STATEMENT OF RECOMMENDED PRACTICE

INSURANCE CONTRACTS

**The Institute of
Chartered Accountants
of Sri Lanka**

Statement of Recommended Practice

INSURANCE CONTRACTS

Contents

STATEMENT OF RECOMMENDED PRACTICE INSURANCE CONTRACTS

Need for a Statement of Recommended Practice for Insurance Contracts

The Sri Lanka Accounting Standards (SLASs) are largely based on the International Accounting Standards (lASs). However, in respect of the insurance industry the International Accounting Standards Board (lASB) has just completed phase I of the project of developing a standard on Insurance Contracts.

In the interim, in response to the request from the Insurance Board of Sri Lanka, the Statutory Accounting Standards Committee of the ICASL, identified a need for a Statement of Recommended Practice for Insurance Contracts because:

- the insurance industry is fast developing in Sri Lanka and is increasingly becoming international;
- there is currently great diversity in accounting practices among insurers, with insurance industry accounting practices differing within the same country as well as globally;
- certain existing lASs and SLASs adopted contain specific scope exclusion clauses on insurance contracts; and
- the existence of a statement may assist insurance supervisors in their efforts to approach certain aspects of insurance regulations, both under the Regulation of Insurance Industry Act No. 43 of 2000 and otherwise.

Objective

The objective of this SoRP is to specify the manner of accounting for Insurance Contracts in order to narrow the range of accounting practices, and to prescribe the basis of presentation of general purpose financial statements of entities that undertake insurance or reinsurance activities, thereby enhancing the usefulness of published accounting information.

General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet the specific information needs. General purpose financial statements include those that are presented separately or within another public document such as an annual report or a prospectus.

In the event of a conflict between this Statement and any other Standard, pertaining to insurance contracts, the requirements of this Statement prevails.

Scope

1. Insurance Contracts can be split broadly into two main types: Life (Long Term) Insurance Contracts and Non-Life (General) Insurance Contracts. This Statement deals with both types of insurance contracts as well as Reinsurance Contracts.

   Insurance Contract - a contract under which one party (the insurer) accepts significant insurance risk by agreeing with another party (the policyholder) to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

Reinsurance Contract - an insurance contract issued by one insurer (the reinsurer) to indemnify another insurer (the cedent) against losses on an insurance contract issued by one cedent.

2. A contract that qualifies as an insurance contract at inception remains an insurance contract until all rights and obligations are extinguished or expired (even if a significant change in the present value of the insurer's net cash flows is no longer a reasonable possibility).

3. If a contract does not qualify as an insurance contract at inception, it should be subsequently reclassified as an insurance contract if and only if, a significant change in the present value of the Insurer's net cash flow or exposure to liability becomes a reasonable possibility.

4. This statement is applicable to all entities authorised under the Regulation of Insurance Industry Act. No.43 of 2000, to carry on insurance including reinsurance business in or from Sri Lanka.

Scope Exclusions.

5. Although the following items arise under contracts that may meet the definition of an insurance contract, they should be excluded from the scope of the Statement:

   a. financial guarantees (including credit insurance) measured at fair value;

   b. product warranties issued directly by a manufacturer, dealer or retailer;

   c. employers' assets and liabilities under employee benefit' plans (including equity compensation plans);

   d. retirement benefit obligations reported by defined benefit, retirement benefit plans;

   e. contingent consideration payable or receivable in a business combination; and

   f. contractual rights or contractual obligations that are contingent on the future use of, or right to use a non-financial item (for example, certain licence fees, royalties, lease payments and similar items).

6. Persons performing in the capacity of insurance intermediaries.

7. Aspects of accounting by the insurance policy holders.

8. Special purpose financial reports (e.g. computations prepared for regulatory or taxation purposes)

9. Accounting for self insurance (Self Insurance is an entity's decision not to transfer to an insurer a risk, that could have been covered by an insurer).

10. Accounting for other assets and liabilities of an insurer, such as financial assets and financial liabilities.

Definitions

11. The following definitions apply in this Statement of Recommended Practice:

Acquisition Costs

Non Life Insurance Business - all expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts.

Life Insurance Business - all expenses which vary with, and are primarily related to, the acquisition of new insurance contracts.

Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance, including in particular staff costs and depreciation provisions in respect of property/ plant.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Amortised Cost

The purchase price of a redeemable debt security or other fixed income security adjusted by any increase or decrease in value representing the proportion of any difference between the purchase price and the final redemption proceeds of the investment having regard to the period for which the investment has been held and the period remaining until the redemption date, or the assumed redemption date where a range of such dates exists.

Annual Basis of Accounting

A basis of accounting for Non Life Insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period (including the anticipation of losses arising on cover to be provided in subsequent periods in respect of commitments entered into prior to the end of the accounting period) and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Annuity

A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an Annuitant. A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Beneficiary

A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Claim

The amount payable under a contract of insurance arising from the occurrence of an insured event.

Claims Incurred

A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims Incurred But Not Reported

Claims arising out of events which have occurred by the balance sheet date but have not been reported to the insurer at that date.

Claims Outstanding - Non Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date. including IBNR claims and claims handling expenses, less amounts already paid in respect of those claims.

Claims Outstanding - Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the balance sheet date being the sums due to eneficiaries together with claims handling expenses, less amounts already paid in respect of those claims

Coinsurance

An arrangement whereby two or more insurance undertakings enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

Commissions

A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Deferred Acquisition Costs - Non Life Insurance Business

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.

Deferred Acquisition Costs - Life Insurance Business

Acquisition costs relating to contracts in-force at the balance sheet date. which are carried forward from one accounting period to subsequent accounting periods in the expectation that they will be recoverable out of future margins within insurance contracts after providing for contractual liabilities.

Deferred Annual Basis of Accounting

A method of accounting for non life insurance business whereby the recognition of any underwriting profit attaching to an accounting period is postponed until the immediately following accounting period. (This Statement recommends that the deferred annual basis of accounting should not be used)

Fund Basis of Accounting

A method of accounting for non life insurance business whereby premiums, claims and associated expenses are related to the underwriting year in which the. policies incept and the recognition of any underwriting profits is deferred until a subsequent accounting period but provision is made for losses as soon as they are foreseen.

Gross Premium Valuation

A form of actuarial valuation of liabilities arising under life insurance contracts where the premium brought into account is the full premium payable under the contract. The method values explicitly liabilities in respect of future renewal expenses and (for with-profits business) future bonus additions, unlike the net premium method (as defined) where allowance for these factors is implicit. For linked business, allowance may be made for the purchase of future units required by the contract terms and credit is taken for future charges permitted under those terms.

Inception of Risk

In relation to Non Life Insurance Business the time at which the period of cover commences under a policy or contract of insurance. For this purpose a policy or contract providing continuing open cover is deemed to commence on each anniversary date of the contract.

Insurance Risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Investment Return

Investment Return comprises all investment income, realised investment gains and losses and movements in unrealised investment gains and losses. It also includes investment expenses and charges and, if appropriate, interest payable.

Insurance Provision - Life

The fund or funds maintained by an insurer in respect of its Life Insurance Business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Insurance Provision - Non Life

This usually relates to Non Life Insurance Business and is the proportion of gross written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods.

Linked Business

Life Insurance Business where the benefits payable to policyholders are wholly or partly to be determined by reference to the value of or the income from property of any description or by reference to fluctuations, in, or in an index of, the value of property of any description.

Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long Term Insurance Business under the Regulation of Insurance Industry Act No.43 of 2000.

Longer Term Rate of Investment Return

The longer term rate of investment return is an estimate of the long term trend investment return for the relevant category of investments having regard to past performa"ce, current trends and future expectations.

Maturity

The time at which the survival benefits accruing under life assurance policy or the proceeds of another investment become payable at the end of its term.

Net Combined Ratio - Non Life

This indicates the profitability of the insurer's operations by combining the Net Loss Ratio with Net Expense Ratio. The combined ratio does not take account of investment income.

Net Earned Premium

In the case of Non Life Insurance Business, Net Earned Premium is the proportion of written premiums (including where relevant those of prior accounting periods) attributable to the risks borne, net of premiums ceded to reinsurance.

Net Expense Ratio - Non Life

A formula used by insurance companies to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff, selling and operating expenses)

Net Loss Ratio - Non Life

A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurance)

Net Premium Method

A form of actuarial valuation of liabilities arising under life insurance contracts where the premium brought into account is that which, on the valuation assumptions regarding interest, mortality and disability, will exactly provide for the benefits payable under the policy excluding any additions for future profits, expenses or other charges. A variation of the net premium method involves Zi/merisation.

Non Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as General Insurance Business, under the Regulation of Insurance Industry Act. No .43 of 2000.

Non - Participating Business

Life insurance business where policy holders are not entitled to share in the surplus of the relevant life fund

Non-Proportional Reinsurance

Contracts of reinsurance whereby the re-insurer accepts the whole or a proportion of the liability for an individual claim or group of claims incurred by the cedent in excess of an agreed amount, normally also subject to an upper-limit.

Operating Profit

This is the profit generated by transacting non life insurance (general insurance) business after taking into account the investment income, net capital gains and other income.

Participating Business

Life insurance business where policyholders are contractually entitled to share in the surplus of the relevant life fund

Pipeline Premiums

Premium written but not reported to the undertaking by the balance sheet date.

Policy Loans

A loan from the insurer to a policyholder on the security of the surrender value of a life assurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loan.

Portfolio Claims Payments

Amounts payable by one insurance undertaking to another in consideration of a contract whereby the latter agrees to assume responsibility for the unpaid claims incurred by the former prior to a date specified in the contract.

Portfolio Premiums Payments

Amounts payable by an insurer to another insurer in consideration of a contract whereby the latter agrees to assume responsibility for the claims arising on a portfolio of in -force business writte by the former from a future date until the expiry of the policies.

Present Value of In-Force Business (PVIF)

The net value of the shareholders' interest in the expected after tax cash flows from life insurance business, on the assumption that all assets backing the business will be distributed over time to in-force policyholders and/or shareholders. The calculation PVIF should allow for uncertainties associated with the assessment of future cash flows, as well as for the time value of money. P VIF includes both the shareholders' interest which is expected to arise in the form of cash flows over the lifetime of current in-force contracts and the interest in the surplus assets which, in practice, is not expected to be distributed over this period PVIF may arise from the acquisition of a portfolio of a life insurance business or may be internally generated.

Proportional Reinsurance

A contract of reinsurance under which, in return for a proportion of the original premium, the reinsurer accepts liability for the same proportion of each related claim against the cedent.

