Allianz

Allianz Insurance Lanka Limited

ANNUAL REPORT 2025

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DIRECTORS' PROFILES

Sigurd Ekkehard Volk
Chairman

Sigurd Volk is the Technical Head of Life & Health, Asia Pacific, at Allianz SE Singapore Operating entity (OE). He has worked with the Allianz group in various positions since 2004, mostly out of Singapore heading the regional risk, life insurance and operating entity functions.

He worked in the risk function at the global headquarters in Munich (2006-2007) and served as Chief Risk Officer in Thailand (2008-2011). Sigurd Volk graduated with a Masters degree from Maastricht University in the Netherlands in 2003. He holds CFA and FRM professional certifications.

Nawalage Therese Manouri Shiromal Cooray
Independent/Non-Executive Director

Shiromal Cooray is the Chairman & Managing Director of Jetwing Travels (Private) Ltd, one of the leading Destination Management Companies in Sri Lanka. With diverse experience in a number of industries, Shiromal also holds directorates in hotels, finance/Banking, investment banking and Commodity brokering.

Hailing from a background in finance and management, Shiromal holds an MBA from the University of Colombo, is a Fellow Member of the Chartered Institute of Management Accountants UK, and a former Finance Director of J. Walter Thompson Ltd (Colombo) along with work experience in the UK and Hong Kong. She is past Chairman of the Sri Lanka Institute of Directors (SLID), and past President of the Sri Lanka Association of Inbound Tour Operators.

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Directors' Profiles

Sriyan Joseph de Silva
Independent/Non-Executive Director

Sriyan de Silva Wijeyeratne has held several leading Corporate and other roles across his multi-faceted career spanning 30 years. Currently the Chairman of Axion Solutions, his former corporate roles include being MD/CEO of Teejay Lanka PLC, Country Manager of Microsoft, Chairman/ CEO of the Employees Trust Fund Board, and he was listed on the CIMA Top 50 Business Icons in 2021.

He is a recent Past President of the Wildlife and Nature Protection Society and as Chairman of the WNPS PLANT entity, he currently spends most of his time working on Conservation issues within Sri Lanka and Consulting with limited business entities. He is a published wildlife photographer and passionate about travelling, music, and Community work.

Don Tiburtius Sujeewa Handapangoda Mudalige
Independent/Non-Executive Director

Mr. Sujeewa Mudalige possess over 30 years of experience in the accounting and finance field. He recently retired as the CEO/Managing Partner of PwC (Sri Lanka & Maldives).

Sujeewa serves as an independent non-executive director in many public and private entities. He has also served on many regulatory bodies such as BOI, NMRA and SEC.

He was the president of Institute of Chartered Accountants of Sri Lanka during the period 2010- 2011.

He was recently awarded an honorary Doctorate in Business by the University of Plymouth (UK) recognising his outstanding contribution to accounting and finance.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK), the Association of Chartered Certified Accountants (UK), and the Certified Public Accountants of Australia.

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Prashant Grover
Chief Executive Officer/ Country Manager/
Executive Director

Prashant Grover is the current Chief Executive Officer and the Principal Officer for Allianz Insurance Lanka Ltd. He also acts as the Country Manager for Allianz Insurance Lanka Limited.

Prashant brings more than two decades of invaluable experience from the Financial Services and Insurance sectors navigating diverse markets across the world. Having commenced his journey at Allianz in 2007, he has played pivotal roles in various operating entities and countries across Asia and Europe. His role in leading the transformation of Allianz's commercial business in Asia Pacific and retail business in Thailand, as well as guiding the entry of the Allianz brand into the Vietnamese market, has been critical to Allianz's overall strategy in Asia. At Allianz Lanka, Prashant leverages his extensive experience and expertise to drive Allianz Lanka forward, delivering exceptional value and service to stakeholders in the Sri Lankan market.

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CORPORATE GOVERNANCE

The resilient performance demonstrated by Allianz Insurance Lanka Ltd over the past few years stands as a compelling testament to the strength and effectiveness of our corporate governance framework. This resilience is deeply rooted in our unwavering commitment to upholding the highest standards of governance, which we recognize as a cornerstone in building sustainable value for all stakeholders.

