Illustrative accounting policies, disclosures and notes (LKAS 32, 39, SLFRS 4 and SLFRS 7)

Accounting Policies

A) Financial assets

A. Statement of Compliance

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

B. Initial recognition and subsequent measurement SLFRS 7.21

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

LKAS 39.9, LKAS 39.43

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis~~,~~ because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortized cost.
LKAS 39.9

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

The financial assets can be recorded based on settlement date or trade date. If it is the settlement date fair value changes between trade date and settlement date to be adjusted

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

LKAS 39.9(a), (b)

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are Managed and their performance evaluated on a fair value basis, in accordance with a documented risk Management or investment strategy

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re measured at fair value. Fair value adjustments and realized gain and loss are recognized in the income statement.

LKAS 39.43, LKAS 39.55(a)

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction Costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, held-to-maturity financial assets are measured at amortized cost, using the effective Interest rate method. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

LKAS 39.9, LKAS 39.43, LKAS 39.56

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

LKAS 39.9, LKAS 39.43, LKAS 39.46(a), LKAS 39.56

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognized or the investment is determined to be impaired**.**

The fair value changes related to life policy holders are transferred to life fund account

On de-recognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the income statement.

LKAS 39.9, LKAS 39.43, LKAS 39.55(b)

B) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date, without any deduction for transaction costs.
SLFRS 7.27

For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published bid-values.

For financial instruments where there is not an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair Value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

C) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.
LKAS 39.58

- ### Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.
LKAS 39.63

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date.

LKAS 39.64

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.
LKAS 39.65

- **Available-for-sale financial investments**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in other comprehensive income, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the income statement.
LKAS 39.67, LKAS 39.68, 69, LKAS 39.70

- **Financial assets carried at cost -** LKAS 39-Para 66

if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

D) De-recognition of financial assets –

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
LKAS 39.17, 18

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement
- The Group has transferred its rights to receive cash flows from the asset and either:
    - has transferred substantially all the risks and rewards of the asset, or
    - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.
LKAS 39.20(c)

When continuing involvement takes the form of a written and/or purchased option (including cash settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash

settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.
LKAS 39.30(b)

E) Reinsurance SLFRS 4.37(a)

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.
SLFRS 4.20

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.
SLFRS 4.14(c)

F) Insurance receivables SLFRS 4.37(a)

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

G) Deferred expenses

Deferred acquisition costs (DAC) SLFRS 4.37(a)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, is deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortized over the period on the basis UPR is amortized

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

DAC are derecognized when the related contracts are either expired or cancelled.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized

H) Financial Liabilities

Initial recognition and subsequent measurement LKAS 39.43, LKAS 39.47

When a financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraphs 29 and 31 apply to the measurement of such financial liabilities.

(c) financial guarantee contracts as defined in paragraph 9. After initial recognition, an issuer of such a contract shall (unless paragraph 47(a) or (b) applies) measure it at the higher of:

- (i) the amount determined in accordance with LKAS 37; and
- (ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with LKAS 18.

(d) commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall (unless paragraph 47(a) applies) measure it at the higher of:

- (i) the amount determined in accordance with LKAS 37; and
- (ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with LKAS 18.

Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements in paragraphs 89–102.

I) Insurance contract liabilities

Life insurance contract liabilities SLFRS 4.37(a)

Life insurance liabilities are recognized when contracts are entered into and premiums are received. These Liabilities are measured by using the net premium method. The liability is determined as the sum of the Discounted value of the expected future benefits, claims handling and policy administration expenses, Policyholder options and guarantees and investment income from assets backing such liabilities, which are Directly related to the contract, less the discounted value of the expected theoretical premiums that would be Required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be Established and included in the measurement of the liability. Adjustments to The liabilities at each reporting date are recorded in the income statement. Profits originated from margins of adverse deviations on run-off contracts are recognized in the income statement over the life of the contract, whereas losses are fully recognized in the income statement during the first year of run-off. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, Net of related PVIF, by using an existing liability adequacy test. The Liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as Claims handling and policy administration expenses, policyholder options and guarantees, as well as investment Income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modeling. To the extent that the test Involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the income statement, initially by impairing PVIF and, subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

SLFRS 4.15-19

Non-life insurance contract liabilities SLFRS 4.37(a)

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related Claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

The liabilities are derecognized when the contract expires, is discharged or is cancelled.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the income statement by setting up a provision for liability adequacy.

