

Statement of Financial Position

	Note	Company	
		Unaudited as at 31st Mar. 2013 Rs. '000	Audited as at 31st Dec. 2012 Rs. '000
Assets			
Intangible Assets		57,235	61,068
Property, Plant and Equipment		113,884	118,447
Financial Investments	3	6,019,617	5,703,866
Loans to Life Policyholders		34,106	29,888
Reinsurance Receivables		140,412	162,715
Premium Receivables		374,397	247,417
Other Assets		539,433	482,239
Insurance Contract - Deferred Expenses		28,312	19,968
Cash and Cash Equivalents		124,343	209,270
Total Assets		7,431,739	7,034,878
Equity and Liabilities			
Equity			
Stated Capital		1,171,875	1,171,875
Revenue Reserves		610,800	696,406
Life Policyholder Reserve Fund	4	6,654	(1,191)
Total Equity		1,789,329	1,867,090
Liabilities			
Insurance Contract Liabilities - Life	5	3,881,655	3,626,239
Insurance Contract Liabilities - Non Life	6	1,004,372	969,443
Employee Benefits		44,515	42,360
Current Tax Liabilities		54,913	42,950
Reinsurance Creditors		123,630	83,253
Other Liabilities		533,325	403,543
Total Liabilities		5,642,410	5,167,788
Total Equity and Liabilities		7,431,739	7,034,878

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;



Dr. Ranees Jayamaha
Chairperson



Manjula de Silva
Managing Director / Chief Executive Officer

Statement of Comprehensive Income

Year Ended 31 st Dec 2012 (Unaudited) Rs. '000	<i>For the Three Months Ended 31st March,</i>		Unaudited		Change %
Rs. '000	Note	2013 Rs. '000	2012 Rs. '000		
3,211,232	Gross Written Premium	7	923,348	823,371	12
(519,709)	Premium Ceded to Reinsurers		(133,107)	(116,238)	15
2,691,523	Net Written Premium		790,241	707,133	12
5,501	Net Change in Reserves for Unearned Premium		(66,588)	(67,685)	(2)
2,697,024	Net Earned Premium		723,653	639,448	13
	Other Revenue				
654,584	Investment Income	8	189,435	143,927	32
7,271	Net Realised Gains / (Losses)		(202)	4,353	(105)
(93)	Net Fair Value Gains /(Losses)		6,059	(17,895)	134
71,674	Fee and Commission Income		41,713	45,966	(9)
3,374	Other Income		1,083	22	4,823
736,810			238,088	176,373	35
3,433,834	Net Income		961,741	815,821	18
	Net Benefits and Claims				
(1,090,721)	Net Insurance Benefits and Claims Paid		(270,342)	(243,155)	11
(63,800)	Net Change in Insurance Claims Outstanding		13,837	(22,112)	(163)
(555,909)	Change in Contract Liabilities - Life Fund		(265,307)	(150,837)	76
(966,573)	Other Operating and Administration Expenses		(227,327)	(217,725)	4
(348,108)	Underwriting and Net Acquisition Costs		(146,534)	(139,380)	5
(14,857)	Other Insurance Related Costs		(4,018)	(4,208)	(5)
(3,039,968)	Total Benefits, Claims and other Expenses		(899,691)	(777,417)	16
393,866	Profit Before Taxation		62,050	38,404	62
(42,726)	Income Tax Expenses		(11,964)	(8,268)	45
351,140	Profit for the Period		50,086	30,136	66
	Other Comprehensive Income				
	<u>Investments classified as Available for Sale</u>				
27,544	- Net Change in fair value of available-for-sale financial assets		9,653	(3,628)	(366)
	- Net Change in fair value of available-for-sale financial assets				
(21,335)	(transferred to) / from Life Policyholders Reserve		(7,845)	3,528	(322)
6,209	Total Other Comprehensive Income for the period		1,808	(100)	(1,908)
	Total Comprehensive Income for the period attributable to				
357,349	owners of the Company		51,894	30,036	73
7.02	Earnings Per Share (Rs.)	10	1.00	0.60	66
2.75	Dividend Per Share (Rs.)		-	-	-