We firmly believe that good governance is not merely a compliance requirement but a strategic imperative that drives integrity, ethical conduct, and responsible decision-making across every level of the organization. As such, we remain resolute in our pursuit of continuous improvement, actively benchmarking our governance practices against global best practices and emerging trends.

In an evolving regulatory and risk landscape, we continue to strengthen our internal controls, enhance board oversight, and cultivate a culture of accountability, transparency, and ethical leadership. These efforts are supported by a robust governance structure that promotes diversity of thought and prudent risk management.

BOARD COMPOSITION AND EXPERTISE

The Board of Directors is ultimately responsible for ensuring that Allianz Insurance Lanka Ltd operates within a rigorous and effective governance structure. Through its ethical and entrepreneurial leadership, the Board safeguards stakeholder interests by maintaining a framework of robust and effective controls. This approach ensures sustainable value creation for the stakeholders.

The Board is well balanced and possesses the competence to discharge its statutory and fiduciary duties, objectively and effectively. Careful consideration has been given to ensure that the Board has the right mix of skills, experience and perspectives.

As of the end of March 2025, the Board comprises Six (06) Directors: One (01) Executive and Five (05) Non-Executive Directors, of whom Four (04) are Independent as defined by CSE rule 9.8.3 on Corporate Governance. The Board fulfils the minimum guidelines prescribed by the Code of Best Practice on Corporate Governance 2023. This process ascertains whether such Directors are independent of the management and free of any business or other relationship that could interfere with the exercise of their unfettered and independent judgment.

The Board is diverse in expertise, skills, experience, and demographics, which aligns with both the current and future needs of the Company. This diversity brings rich perspectives to the Board, enhancing the depth of discussions and enhances the quality of decision-making.

Please refer to page 6-8 for brief profiles of the Board of Directors. Board refreshments take place as and when required, and appointments follow a transparent and rigorous process based on the recommendations of the Nominations & Governance Committee. The Board periodically assesses its skill composition to ensure that its collective expertise remains relevant in advancing the Company's strategic agenda.

Board composition

The Board of Directors of Allianz Insurance Lanka Limited comprises of Six (06) Directors, - One (01) Executive Director, Five (05) Non-executive Directors (of whom Four (04) are Independent Non-Executive Directors).

Board skill profile

Please refer profiles of Board of Directors on page 06

Diversity of age

Gender

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THE BOARD'S CONTRIBUTION TO VALUE CREATION IN 2024/25

Strategy

Formulation of the strategic direction to create shared and sustainable stakeholder value. Given the unprecedented operating conditions during the year, the Board engaged proactively with the business to ensure continuity of operations amidst volatile business conditions.

Shaping the corporate culture

Board members model ethical behaviour in their decisions and actions and their conduct sets the tone for the entire Company. The Board maintains transparency in board activities and decisions to build trust and accountability.

Risk management

The Board, assisted by the Risk and Audit Committee, ensures effective risk management. Effective risk management is underpinned by the Group's risk management framework which has been designed to optimise risk-reward factors.

Stakeholder engagement

The Board plays a pivotal role in fostering robust stakeholder engagement, which is crucial for building trust, enhancing reputation, and ensuring long-term success. By establishing clear channels for stakeholder interaction and ensuring regular, honest updates, the Board maintains an ongoing dialogue with all stakeholders.

EFFECTIVE LEADERSHIP

As the apex governing body, the Board of Directors is responsible for setting the Company's strategic direction, effectively managing risks within its risk appetite and setting the right ethical tone at the top. Comprising of senior professionals in their respective fields, the Board also plays a vital role in shaping organizational culture and driving accountability, transparency, and integrity across the organization. This generates and delivers sustainable stakeholder value, which is the ultimate enforcer of the Company's corporate Governance Standards.

The Board collectively, and Directors individually, recognise their duty to oversee that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. In order to preserve the independence of the Board and to strengthen its decision-making, the Board seeks independent professional advice when deemed necessary.

Moreover, the Board receives adequate information from the Management in a timely manner. The Board receives regular reports and presentations on strategies and developments in relation to ts business lines and performance. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings, facilitating informed discussion and effective decision-making.

The following are the Board's role and responsibilities.