SLFRS 4.15-19

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income. At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the income statement by setting up a provision for liability adequacy.

SLFRS 4.15-19

J) **Investment contract liabilities** SLFRS 4.37(a) (if applicable)

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.
Investment contract liabilities without DPF are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.
LKAS 39.43

Deposits and withdrawals are recorded directly as an adjustment to the liability in the balance sheet. Fair value adjustments are performed at each reporting date and are recognized in the income statement. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the balance sheet date. The fund assets and fund liabilities used to determine the unit-prices at the balance sheet date are valued on a basis consistent with their measurement basis in the consolidated Group balance sheet adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.
The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.
LKAS 39.49

When contracts contain both a financial risk component and a significant insurance risk component and the cash Flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

K) **Discretionary participation features (DPF)** SLFRS 4.37(a)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

L) Classification of financial instruments between debt and equity LKAS 32.16

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its Contractual obligation, the obligation meets the definition of a financial liability.

(aa) Interest bearing loans and borrowings

All borrowings and loans are initially recognized at fair value, less directly attributable transaction costs. After Initial recognition, they are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

(ab) Other financial liabilities and insurance payables (LKAS 39.43, 47)

Other financial liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

(ac) De-recognition of financial liabilities and insurance payables (LKAS 1.10 SLFRS 4.37(a), (e))

Financial liabilities and insurance payables are derecognized when the obligation under the liability is discharged, cancelled or expired.
LKAS 39.39

(ad) Income recognition LKAS 1.10, SLFRS 4.37(a), (e)

Gross premiums SLFRS 4.37(a)

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when receivable from the policyholder.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the Policy commences

Reinsurance premiums SLFRS 4.37(a)

Gross reinsurance premiums on life and investment contracts are recognized as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior Accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis except for marine policies which is computed on a 60-40 basis.

Investment income

Interest income is recognized in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.
LKAS 18.30(a)

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.
LKAS 18.30(c)

Realized gains and losses

Realized gains and losses recorded in the income statement on investments include gains and losses on financial Assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the Original or amortized cost and are recorded on occurrence of the sale transaction.
LKAS 39.56, LKAS 40.69, LKAS 39.95(b)

(ae) Benefits, claims and expenses recognition

Gross benefits and claims SLFRS 4.37(a)

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inward 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. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is 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 adjustment 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.

Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

Disclosures

A) Nature and extent of risks arising from insurance contracts SLFRS 4.38 – 4.39A

An insurer shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from insurance contracts.

To comply with paragraph 38, an insurer shall disclose:

(a) its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.

(b) [deleted]

(c) information about *insurance risk* (both before and after risk mitigation by reinsurance), including information about:

   (i) sensitivity to insurance risk (see paragraph 39A).

   (ii) concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (eg type of insured event, geographical area, or currency).

   (iii) actual claims compared with previous estimates (ie claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year.

(d) information about credit risk, liquidity risk and market risk that paragraphs 31–42 of SLFRS 7 would require if the insurance contracts were within the scope of SLFRS 7. However:

   (i) an insurer need not provide the maturity analysis required by paragraph 39(a) of SLFRS 7 if it discloses information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities instead. This may take the form of an analysis, by estimated timing, of the amounts recognised in the statement of financial position.

   (ii) if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may use that sensitivity analysis to meet the requirement in paragraph 40(a) of SLFRS 7. Such an insurer shall also provide the disclosures required by paragraph 41 of SLFRS 7.

(e) information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.

To comply with paragraph 39(c)(i), an insurer shall disclose either (a) or (b) as follows:

(a) a sensitivity analysis that shows how profit or loss and equity would have been affected if changes in the relevant risk variable that were reasonably possible at the end of the reporting period had occurred; the methods and assumptions used in preparing the sensitivity analysis; and any changes from the previous period in the methods and assumptions used. However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may meet this requirement by disclosing that alternative sensitivity analysis and the disclosures required by paragraph 41 of SLFRS 7.