Statement of Changes in Equity

For the Three Months Ended 31st March 2013

	Number of Shares	Stated Capital	Life		Total Equity	
			Revenue Reserves	Policyholders Reserve Fund		
	Note	'000	Rs. '000	Rs. '000	Rs. '000	
Audited balance as at 31st December 2011 - Restated		50,000	1,171,875	444,057	(22,526)	1,593,406
Profit for the Period - <i>Unaudited</i>		-	-	30,136	-	30,136
Other Comprehensive income for the period - <i>Unaudited</i>		-	-	(100)	-	(100)
Dividend paid for 2011		-	-	(105,000)	-	(105,000)
Unaudited balance as at 31st March 2012 - Restated		50,000	1,171,875	369,093	(22,526)	1,518,442
Profit for the Period - <i>Unaudited</i>		-	-	321,004	-	321,004
Other Comprehensive income for the period - <i>Unaudited</i>		-	-	6,309	21,335	27,644
Audited balance as at 31st December 2012		50,000	1,171,875	696,406	(1,191)	1,867,090
Profit for the Period - <i>Unaudited</i>		-	-	50,086	-	50,086
Other Comprehensive income for the period - <i>Unaudited</i>		-	-	1,808	7,845	9,653
Dividend for 2012 *	A	-	-	(137,500)	-	(137,500)
Unaudited balance as at 31st March 2013		50,000	1,171,875	610,800	6,654	1,789,329

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2012 - 50 Million Ordinary Shares)

Note A

* Dividend declared during the period was not taken for calculation of Dividend Per Share in 2013 as it represents the Dividend for 2012.

Statement of Financial Position of the Life Insurance Fund - Supplemental

	Note	Unaudited as at 31 st Mar 2013 Rs. '000	Audited as at 31 st Dec 2012 Rs. '000
Assets			
Financial Investments	3a	3,857,111	3,527,422
Loans to Life Policyholders		34,106	29,888
Reinsurance Receivables		48,248	40,716
Premium Receivables		17,855	9,573
Other Assets		130,786	137,795
Cash and Cash Equivalents		97,514	129,916
Total Assets		4,185,620	3,875,310
Equity and Liabilities			
Equity			
Life Policyholder Reserve Fund	4	6,654	(1,191)
Total Equity		6,654	(1,191)
Liabilities			
Insurance Contract Liabilities - Life	5	3,881,655	3,626,239
Employee Benefits		5,195	4,943
Reinsurance Creditors		59,842	29,928
Other Liabilities		232,274	215,391
Total Liabilities		4,178,966	3,876,501
Total Equity and Liabilities		4,185,620	3,875,310

