reinsurers	(330,396)	(338,273)	(114,500)	(96,794)
1,662,130	Net Written Premium	1,395,213	1,296,396	546,908	543,478
(94,383)	Net Change in Reserves for Unearned Premium	(80,518)	(93,073)	(52,494)	(55,899)
1,567,747	Net Earned Premium	1,314,695	1,203,323	494,414	487,579
467,823	Income from Investments	365,461	347,263	124,821	121,003
2,526	Other Income	(134)	1,551	(868)	(1,059)
2,038,096	Total Revenue	1,680,022	1,552,137	618,367	607,523
4.	Gross Written Premium by Segment				
	General Insurance				
304,151	Fire	222,632	225,876	74,989	54,157
740,274	Motor	641,770	562,383	254,001	225,055
23,086	Marine	17,170	16,936	6,581	6,299
63,270	Miscellaneous	80,145	45,587	21,742	17,872
1,130,781	General Insurance Gross Written Premium	961,717	850,782	357,313	303,383
	Life Insurance				
975,537	Individual Policies	759,815	777,837	302,677	335,187
9,329	Corporate Policies	4,077	6,050	1,418	1,702
984,866	Life Insurance Gross Written Premium	763,892	783,887	304,095	336,889
2,115,647	Total Gross Written Premium	1,725,609	1,634,669	661,408	640,272

- The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued three new Sri Lanka Accounting Standards (SLAS) i.e. SLAS 44 - Financial Instruments : Presentation, SLAS 45 - Financial Instruments : Recognition and Measurement and SLAS 46 - Financial Instruments : Disclosures which will 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 30th September 2010.

These Standards require application of fair value measurement techniques / amortised cost for financial instruments classified as Financial Assets and Financial Liabilities. These standards exclude 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 30.09.2010 (Unaudited) Rs '000	As at 31.12.2009 (Audited) Rs '000
Less than one year	10,058	15,994
Between one and five years	11,081	7,612
Total Operating Lease Commitments	21,139	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 are made in these Interim Financial Statements where necessary.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 30th September 2010	
	Shareholding	%
01 Hatton National Bank PLC A/c No. 1	22,494,750	59.99
02 Mercantile Merchant Bank Ltd	3,689,400	9.84
03 Ceylon Guardian Investment Trust PLC A/c No. 2	1,500,000	4.00
04 National Savings Bank	668,000	1.78
05 Mr. M F Hashim	293,550	0.78
06 Bank of Ceylon A/c Ceybank Century Growth Fund	257,600	0.69
07 Employees Trust Fund Board	155,700	0.42
08 Mr. K N J Balendra	142,300	0.38
09 Mr. M H V U Gunathilaka	120,075	0.32
10 Mr. A P Somasiri	115,000	0.31
11 Mr. S. Abishek	101,000	0.27
12 Mr. K Laveendrakumar	100,100	0.27
13 Mrs. N I Hashim	96,650	0.26
14 Malship Ceylon Ltd.	93,500	0.25
15 Mr. B Selvanayagam / Mrs. L Selvanayagam	90,000	0.24
16 Union Bank of Colombo Ltd	76,500	0.20
17 Union Investments Limited	75,000	0.20
18 The Sri Lanka Fund	70,700	0.19
19 Mr. R Senathirajah	68,700	0.18
20 Mr. W C J Alwis	60,000	0.16
	30,268,525	80.73

Public Shareholding

	As at 30th September 2010	
	No. of Shares	% on Issued Shares
Number of Shares	14,927,250	39.81

Directors' Shareholdings

Name of the Director	No. of Shares as at 30th September 2010
Mr. Rienzie T. Wijetilleke - (Chairman)	750
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	25,000
Mr. M U de Silva	2,250
Mr. Pratapkumar de Silva	1,000
Mr. D M de S Wijeyeratne	500
Mr. Sarath Ratwatte	11,000
Mr. R Theagarajah	6,250
Mr. J M J Perera	5,250
Mr. J D N Kekulawala	26,000

Number of Shares

Number of shares representing the Stated Capital	37,500,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	30th September 2010 Rs.
Net Asset Value Per Share as at	22.28
Highest Price Per Share for the Period	90.00
Lowest Price Per Share for the Period	63.50
Last Traded Price Per Share as at	82.10