(b) qualitative information about sensitivity, and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.

B) Nature and extent of risks arising from financial instruments SLFRS 7.31-7.42

An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

The disclosures required by paragraphs 33–42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk* and market risk.

Qualitative disclosures

For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in LKAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.

(b) the disclosures required by paragraphs 36–42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29–31 of LKAS 1 for a discussion of materiality).

(c) concentrations of risk if not apparent from (a) and (b).

If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with LKAS 32);

(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;

(c) information about the credit quality of financial assets that are neither *past due* nor impaired; and

(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Financial assets that are either past due or impaired

An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired;

(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; and

(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

Collateral and other credit enhancements obtained

When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose:

(a) the nature and carrying amount of the assets obtained; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

An entity shall disclose:

(a) a maturity analysis for financial liabilities that shows the remaining contractual maturities; and

(b) a description of how it manages the liquidity risk inherent in (a).

Market risk

Sensitivity analysis

Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (eg interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:
:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

Notes

Income Statements Notes

1. Net earned premium

(a) Gross written premium on insurance contracts and investment contracts with DPF

	2012	2011
	Rs	**Rs**
Life insurance (include sub classification according to the way business is handled internally)	xxx	xxx
Non-life insurance (include sub classification according to the way business is handled internally)	xxx	xxx
Investment contracts with DPF	xxx	xxx
Total Gross written premium	**xxx**	**xxx**

(b) Premium ceded to reinsurers on insurance contracts and investment contracts with DPF

	2012	2011
	Rs	**Rs**
Life insurance (include sub classification according to the way business is handled internally)	(xxx)	(xxx)
Non-life insurance (include sub classification according to the way business is handled internally)	(xxx)	(xxx)
Investment contracts with DPF	(xxx)	(xxx)
Total premiums ceded to reinsurers	**(xxx)**	**(xxx)**

(c) Net Change in Reserve for Unearned premium

Change in Reserve for Unearned premium	xxx	xxx
Change in Reserve for Unearned Reinsurance premium	xxx	xxx
	xxx	**xxx**

2. Investment income

	2012	2011
	Rs	**Rs**
Rental income from investment properties	xxx	xxx
Financial assets at fair value through profit or loss (held for trading purposes)		
Interest income	xxx	xxx
Dividend income	xxx	xxx
Held to maturity financial assets interest income	xxx	xxx
Loans to related parties interest income	xxx	xxx
Available-for-sale financial assets		
Interest income	xxx	xxx
Dividend income	xxx	xxx
Loans and receivables interest income	xxx	xxx
Interest income accrued on impaired loans and receivables	xxx	xxx
Cash and cash equivalents interest income	xxx	xxx
Total investment income	**xxx**	**xxx**

3. Fees and commission income

	2012	2011
	Rs	**Rs**
Policyholder administration and investment management services	xxx	xxx
Surrender charges and other contract fees	xxx	xxx
Commission income	xxx	xxx
Total fees and commission income	**xxx**	**xxx**

4. Realised gains

	2012	2011
	Rs	**Rs**
Property and equipment		
Realised gains	xxx	xxx
Available-for-sale financial assets		
Realised gains		
Equity securities	xxx	xxx
Debt securities	xxx	xxx
Realised losses		
Equity securities	(xxx)	(xxx)
Debt securities	(xxx)	(xxx)
Total realised gains for available-for-sale financial assets	**xxx**	**xxx**
Total realised gains	**xxx**	**xxx**

5. Fair value gains and losses

	2012	2011
	Rs	**Rs**
Fair value gains on investment properties	xxx	xxx
Fair value losses on derivative financial instruments held for trading	(xxx)	(xxx)
Fair value gains on hedged items attributable to the hedged risk in fair value hedges	xxx	xxx
Fair value losses on hedging instruments in fair value hedges	(xxx)	(xxx)
Total fair value gains and losses on fair value hedges	**(xxx)**	**(xxx)**
Fair value gains on financial assets at fair value through profit or loss (held for trading purposes)	xxx	xxx
Fair value gains on financial assets at fair value through profit or loss (designated upon initial recognition)	xxx	xxx
Total fair value gains on financial assets at fair value through profit or loss other than derivatives	xxx	xxx
Total fair value gains and losses	**xxx**	**xxx**