Realised Investment Gains/Losses

a For investments included in the financial statements at fair value. the difference between the net proceeds on disposal and their purchase price.

b For investments included at amortised cost, the difference between the net proceeds on disposal and the latest carrying value. (or if acquired after the last balance sheet date the purchase price)

Reinsurance

An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance Ceding/Selection Commission

Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance Inwards

The acceptance of risks under a contract of reinsurance.

Reinsurance Outwards

The placing of risks under a contract of reinsurance.

Reinsurance Profit Commission

Commission received or receivable by the cedent (reinsured) from the reinusrer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retrocession

The reinsurance outwards of risks previously accepted by an insurer as reinsurance inwards. The recipient is known as the retrocessionaire. Reference in this Statement to reinsurance include retrocession.

Run off Deviation

For Non Life Insurance Business the difference (before any reduction in respect of discounting) between the claims provisions made at the beginning of the accounting period for outstanding claims incurred in the previous accounting periods and the payments made during the accounting period on account of claims incurred in previous accounting periods and the claims provision at the end of the accounting period for such outstanding claims.

Sales Proceeds of Investments

The consideration for the sale of investments after deducting the related costs of sale. In the case of interest bearing securities, the consideration should exclude any interest accrued at the date of sale.

Solvency Margin - Life

The difference between the value of assets and value of liabilities. required to be maintained by the insurer who carries on Life insurance business(Long Term Insurance) as defined in Solvency Margin (Long Term Insurance) Rules, 2002 made under section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

Solvency Margin - Non Life

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on Non Life Insurance Business (General Insurance) as defined in Solvency Margin (General Insurance) Rules 2004 made under section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

Structured Settlements

Arrangements by consent between the parties concerned or under a court order whereby damages in the form of lump sum are replaced by a smaller lump sum and a series of periodic payments.

Surrender Value

The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in Life Insurance)

Underwriting Profit

The underwriting result generated by transacting Non Life Insurance Business. without taking into account the investment income.

Underwriting Result

This is the technical profit generated by transacting non life insurance business (general business) without taking into account the investment income and other non technical income and expenses.

Unexpired Risks Reserve

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred) and any premiums receivable under those contracts.

Unrealised Investments Gains/Losses

The difference between the fair value at the balance sheet date of investments held on that date and their purchase price. Movements in unrealised gains/losses comprise, the increase/ decrease in the accounting period in the value of investments held at the balance sheet date and the reversal of unrealised investment gains/losses recognised in earlier accounting periods in respect of investment disposals of the current period.

Written Premiums - Non Life Insurance Business

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis of accounting, these are premium on contracts entered into during the accounting period and adjust, ments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods. Under the fund basis, the premium are those in respect of contracts incepting in the underwriting year in question.

Written Premiums - Life Insurance Business

Premium, to which tm insurer is contractually entitled and received in the accounting period

Zilmerisation

A variation of the net premium method which increases the future premiums valued to take account of acquisition costs incurred.

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Basic Recognition & Measurement Principles

12. Single Entity Reporting Principle

The insurer, comprising both policyholder and shareholder interests, is a single reporting entity which would prepare a single set of financial statements. In consequence:

(a) the insurer's financial statements should include the assets, liabilities, income and expenses of any separate statutory funds associated with its insurance contracts;

(b) the effect of transactions between separate policy holder funds of an insurer should not be recognised in the financial statements as assets, liabilities, income or expenses. Income and expenses from transactions between policyholder funds and shareholder funds should be eliminated. However, where such transactions affect the relative interests of policyholders and shareholders in the assets held in the respective funds, the effect of such transactions should not be eliminated in determining the balance sheet effect; and

(c) any transaction that affects the share holders should be adjusted in the Non Life business column.

13. Basis of Accounting

Annual Basis

Under writing results, should be determined on an annual basis except where, because of the nature of particular insurance business, information about premiums receivable or claims payable for an underwriting year is insufficient for reliable estimates to be made.

Fund Basis

Use of the fund basis should be restricted to circumstances where the directors are satisfied that the annual basis is inappropriate in the particular circumstances of the class of business concerned.

Deferred Annual Basis

The deferred annual basis should not be used.

14. Premiums

Non Life Insurance Business

Written premiums comprise the amount payable by the insured to which the insurer is. contractually entitled. There could be arrangements in non life insurance business, for premiums to be remitted by intermediaries on a net of commission basis. Where the insurer is contractually entitled to the gross amount of the premium, grossing up should be applied.

Written premiums should comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period together with any adjustments arising in the accounting period to such premiums receivable in respect of business written in prior accounting periods. Written premiums should include an estimate of pipeline premiums.

Where an insurance undertaking accounts for renewal premiums before contractual confirmation by insureds, a provision for anticipated lapses should be established.

If written premiums are subject to reduction, an adjustment for such a reduction should be made as soon as it is foreseen. Where written premiums are subject to an increase retrospectively, recognition of potential increase should be deferred until the additional amount can be ascertained with reasonable certainty.

Written premiums should be recognised as earned income over the period of the policy having regard to the incidence of risk. Time appropriation is normally appropriate unless there is a marked unevenness in the incidence of risk over the period of cover, in which case, a basis which reflects the profile of risk should be used.

Life Insurance Business

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. Moreover, for single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment type contracts such as unit-linked and unitised with-profits contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees are recognised over the estimated life of the contracts. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

15. Claims

Non Life Insurance Business

Provision should be made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. If a liability is known to exist but there is uncertainty as to its eventual amount, a provision should nevertheless be made.

The provision should be sufficient at all times to cover any liabilities arising out of insurance contracts so for as can reasonably be foreseen.

In determining the sufficiency of evidence and the ability to measure claims costs, an insurance undertaking should take all reasonable steps to ensure that it has appropriate information with regard to its claims exposures.

The provision should be assessed having regard to the range of uncertainty as to the eventual outcome. A degree of caution will be necessary in the exercising of judgement, so that the liability may not be understated.

The provision for gross outstanding claims should be disclosed in the financial statements. The amount expected to be recoverable under reinsurance arrangements in respect of claims incurred should be recognised separately in the balance sheet as an asset.

Life Insurance Business

Claims/Benefits in respect of Life Insurance arises on maturity, surrenders, accidents, disability and health related covers etc.

Claims payable on maturity should be accounted for when the claims become due for payment and claims payable on death, becomes due for payment on notification.

Surrenders should be included within claims incurred and accounted for either when paid or at the earlier date of which, following notification, the policy ceases.

16. Reinsurance

A Reinsurance Contract is an insurance contract issued by one insurer (the reinsurer) to indemnify another insurer (the cedent) against losses on insurance contracts issued by the cedent.

It is common for insurers to reinsure a portion of the risks that they accept. To secure reinsurance cover, the insurer passes on a portion of the premiums received from those insured. This is usually done using reinsurance treaties under which the direct (or ceding) insurer typically agrees to pass on to a reinsurer a specified portion of the risks and premiums for a particular type of business that it underwrites over a specified period. This is known as treaty reinsurance. Reinsurance arrangements are also made in relation to individual risk (rather than the whole class of business) on an ad-hoc basis. This is typically known as facultative reinsurance.

Under reinsurance arrangements, the insurer may cede risk and premium to the reinsurer on a proportional basis. Alternatively the risks and premiums maybe ceded on a non-proportional basis, such as for excess of loss reinsurance which indemnifies the direct insurer against losses above a specified level on a specified range of business.

A reinsurance contract creates new assets (e.g. a right to reinsurance recoveries) and liabilities (e.g. an obligation to pay premiums for the reinsurance) in the financial statements of the cedent. Similarly, it creates new assets (e.g. right to receive premiums) and liabilities (e.g. an obligation to pay in full or portion of claims (as agreed) in the financial statements of the reinsurer.

Premium on outward reinsurance relating to a specific risk would be accounted for in the same accounting period as the premiums for the related direct insurance or inward reinsurance business being reinsured, and would be recorded before deduction of acquisition cost. Similarly outward reinsurance premiums relating to a specific accounting period would be accounted for in the same accounting period.

The direct reinsurer should account for direct insurance and reinsurance transactions on a gross basis, so that the extent and effectiveness of the reinsurance arrangements are apparent. Premiums ceded to reinsurers (outwards) is deducted from Gross Written Premiums in arriving at the Net Written Premium. Reinsurance recoveries received or receivable in respect of the reporting period from reinsurers should be recognised by the direct insurer as revenue or as an asset, and not netted-off against claims or outward reinsurance premium.

17. Acquisition Costs

Acquisition Costs are incurred in obtaining & recording policies of insurance. They include commissions or brokerage paid to agents or brokers for obtaining business for the insurer

Because such costs are usually incurred at acquisition, whilst the pattern of earnings occurs throughout the policy periods, which may extend beyond the reporting date, those acquisition costs which lead to the obtaining of future benefits for the insurer, is generally recognised as assets. The amount of acquisition costs recognised as assets should be amortised over the reporting periods expected to benefit from the expenditure.

18. Deferred Acquisition Cost

Acquisition cost, which has been recognised as an asset, is generally amortised systematically over the reporting periods expected to benefit from the acquisition costs incurred. If the expected recoverable amount is less than that shown in the Balance Sheet as an assset, the reduction is charged immediately in the Income Statement and the carrying amount of the asset is brought down to the amount recoverable. This also includes Reinsurance Commission Income, which is treated in a similar manner.

19. Investments

Classification

The debt and equity securities / investments can be categorized as follows;

a) financial assets at fair value through profit or loss

b) held-to-maturity investments

c) available-for-sale assets

The classification is to be dependent on the purpose for which investments are, acquired and is determined at the time of acquisition.

