

INTERIM REPORT

31st December 2009



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

Balance Sheet

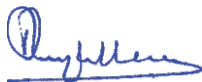
	Unaudited as at 31.12.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
Assets		
Investments	2,717,415	2,037,643
Intangible Assets	54,744	23,058
Property, Plant and Equipment	117,070	91,717
Loans to Life Policyholders	9,309	4,666
Reinsurance Receivables	73,824	69,314
Premium Receivables	157,029	120,922
Other Assets	448,210	334,882
Cash and Cash Equivalents	94,100	117,271
Total Assets	3,671,701	2,799,473
Liabilities and Shareholders' Equity		
Liabilities		
Insurance Provision - Life	1,853,513	1,360,505
Insurance Provision - General	599,364	470,206
Other Liabilities	282,542	198,289
Reinsurance Creditors	87,251	83,039
Retirement Benefit Obligation	18,180	11,318
Total Liabilities	2,840,850	2,123,357
Shareholders' Equity		
Stated Capital (37.5 Million Ordinary Shares)	375,000	375,000
Revenue Reserves	455,851	301,116
Total Shareholders' Equity	830,851	676,116
Total Liabilities and Shareholders' Equity	3,671,701	2,799,473

These Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.



Vipula Dharmapala
Head of Finance

For and on behalf of the Board;



Rienzie T. Wijetilleke
Chairman



Manjula de Silva
Managing Director

Colombo, Sri Lanka
27th January 2010

Balance Sheet of the Life Insurance Fund

	Unaudited as at 31.12.2009 Rs. '000	Audited as at 31.12.2008 Rs. '000
Assets		
Investments	1,686,073	1,263,166
Intangible Assets	14,653	5,742
Property, Plant and Equipment	6,174	8,151
Loans to Life Policyholders	9,309	4,666
Reinsurance Receivables	16,283	10,025
Other Assets	220,524	150,521
Cash and Cash Equivalents	45,252	39,939
Total Assets	1,998,268	1,482,210
Liabilities		
Insurance Provision - Life	1,853,513	1,360,505
Other Liabilities	117,221	87,489
Reinsurance Creditors	24,937	32,535
Retirement Benefit Obligation	2,597	1,681
Total Liabilities	1,998,268	1,482,210

Statement of Income

<i>For the Year Ended 31st December</i>		Unaudited 2009 Rs. '000	Audited 2008 Rs. '000	Change %
	Note			
Revenue	3	2,038,096	1,719,688	19
Gross Written Premium	4	2,115,647	1,838,879	15
Premium Ceded to Reinsurers		(453,517)	(388,913)	17
Net Written Premium		1,662,130	1,449,966	15
Net Change in Reserves for Unearned Premium and Unexpired Risk		(94,383)	(74,285)	27
Net Earned Premium		1,567,747	1,375,681	14
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(511,911)	(408,482)	25
Increase in Life Insurance Fund		(493,008)	(479,831)	3
Underwriting and Net Acquisition Costs		(154,870)	(168,166)	(8)
Other Insurance Related Costs		(9,865)	(7,952)	24
Total Benefits, Losses and Expenses		(1,169,654)	(1,064,431)	10
Net Earned Premium Less Benefits, Losses and Expenses		398,093	311,250	28
Other Revenue				
Income from Investments		467,823	342,265	37
Other Income		2,526	1,742	45
Expenses				
Other Operating, Investment Related and Administration Expenses		(637,317)	(485,229)	31
Profit from Operations		231,125	170,028	36
Interest Expenses		(44)	(154)	(71)
Profit before Income Tax		231,081	169,874	36
Income Tax Expense		(29,471)	(5,401)	446
Profit for the Year		201,610	164,473	23
Basic Earnings Per Share (Rs.)		5.38	4.39	23
Dividend Per Share (Rs.)		-	1.25	-

Statement of Income

For the Three Months Ended 31st December	Note	Unaudited		Change %
		2009 Rs. '000	2008 Rs. '000	
Revenue	3	484,819	459,589	5
Gross Written Premium	4	480,978	460,014	5
Premium Ceded to Reinsurers		(115,244)	(90,984)	27
Net Written Premium		365,734	369,030	(1)
Net Change in Reserves for Unearned Premium and Unexpired Risk		(1,310)	(10,806)	(88)
Net Earned Premium		364,424	358,224	2
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)		(142,284)	(109,992)	29
(Increase)/Decrease in Life Insurance Fund		30,360	(47,254)	(164)
Underwriting and Net Acquisition Costs		(40,034)	(47,348)	(15)
Other Insurance Related Costs		(2,230)	(177)	1,160
Total Benefits, Losses and Expenses		(154,188)	(204,771)	(25)
Net Earned Premium Less Benefits, Losses and Expenses		210,236	153,453	37
Other Revenue				
Income from Investments		120,560	101,009	19
Other Income		(165)	356	(146)
Expenses				
Other Operating, Investment Related and Administration Expenses		(174,998)	(133,330)	31
Profit from Operations		155,633	121,488	28
Interest Expenses		(1)	(32)	(97)
Profit before Income Tax		155,632	121,456	28
Income Tax Expense		(9,343)	(5,239)	78
Profit for the Period		146,289	116,217	26
Basic Earnings Per Share (Rs.)		3.90	3.10	26