Strategic Planning	The Board of Directors is responsible for setting the strategic direction of the organization, including approving strategic plans, setting long-term goals and objectives, and monitoring progress towards achieving them.
Risk Management and Compliance	The Board of Directors oversees the Group's risk management practices, including identifying and mitigating risks, ensuring compliance with applicable laws and regulations, and implementing effective internal controls.
Financial Oversight	The Board of Directors monitors the Company's financial performance, including reviewing and approving financial reports, budgets, and financial policies and publishing quarterly and the Annual Report on time. It ensures that the Company's financial resources are used effectively and that appropriate financial controls are in place. Examining and approving large acquisitions, dispositions, and capital expenditure too are part of the Board's responsibilities.

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Corporate Governance

Stakeholder Relations	The Board of Directors represents the interests of shareholders and stakeholders and maintains effective communication and engagement with them. This includes providing regular updates on the Company's performance, addressing stakeholders' concerns, and acting in the best interests of the Company and its stakeholders.
Board Composition and Governance	The Board of Directors is responsible for establishing and maintaining effective governance practices within the Group. This includes setting the size and composition of the Board, establishing Board Sub-Committees, defining Board roles and responsibilities, and ensuring compliance with corporate governance principles and regulations.
Ethical and Legal Responsibilities	The Board of Directors upholds the highest ethical standards within the Company and ensures compliance with applicable laws and regulations. This includes establishing and monitoring a Code of Conduct, addressing conflicts of interest, and promoting a culture of integrity and accountability.
Performance Evaluation	The Board of Directors evaluates its own performance, as well as the performance of the CEO and other senior executives, to ensure effectiveness and accountability.
Crisis Management	The Board of Directors provides guidance and oversight during times of crisis or emergencies, such as natural disasters, financial crises, or reputational issues, to ensure the Company responds effectively and mitigates risks.
Legal and Fiduciary Duties	The Board of Directors has legal and fiduciary duties to act in the best interests of the Company and its shareholders and stakeholders, and to fulfil its obligations under applicable laws, regulations, and corporate governance principles.
ESG	The Board ensures that business is handled in accordance with environmental, social, and governance considerations.
IT Governance and Strategy	The Board ensures the ICT roadmap aligns with business strategy and monitors the implementation via the ITC dashboard

MEETING ATTENDANCE

All Directors have attended a majority of the meetings and have devoted their time adequately to matters of the Board and the Company. Board meetings and Board Committee meetings are scheduled well in advance to facilitate effective participation.

All Board meetings are conducted as per a pre-determined agenda. The notices of Board meetings along with the agenda and Board papers are circulated among the Directors at least Seven (07) days prior to the scheduled meeting, giving adequate time for the Directors to review and request any additional information or clarifications needed in order to prepare meaningfully for the meetings.

In such instances where decisions are made by way of special resolutions, all relevant information pertaining to the resolution is provided with the relevant resolution to enable the Board to clearly understand the purpose for which a resolution is being circulated before making a decision.

Attendance of the Members at the Board Meetings and Board Sub Committee Meetings for the period from 1st January 2024 to 31st December 2024.

	Board Meetings	Audit Committee Meetings	Board Risk and Control Committee Meetings
Sigurd Volk	4/4	5/5	x/x
Prashant Grover	2/2	-	-
Shiromal Cooray	3/4	4/5	-
Deepthi Lokuarachchi	4/4	x/x	4/4
Sriyan de Silva Wijeyeratne	4/4	5/5	4/4
Sujeewa Mudalige	-	-	-

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Board Meeting Attendance

	Date of Appointment	21.02.2024	21.05.2024	21.08.2024	20.11.2024
Sigurd Volk	26.05.2022	√	√	√	√
Prashant Grover	12.06.2024		-	√	√
Shiromal Cooray	01.07.2019	√	-	√	√
Deepthi Lokuarachchi	11.08.2020	√	√	√	√
Sriyan de Silva Wijeyeratne	31.03.2023	√	√	√	√
Sujeewa Mudalige	01.02.2025	-	-	-	-

INDUCTION AND TRAINING

All Directors periodically undergo training on key aspects , which serves to provide an overview of the Group's operations and on areas like Anti Money Laundering , Compliance and Data protection, which are considered areas of importance. Directors are also expected to consistently refresh their knowledge, keeping abreast of relevant developments and thereby enhancing the overall effectiveness of decision-making. They are given the opportunity to have sufficient exposure and expertise in their relevant areas to fulfil their duties and responsibilities owing to the Board.

Directors have access to the management team through regular updates and reporting to the Board.