A financial asset at fair value through profit or loss, is a financial asset that meets either of the following conditions;

a) it is classified as held for trading. A financial asset is classified as held for trading if it is:

   i acquired or incurred principally for the purpose of selling or repurchasing it in the near future;

   i part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of shortterm profit taking; or

   i a derivative (except for a derivative that is a designated and effective hedging instrument)

b) upon initial recognition it is designated by the entity as, at fair value thorough profit or loss. Any financial asset or financial liability may be designated when initially recognised as a financial asset as fair value through profit or loss except, for investments in equity investments that do not have a market price in an active market, and whose fair value cannot be reliably measured.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that an entity has the positive intention and ability to hold to maturity, other than ;

a) those that the entity upon initial recognition designates as fair value through profit or loss; and

b) those that the entity designates as available-for-sale;

An entity shall not classify any financial assets as held-to-maturity if the entity has, during the current financial year or during the two preceding financial years, sold or re-classified more than an insignificant amount of the held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held- to-maturity investments) other than sales or reclassifications that;

I are so close to maturity or the financial assets call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial assets fair value;

I occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or pre-payments; or

III. are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Initial Measurement

The fair value of a financial assets on initial recognition is normally the transaction price.(i.e. the fair value of the consideration given or received)

Subsequent Measurement

After, initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets.

a) held-to-maturity investments, which shall be measured at amortised cost using the effective interest method; and

b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

Gains and Losses

Gains and losses arising from a change in the fair value of a financial asset that is not part of a hedging relationship shall be recognised as follows;

a) a gain or loss on a financial asset designated as fair value through profit or loss, shall be recognised in the profit and loss account/income statement;

b) a gain or loss on an a vailable-for-sale financial asset shall be recognised directly in equity, through the Statement of Changes in Equity, except:

  - for impairment losses and foreign exchange gains and losses,until the financial asset is de-recognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in equity shall be recognised in the profit and loss account/income statement;

  - interest calculated using the effective interest method is recognised in the profit and loss accountant/income statement;

  - dividend on an a vailable-for-sale equity instrument is recognised in the profit and loss account/income statement when the entity's right to receive payment is established.

For financial assets carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is de-recognised or impaired and through the amortisation process,

20.Consolidation

Users of financial statements of a parent are usually concerned with, and need to be informed about the financial position, results of operations and cash flows of the Group as a whole. This need is served by Consolidated Financial Statements, which presents financial information about the Group as that of a single enterprise, without regard for the legal boundaries of separate legal entities.

The consolidated financial statements include all enterprises that are controlled by other than those subsidiaries, where:

- control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; or

- it operates under severe long-term restrictions which significantly impairs its ability to transfer funds to the parent.

21. Disclosure

An insurer shall disclose information that identifies and explains the amounts in its Balance Sheet and Income Statement that arises from Insurance Contracts.

To comply with the above, an insurer shall disclose:

a. its accounting policies for insurance contracts and related assets, liabilities, income and expenses;

b. the material amounts of assets, liabilities, income, expenses and cash flows arising from insurance contracts;

c. the process used to determine the assumptions that have the greatest effect on the measurement of these amounts and when practicable give quantified disclosures of those assumptions;

d. the effects of changes in assumptions used to measure insurance assets and liabilities showing separately the effect of each change that has a material effect on the financial statements;

e. material changes in insurance liabilities, reinsurance assets and if any deferred acquisition costs.

22. Effective Date

This Statement of Recommended Practice becomes operative for annual financial statements covering periods beginning on or after 15st January 2004. Earlier application is encouraged.

The Illustrative General Purpose Financial Statements represented in Appendix A, maybe used as a guide.

APPENDIX A

ILLUSTRATIVE GENERAL PURPOSE FINANCIA STATEMENTS

CONSOLlDA TED BALANCE SHEET
AS AT 31ST DECEMBER 20X2

		Group		Company	
	Notes				
Assets		20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X1 (Rs. 000)
Investments	(2)				
Held for trading		xx	xx	xx	xx
Held-to-maturity		xx	xx	xx	xx
Available- for-sale		xx	xx	xx	xx
Intangible assets	(3)	xx	xx	xx	xx
Property plant and equipment	(4)	xx	xx	xx	xx
Policyholder, collateral and other loans(if material)		xx	xx	xx	xx
Investments in subsidiaries	(5)	-	-	xx	xx
Investments in associates	(6)	xx	xx	xx	xx
Reinsurance receivable		xx	xx	xx	xx
Premium receivable from policyholders		xx	xx	xx	xx
Premium receivables from agents, brokers and intermediaries		xx	xx	xx	xx
Other assets	(7)	xx	xx	xx	xx
Cash and cash equivalents	(8)	xx	xx	xx	xx
Total assets		**xx**	**xx**	**xx**	**xx**

Liabilities and shareholders' equity

Liabilities	Notes	Group 20X2 (Rs.000)	Group 20XI (Rs.000)	Company 20X2 (Rs.000)	Company 20XI (Rs.000)
Insurance provision - Life	(9)	xx	xx	xx	xx
Insurance provision - Non life	(10)	xx	xx	xx	xx
Obligation to repurchase securities	(11)	xx	xx	xx	xx
Deferred income taxes	(12)	xx	xx	xx	xx
Other liabilities	(13)	xx	xx	xx	xx
Interest bearing borrowings	(14)	xx	xx	xx	xx
Subordinated debt	(15)	xx	xx	xx	xx
Provision for retirement benefits	(16)	xx	xx	xx	xx
Total liabilities		xx	xx	xx	xx
Minority interests		xx	xx	xx	xx
Shareholders' equity					
Share capital	(17)	xx	xx	xx	xx
Capital reserve	(18)	xx	xx	xx	xx
Revenue reserves	(19)	xx	xx	xx	xx
Total shareholders' equity		xx	xx	xx	xx
Total liabilities and shareholders Equity		xx	xx	xx	xx

The notes to the consolidated financial statements are an integral part of these consolidated financial statements

BALANCE SHEET OF THE
LIFE INSURANCE FUND AS AT 31ST DECEMBER, 20X2

	20x2 (Rs.000)	20x1 (Rs.000)
Assets		
Investments	xx	xx
Held for trading	xx	xx
Held-to-maturity	xx	xx
Available-for-sale	xx	xx
Property, plant & equipment	xx	xx
....	xx	xx
....	xx	xx
Other assets	xx	xx
Cash & cash equivalents	xx	xx
Total Assets		
Liabilities		
Insurance provision - Life	xx	xx
Other liabilities	xx	xx
Reinsurance creditors	xx	xx
Policy holders payments	xx	xx
....	xx	xx
....	xx	xx
Total Liabilities	xx	xx

(Include Share Capital of Life Balance Sheet if / where applicable.)

The above Life Insurance Balance Sheet should be read in conjunction with the Consolidated Balance Sheet, Accounting policies and notes to the Accounts from pages... to ....

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31sT DECEMBER 20X2

	Notes	Group		Company	
		20X2 (Rs.000)	20XI (Rs.000)	20X2 (Rs.000)	20XI (Rs.000)
Revenues	(1)	xx	xx	xx	xx
Gross written premiums	(20)	xx	xx	xx	xx
Less: premiums ceded to reinsurers		(xx)	(xx)	(xx)	(xx)
Net written premiums		xx	xx	xx	xx
Net change in reserve for unearned premiums		xx	xx	xx	xx
Net earned premiums		xx	xx	xx	xx
Benefits and losses					
Insurance claims and benefits (net)	(21)	(xx)	(xx)	(xx)	(xx)
Underwriting and net acquisition costs (including reinsurance)		(xx)	(xx)	(xx)	(xx)
Other insurance related costs		(xx)	(xx)	(xx)	(xx)
....		(xx)	(xx)	(xx)	(xx)
....		(xx)	(xx)	(xx)	(xx)
Underwriting Results		xx	xx	xx	xx
Other Revenue					
Fee & commission income		xx	xx	xx	xx
Income from investments	(22)	xx	xx	xx	xx
Other income	(23)	xx	xx	xx	xx
Expenses					
Other operating, investment related ana admin. expenses	(24)	(xx)	(xx)	(xx)	(xx)
Amortisation of goodwill and intangible assets	(25)	(xx)	(xx)	(xx)	(xx)

	Notes	Group		Company	
		20X2	20XI	20X2	20XI
		(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Profit from operation	(26)	xx	xx	xx	xx
Interest expense	(27)	(xx)	(xx)	(xx)	(xx)
Profit before taxation		xx	xx	xx	xx
Income tax	(28)	(xx)	(xx)	(xx)	(xx)
Profit after taxation		xx	xx	xx	xx
Net income applicable to minority interests		(xx)	(xx)	-	-
Net Profit for the Year		xx	xx	xx	xx
Basic earnings per share	(29)	xx	xx	xx	xx
Diluted earnings per share	(30)	xx	xx	xx	xx

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31ST DECEMBER,20X2.

	Share Capital (Rs.000)	Share Premium (Rs.000)	Revaluation Reserve (Rs.000)	Translation Reserve (Rs.000)	Accumulatd Profit (Rs.000)	Total (Rs.000)
Balance as at 31 December 20X0	xx	xx	xx	(xx)	xx	xx
Changes in accounting policies	-	-	-	(xx)	xx	xx
Restated balance	xx	xx	xx	(xx)	xx	xx
Surplus of revaluation of properties	-	-	xx	-	-	xx
Deficit on revaluation of investments	-	-	(xx)	-	-	xx
Currency translation differences	-	-		(xx)	-	(xx)
Net gains or losses not recognised in the income statement	-	-	xx	(xx)	-	xx
Net profit for the period	-	-	-	xx	xx	xx
Dividends - interim	-	-	-	-	(xx)	(xx)
Issue of share capital	xx	xx	-	-	-	xx
Balance as at 31 December 20X1	xx	xx	xx	xx	xx	xx
Deficit of revaluation of properties	-	-	(xx)	-	-	(xx)
Surplus on revaluation of Investments	-	-	xx	-	-	xx
Currency translation differences	-	-	-	(xx)	-	(xx)
Net gains or losses not recognised in the income statement	-	-	(xx)	(xx)	-	(xx)
Net profit for the period	-	-	-	-	xx	xx
Dividends - interim	-	-	-	-	(xx)	(xx)
Balance as at 31 December 20X2	xx	xx	xx	(xx)	(xx)	xx

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 20X2

	Group		Company	
	20X2 (Rs.000)	20XI (Rs.000)	20X2 (Rs.000)	20XI (Rs.000)
Cash flows from operating activities				
Premia received from customers	xx	xx	xx	xx
Reinsurance premia paid	(xx)	(xx)	(xx)	(xx)
Claims paid	(xx)	(xx)	(xx)	(xx)
Reinsurance receipts in respects of claims	xx	xx	xx	xx
Cash received from long term funds	xx	xx	xx	xx
Cash paid to and on behalf of employees	(xx)	(xx)	(xx)	(xx)
Interest received	xx	xx	xx	xx
Dividends received	xx	xx	xx	xx
Interest paid	(xx)	(xx)	(xx)	(xx)
Other operating cash payments	(xx)	(xx)	(xx)	(xx)
Cash inflow from operating activities (Note A)	xx	xx	xx	xx
Interest paid	(xx)	(xx)	(xx)	(xx)
Dividends paid*	(xx)	(xx)	(xx)	(xx)
Income tax paid	(xx)	(xx)	(xx)	(xx)
Net cash from operating activities	**xx**	**xx**	**xx**	**xx**
Cash flows from investing activities				
Purchase of liquid investments (other than cash equivalents)	(xx)	(xx)	(xx)	(xx)
Purchase of other investments (other than cash equivalents)	(xx)	(xx)	(xx)	(xx)
Sale of liquid investments (other than cash equivalents)	xx	xx	xx	xx
Sale of other investments (other than cash equivalents)	xx	xx	xx	xx
Purchase of tangible assets	(xx)	(xx)	(xx)	(xx)
Net cash from investing activities	**(xx)**	**(xx)**	**(xx)**	**(xx)**
Net cash inflow. before financing	**xx**	**xx**	**xx**	**xx**
Cash flows from financing Activities				
Proceeds from issuance of share capital	xx	xx	xx	xx
Repayment of long-term loan	(xx)	(xx)	(xx)	(xx)
Net cash used in financing Activities	**(xx)**	**(xx)**	**(xx)**	**(xx)**
Increase in cash and cash Equivalents (Note B)	**xx**	**xx**	**xx**	**xx**

* This could also be shown as a financing cash flow.