Statement of Changes in Equity

For the Year Ended 31st December 2009	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2007	37,500	375,000	174,143	549,143
Profit for the Year	-	-	164,473	164,473
Dividend paid for 2007	-	-	(37,500)	(37,500)
Audited balance as at 31st December 2008	37,500	375,000	301,116	676,116
Profit for the Year	-	-	201,610	201,610
Dividend for 2008*	-	-	(46,875)	(46,875)
Unaudited balance as at 31st December 2009	37,500	375,000	455,851	830,851

* Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2009 as it represents the dividend for 2008.

Stated Capital represents 37.5 million Ordinary Shares

Cash Flow Statement

For the Year Ended 31st December	Company		
	Note	Unaudited 2009 Rs. '000	Audited 2008 Rs. '000
Cash Flows From Operating Activities			
Premium Received from Customers		2,079,023	1,813,927
Reinsurance Premium Paid		(362,623)	(321,044)
Claims Paid		(498,057)	(418,521)
Reinsurance Receipts in Respect of Claims		53,680	56,662
Cash Paid to and on behalf of Employees		(220,603)	(164,577)
Interest Received		429,806	282,591
Dividend Received		3,873	1,629
Other Operating Cash Payments		(707,233)	(591,336)
Cash Inflow Generated from Operating Activities	(A)	777,866	659,331
Gratuity Paid		(648)	(1,447)
Income Tax Paid		(14,247)	(7,052)
Net Cash Generated from Operating Activities		762,971	650,832
Cash Flows From Investing Activities			
Purchase of Liquid Investments (Other than Cash Equivalents)		(21,037,765)	(18,617,469)
Purchase of Other Investments (Other than Cash Equivalents)		(380,888)	(71,840)
Sale of Liquid Investments (Other than Cash Equivalents)		20,546,911	18,129,743
Sale of Other Investments (Other than Cash Equivalents)		200,217	20,800
Purchase of Intangible Assets		(19,781)	(9,375)
Purchase of Property, Plant and Equipment		(49,026)	(39,528)
Proceeds on Sale of Property, Plant and Equipment		2,096	101
Net Cash used in Investing Activities		(738,236)	(587,568)
Net Cash Inflow before Financing Activities		24,735	63,264
Cash Flows From Financing Activities			
Lease Installments Paid		(1,031)	(589)
Dividend Paid		(46,875)	(37,500)
Cash used in Financing Activities		(47,906)	(38,089)
Net Increase / (Decrease) in Cash and Cash Equivalents	(B)	(23,171)	25,175
Notes to the Cash Flow Statement			
A. Reconciliation of Profit before Tax with Cash Flow from Operating Activities			
Profit Before Income Tax		231,081	169,874
Amortisation Charge		8,279	6,856
Depreciation Charge		26,933	20,123
Provision for Retiring Gratuity		7,510	5,288
Provision for Diminution in Value of Investments		(8,245)	5,695
(Profit) / Loss on Sale of Property, Plant and Equipment		(1,215)	(16)
Lease Interest Paid		44	154
Increase in Trade and Other Receivables		(162,815)	(208,523)
Increase in Life Insurance Fund		493,008	479,831
Increase in Unearned Premium		96,421	71,770
Increase in Claims Provisions		38,364	63,311
Increase in Creditors		48,501	44,968
Cash Inflow Generated from Operating Activities		777,866	659,331
B. Net Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Year		94,100	117,271
Net Cash and Cash Equivalents at the beginning of the Year		117,271	92,096
Increase / (Decrease)		(23,171)	25,175

Notes to the Interim Financial Statements

- Figures as at 31st December 2009 are provisional and unaudited.
- The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2008 are followed in preparation of these Interim Financial Statements. Comparative Information has been re-classified where necessary, to confirm to the current year presentations.