BOARD INDEPENDENCE

Stakeholders, stock exchanges, and regulatory organizations around the world are placing a greater emphasis on independence of the Board. The Company believes that, in order for a Board to be effective, corporations must take steps, both in their structures and nomination processes, to support independent decision-making while limiting any conflicts of interest. There is evidence that the stated vision of improved governance and greater independence can be realized through multiple checks and balances, while not jeopardizing a corporate's basic operating model. These checks and balances may include, among other things, the implementation of various assurance methods, the use of systematic and comprehensive Board review processes, and independent director-led participation. To this end, the Company will continue to prioritize maintaining the Board's independence while maintaining an effective balance with the Group's operational model, which is designed to handle the complexities of a diverse conglomerate structure.

Powers reserved for the Board

- **In accordance with section 221 of the Companies Act No.07 of 2007, the Board Secretary is appointed**
- **Seeking expert guidance where necessary at the Company's expense**
- **Examining, revising, and approving governance frameworks and guidelines**

BOARD AND SUBCOMMITTEE PERFORMANCE EVALUATION

Board Risk and Control Committee;

The Board acknowledges that reviewing the performance of the Board and its Committees is critical to monitoring the Board's and Committees' effectiveness. The Board and Board Committees are evaluated on a yearly basis. Starting 2025, each Director shall separately complete a questionnaire to assess the Board's and its Committees' performance. Executive directors will evaluate non-executive directors and vice versa. The tabulated data is then used to improve efficacy. Allianz Insurance Lanka Limited maintains several board sub-committees, including the Board Audit Committee, Nomination Committee, Board Risk and Control Committee and Remuneration Committee. The Nomination and Remuneration functions, previously combined, have been formally segregated into two independent committees, each operating with distinct responsibilities and authority.

The CEO is entrusted by the Board to conduct day-to-day operations effectively to attain strategic targets/goals. CEO/ Managing Director's performance targets are aligned with the business strategies of the Company. Financial and non-financial targets are set at the beginning of every financial year by the Board which is in line with the short, medium and long term objectives of the Company. At the end of each financial year, the Non-Executive Directors, Chairman and the Managing Director assess the performance of the CEO through the set targets/Key Performance Indicators (KPIs) and the actual performance.

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Corporate Governance

ACCESS TO INFORMATION

Directors have access to timely, relevant, and accurate information, which enables them to discharge their duties effectively. The Company Secretary, under the direction of the Chairman, is responsible for ensuring that the Board and its Sub-Committees receive such information for review well in advance of each meeting. Prior to Board meetings, Directors are typically provided with information including periodic operational and financial performance reports, budgets and forecasts and information on stakeholder concerns, among others.

Board Minutes

- **Matters considered by the Board and deliberations.**
- **Summary of information used for Board deliberations.**
- **Testimonies and confirmations from the Company's senior management.**
- **Board knowledge and understanding of risk to which the Company is exposed.**
- **Board decisions and resolutions.**

COMPANY SECRETARY

The Company Secretary ensures the Company's compliance with legal and regulatory requirements. They act as a liaison between the company and regulatory authorities, maintain statutory records, and advise the board on governance matters. They also play a role in ensuring Board decisions are implemented and documented.

Key Responsibilities:

- **Compliance:**

  Ensuring the Company adheres to the Companies Act and other relevant regulations, including filing annual returns, maintaining statutory registers, and notifying the Registrar of Companies of changes.

- **Governance:**

  Advising the Board on governance matters, ensuring compliance with corporate governance codes, and facilitating effective communication between the Board and stakeholders.

- **Secretarial Duties:**

  Preparing and maintaining minutes of Board meetings, organizing meetings, and ensuring proper documentation of resolutions.

- **Record Keeping:**

  Maintaining statutory registers, such as registers of members, directors, and those with significant control, and ensuring accurate records are kept.

- **Stakeholder Liaison:**

  Acting as a bridge between the Company and its stakeholders, including shareholders, regulators, and government authorities.

BEYOND THE BASICS:

- **The Company Secretary is also involved in registering charges created by companies, certifying annual returns, and authenticating annual reports.**
- **The Company Secretary ensures the company's compliance with relevant laws and regulations, including the Companies Act.**
- **The Company Secretary plays a crucial role in ensuring that the decisions of the board of directors are properly implemented and documented.**

In essence, the Company Secretary is a key officer who ensures efficient and compliant administration of the company, while also playing a vital role in its governance and communication with stakeholders.