Notes to the Cash Flow Statement

A. Reconciliation of Operating Profit with Cash Flow from Operating Activities

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Profit from operation	xx	xx	xx	xx
Depreciation charge	xx	xx	xx	xx
Increase in debtors	(xx)	(xx)	(xx)	(xx)
Increase in amount owed by long-term funds	(xx)	(xx)	(xx)	(xx)
Increase in unearned premiums	xx	xx	xx	xx
Increase in claims provisions	xx	xx	xx	xx
Increase in creditors	xx	xx	xx	xx
Cash flow from operating activities	**xx**	**xx**	**xx**	**xx**

B. Increase in Cash and Cash Equivalents	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Cash at bank and in hand and cash equivalents	xx	xx	xx	xx
Bank overdrafts	(xx)	(xx)	(xx)	(xx)
Net cash and cash equivalents for the current year	xx	xx	xx	xx
Net cash and cash equivalents for the previous year	xx	xx	xx	xx
Increase I (Decrease)	**xx**	**xx**	**xx**	**xx**

SCHEDULE OF INDUSTRY SEGMENT DATA

	Non life Insurance	Life Insurance	Reinsur	Asset -ance	Eimina Manag- ement	Total -tions
	(Rs,000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Gross written premiums	xx	xx	xx	-	-	xx
Less; premiums ceded to reinsurers	(xx)	(xx)	(xx)	-	-	(xx)
Net written premiums	xx	xx	xx	-	-	xx
Net change in reserves for unearned premiums	(xx)	-	(xx)	-	-	(xx)
Increase/decrease in unearned premiums	xx	xx	xx	-	-	xx
Net earned premiums	xx	xx	xx	-	-	xx
Inter-segment	xx	xx	xx	xx	xx	xx
Non life insurance losses and loss adjustment expenses	xx	-	-	-	-	xx
Increase in provision for life business	-	xx	-	-	-	xx
Life insurance benefits	-	xx	-	-	-	xx
	I					
Underwriting and policy acquisition costs	xx	xx	-	-	-	xx
Total benefits & losses	**xx**	**xx**	**xx**	-	-	**xx**
Underwriting Results	**-**	**xx**	**-**	**-**	**-**	**xx**
Fees & commission income	xx	xx	xx	xx	xx	xx
Income from investments	xx	xx	xx	xx	xx	xx
Other income	xx	xx	xx	xx	xx	xx
Other operating and administrative expenses	xx	xx	xx	xx	xx	xx
Amortisation of goodwill	xx	xx	xx	xx	xx	xx
Depreciation	xx	xx	xx	xx	xx	xx
Profit from operations	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
Interest expense	xx	xx	xx	xx	xx	xx
Profit before taxation	xx	xx	xx	xx	xx	xx

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

SCHEDULE OF INDUSTRY SEGMENT DATA

	Non life Insurance (Rs.000)	Life Insurance (Rs.000)	Reinsurance (Rs.000)	Asset Management (Rs.000)	Eliminations (Rs.000)	Total (Rs.000)
Net cash provided by/(used in) operating activities	xx	xx	xx	xx	xx	xx
Net cash provided by/(used in) investing activities	xx	xx	xx	xx	xx	xx
Net cash provided by/(used in) financing activities	xx	xx	xx	xx	xx	xx
Purchases of real estate held for own use, fixed assets, goodwill and intangible assets	xx	xx	xx	xx	xx	xx
At 31 December 20X2						
Financial assets at fair value through profit or loss (Held for trading)	xx	xx	xx	xx	xx	xx
Held-to-maturity	xx	xx	xx	xx	xx	xx
Available-for-sale	xx	xx	xx	xx	xx	xx
Total Investments	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
Total segment assets after consolidation of investments in affiliates	xx	xx	xx	xx	xx	xx
Total segment liabilities	xx	xx	xx	xx	xx	xx

The notes to the consolidated statements are an integral part of these consolidated financial statements

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below,

1. a. General

   ....Ltd., is a Company incorporated and domiciled in Sri Lanka. The Corporate information is given on page...........

   The consolidated financial statements of the Company for the year ended................ comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements were authorised for issue by the Directors on................

   ....Ltd., does not have an identifiable parent of its own.

   b. Statement of Compliance

   The financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLASs) and the Statement of Recommended Practice for Insurance Contracts (SoRP), adopted by the Institute of Chartered Accountants of Sri Lanka.

   c. Basis of Preparation.

   The financial statements of the Group are presented in Sri Lanka rupees and prepared on the historical cost basis except that land and certain s hort term investments are stated at fair value as explained in Note....... to the financial statements. The Accounting Policies are consistent with those used in the previous year.

   The Company Balance Sheet represents the assets, liabilities and equity of the shareholders. The Consolidated Balance Sheet includes the assets and liabilities of the Company and ....Ltd., and.................Ltd., it's subsidiaries. The Life Insurance Balance Sheet represents assets and liabilities of the Life Insurance Fund.

   The Statement of Income reflects the results of underwriting, investment & other income, of the shareholders. The results of..........Ltd., &....... ...Ltd., (the subsidiaries) are also included in the Consolidated Statement of Income.

   d. Basis of Consolidation

   Subsidiaries

   Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

   The total subsidiary company results for the year are included in the Consolidated Income Statement. The total classified as "Minority Interest" in the Consolidated Income Statement represepts the portion of the consolidated profit after taxation of the subsidiary companies applicable to the non-group shareholders.

   The assets and liabilities of the subsidiary companies as at the balance sheet date are included in the Group Balance Sheet The proportionate interest of the non-group shareholders in the consolidated net assets of such subsidiaries is disclosed as "Minority Interest" in the Consolidated Balance Sheet.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The Consolidated Financial Statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Joint Ventures

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements.

e. Goodwill

Goodwill arising on an acquisition represents the excess of the purchase price over the fair value of the net identifiable assets acquired.

f Discontinued Operation

A business is classified as a discontinued operation, if it is clearly distinguishable, has a material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale completed or if a termination, its former activities have ceased permanently prior to the approval of these financial statements.

The results of companies in which operations are discontinued are consolidated up to the date of discontinuation.

Full provision has been made for the carrying value of investments and advances made to such companies to recognise the permanent diminution in their values.

g. Segment Reporting

Segmental information is based on industry segments reflecting the Group's management structure. Segmentation has been determined based on the activities of the companies or sectors into which the products or services are sold.

Inter-segment transfers are based on fair market prices.

The Group's insurance and other activities are located in Sri Lanka. The overseas companies are principally involved in marketing and distribution. Consequently, assets and liabilities by geographic region are considered not material to be disclosed.

h. Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

Financial Statements of foreign operations

The Group's foreign operations are not considered as an integral part of the Company's operations. Accordingly, revenue and expenses of foreign operations are translated into rupees at average exchange rates and assets and liabilities are translated at the exchange rates ruling at the balance sheet date.

Foreign exchange differences arising on translation are recognised directly in equity.

2. Assets and bases of their valuation

a. Freehold Assets

The property, plant and equipment is stated at cost or valuation less accumulated depreciation. A revaluation of property, plant & equipment is done when there is a substantial distinction between the fair value (market value) and the book value. Thereafter it is revalued as required by the SLAS 18, Property, Plant & Equipment. The revaluation is carried out by a professionally qualified valuer.

The cost of Property, Plant & Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

b. Leasehold Assets

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the fair value and the present value of minimum lease payments at the inception less accumulated depreciation and the resulting lease obligation is included in interest bearing borrowings net of finance charges. Lease payments are treated as consisting of capital and interest elements and the interest is recognised in the Income Statement.

Assets held under finance leases are amortised over the estimated useful lives unless ownership is not transferred at the end of the lease period. In such cases the assets are amortised over the shorter of lease term or their useful lives.

Rentals on operating leases are recognised in the Income Statement in the year in which they relate.

c. Depreciation

Freehold land is not depreciated. Depreciation is charged on all other property, plant & equipment on the straight line basis to write-off the cost/valuation over the estimated useful lives as follows,

		Years
Freehold		
	Buildings	xx-xx
	Machinery	xx-xx
	Stores Equipment	xx-xx
	Motor Vehicles	xx-xx
	Furniture, Fittings & Office Equipment	xx-xx
Leasehold		over the lease period

A full year's depreciation is provided on fixed assets purchased during the year and depreciation is not charged in the year of disposal.

d. Investment Property

Investment Property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment Property is treated as a long-term investment and is initially recognised at cost. Subsequent to the initial recognition, Investment Properties are recognised at Fair Value. A gain/loss arising trom a change in the fair value, should be included in the Income Statement for the period in which it relates.

e. Intangible Assets

Research & Development

Expenditure on development activities is capitalised if the product or process developed is technically and commercially feasible and the Group has sufficient resources to complete development. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in the Income Statement on a systematic basis over XX years to reflect the pattern in which the related economic benefits are recognised. Research and other development expenditure is recognised in the Income Statement in the year it is incurred.

Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Amortisation is charged to the Income statement on a systematic basis over XX years. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits.

f Investments

The Company classifies its investments in debt and equity securities into the following categories: held for trading; held-to-maturity; and available-for-sale. The classification is to be dependent on the purpose for which investments are acquired and is determined at the time of acquisition. Management determines the classification of its investments at the time of purchase and reevaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as Held for trading. Investments with a fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an inde finite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-far-sale.