	<i>For the Year</i>		<i>For the Three Months</i>	
	Ended 31st December 2009 (Unaudited) Rs. '000	Ended 31st December 2008 (Audited) Rs. '000	Ended 31st December 2009 (Unaudited) Rs. '000	Ended 31st December 2008 (Unaudited) Rs. '000
3. Revenue				
Gross Written Premium	2,115,647	1,838,879	480,978	460,014
Premium Ceded to Reinsurers	(453,517)	(388,913)	(115,244)	(90,984)
Net Written Premium	1,662,130	1,449,966	365,734	369,030
Net Change in Reserves for Unearned Premium and Unexpired Risk	(94,383)	(74,285)	(1,310)	(10,806)
Net Earned Premium	1,567,747	1,375,681	364,424	358,224
Income from Investments	467,823	342,265	120,560	101,009
Other Income	2,526	1,742	(165)	356
Total Revenue	2,038,096	1,719,688	484,819	459,589
4. Gross Written Premium by Segment				
General Insurance				
Fire	304,151	257,408	78,275	63,600
Motor	740,274	589,837	177,891	137,232
Marine	23,086	27,425	6,150	6,676
Miscellaneous	63,270	50,039	17,683	19,334
	1,130,781	924,709	279,999	226,842
Life Insurance				
Individual Policies	975,537	907,326	197,700	229,915
Corporate Policies	9,329	6,844	3,279	3,257
	984,866	914,170	200,979	233,172
Total Gross Written Premium	2,115,647	1,838,879	480,978	460,014

- Pending finalisation of the Life Fund by our Consultant Actuary for the year ended 31st December 2009, the Company has recognised a provisional profit of Rs. 130 Mn. from the Life insurance business.
- The Company is liable to pay income tax at the rate of 35% (2008 - 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 – 2008. The Key management personnel of the Company now includes Mr. Sarath Ratwatte who was appointed as a Director during the year.
- There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Interim Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2009		As at 31st December 2008	
	Shareholding	%	Shareholding	%
1 Hatton National Bank PLC A/c No. 1	22,494,750	59.99	22,494,750	59.99
2 Alliance Finance Company PLC	3,110,350	8.29	3,774,350	10.06
3 Associated Electrical Corporation Limited	1,000,000	2.67	-	-
4 Arpico Finance Company PLC	630,000	1.68	-	-
5 Employees Trust Fund Board	465,700	1.24	-	-
6 Mrs. K W S H Fernando & Mr. W K V Fernando	336,950	0.90	474,850	1.27
7 Mr. M F Hashim	264,000	0.70	252,100	0.67
8 Miss. S A Fernando	219,300	0.58	279,300	0.74
9 Deutsche Bank AG-NAMAL Growth Fund	190,000	0.51	-	-
10 Miss. W N C Fernando	182,700	0.49	232,500	0.62
11 Mr. K Laveendrakumar	142,000	0.38	128,000	0.34
12 Mr. M K De Vos & Mrs. D J De Vos	135,300	0.36	132,000	0.35
13 Mr. M H V U Gunathilaka	117,545	0.31	125,000	0.33
14 Mr. A P Somasiri	115,000	0.31	100,000	0.27
15 Mr. S Abishek	101,000	0.27	-	-
16 Mr. B Selvanayagam & Mrs. L Selvanayagam	100,000	0.27	100,000	0.27
17 Malship Ceylon Ltd.	93,500	0.25	93,500	0.25
18 Mrs. N I Hashim	91,650	0.24	91,650	0.24
19 Union Investments Limited	75,000	0.20	75,000	0.20
20 Mr. R Senathirajah	60,000	0.16	-	-
	29,924,745	79.80		

Public Shareholding

	As at 31st December 2009		As at 31st December 2008	
	No. of Shares	% on Issued Shares	No. of Shares	% on Issued Shares
Number of Shares	14,928,250	39.81	14,956,750	39.88

Directors' Shareholdings

Name of the Director	No. of Shares as at	
	31st December 2009	31st December 2008
Mr. Rienzie T. Wijetilleke - (Chairman)	750	750
Mr. Manjula de Silva - (Managing Director)	25,000	25,000
Mr. M U de Silva	2,250	2,250
Mr. Pratapkumar de Silva	-	-
Mr. D M de S Wijeyeratne	500	-
Mr. Sarath Ratwatte	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	9,000

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 December 2009 Rs.	31st December 2008 Rs.
Net Asset Value Per Share as at	22.16	18.03
Highest Price Per Share for the Interim Period	57.00	23.00
Lowest Price Per Share for the Interim Period	43.50	17.00
Last traded Price Per Share as at	49.50	18.25