Cash Flow Statement

For the Three Months Ended 31st March,		Company	
		2013 Rs. '000	2012 Rs. '000
	Note		
Cash Flow From Operating Activities			
Profit Before Taxation		62,050	38,404
Adjustments for:			
Interest Income		(185,493)	(138,305)
Dividend Income		(3,943)	(5,622)
Amortisation of Intangible Assets		3,852	3,099
Depreciation		8,699	12,972
Provision for Employee Benefits		2,701	2,393
Net Fair Value (Gains)/Losses		(2,143)	(5,643)
Net (Gain)/Loss on Investments at Fair Value Through Profit or Loss		(3,714)	19,185
Loss on Sale of Property, Plant and Equipment		(45)	109
		(118,036)	(73,408)
Change in Operating Assets	A	(235,836)	(167,429)
Change in Operating Liabilities	B	384,383	340,147
Cash Flows from Operating Activities		30,511	99,310
Gratuity Paid		(546)	(1,205)
Net Cash Generated from Operating Activities		29,965	98,105
Cash Flows from Investing Activities			
Net Acquisition of Investment Securities		(294,996)	(256,910)
Interest Received		181,711	150,084
Dividend Received		3,943	5,622
Acquisition of Property, Plant and Equipment		(4,187)	(1,951)
Proceeds from the Sale of Property, Plant and Equipment		76	(168)
Net Cash Used in Investing Activities		(113,453)	(103,323)
Net Decrease in Cash and Cash Equivalents	C	(83,488)	(5,218)
Cash and Cash Equivalents at the beginning of the Period		207,831	189,453
Cash and Cash Equivalents at the end of the Period		124,343	184,235
Notes to the Cash Flow Statement			
A. Change in Operating Assets			
Decrease in Deferred Expenses		(8,345)	(7,737)
Increase in Loans to Life Policyholders		(4,218)	(2,254)
Increase in Reinsurance Receivables		(25,919)	(2,930)
Decrease in Dividend Receivable		-	386
Increase in Premium Receivables		(126,981)	(107,606)
Increase in Other Assets		(70,373)	(47,288)
		(235,836)	(167,429)
B. Change in Operating Liabilities			
Increase Other Liabilities		6,519	31,380
Increase Insurance Contract Liabilities - Non Life		83,851	84,985
Increase in life Insurance Fund		255,416	210,309
Increase in Reinsurance Creditors		38,597	13,473
		384,383	340,147
C. Decrease in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Period		124,343	184,235
Net Cash and Cash Equivalents at the beginning of the Period		(207,831)	(189,453)
Net Decrease in Cash and Cash Equivalents		(83,488)	(5,218)

Notes to the Interim Financial Statements

1 Figures in the Interim Financial Statements for the three months ended 31st March 2013 are provisional and unaudited.

2 These Interim Financial Statements of the Company have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2012 have been followed in preparation of these Interim Financial Statements. Comparative information has been re-valued/re-classified where necessary, to confirm to the current period recognition, measurement and presentation.

3 Financial Investments

	Company	
	Unaudited as at	Audited as at
	31 st Mar 2013 Rs. '000	31 st Dec 2012 Rs. '000
Held-to-maturity financial assets, at amortised cost	1,380,317	1,567,968
Loans and Receivables	3,306,229	2,747,869
Available-for-sale financial assets	910,743	973,680
Financial assets at fair value through profit or loss	422,328	414,349
	6,019,617	5,703,866

3 a) Financial Investments

	Life Insurance Fund	
	Unaudited as at	Audited as at
	31 st Mar 2013 Rs. '000	31 st Dec 2012 Rs. '000
Held-to-maturity financial assets, at amortised cost	1,059,996	1,223,283
Loans and Receivables	2,037,973	1,488,927
Available-for-sale financial assets	541,447	600,825
Financial assets at fair value through profit or loss	217,695	214,387
	3,857,111	3,527,422

4 LIFE POLICYHOLDER RESERVE FUND

Life Policyholder Reserve Fund includes the prior year impact of the implementation of new accounting standards w.e.f. 1st January 2012 and the Other Comprehensive Income in respect of Life Insurance related assets.

5 INSURANCE CONTRACT LIABILITIES - LIFE

Insurance Contract Liabilities - Life

	Unaudited	Audited
	as at	as at
	31 st Mar 2013 Rs. '000	31 st Dec 2012 Rs. '000
Life Insurance Fund (Note 5 a)	3,812,214	3,546,907
Claims Outstanding	69,441	79,332
	3,881,655	3,626,239

5 a) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at 1st January	3,546,907	2,990,998
Change in Contract Liabilities Life Fund		
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	265,307	721,132
Surplus Distributed to Shareholders	-	(165,223)
Increase in Life Insurance Fund	265,307	555,909
Balance at end of the period	3,812,214	3,546,907

5 b) Pending valuation of the Insurance Contract Liabilities - Life Fund by the Consultant Actuary for the period ended 31st March 2013. However an interim valuation will be carried out for the 6 months ended 30th June 2013.