Purchases and sales of investments are recognised on the Trade Date (alternatively the Settlement Date, if so change the note accordingly) which is the date that the Company commits to purchase or sell the asset/investment. The investment is initially recognised at fair value, which is normally the Transaction Price. All investments are subsequently measured at fair value, except for held-to-maturity investments which are measured at amortised cost using the effective interest method and equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which is measured at cost.

The realised and unrealised gains and losses arising from the changes in the fair value of financial assets held-for-trading is recognised in the income statement, while available-for-sale financial assets are recognised directly in equity. Further, financial assets carried at amortised cost are recognised in the income statement, when the financial assets are derecognised or impaired and through the amortisation process.

g. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is determined on a weighted average basis.

h. Cash & Cash Equivalents

Comprises of cash in hand, other highly liquid investments and bank overdrafts. In the balance sheet, bank overdrafts are included in interest bearing borrowings.

i Trade & Other Receivables

Trade and other receivables are stated at their estimated realisable amounts.

3. Liabilities and Provisions

All known liabilities have been accounted for in preparing the financial statements.

a. Provision for Taxation

Income tax on profit or loss for the year comprises current and deferred tax and is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance s heet date and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet Liability Method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

b. Trade and Other Payables

Trade and other payables are stated at their cost.

c. Provisions (excluding Insurance Contracts)

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, except for insurance related contracts.

d. Events after the Balance Sheet Date

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

e. Capital Commitments & Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the financial statements.

f. Retiring Benefits

Defined Benefit Plans

Provision has been made for retirement gratuities trom the first year of service for all employees in conformity with SLAS 16. However under the Payment of Gratuities Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Provision is externally funded and covers all employees of the Company / Group.

An Actuarial valuation is carried out annually.

Defined Contribution Plans

Obligations for contributions to provident & trust funds covering all employees are recognised as an expense in the income statement as incurred.

g. Govrrnment Grants relating to purchase of Property, Plant & Equipment.

Government Grants relating to the purchase of property, plant & equipment are included as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

4. Share Capital

Ordinary shares and non-redeemable preference shares are classified as equity.

5. Non Life Insurance Business

a. Premiums

Premiums are generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

Reinsurance premiums assumed are estimated based on information provided by ceding companies. The information used in establishing these estimates is reviewed and subsequent adjustments are recorded in the period in which they are determined. These premiums are earned over the terms of the related reinsurance contracts.

b. Unearned Premium

The unearned premium reserve represents the portion of the premiums written in the years but relating to the unexpired terms of coverage.

c. Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at December 31.

d. Receivables

All premiums and other debtors are recognised at the amounts receivable, as they are due for settlement **no more than XX days from the date of recognition.** Collectibility of premiums and other debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than XX days overdue, to the extent that any relevant premium has been earned.

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums, ceded future life policy benefits and funds held under reinsurance treaties. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the consolidated balance sheet unless a right to offset exists.

e. Outwards Reinsurance

Premiums ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at the balance sheet date as a prepayment.

f Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends.

Provisions for f anticipated losses are posted if the future premiums and proportional investment income in a portfolio will probably not be sufficient to cover the expected claims and costs.

Whilst the Directors consider that the provision for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

g. Deferred Acquisition Costs

Acquisition costs, representing commissions, premium taxes and other underwriting expenses, which vary with and are directly related to the production of business,. are deferred and amortised over the period in which the related written premiums are earned.

Deferred policy acquisition costs are reviewed to determine if they are recoverable from future income, including investment income. If such costs are estimated to be unrecoverable, they are expensed.

6. Life Insurance Business

a. Premiums (Revenue)

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. Moreover, for single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment type contracts such as unit-linked and unitised with-profits contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end' fees are recognised over the estimated life of the contracts. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

b. Deferred Acquisition Cost

The'costs of acquiring new business including commissions, underwriting, marketing and policy issue expenses, which vary with and are directly related to the production of new business, are deferred. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

Deferred policy acquisition costs for participating traditional life insurance contracts where the contribution principle method applies to the allocation of policyholder dividends are amortised over the expected life of the contracts as a constant percentage of estimated gross margins. Estimated gross margins include anticipated premiums and investment results less benefits and administration expenses, changes in the net level premium reserve and expected policyholder dividends, as appropriate. Estimated gross margins are estimated regularly with deviations of actual results from estimated experience reflected in earnings.

Deferred policy acquisition costs for other traditional life insurance and annuity policies are amortised over. the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless premium deficiency occurs.

Deferred policy acquisition costs for investment type contracts such as universal life, unit-linked and unitised with-profits contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in earnings.

c. Reinsurance contracts

Outward reinsurance premiums are recognised when payable. Reinsurance recoveries are credited to match the relevant gross claims.

d. Claims

Death claims are recorded on the basis of notifications received. Surrenders, maturities and annuity payments are recorded when due. Claims on participating business include bonuses payable and interest. Claims payable include direct costs of settlement.

The interim payments and surrenders are accounted only at the time of settlement.

e. Technical provisions - Life Insurance Business provision and provision for linked liabilities

The Directors agree to the life insurance business provisions for the Group on the recommendation of the Reporting Actuary following his annual investigation of the life insurance business.

The actuarial valuation takes into account of all liabilities including contingent liabilities and is based on assumptions recommended by the Consultant Actuary.

7. Comparative Figures

Where necessary comparative figures have been re-classified to conform to the current year's presentation.

N.B. Accounting Policies of subsidiaries, which are peculiar to each industry and are different of that of the Insurance Industry, if necessary should be disclosed herein, in the consolidated financial statements.

e.g. Revenue Recognition of a subsidiary engaged in manufacturing activities or Revenue Recognition of a subsidiary engaged in Construction activities etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Revenue Group Company

		20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Gross written premiums	1	xx	xx	xx	xx
Less: Premiums ceded to . reinsurers		(xx)	(xx)	(xx)	(xx)
Net written premiums		xx	xx	xx	xx
Net change in reserve for unearned premiums		xx	xx	xx	xx
Net earned premiums		xx	xx	xx	xx
Fees & commission income		xx	xx	xx	xx
Income from investments		xx	xx	xx	xx
Other income		xx	xx	xx	xx
Total Revenue		xx	xx	xx	xx

2 Investments

Held for trading					
Investments in shares	(2a)	xx	xx	xx	xx
Investments in unit trusts	(2b)	xx	xx	xx	xx
Others (please specify)		xx	xx	xx	xx
		xx	xx	xx	xx
Held-to-Maturity Investments					
Sri Lanka government securities	(2c)	xx	xx	xx	xx
Corporate securities	(2d)	xx	xx	xx	xx
Asset backed securities	(2e)	xx	xx	xx	xx
Others (please specify)		xx	xx	xx	xx
		xx	xx	xx	xx
Available-for-Sale Investments					
Unquoted investments for which fair value cannot be determined	(2f)	xx	xx	xx	xx
Others (please specify)		xx	xx	xx	xx
		xx	xx	xx	xx
		xx	**xx**	**xx**	**xx**

2 a Investments in Shares

Quoted Investments

	Group			Company		
Name of Company	No of Shares 20X2	FV 20X2 (Rs.000)	FV 20X1 (Rs.000)	No of Shares 20X2	FV 20X2 (Rs.000)	FV 20X1 (Rs.000)
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	**XX**	**XX**	**XX**	**XX**	**XX**

Un - Quoted Investments for which fair value can be determined

	Group			Company		
Name of Company	No of Shares 20X2	FV 20X2 (Rs.000)	FV 20XI (Rs.000)	No of Shares 20X2	FV 20X2 (Rs.000)	FV 20X1 (Rs.000)
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	**XX**	**XX**	**XX**	**XX**	**XX**

2 b Investments in Unit Trusts

	Group			Company		
	No of Units 20X2	FV 20X2 (Rs.000)	FV 20X1 (Rs.000)	No of Units 20X2	FV 20X2 (Rs.000)	FV 20X1 (Rs.000)
Name of Unit Trust						
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**

2c Sri Lanka Government Securities

	Cost/Amortised Cost				Gross Unrealsied Gains/Losses			
	Group		Company		Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Treasury Bonds including Repos	xx	xx	xx	xx	xx	xx	xx	xx
Treasury Bills including Repos	xx	xx	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

2d Corporate Securities

	Cost/Amortised Cost				Gross Unrealsied Gains/Losses			
	Group		Company		Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Corporate Bonds	xx	xx	xx	xx	xx	xx	xx	xx
Debentures	xx	xx	xx	xx	xx	xx	xx	xx
Commercial Papers	xx	xx	xx	xx	xx	xx	xx	xx
Other Corporate Debt Instruments (specify)	xx	xx	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

2e Asset Backed Securities
(Indicate as below or as a narrative note)

	Cost/Amortised Cost				Gross Unrealsied Gains/Losses			
	Group		Company		Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Corporate Bonds	xx	xx	xx	xx	xx	xx	xx	xx
Debentures	xx	xx	xx	xx	xx	xx	xx	xx
Commercial Papers	xx	xx	xx	xx	xx	xx	xx	xx
Other Corporate Debt Instruments (specify)	xx	xx	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

2f. Un-Quoted Investments for which fair value cannot be determined

	Group			Company		
	No of Shares 20X2 (Rs.000)	Cost 20X2 (Rs.000)	Cost 20X1 (Rs.000)	No of Shares 20X2 (Rs.000)	Cost 20X2 (Rs.000)	Cost 20X1 (Rs.000)
Name of Company						
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**

3 Intangible Assets

	Goodwill		Others		Total	
	Group	Company	Group	Company	Group	Company
	(Rs.000)	**(Rs.000)**	**(Rs.000)**	**(Rs.000)**	**(Rs.000)**	**(Rs.000)**
Cost						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Acquisitions through business combinations	xx	xx	xx	xx	xx	xx
Adjustments arising through business combinations	xx	xx	xx	xx	xx	xx
Other acquisitions	xx	xx	xx	xx	xx	xx
Effects of movements in foreign exchange	xx	xx	xx	xx	xx	xx
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Amortisation & Impairment Losses						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Amortisation charge for the year	xx	xx	xx	xx	xx	xx
Reversal of impairment losses	xx	xx	xx	xx	xx	xx
Effects of movements in foreign exchange	xx	xx	xx	xx	xx	xx
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Carrying Amount						
As at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
As at 31st December 20X1	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

Amortisation Charge

The amortisation charge is recognised in the following line items in the Income Statement.