6. Net benefits and claims

(a) Gross benefits and claims paid

	2012	2011
	Rs	**Rs**
Life insurance contracts	xxx	xxx
Non-life insurance contracts	xxx	xxx
Investment contracts with DPF	xxx	xxx
Total gross benefits and claims paid	**xxx**	**xxx**
(b) Claims ceded to reinsurers		
Life insurance contracts	(xxx)	(xxx)
Non-life insurance contracts	(xxx)	(xxx)
Investment contracts with DPF	(xxx)	(xxx)
Total claims ceded to reinsurers	**(xxx)**	**(xxx)**
(c) Gross change in contract liabilities		
Change in life insurance contract liabilities	xxx	xxx
Change in non-life insurance contract outstanding claims provision	xxx	xxx
Change in investment contract liabilities with DPF	xxx	xxx
Change in investment contract liabilities without DPF	(xxx)	xxx
Change in premium deficiency provision	xxx	xxx
Total gross change in contract liabilities	**xxx**	**xxx**
(d) Change in contract liabilities ceded to reinsurers		
Change in life insurance contract liabilities	(xxx)	(xxx)
Change in non-life insurance contract outstanding claims provision	(xxx)	(xxx)
Change in investment contract liabilities with DPF	(xxx)	(xxx)
Change in investment contract liabilities without DPF	xxx	(xxx)
Change in premium deficiency provision	(xxx)	(xxx)
Total change in contract liabilities ceded to reinsurers	**(xxx)**	**(xxx)**
(e) Change in contractual liability – Life, Non-life	**xxx**	**xxx**
Net benefits and claims	**xxx**	**xxx**

7. Underwriting and acquisition costs (including reinsurance)

	2012	2011
	Rs	Rs
Acquisition Cost	(xxx)	(xxx)
Change in deferred Acquisition Cost	(xxx)	(xxx)
Reinsurance Commission	(xxx)	(xxx)
Change unearned commission reserve	(xxx)	(xxx)
Underwriting & acquisition costs	**(xxx)**	**(xxx)**

8. Other operating and administrative expenses

	2012	2011
	Rs	Rs
Amortisation of intangible assets	xxx	xxx
Acquisition related transaction costs (not underwriting and net acquisition cost)	xxx	-
Impairment loss on reinsurance assets	xxx	xxx
Impairment loss on loans and receivables	xxx	xxx
Depreciation on property and equipment	xxx	xxx
Amounts written off on loans and receivables	xxx	xxx
Investment property related expenses	xxx	xxx
Fees and commission expenses	xxx	xxx
Deferred expenses	(xxx)	(xxx)
Amortisation of deferred expenses	xxx	xxx
Auditors' remuneration	xxx	xxx
Employee benefits expense	xxx	xxx
Net foreign exchange adjustments	(xxx)	(xxx)
Other expenses	xxx	xxx
Total other operating and administrative expenses	**xxx**	**xxx**

9. Net asset value attributable to unit–holders

Unit–trusts in which the Group has a controlling interest (normally if the Group holds more than x %) are consolidated. The units not owned by the Group are treated as a liability and amount to Rs xxxxx (2011: Rs xxxxx). Profit attributable to unit–holders amounts to Rs xxxxx (2011: Rs xxxxx).

The carrying amounts disclosed above approximate fair value at the reporting date.

10. Finance costs

	2012	2011
	Rs	**Rs**
Current borrowings		
Interest expense on bank overdraft	xxx	xxx
Interest expense on Rs xxxxx bank loan	xxx	xxx
Interest expense on Rs xxxxx bank loan	xxx	xxx
Non-current borrowings		
Interest expense on Rs xxxxx bank loan	xxx	xxx
Interest expense on Rs xxxxx bank loan	xxx	xxx
Total finance cost	**xxx**	**xxx**

11. Investment in an associate

The Group has a 20% interest in xxx Insurance Limited, which is involved in the insurance of xxx in Sri Lanka. xxx Insurance Limited is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment. The reporting date and reporting year of xxx Insurance Limited is the same as the Group and both use uniform accounting policies.