Notes to the Interim Financial Statements (Contd.)

5 c) Liability Adequacy Test (LAT)

The Company has not done a Liability Adequacy Test (LAT) in respect of Insurance Contract Liabilities - Life Fund as required by SLFRS 4 - Insurance Contracts as at 31st March 2013. As stated in the Annual Report 2012, LAT will be performed annually.

6 INSURANCE CONTRACT LIABILITIES - NON LIFE

Insurance Contract Liabilities - Non - Life

	Unaudited as at 31 st Mar 2013 Rs. '000	Audited as at 31 st Dec 2012 Rs. '000
6 a) Reserves for Net Unearned Premium	741,119	675,644
Reserves for Title Insurance & Unexpired Risk Reserve	20,929	20,526
Reserves for Gross Outstanding Claims	242,324	273,273
Total	1,004,372	969,443

6 b) Pending valuation of the IBNR / IBNER by the Consultant Actuaries for the period ended 31st March 2013. However an interim valuation will be carried out for the 6 months ended 30th June 2013 by the Consultant Actuary.

6 c) Liability Adequacy Test (LAT)

The Company has not done a Liability Adequacy Test (LAT) in respect of Insurance Contract Liabilities - Non-Life Fund as required by SLFRS 4 - Insurance Contracts as at 31st March 2013. As stated in the Annual Report 2012, LAT will be performed annually.

7 GROSS WRITTEN PREMIUM

Year Ended 31 st Dec 2012 (Audited) Rs. '000	For the Three Months Ended	
	31 st March 2013 (Unaudited) Rs. '000	31 st March 2012 (Unaudited) Rs. '000
Non - Life Insurance		
294,479 Fire	76,103	64,249
1,204,174 Motor	313,820	315,495
23,727 Marine	6,033	5,904
188,824 Miscellaneous	102,762	96,838
<u>1,711,204</u> Non - Life Insurance Gross Written Premium	<u>498,718</u>	<u>482,486</u>
Life Insurance		
1,475,383 Individual Policies	419,776	336,198
24,645 Corporate Policies	4,854	4,687
<u>1,500,028</u> Life Insurance Gross Written Premium	<u>424,630</u>	<u>340,885</u>
<u>3,211,232</u> Total Gross Written Premium	<u>923,348</u>	<u>823,371</u>

8 INCOME FROM INVESTMENTS

Year Ended 31 st Dec 2012 (Audited) Rs. '000	For the Three Months Ended	
	31 st March 2013 (Unaudited) Rs. '000	31 st March 2012 (Unaudited) Rs. '000
641,379 Interest Income	185,492	138,305
13,205 Dividend Income	3,943	5,622
<u>654,584</u> Total	<u>189,435</u>	<u>143,927</u>

9 INCOME TAX EXPENSE

The Company is liable to pay income tax at the rate of 28% (2012 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

10 EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Year Ended 31 st Dec 2012 (Audited) Rs. '000		For the Three Months Ended	
		31 st March 2013 (Unaudited) Rs. '000	31 st March 2012 (Unaudited and Restated) Rs. '000
351,140	Profit for the period	50,086	30,136
50,000	Weighted average number of shares	50,000	50,000
7.02	Earnings per share	1.00	0.60

11 RELATED PARTY DISCLOSURE

a) Transactions with the parent and Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction		For the Three Months Ended	
		31 st March 2013 (Unaudited) Rs. '000	31 st March 2012 (Unaudited and Restated) Rs. '000
Insurance Premium	Non - Life	1,566	5,976
	Life	4,016	4,145
Investment Income	Non - Life	1,220	2,149
	Life	2,512	3,896
Administration Expenses	Non - Life	23,176	16,439
	Life	9,200	7,866
Claims Incurred	Non - Life	1,764	1,312
Rent and other Expenses		11,104	9,037

Nature of Transaction		Balance as at	
		31 st March 2013 (Unaudited) Rs. '000	31 st Dec 2012 (Audited) Rs. '000
Investments Balance (Includes Deposits and Debentures)	Non - Life	98,832	99,000
	Life	53,061	52,875
Cash at Bank Balances	Non - Life	60,205	54,936
	Life	56,742	51,474

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2012.