	Group		Company	
	20X2	20X1	20X2	20X21
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Other operating expenses	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

4 Property. Plant & Equipment

		Group		Company	
		20X2	20X)	20X2	20X1
		((Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Freehold	(4a)	xx	xx	xx	xx
Leasehold	(4b)	xx	xx	xx	xx
Capital work - in -progress		xx	xx	xx	xx
		xx	**xx**	**xx**	**xx**

4a Freehold Property. Plant & Equipment

	Land (Rs.000)	Building (Rs.000)	Equipment (Rs.000)	Furniture & Fixtures (Rs.000)	Others (Rs.000)	Total (Rs.000)
Group						
Cost						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Acquisitions through business combinations	xx	xx	xx	xx	xx	xx
Adjustments arising from business combinations	xx	xx	xx	xx	xx	xx
Other acquisitions/additions	xx	xx	xx	xx	xx	xx
Revaluation of assets transferred to investment property	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Depreciation & Impairment Losses						
Balance as at 1st January 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
Depreciation charge for the year	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
Reversal of impairment losses	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
Carrying Amount						
As at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
As at 31st December 20X1	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

	Land (Rs.000)	Building (Rs.000)	Equipment (Rs.000)	Furniture & Fixtures (Rs.000)	Others (Rs.000)	Total (Rs.000)
Company						
Cost						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Acquisitions through business combinations	xx	xx	xx	xx	xx	xx
Adjustments arising from business combinations	xx	xx	xx	xx	xx	xx
Other acquisitions/additions	xx	xx	xx	xx	xx	xx
Revaluation of assets transferred to investment property	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Depreciation & Impairment Losses						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Depreciation charge for the year	xx	xx	xx	xx	xx	xx
Reversal of impairment losses	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Carrying Amount						
As at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
As at 31st December 20Xl	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

4b Leasehold Property, Palnt & Equipment

	Land (Rs.000)	Building (Rs.000)	Equipment (Rs.000)	Furniture & Fixtures (Rs.000)	Others (Rs.000)	Total (Rs.000)
Group						
Cost						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Acquisitions through business combinations	xx	xx	xx	xx	xx	xx
Adjustments arising from business combinations	xx	xx	xx	xx	xx	xx
Other acquisitions/additions	xx	xx	xx	xx	xx	xx
Revaluation of assets transferred to investment property	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Depreciation & Impairment Losses						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Depreciation charge for the year	xx	xx	xx	xx	xx	xx
Reversal of impairment losses	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Carrying Amount						
As at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
As at 31st December 20Xl	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

	Land (Rs.000)	Building (Rs.000)	Equipment (Rs.000)	Furniture & Fixtures (Rs.000)	Others (Rs.000)	Total (Rs.000)
Company						
Cost						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Acquisitions through business combinations	xx	xx	xx	xx	xx	xx
Adjustments arising from business combinations	xx	xx	xx	xx	xx	xx
Other acquisitions/additions	xx	xx	xx	xx	xx	xx
Revaluation of assets transferred to investment property	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Depreciation & Impairment Losses						
Balance as at 1st January 20X2	xx	xx	xx	xx	xx	xx
Depreciation charge for the year	xx	xx	xx	xx	xx	xx
Reversal of impairment losses	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Disposals	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Balance as at 31st December 20X2	xx	xx	xx	xx	xx	xx
Carrying Amount						
As at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**
As at 31st December 20X1	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

Impairment Losses & Subseauent Reversals

In year 20X 1, access restrictions were made to the head office premises of the Company, by the Government due to the ''High Security Zone''. This caused the Group to assess the recoverable amount of the property. Based on this assessment the carrying amount was written down by Rs. xx (included as expenses). In year 20X2, due to the peace process the access restriction was lifted by the Government. Therefore the Company re-assessed the carrying amount as Rs. xx. Based thereon the initially recognised impairment was reversed. The estimate was based on a valuation report of.......

Leased Vehicles

The Group leased a fleet of vehicles to be used by the Company's executives under a number of finance lease agreements. At the end of each of these leases, the group has the option to purchase the vehicles at a beneficial price. The leased vehicles secures the lease obligation.

Security.

As at 31st December 20X2, land situated at.................. ,with a carrying amount of Rs. xx (20X1: Rs. xx) was secured under the debentures issued by the Company.

Revaluation.

The Group's land & buildings were last revalued during 20X0 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus was credited to the Revaluation Reserve.

If land & buildings were stated at the historical cost, the amounts would have been as follows;

Group

	20X2 (Rs.000)	20X1 (Rs.000)
Cost	xx	xx
Accumulated depreciation	(xx)	(xx)
Carrying amount	**xx**	**xx**

Assets Under Construction.

During the year the Group acquired land, with the intention of constructing a separate head office for the Life Insurance section. The cost of acquisition was Rs. xx. The Group has commenced the construction of the new building on such premises. The cost incurred as at the balance sheet date was Rs. xx. The estimated total cost of construction amounts to Rs. xx.

5 Investments in Subsidiaries

	Group		Company		
Name of Company	Cost/FV 20X2 (Rs.000)	Cost/FV 20X1 (Rs.000)	CostfFV 20X2 (Rs.000)	Cost/FV 20X1 (Rs.000)	Interest Held
	-	-	xx	xx	xx%
	-	-	xx	xx	xx%
	-	-	xx	xx	xx%
	-	-	**xx**	**xx**	**xx%**

6 Investments in Associates

	Group		Company		
Name of Company	Cost/FV 20X2 (Rs.000)	Cost/FV 20X1 (Rs.000)	CostfFV 20X2 (Rs.000)	Cost/FV 20X1 (Rs.000)	Interest Held %
	xx	xx	xx	xx	xx%
	xx	xx	xx	xx	xx%
	xx	xx	xx	xx	xx%
	xx	**xx**	**xx**	**xx**	**xx%**
Share of Profits	xx%		xx%		

7 Other Assets

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Inventories	xx	xx	xx	xx
Other debtors & receivables	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

8 Cash & Cash Eauivalents

Cash in hand & at bank	xx	xx	xx	xx
Other cash equivalents	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

9 Insurance Provision - Life

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating & non-participating life insurance products. Short duration contract liabilities are primarily accident & health insurance products. The insurance provision has been established based upon the following.

- interest rates which vary by product & year of assurance.

- mortality rates based on published mortality tables adjusted for actual experience by geographic area & modified to allow the variations in policy form.

- surrender rates based upon actual experience by geographic area & modified to allow for variations in policy form.

The amount of policyholder dividend to be paid is determined annually by the Company. The dividend includes life poliyholders share of net income that are required to be allocated by the insurance contract or by insurance regulations.

The valuation of the Insurance Provision - Life Insurance Business, as at 31/.../... was made by...... for and on behalf of.................. In accordance with the consultant actuary's report, the sum of provision, Rs................., includes the liability in respect of policyholders' dividends as well. In the opinion of the consultant actuary, the provision is adequate to cover the liabilities pertaining to long term insurance.

In establishing the valuation, a reserve of Rs. XX has been created for the purpose of...................... by the actuary.

10 Insurance Provision - Non life

The Non life insurance reserve as shown in the balance sheet represents the following:

	20X2 (Rs.000)	20X1 (Rs.000)
Premiums		
Unearned premiums		
Gross	xx	xx
Reinsurance	(xx)	(xx)
Net	xx	xx
Deferred acquisition expenses	(xx)	(xx)
Deferred levies	(xx)	(xx)
	xx	xx
Gross Claims Reserve		
Claims outstanding		
Gross	xx	xx
Claims incurred but not reported (IBNR)		
Gross	xx	xx
Claims reserve total	xx	xx
Total	**xx**	**xx**

Significant delays occur in the notification of claims & a substantial measure of experience & judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

11. Obligation to Repurchase Security

Cash & Investments with a carrying value of Rs. xx and Rs. xx were deposited with regulatory authorities as at 31st December, 20X2 & 20X respectively. Held-to-Maturity Investments with a carrying value of Rs. xx & Rs. xx have been sold to financial institutions under short term gilt sales and repurchase agreements. These securities continue to be recognised as investments in the balance sheet and an obligation to repurchase them is included as liabilities in the balance sheet at that date.

12 Deferred Income Tax

	Group				Company			
	Total		Total		Assets		Liabilities	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Property, plant & equipment	xx	xx	xx	xx	xx	xx	xx	xx
Employee benefits	xx	xx	xx	xx	xx	xx	xx	xx
Deferred government grants	xx	xx	xx	xx	xx	xx	xx	xx
Provisions	xx	xx	xx	xx	xx	xx	xx	xx
Other items	xx	xx	xx	xx	xx	xx	xx	xx
Tax value of loss carry forwards recognised	xx	xx	xx	xx	xx	xx	xx	xx
Tax (assets)/liabilities	xx	xx	xx	xx	xx	xx	xx	xx
Set off of tax	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Net tax (assets)/liabilities	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

At 31 st December 20X2 a deferred tax liability of Rs. xx (20X I Rs. xx) relating to an investments in a subsidiary has not been recognised because the company controls the subsidiary and it is satisfied that no liability will be incurred in the foreseeable future.

Deferred income tax assets & liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Deductible temporary differences	xx	xx	xx	xx
Tax losses	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

The Tax losses expire in 20X6. The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group can utilise the benefit therefrom.

13 Other Liabilities

	Group		Company	
	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Policyholders advance payments	xx	xx	xx	xx
Payables				
Agency commission payable	xx	xx	xx	xx
Payables to policyholders - bonuses etc.	xx	xx	xx	xx
Government levies	xx	xx	xx	xx
Taxes payable	xx	xx	xx	xx
Creditors				
Reinsurance creditors	xx	xx	xx	xx
Others	xx	xx	xx	xx
Other funds	xx	xx	xx	xx
Other liabilities (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

14 Interest Bearing Borrowings

Bank borrowings	xx	xx	xx	xx
Capital market related borrowings	xx	xx	xx	xx
Leasing activities	xx	xx	xx	xx
Debentures	xx	xx	xx	xx
Derivatives	xx	xx	xx	xx
Others (please Specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

Convertible Notes

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Proceeds from issue of xx convertible notes	xx	xx	xx	xx
Transaction cost	xx	xx	xx	xx
Net proceeds	xx	xx	xx	xx
Amount classified as equity	xx	xx	xx	xx
Accreted interest capitalised	xx	xx	xx	xx
Carrying amount of liability at 31 December	**xx**	**xx**	**xx**	**xx**

The amount of the convertible notes recognised in equity is net of attributable transaction cost of xx.