The investment in xxx Insurance Limited is as follows

	2012	2011
	Rs	**Rs**
Share of associate's statement of financial position		
Current assets	xxx	xxx
Non-current assets	xxx	xxx
Current liabilities	(xxx)	(xxx)
Non-current liabilities	(xxx)	(xxx)
	-	-
Net assets	**xxx**	**xxx**
Share of associate's revenue and profit		
Revenue	xxx	xxx
Profit	xxx	xxx
Carrying amount of investment in an associate	**xxx**	**xxx**

Management considers the investment in xxxx Insurance Limited to be non-current.

12. Income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

(a) Current tax year charge

	2012	2011
	Rs	Rs
Current tax		
Income tax	xxx	xxx
Prior year adjustment	(xxx)	(xxx)
Total current tax	**xxx**	**xxx**
Deferred tax		
Origination of temporary differences (note xx)	xxx	xxx
Changes in tax rates/base	xxx	(xxx)
Write down of deferred tax assets	xxx	xxx
Total deferred tax	**xxx**	**xxx**
	xxx	xxx
Income tax expense relating to policyholders	xxx	xxx
Income tax expense relating to shareholders	xxx	xxx

b) Tax recorded in other comprehensive income

	2012	2011
	Rs	Rs
Current tax	xxx	xxx
Deferred tax	xxx	xxx
Total tax charge to other comprehensive income		
Tax charge to other comprehensive income relating to policyholders	xxx	xxx
Tax charge to other comprehensive income relating to shareholders	xxx	xxx

c) Reconciliation of tax charge

	2012	2011
	Rs	Rs
Profit before tax	xxx	xxx
Tax at xxxx statutory income tax rate of x%	xxx	xxx
Permanent differences arising from overseas operations	(xxx)	(xxx)
Other untaxed income	(xxx)	(xxx)
Disallowable expenses	xxx	xxx
Differences arising from movement in unrealised gains and losses	(xxx)	(xxx)
Policyholder tax (i)	xxx	xxx
Relief for policyholder tax	(xxx)	(xxx)
Adjustment to tax charge in respect of prior years	(xxx)	(xxx)
Different tax rate on overseas operations	(xxx)	(xxx)
Write down of deferred tax assets	xxx	xxx
Utilisation of previously unrecognised tax losses	(xxx)	(xxx)
Total tax charge for the year	**xxx**	**xxx**

(i) The Group, as a proxy for policyholders in xxx and the xxx, is required to record taxes on investment income and gains each year.

There are no income tax consequences attaching to the payment of dividends by the company to its shareholders.

13. Earnings per share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	2011
	Rs	**Rs**
Net profit attributable to ordinary shareholders for basic and diluted earnings	xxx	xxx

	2012	2011
	Rs	**Rs**
Weighted average number of ordinary shares for basic earnings per share Effect of dilution:	xxx	xxx
Share options	xxx	xxx
Weighted average number of ordinary shares adjusted for the effect of dilution	xxx	xxx
Basic earnings per ordinary share Rs	**x**	**x**
Diluted earnings per ordinary share Rs	**x**	**x**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Balance sheet Notes

The Group's financial instruments other than derivative financial instruments are summarized by categories as follows.