The Board of Directors appoints and replaces the Company Secretary. The attendance register is monitored by the Company Secretary to verify compliance. The internal Corporate Governance Code contains the Company Secretary's obligations as defined in statutes and other regulations.

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ROLE OF COMPANY SECRETARY AT BOARD MEETINGS

The Company Secretary is crucial in organizing Board meetings and deliberations. The Company Secretary shall ensure that all Directors have complete and timely access to necessary information and information and data prior to each meeting.

Pre Board meetings

Coordinate with the Board of Directors and management to develop the agenda for the Board meeting. Prior to each meeting, the agenda and all Board materials are distributed electronically to Board members. Specific reports and timetables are also distributed with Board papers as necessary. Ensures that prior meeting minutes are distributed to Board members. Board members can instantly contact the Company Secretary for clarification.

During Meetings

Minutes of discussions and decisions are recorded in the Board minute books in an appropriate manner.

Post Board meeting

Board minutes are prepared and distributed to the Board prior to the following meeting.

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FINANCIAL STATEMENTS

Allianz Insurance Lanka Ltd.

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Certification of Incurred but not Reported (IBNR) Reserve

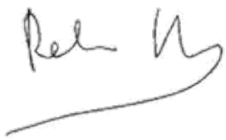
Strictly confidential

Certification by the Actuary

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test ('LAT') as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve ('UPR'). I hereby certify that the UPR provision of LKR 6,131,514,955 set by the Company, net of reinsurance and DAC, is adequate at a 50th percentile in relation to the undiscounted unexpired risks of Allianz Insurance Lanka Limited as at 31 December 2025, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The valuation of the Company's unexpired risks has been conducted in compliance with the IRCSL Solvency Margin (Risk Based Capital) Rules, 2015, relevant insurance regulation, and in accordance with Institute and Faculty of Actuaries ('IFoA') professional standards; in particular, the relevant Professional Standards & Guidance and the Code of Conduct, to the extent that they are applicable.

I have relied upon information and data provided by the management of the Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonableness of the data.



Roberto Malattia
Fellow of the Institute and Faculty of Actuaries (FIA)
For and on behalf of NMG Consulting
Dated 03 April 2026

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Independent Auditor's Report

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TO THE SHAREHOLDERS OF ALLIANZ INSURANCE LANKA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Allianz Insurance Lanka Limited (the Company) which comprise the statement of financial position as at 31 December 2025, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, If we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

Responsibilities of management and those charged with governance for the financial statements.

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or

C S Manoharan FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Guanasekara** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **LAC Tillekeratne** ACA, **D C A J Yapa** ACA,

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error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by section 47(2) of the regulation of Insurance industry Act, No. 43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by insurance regulatory commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the company.

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CHARTERED ACCOUNTANTS

COLOMBO
22 April 2026

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Statement of Financial Position

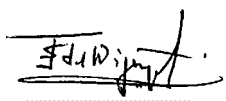
As at 31 December	Note	2025 LKR '000	2024 LKR '000
Assets			
Intangible assets	4	**1,019,617**	1,107,098
Property, plant and equipment	5	**275,678**	498,312
Right-of-use assets	6	**827,432**	797,273
Deferred tax assets	7	**902,429**	597,189
Financial investments	8	**16,296,190**	17,405,412
Reinsurance receivables	9	**10,443,144**	2,297,010
Premium receivables	10	**3,582,785**	2,979,761
Insurance contracts - deferred expenses	11	**1,119,217**	785,110
Amounts due from related parties	12	**-**	92,449
Income tax refund due		**372,242**	372,242
Other assets	13	**2,016,263**	958,207
Cash in hand and balances at bank	14	**709,202**	1,169,199
Total assets		**37,564,199**	29,059,262
Equity and liabilities			
Equity			
Stated capital	15	**8,619,972**	8,619,972
Retained earnings	16.1	**647,450**	1,588,696
Available-for-sale reserve	16.2	**258,523**	100,279
Total equity		**9,525,945**	10,308,947
Liabilities			
Insurance liability - non life	17	**18,035,480**	10,955,715
Retirement benefit obligations	18	**479,594**	391,887
Insurance contracts - deferred revenue	19	**581,168**	490,100
Reinsurance payables	20	**2,753,651**	2,234,145
Other liabilities	21	**5,938,125**	4,660,918
Bank overdrafts	14	**250,236**	17,550
Total liabilities		**28,038,254**	18,750,315
Total equity and liabilities		**37,564,199**	29,059,262