In June 20X5, Noteholders have the option to receive 1 ordinary share for every 20 notes held. Notes that are not converted to ordinary shares will be redeemed at face value before 31st December 20X5.

Terms & Debt Repayment Schedule

	Total				1 year or less		1-5 years		More than 5 years	
	Group		Company		Group	Company	Group	Company	Group	Company
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Debts related to banking activities										
....	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Debts related to capital market activities	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Debts related to leasing activities	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Debentures	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Others (Please Specify)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

Finance Lease Liabilities

	Payments				Insterest				Principal			
	Group		Company		Group		Company		Group			
Company												
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Less than one year	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Between one to five years	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
More than five years	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of Rs. xx (20X1 : Rs. xx). The bank borrowings are secured over the land and buildings of the group & inventories. Lease liabilities are effectively secured as the right to the leased asset revert to the lessor in the event of default.

Debentures

...............% Secured Unsecured debentures of Rs...........each redeemable at the end of........... years from the date of issues.

No of Debentures	Date Issued	Redeemable Date	Security

15 Subordinated Debt

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Capital securities	xx	xx	xx	xx
Convertible bonds	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

16 Retirement Benefits

Provision has been made for Retirement Gratuities from the first year of service for all employees in conformity with SLAS 16. However under the Payment of Gratuity Act No 12 of 1983, the liability of employee arises only on completion of 5 years of continued service.

Gratuity Provision is made by way of an Insurance Policy from............., which cover..........employees attached to the Company/Group. An actuarial valuation is carried out annually and the latest valuation was carried out on...............using..........method.

The value of the Insurance Policy (equal to the fair value of the plan's assets) as at........was Rs.....The accrued benefits covered by the policy amounts to Rs.............. The actuarial present value of the promised retirement benefits as at the latest valuation was Rs...........

There are no un-funded liabilities, and all liabilities are covered by the Insurance Policy.

Principal Actuarial Assumptions Used.

	%per annum
Interest rate	
Salary increase	
Incidence of withdrawal	
Discount rate	

Contributions made to the Provident & Trust Funds

	Provident Fund			Trust Fund
	Company	Employee	Total	
Employee Category				
I	xx	xx	xx	xx
II	xx	xx	xx	xx

17 Share Capital

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Authorised				
........nos ordinary shares of Rs.......each	xx	xx	xx	xx
........nos non-redeemable ...% cumulative preference share of Rs. .... each	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Issued and Fully Paid				
........nos ordinary shares of Rs.......each	xx	xx	xx	xx
........nos non-redeemable ...% cumulative preference share of Rs. .... each	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Preference shares do not carry the right to vote, unless the dividend is due and payable. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate to the extent of the face value of the shares adjusted for any dividends in arrears.

18 Capital Reserves

	Share Premium (Rs.000)	Revaluation Reserve (Rs.000)	Con.Notes Reserve (Rs.000)	Others (specify) (Rs.000)	Total (Rs.000)
Group					
Balance as at 1 st January 20X1	xx	xx	xx	xx	xx
Change in accounting policy	-	-	(xx)	-	(xx)
Restated balance at 1st January 20X1	xx	xx	xx	xx	xx
Surplus on revaluation of properties	-	xx	-	-	xx
Deficit on revaluation of investments	-	-	(xx)	(xx)	(xx)
Currency translation differences	-	-	-	(xx)	(xx)
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	-	-	-	-	-
Dividends	-	-	-	-	-
Issue of share capital	xx	-	-	-	xx
Balance as at 31st December 20X1	xx	xx	xx	xx	xx
Deficit on revaluation of properties	-	(xx)	-	-	(xx)
Surplus on revaluation of investments	-	-	xx	xx	xx
Currency translation differences	-	-	-	(xx)	(xx)
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	-	-	-	-	-
Dividends	-	-	-	-	-
Balance as at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**

Company

	Share Premium (Rs.000)	Revaluation Reserve (Rs.000)	Convertible Notes Reserve (Rs.000)	Others (Please Specify) (Rs.000)	Total (Rs.000)
Balance as at 1 st January 20X1	xx	xx	xx	xx	xx
Change in accounting policy	-	(xx)	-	-	(xx)
Restated balance at 1st January 20X1	xx	xx	xx	xx	xx
Surplus on revaluation of properties	-	xx	-	-	xx
Deficit on revaluation of investments	-	-	(xx)	-	(xx)
Currency translation differences	-	-	-	(xx)	(xx)
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	-	-	-	-	-
Dividends	-	-	-	-	-
Issue of share capital	xx	-	-	-	xx
Balance as at 31st December 20X1	xx	xx	xx	xx	xx
Deficit on revaluation of properties	-	(xx)	-	-	(xx)
Surplus on revaluation of investments	-	-	xx	xx	xx
Currency translation differences	-	-	-	xx	xx
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	-	-	-	-	-
Dividends	-	-	-	-	-
Balance as at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**

19 Revenue Reserves

Group	Retained Earnings (Rs.000)	Translational Reserve (Rs.000)	Hedging Reserve (Rs.000)	Others (specify) (Rs.000)	Total (Rs.000)
Balance as at 1 st January 20X1	xx	xx	xx	xx	xx
Change in accounting policy	-	-	-	-	-
Restated balance at 1st January 20X1	xx	xx	xx	xx	xx
Surplus on revaluation of properties	-	-	-	-	-
Deficit on revaluation of investments	-	-	-	-	-
Currency translation differences	-	xx	-	-	xx
Net gains & losses not recognised in the income statements	-	-	-	-	xx
Net profit for the period	xx	-	-	-	xx
Dividends	(xx)	-	-	-	(xx)
Issue of share capital	-	-	-	-	-
Balance as at 31st December 20X1	xx	xx	xx	xx	xx
Deficit on revaluation of properties	-	-	-	-	-
Surplus on revaluation of investments	-	-	-	-	-
Currency translation differences	-	xx	-	-	xx
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	xx	-	-	-	xx
Dividends	(xx)	-	-	-	(xx)
Balance as at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**

Company

	Retained Earnings (Rs.000)	Translation Reserve (Rs.000)	Hedging Reserve (Rs.000)	Others (Pls specify) (Rs.000)	Total (Rs.000)
Balance as at 1st January 20X1	xx	xx	xx	xx	xx
Change in accounting policy	-	-	-	-	-
Restated balance at 1st January 20X1	xx	xx	xx	xx	xx
Surplus on revaluation of properties	-	-	-	-	-
Deficit on revaluation of investments	-	-	-	-	-
Currency translation differences	-	xx	-	-	xx
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	xx	-	-	-	xx
Dividends	(xx)	-	-	-	(xx)
Issue of share capital	-	-	-	-	-
Balance as at 31st December 20X1	xx	xx	xx	xx	xx
Deficit on revaluation of properties	-	-	-	-	-
Surplus on revaluation of investments	-	-	-	-	-
Currency translation differences	-	xx	-	-	xx
Net gains & losses not recognised in the income statements	-	-	-	-	-
Net profit for the period	xx	-	-	-	xx
Dividends	(xx)	-	-	-	(xx)
Balance as at 31st December 20X2	**xx**	**xx**	**xx**	**xx**	**xx**

Translational Reserve

The Translational Reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging Reserve

The Hedging Reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Revaluation Reserve

The Revaluation Reserve relates to property, plant & equipment reclassified as investment property, and comprises the cumulative increase in the fair value of the property at the date of reclassification.

Convertible Notes

The Reserve for Convertible Notes comprises the value of the option granted to noteholders to convert their Convertible Notes into Ordinary Shares of the Company.

Dividends

After the balance sheet date the following dividends were proposed by the Directors.

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Rs. xx per qualifying ordinary share	xx	xx	xx	xx
Rs. xx per preference shares.	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

20 Gross Written Premium

The premium income for the. year by major classes of business is as follows.

	Group		Company		Non Life		Life	
	20X2	20XI	20X2	20XI	20X2	20XI	20X2	20XI
	(Rs.000	(Rs.000	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Gross written premium								
Life insurance (include sub-classification according to the way business is handled internally)								
....	xx	xx	xx	-	-	xx	xx	xx
....	xx	xx	xx	-	-	xx	xx	xx
....	xx	xx	xx	-	-	xx	xx	xx
Non life insurance (include sub-classifications according to the way business is handled internally)								
....	xx	xx	xx	xx	xx	xx	-	-
....	xx	xx	xx	xx	xx	xx	-	-
....	xx	xx	xx	xx	xx	xx	-	-
	xx	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

21 Insurance Claims & Benefits (net)
(Sub-classifications may be according to the disclosure in Note 20)

	Group		Company		Non Life		Life	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
	(Rs.000	(Rs.000	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Non life insurance gross claims incurred								
Life insurance claims- death, disability & hospitalisation	xx	xx	xx	xx	xx	xx	-	-
Gratuity claims	xx	xx	xx	xx	-	-	xx	xx
Surrenders	xx	xx	xx	xx	-	-	xx	xx
Policy maturities	xx	xx	xx	xx	-	-	xx	xx
Annuities	xx	xx	xx	xx	-	-	xx	xx
Interim payments	xx	xx	xx	xx	-	-	xx	xx
Net claims/ benefits payable	xx	xx	xx	xx	xx	xx	xx	xx
Commission expenses	xx	xx	xx	xx	xx	xx	xx	xx
Levies	xx	xx	xx	xx	xx	xx	xx	xx
Increase/decrease in deferred acquisition expenses	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Increase/decrease in life insurance fund	(xx)	(xx)	(xx)	(xx)	-	-	(xx)	(xx)
Total insurance claims/benefits (net)	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

22 Income from Investments

		Group		Company	
		20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Investment income	(22a)	xx	xx	xx	xx
Net realised capital gains & losses	(22b)	xx	xx	xx	xx
Unrealised gains or losses		xx	xx	xx	xx
		xx	**xx**	**xx**	**xx**

22a Investment Income

Held-for-trading investments				
....	xx	xx	xx	xx
....	xx	xx	xx	xx
Held-to-maturity investments				
....	xx	xx	xx	xx
....	xx	xx	xx	xx
....	xx	xx	xx	xx
Available-for-sale investment	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

22b Net Realised Capital Gains & Losses (Optional Disclosure)

Held-to-maturity investments				
Realised capital gains	xx	xx	xx	xx
Realised capital losses	(xx)	(xx)	(xx)	(xx)
Trading investments				
Realised capital gains	xx	xx	xx	xx
Realised capital losses	(xx)	(xx)	(xx)	(xx)
Others (please specify)	xx	xx	xx	xx
Loss on impaired investments	(xx)	(xx)	(xx)	(xx)
	xx	**xx**	**xx**	**xx**

23 Other Income

		Group		Company	
		20X2	20X1	20X2	20X1
		Rs.000)	Rs.000)	Rs.000)	Rs.000)
Release of unused provisions		xx	xx	xx	xx
Government grants	(23a)	xx	xx	xx	xx
Gain on disposal of property, plant & equipment		xx	xx	xx	xx
Others (please specify)		xx	xx	xx	xx
		xx	**xx**	**xx**	**xx**

23a Government Grant

The Company has been awarded an asset grant by the Government in the Year 20X0. The grant has been treated as deferred income. The income is recognised in the income statement based on the useful life of the asset.