	2012	2011	SLFRS 7.8
Held-to-maturity financial assets	xxxx	xxxx	
Loans and receivables	xxxx	xxxx	
Available-for-sale financial assets	xxxx	xxxx	
Financial assets at fair value through profit or loss	xxxx	xxxx	
Total financial instruments other than derivative financial instruments	**xxxx**	**xxxx**	

The following table compares the **fair values** of the financial instruments to their **carrying values**:

	2012		**2011**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Held-to-maturity financial assets (a)	xxx	xxx	xxx	xxx
Loans and receivables (b)	xxx	xxx	xxx	xxx
Available-for-sale financial asset(c)	xxx	xxx	xxx	xxx
Financial assets at fair value through profit or loss(d)	xxx	xxx	xxx	xxx
Total financial instruments other than derivative financial instruments	**xxx**	**xxx**	**xxx**	**xxx**

(a) Held-to-maturity financial assets

Fair value	**2012**	**2011**
Debt securities	xx	xx
Total held-to-maturity financial assets at fair value	xx	xx

	2012	2011
Amortized cost	**xx**	**xx**
Debt securities	xx	xx

Total held-to-maturity financial assets at amortized cost

(b) Loans and receivables

Amortized cost	**2012**	**2011**
Loans to related parties	xx	xx
Receivables from related parties	xx	xx
Amounts written off in the year	(xx)	(xx)
Other loans (net of impairment allowance)	xx	xx
Total loans and receivables at amortized cost	xx	xx

Fair value	**2012**	**2011**
Loans to related parties	xx	xx
Receivables from related parties	xx	xx
Other loans	xx	xx
Total loans and receivables at fair value	xx	xx

- The related party receivables are current and carrying value approximates fair value. SLFRS 7.29(a)
- The related party loans are at a variable interest rate and carrying value approximates fair value. SLFRS 7.29(a)
- The fair values of the other loans have been estimated by comparing current market interest rates for similar Loans to the rates offered when the loans were first recognized together with appropriate market credit adjustments. SLFRS 7.27

(c) Available-for-sale financial assets

(c) Available-for-sale financial assets	**SLFRS 7.6**	**2012**	**2011**
Equity securities		xx	xx
Debt securities		xx	xx
Total available-for-sale financial assets at fair value		xx	xx

(d) Financial assets at fair value through profit or loss

Fair value	**SLFRS 7.6**	**2012**	**2011**
Equity securities		xx	xx
Debt securities		xx	xx
Mutual funds		xx	xx
Deposits with credit institutions		xx	xx
Total financial assets at fair value through profit or loss - SLFRS 7.25		xx	xx

The table below indicates the fair value of financial assets at fair value through profit or loss, split between those classified as held-for-trading and those designated as such upon initial recognition.

	2012	2011
Held-for-trading purposes SLFRS 7.8(a)(ii)	xx	xx
Designated upon initial recognition SLFRS 7.8(a)(i)	xx	xx
Total financial assets at fair value through profit or loss	xx	xx

(e) Carrying values of financial instruments other than derivative financial instruments

	Held-to maturity	Loans and receivables	Available for- sale	Fair value through profit or loss	Total
At 1 January 2011	**xx**	**xx**	**xx**	**xx**	**xx**
Purchases	xx	xx	xx	xx	xx
Maturities	(xx)	(xx)	(xx)	-	(xx)
Disposals	-	-	(xx)	(xx)	(xx)
Fair value gains recorded in the income statement SLFRS 7.20(a)	-	-	-	xx	xx
Fair value gains recorded in other comprehensive income SLFRS 7.20(a)	-		xx	-	xx
Movement in impairment allowance	-	(xx)	-	-	
Amortization adjustment SLFRS 7.20(b)	xx		xx	-	xx
Amounts written off	-	(xx)	-	-	(xx)
Foreign exchange adjustments LKAS 21.28	-	-	xx	-	xx
At 31 December 2011	**xx**	**xx**	**xx**	**xx**	**xx**
Purchases	xx	xx	xx	xx	xx
Maturities	(xx)	(xx)	(xx)		(xx)
Disposals	-	-	(xx)	(xx)	(xx)
Fair value gains recorded in the income statement SLFRS 7.20(a)	-	-	-	xx	xx

Fair value gains recorded in other comprehensive income SLFRS 7.20(a)	-	-	xx		-	xx
Movement in impairment allowance	-	(xx)		-	-	
Amortization adjustment SLFRS 7.20(b)	xx	-	xx		-	xx
Amounts written off	-	(xx)		-	-	(xx)
Foreign exchange adjustments LKAS 21.28	-	-	xx		-	xx
At 31 December 2012	**xx**	**xx**	**xx**		**xx**	**xx**