The notes to the financial statements are an integral part of these financial statements.
I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Gayani Tharangika
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board:

Prashant Grover
Chief Executive Officer/ Director



Sriyan de Silva Wijeyeratne
Director

Colombo
06.04.2026

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Statement of profit or loss

Year ended 31 December	Note	2025 LKR '000	2024 LKR '000
Gross written premium	22	**17,745,387**	14,861,084
Premium ceded to reinsurers	22 (b)	**(4,149,012)**	(3,294,002)
Net written premium		**13,596,375**	11,567,082
Net change in reserve for unearned premium	23	**(1,260,896)**	505,017
Net earned premium		**12,335,479**	12,072,099
Benefits, claims and net acquisition cost			
Net insurance benefits and claims paid	24	**(9,030,050)**	(7,311,441)
Gross change in contract liabilities	24	**(6,272,891)**	(1,169,691)
Change in contract liabilities ceded to reinsurers	24	**7,028,157**	550,242
Claims related cost	24	**(873,404)**	(863,602)
Underwriting and net acquisition cost	25	**(3,822,384)**	(4,056,910)
Total benefits, claims and net acquisition cost		**(12,970,572)**	(12,851,402)
Other Income			
Investment income	26	**1,491,162**	2,128,306
Net realised gains/(losses)	27	**11,601**	(5,494)
Fees and commission income	28	**719,702**	610,556
Other operating (expenses)/income	29	**(3,937)**	537,626
Total other income		**2,218,528**	3,270,994
Other expenses			
Other operating, administrative and finance charges	30	**(2,644,029)**	(2,862,384)
Total other expenses		**(2,644,029)**	(2,862,384)
Loss before taxation		**(1,060,594)**	(370,693)
Income tax expense	31	**189,071**	318,262
Loss for the year		**(871,523)**	(52,431)
Loss attributable to:			
Equity holders of the Company		**(871,523)**	(52,431)
		(871,523)	(52,431)
Basic Loss per share (Rs)	32	**(1.29)**	(0.80)

The notes to the financial statements are an integral part of these financial statements.
Independent auditor's report - pages 16 to 17.

Classification: Confidential

Statement of Comprehensive Income

As at 31 December	Note	2025 LKR '000	2024 LKR '000
Loss for the year		**(871,523)**	(52,431)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of AFS assets	16.2	**22,148**	352,407
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on defined benefit plans	18	**(49,796)**	116,218
Aggregate tax effect of items recognised in other comprehensive income		**116,169**	(68,605)
Other comprehensive income		**88,521**	400,020
Total comprehensive loss for the year		**(783,002)**	347,590
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**(783,002)**	347,590
		(783,002)	347,590

The notes to the financial statements are an integral part of these financial statements.
Independent auditor's report - pages 16 to 17.

Classification: Confidential

Statement of Changes in Equity

	Stated capital	Available for sale reserve	Retained earnings	Total
Balance as at 31 December 2023	8,619,972	(213,495)	1,554,881	9,961,359
Loss for the year	-	-	(52,431)	(52,431)
Other comprehensive income	-	352,407	116,218	468,625
Aggregate tax effect of items recognised in other comprehensive income	-	(38,633)	(29,972)	(68,605)
Balance as at 31 December 2024	8,619,972	100,279	1,588,696	10,308,948
Loss for the year	-	-	(871,523)	(871,524)
Other comprehensive income	-	22,148	(49,796)	(27,646)
Aggregate tax effect of items recognised in other comprehensive income	-	136,096	(19,927)	116,169
Balance as at 31 December 2025	8,619,972	258,523	647,450	9,525,947

The notes to the financial statements are an integral part of these financial statements.
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Classification: Confidential