24 Other Operating, Investment related and Administration Expenses

Staff expenses	(24a)	xx	xx	xx	xx
Administration & establishment expenses		xx	xx	xx	xx
Selling expenses		xx	xx	xx	xx
Government levies		xx	xx	xx	xx
Depreciation		xx	xx	xx	xx
Others		xx	xx	xx	xx
		xx	**xx**	**xx**	**xx**

24a Staff Expenses

Wages & salaries	xx	xx	xx	xx
Compulsory social security contributions	xx	xx	xx	xx
Contribution to defined contribution plans	xx	xx	xx	xx
....	xx	xx	xx	xx
....	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

25 Amortisation of Goodwill & Intangible Assets

	Goodwill	Other Intangibles	Total
	(Rs.000)	(Rs.000)	(Rs.000)
Group			
Carrying value as at 1 January 20X2	xx	xx	xx
Additions	xx	xx	xx
Eliminated on disposals	(xx)	(xx)	(xx)
Amortisation expenses	(xx)	(xx)	(xx)
Foreign currency translation effects	xx	xx	xx
Carrying value as at 31 December 20X2	**xx**	**xx**	xx

	Goodwill	Other Intangibles	Total
	(Rs.000)	(Rs.000)	(Rs.000)
Company			
Carrying value as at 1 January 20X2	xx	xx	xx
Additions	xx	xx	xx
Eliminated on disposals	(xx)	(xx)	(xx)
Amortisation expenses	(xx)	(xx)	(xx)
Foreign currency translation effects	xx	xx	xx
Carrying value as at 31 December 20X2	**xx**	**xx**	xx

26 Profit from Operations

The profit from operation for the year is stated after charging the following expenses

	Group		Company	
	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Auditors remuneration				
Audit	xx	xx	xx	xx
Non audit	xx	xx	xx	xx
Legal fees	xx	xx	xx	xx
Depreciation	xx	xx	xx	xx
Directors' emoluments	xx	xx	xx	xx
Directors' fees	xx	xx	xx	xx
Premium on gratuity insurance policies	xx	xx	xx	xx

27 Interest Expenses

	Group		Company	
	20X2	20X1	20X2	20X2
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Interest on bank borrowings	xx	xx	xx	xx
Interest on capital market related borrowings	xx	xx	xx	xx
Lease interest	xx	xx	xx	xx
Debenture interest	xx	xx	xx	xx
Interest on derivative instruments	xx	xx	xx	xx
Others (please specify)	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

28 Income Tax

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Current tax expenses				
Current year	xx	xx	xx	xx
Under (Over) provided in prior years	xx	xx	xx	xx
	xx	xx	xx	xx
Deferred tax expenses				
Obligation and reversal of timing differences	xx	xx	xx	xx
Reduction in tax rates	xx	xx	xx	xx
Benefits of tax losses recognised	xx	xx	xx	xx
	xx	xx	xx	xx
Total income tax losses recognised	**xx**	**xx**	**xx**	**xx**

N.B. This note will depend on the Tax Legislation prevailing and applicable to the insurance industry.

29 Basic Earnings Per Share

The calculation of Basic Earnings per Ordinary Share is based on the net profit attributable to Ordinary Shareholders of xx (20Xl : xx) and the weighted average number of Ordinary Shares outstanding during the year.

Net Profit attributable to ordinary share holders

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Net profit for the year	xx	xx	xx	xx
Dividends on non-redeemable cumul;ltive preference shares	(xx)	(xx)	(xx)	(xx)
Net Profit attributable to ordinary shareholders	**xx**	**xx**	**xx**	**xx**

Weighted Average Number of Ordinary Shares

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Qualified ordinary shares at 1st January	xx	xx	xx	xx
Effect of shares issued during the current year	xx	-	xx	-
Weighted average no. of ordinary shares at 31st December.	**xx**	**xx**	**xx**	**xx**

30. Diluted Earnings Per Share

The calculation of Diluted Earnings per Share as at 31 December 20X2 is based on the net profit attributable to ordinary shareholders of xx (20X I : xx) and the weighted average number of ordinary shares outstanding during the year ended 31 December 20X2 of xx (20XI : xx) calculated as follows:

Net Profit attributable to Ordinary Shareholders (Diluted)

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Net profit attributable to ordinary shareholders	xx	xx	xx	xx
After tax effect of interest on convertible notes	xx	xx	xx	xx
Net profit attributable to ordinary shareholders diluted	**xx**	**xx**	**xx**	**xx**

Weighted average number of Ordinarv Shares (diluted)

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X1 (Rs.000)
Weighted average number of ordinary shares at 31 Dec.	xx	xx	xx	xx
Effect of conversion of convertible notes	xx	xx	xx	xx
Effect of share option issue	xx	xx	xx	xx
Weighted average number of ordinary shares (diluted) at 31 December	**xx**	**xx**	**xx**	**xx**

Dividends

	20X2	20X1
Dividends proposed	xx	xx

Directors have recommended the payment of a final dividend of xx% for the year ended 31 December 20X2 (xx% : 20X1), which will be declared at the Annual General Meeting.

32 Events after the Balance Sheet Date

Subsequent to the balance sheet date the Company decided to acquire a branch of another insurance company. The agreement was signed on ....

33 Contingencies

A Subsidiary is defending an action brought by an environmental agency. While the liability is not admitted, if defence against the action is unsuccessful, fines and legal costs could amount to Rs. xx. Based on legal advice the directors do not expect the outcome of the action to have a material effect on the Group's financial position.

34 Related Parties

The Group has a controlling related party relationship with it's parent company and ultimate parent company. (Optional; as the case may be)

The Group also has a related party relationship with it's associates, subsidiaries and with it's directors and executive officers.

Transactions with Subsidiaries, Associates & Other Related Parties

The companies in the Group obtain insurance contracts from the Company. The total insurance premium received by the Company in respect of such insurance contracts amount to Rs. xx

	Group		Company	
	20X2 (Rs.000)	20X1 (Rs.000)	20X2 (Rs.000)	20X2 (Rs.000)
Premium received' from subsidiaries	xx	xx	xx	xx
Premium received from associates	xx	xx	xx	xx
Premium received from other related parties	xx	xx	xx	xx
	xx	**xx**	**xx**	**xx**

These insurance contracts have been entered into on normal terms, in the ordinary course of business.

(Disclose any other details as applicable)

35 Discontinuine Operations

In April 20X2 the Group entered into a binding agreement for the sale of it's entire...................... insurance division. Control of this division effectively ceased at the end of May 20X2.

At 31 December 20X1 the.................... division had net assets of xx, comprising assets of Rs. xx less liabilities for Rs. xx. At the end of May 20X2 the division bad net asset of Rs. xx. The division was sold at Rs. xx (cash) and a pre-tax gain of Rs. xx. was recorded. The attribntnble income tax was Rs. xx. The gain after tax was Rs. xx.

36 Acquisition of Subsidiary.

On 31 March 20X2 the Group acquired all the shares of..............Ltd. for Rs. xx in cash. The Company manufactures and distribntes food products. The acquisition was accounted for using the purchase method. For the nine months ended on 31 December 20X2 the subsidiary contributed net profit of Rs. xx to the consolidated profit for the year.

Effect of Acquisition & Disposal (including the discontinued operation)

The acquisition and disposal had the following effect on the Group's assets and liabilities.

			Net Acquisition			
	Acqn.	Disposal	Group		Company	
			20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Property, plant & equipment	xx	xx	xx	xx	xx	xx
Inventories	xx	xx	xx	xx	xx	xx
Receivables	xx	xx	xx	xx	xx	xx
Cash & cash equivalents	xx	xx	xx	xx	xx	xx
Interest bearing loans and borrowings	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Employee benefits	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Deferred tax liabilities	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Trade & other payables	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
Net identifiable assets and liabilities	xx	xx	xx	xx	xx	xx
Goodwill on acquisition	xx	xx	xx	xx	xx	xx
Consideration	xx	xx	xx	xx	xx	xx
Net cash inflow/outflow	**xx**	**xx**	**xx**	**xx**	**xx**	**xx**

37 Changes in Accounting policies

The adoption of IAS 39: Financial Instrumen: Recognition & Measurement has resulted in the Group recognising ali financial instruments (including derivatives) as assets or liahi lities at fair value. This change has heen accounted for hy adjusting the opening halance of equity. (Retained Earnings and Hedging Reserves) at 1st January 20X2: Comparatives have not been restated.

Impact of changes in Accounting policies

The change in the Accounting Policy, when applied consistently, has the following impact,

Hedging Reserve

	Group		Company	
	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Balance on 1st January as previously reported	xx	xx	xx	xx
Impact on adopting IAS 39				
Investments stated at fair value	xx	xx	xx	xx
Derivatives stated at fair value	xx	xx	xx	xx
Balance on 1st January as restated	**xx**	**xx**	**xx**	**xx**

Retained Earnings

	Group		Company	
	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Balance on 1st January as previously reported	xx	xx	xx	xx
Impact on adopting IAS 39				
Investments stated at fair value	xx	xx	xx	xx
Derivatives stated at fair value	xx	xx	xx	xx
Balance on 1st January as restated	**xx**	**xx**	**xx**	**xx**

Net Profit

	Group		Company	
	20X2	20X1	20X2	20X1
	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Net Profit before changes in Accounting Policies	xx	xx	xx	xx
Impact on adopting IAS 39	xx	xx	xx	xx
Net Profit after changes in Accounting Policies	**xx**	**xx**	**xx**	**xx**

Directors' Interest in Contracts

The company has obtained banking facillities from .... Bank in the ordinary course of Business. Mr.........................., Chairman of the company is also the Chairman of the said bank

Management Fees of Rs. xx paid by the company to.............................. Ltd. Mr..............................& Mr.............................. we directors of .... Ltd.