Fair value of financial assets and liabilities not carried at fair value SLFRS 7.25, SLFRS 7.26
The following describes the methodologies and assumptions used to determine fair values for those financial Instruments which are not already recorded at fair value in the financial statements, i.e., held-to-maturity and Loans and receivables. SLFRS 7.27

Assets for which fair value approximates carrying value SLFRS 7.29(a)
For financial assets and financial liabilities that have a **short-term maturity** (less than three months), it is assumed that the **carrying amounts approximate to their fair value**. This assumption is also applied to demand deposits, and savings counts without a specific maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(f) Determination of fair value and fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:
LKAS 39.AG71, LKAS 39.AG74, SLFRS 7.25, SLFRS 7.26, SLFRS 7.27A

Description	Level 1	Level 2	Level 3	Total fair value
Financial assets Financial assets held-for-trading:				
Equity securities	xx	xx	xx	xx
Debt securities	xx	xx	xx	xx
Mutual funds	xx	xx	xx	xx
Deposits with credit institutions	xx	-	-	xx
	xx	xx	xx	xx
Financial assets designated at fair value through profit or loss:				
Equity securities	xx	xx	xx	xx
Debt securities	xx	xx	xx	xx
Mutual funds	xx	xx	xx	xx
Deposits with credit institutions	xx	-	-	xx
	xx	xx	xx	xx
Available-for-sale financial assets:				
Equity securities	xx	xx	xx	xx
Debt securities	xx	xx	xx	xx
	xx	xx	xx	xx
Total financial assets	xx	xx	xx	xx
Financial liabilities				
Investment contract liabilities:				
Investment contract liabilities without DPF	xx	xx	xx	xx
Total financial liabilities	xx	xx	xx	xx
similar disclosure for 2011 comparatives				

(f) Determination of fair value and fair values hierarchy (cont'd)

Included in the **Level 1 category** are financial assets and liabilities that are measured in whole or in part by reference to **published quotes in an active market**. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group,

pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
SLFRS 7.27

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.
SLFRS 7.27

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.
SLFRS 7.27

No day 1 profit were unrecognized because of the use of valuation techniques for which not all the inputs are observable in the market.
SLFRS 7.28

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table shows a **reconciliation of the opening and closing recorded amount of Level 3** financial assets and liabilities which are recorded at fair value:
IFRS 7.27B (b), (c), (d)

Description	**As at 1 January 2012**	**Total gains/(loss) in income statement**	**Total gains/(loss) recorded in other comprehensive income**	**Purchases**	**Sales**	**Transfers from level 1 and level 2**	**At 31 December 2012**	**Total gains or losses for the period included in profit or loss for assets held at 31 December 2012**
Financial assets held-for-trading:								
Equity securities	xx	xx	-	xx	(xx)	xx	Xx	xx
Debt securities	xx	(xx)	-	xx	(xx)	xx	Xx	(xx)
Mutual funds	xx	(xx)	-	xx	(xx)	xx	Xx	(xx)
	xx	**xx**	**-**	**xx**	**(xx)**	**xx**	**Xx**	**xx**
Financial assets designated at fair value through profit or loss:								
Equities	xx	xx	-	xx	(xx)	xx	xx	(xx)
Debt securities	xx	(xx)	-	xx	(xx)	xx	xx	(xx)
Mutual funds	xx	(xx)	-	xx	(xx)	xx	xx	(xx)
	xx	**(xx)**	**-**	**xx**	**(xx)**	**xx**	**Xx**	**(xx)**
Available-for-sale								
financial assets:								
Debt securities	xx	xx	xx	xx	xx	xx	xx	xx
Equities	xx	(xx)	(xx)	xx	(xx)	xx	xx	xx
	xx	**(xx)**	**xx**	**xx**	**(xx)**	**xx**	**xx**	**xx**
Financial liabilities								
Investment contract liabilities without DPF	xx	xx		xx	(xx)	xx	xx	xx
Net asset value attributable to unit holders	xx	xx		xx	(xx)	xx	xx	xx
similar disclosure for 2011 comparatives								