Statement of Cash Flows

As at 31 December	Note	2025 LKR '000	2024 LKR '000
Cash flows from operating activities			
Premium received from customers		**17,417,222**	15,389,660
Reinsurance premium paid		**(3,841,554)**	(5,307,322)
Claims paid		**(9,648,271)**	(7,579,656)
Reinsurance receipts in respects of claims		**618,221**	268,215
Cash paid to and behalf of employees		**(1,129,299)**	(930,346)
Other operating cash payments		**(6,607,096)**	(3,825,796)
Cash flows used in operating activities	A	**(3,190,777)**	(1,985,245)
Employees retirement benefit paid		**(34,710)**	(65,700)
Lease interest paid		**(141,287)**	(232,987)
Net cash used in operating activities		**(3,366,774)**	(2,283,932)
Cash flows generated from investing activities			
Acquisition of investments		**(23,756,186)**	(32,027,581)
Proceeds from maturity of investment		**25,034,846**	32,884,648
Acquisition of intangible assets	4	**(104,176)**	(112,550)
Acquisition of property and equipment	5.1	**(16,359)**	(38,305)
Proceeds from disposal of property and equipment		**580**	1,406
Investment income		**1,721,537**	1,999,896
Net cash generated from investing activities		**2,880,242**	2,707,514
Net cash flows before financing activities		**(486,532)**	423,582
Cash flows used in financing activities			
Principal elements of lease payments	20.1	**(215,026)**	(182,094)
Net cash used in financing activities		**(215,026)**	(182,094)
Net (decrease) / increase in cash and cash equivalents		**(701,558)**	241,489

The notes to the financial statements are an integral part of these financial statements.
Independent auditor's report - pages 16 to 17.

Classification: Confidential

As at 31 December	2025	2024
	LKR '000	LKR '000
A Cash flow from operating activities		
Loss before tax	(1,060,594)	(370,695)
Depreciation of property, plant and equipment	167,480	183,212
Depreciation of right-of-use assets	281,748	275,252
Amortisation of intangible assets	191,658	211,382
Provision for employee benefits	72,621	100,213
Provision for bad and doubtful debts	158,145	54,690
Interest and investment income	(1,491,162)	(2,128,306)
Realised gains	(2,726)	(196,263)
Ex. Rate changes to cash & cash equivalents	(8,875)	58,127
(Decrease) / increase in premium and other receivables	(10,479,825)	(496,299)
(Decrease) / increase in deferred expenses	(334,107)	(124,096)
(Decrease) / increase in insurance liability - non life	7,079,765	1,575,096
(Decrease) / increase in creditors and accruals	2,235,095	(1,127,559)
Net cash flow used in operating activities	(3,190,777)	(1,985,244)
B Increase in cash and cash equivalents		
Cash in hand and at bank	709,202	1,169,199
Bank overdrafts	(250,236)	(17,550)
Net cash and cash equivalents for the current year (Note 14)	458,966	1,151,649
Net cash and cash equivalents for the previous year	(1,151,649)	(968,285)
Ex. Rate changes to Cash & cash equivalents	8,875	(58,127)
Net (Decrease) / increase in cash and cash equivalents	(701,558)	241,491

The notes to the financial statements are an integral part of these financial statements.
Independent auditor's report - pages 16 to 17.

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Notes to the Financial Statements

1 GENERAL INFORMATION

1.1 Reporting entity

Allianz Insurance Lanka Limited ("the Company") is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at Levels 26 - 27, One Galle Face Tower, No 1 A, Centre Road, Galle Face, Colombo 02 with effect from 16th January 2023 and previously at No. 675, Dr. Danister de Silva Mawatha, Colombo 09, Sri Lanka.

The Company was incorporated on 20 January 2004 and commenced Non-Life insurance business in January 2005. The Company subsequently amalgamated with Janashakthi General Insurance Company Limited on 28th September 2018 and now continues as "Allianz Insurance Lanka Limited" bearing Company No 5179.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company is to carry out underwriting of all classes of general insurance. In terms of Section 244 (3) of the Companies Act No. 07 of 2007. The amalgamated company continues as Allianz Insurance Lanka Limited bearing Company registration number PB 5179, and a certificate of amalgamation has been issued by the Registrar General of Companies on 28 September 2018 in terms of Section 244 (1) (a) of the Companies Act No. 07 of 2007.