Notes to the Interim Financial Statements (Contd.)

12 EVENTS OCCURRING AFTER THE REPORTING DATE

Mr. Rajendra Theagarajah, Managing Director/Chief Executive Officer of Hatton National Bank PLC will be resigning from its Board with effect from 30th June 2013. He has already resigned from the HNB Assurance PLC Board w.e.f. 1st May 2013. Therefore he will cease to be a Key Management Person of the Company w.e.f. 30th June 2013.

Except for the above mentioned event, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Interim Financial Statements.

13 CAPITAL COMMITMENTS AND CONTINGENCIES

a) As at the end of the interim period, no material capital expenditure approved by the Board and contracted for which no provision has been made in the Interim Financial Statements. (as at 31st December 2012 - Nil)

b) Future commitments on operating leases

	As at 31 st Mar 2013 (Unaudited) Rs. '000	As at 31 st Mar 2012 (Unaudited) Rs. '000
Less than one year	31,438	18,255
Between one and five years	32,949	36,522
More than five years	10,181	1,136
Total Operating Lease Commitments	<u>74,568</u>	<u>55,913</u>

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.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31 st March 2013	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
02 Mercantile Merchant Bank Ltd	4,068,435	8.14%
03 Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00%
04 Bank of Ceylon A/c Ceybank Century Growth Fund	664,822	1.33%
05 Mr.Mohamed Faizer Hashim	525,386	1.05%
06 Employees Trust Fund Board	375,494	0.75%
07 Union Assurance PLC/No. 1 A/c	336,266	0.67%
08 Phoenix Ventures Ltd	325,289	0.65%
09 Pershing LLC S/A Averbach Grauson & Co.	300,000	0.60%
10 Corporate Holdings (Pvt.) Ltd.	242,700	0.49%
11 Deutsche Bank AG-Comtrust Equity Fund	195,500	0.39%
12 Malship Ceylon Ltd.	186,345	0.37%
13 Mr.Krishan Niraj Jayasekara Balendra	184,732	0.37%
14 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	180,772	0.36%
15 National Development Bank PLC / Mr.Rajaratnam Senathirajah	156,400	0.31%
16 Life Insurance Corporation (Lanka) Ltd.	149,967	0.30%
17 Mr.Sithampalam Abishek	137,666	0.28%
18 Mrs.Noorul Imthiyaz Hashim	136,820	0.27%
19 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	120,000	0.24%
20 Mr. Laveendrakumar Kunjithapatham	111,632	0.22%
	<u>40,391,226</u>	<u>80.78%</u>

Public Shareholding

	As at 31 st March 2013	
	No. of Shares	% on Issued Shares
Number of Shares	19,931,238	39.86

Directors' Shareholdings

Name of the Director	No. of Shares as at 31 st March 2013
Dr. Ranee Jayamaha - (Chairperson)	100
Mr. Manjula de Silva - (Managing Director / Chief Executive Officer)	38,332
Mr. R Theagarajah	8,332
Mr. M U de Silva	3,000
Mr. Pratapkumar de Silva	1,332
Mr. Sarath Ratwatte	14,666
Mr. J A P M Jayasekera	Nil
Mr. A J Alles	Nil
Mr. K Balasundaram	10,000

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 March 2013	35.79
Highest Price Per Share for the Interim Period	54.00
Lowest Price Per Share for the Interim Period	47.50
Last traded Price Per Share as at 31st March 2013	47.80