The rights and obligations arising from a policy of insurance entered into by any policy-holder with the amalgamating Companies being Janashakthi General Insurance Limited and Allianz Insurance Lanka Limited, shall continue and be in force and effect with the amalgamated Company being Allianz Insurance Lanka Limited bearing Company registration number PB 5179, on the same basis and same terms and conditions, as that which existed between the policy-holder and either of the amalgamating Companies being Janashakthi General Insurance Limited and Allianz Insurance Lanka Limited.

There were no significant changes in the nature of principal activities of the Company during the financial year under review or the prior year.

1.3 Parent entity

The Company's parent undertaking and ultimate parent undertaking and controlling party is Allianz SE of Munich, Germany.

1.4 Date of authorisation of issue

The financial statements of the Company for the year ended 31 December 2025 were approved and authorised for issue by the board of directors on 6 April 2026.

1.5 Responsibility for financial statements

The board of directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Financial Reporting Standards Implementation and Interpretation Committee ("FRSIIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in note 3.26 to the financial statements.

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Company's financial statements (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2025 (ie year ending 31 December 2025) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2026.

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a) New standards and amendments – applicable 1 January 2025

In the current year, the Company has applied a number of amendments to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(i) Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The company has adopted the amendments to LKAS 1, published in January 2020, for the first time in the current year.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

(b) New standards and amendments - issued but not effective nor early adopted in 2025

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka except for SLFRS 17) but not mandatory for annual reporting periods ending 31 December 2025.

(i) SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued as replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

a) discounted probability-weighted cash flows

b) an explicit risk adjustment, and

c) a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This amendment is effective for the annual periods beginning on or after 1 January 2026.

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Notes to the Financial Statements

2 BASIS OF PREPARATION (CONTD)

(b) New standards and amendments - issued but not effective nor early adopted in 2023 (contd)

(i) SLFRS 17, 'Insurance contracts' (contd)

As the Company has deferred the adoption of SLFRS 9, this amendment will become effective when adopting SLFRS 17.

Readiness for SLFRS 17 : Insurance Contracts

Company's parent has already started recognizing Insurance contracts under IFRS 17 with effective from 1 January 2023. Therefore, the Company is obliged to share its group reporting financials under SLFRS 17 framework with the parent company for consolidation purpose with effect from 1 January 2023.

The findings including key challenges are communicated with the group reporting team, and separate project was scheduled and implemented by the group reporting team covering all respective companies coming under their scope.

(ii) SLFRS 9, 'Financial Instruments'

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statements of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value changes that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

(iii) Disclosures on qualifying for the temporary exemptions

Based on the amendments to SLFRS 4, 'Insurance contracts', the company is permitted to apply the temporary exemption as the company meets the eligibility criteria as follows:

(i) The company has not applied SLFRS 9 before; and

(ii) The company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance - including investment contracts measured at fair value through profit or loss - compared with total liabilities is greater than 80% but less than 90% and the company does not engage in significant activity unconnected with insurance. Accordingly, the company qualifies for the temporary exemption.

As at 31 December	2025	2024
	LKR '000	LKR '000
Insurance liability - non life	**18,035,480**	10,955,715
Reinsurance payables	**2,753,651**	2,234,145
Insurance contracts - deferred revenue	**581,168**	490,100
Other liabilities connected with insurance	**3,705,929**	2,633,225
Total liabilities	**25,076,228**	16,313,185

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Disclosures to provide comparability

Financial assets that meet the SPPI test, Solely Payment of Principal and Interest (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

As at 31 December		2025		2024	
Instrument	Current classification	Carrying Value under LKAS 39	Fair Value	Carrying Value under LKAS 39	Fair Value
Placements with banks and financial institutions	Loans and receivable	**100,636**	**100,636**	101,698	101,698

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis).

As at 31 December		2025		2024	
Instrument	Current classification	Carrying Value under LKAS 39	Fair Value	Carrying Value under LKAS 39	Fair Value
Investment in goverment securities	Available for sale	**16,190,036**	**16,190,036**	16,842,418	16,842,418
Investments in corporate debenture	Available for sale	-	-	461,296	461,296
		16,195,554	**16,195,554**	17,303,714	17,303,714

Classification of financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. It eliminates the existing LKAS 39 categories of held to maturity, loans and receivable and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL and 'its contractual terms give rise on specified date to cash flows that are solely payments of principal interest(SPP) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On the initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value on OCI. The election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition on the company may irrevocably designate a financial asset that otherwise meets the requirements to measured at amortised cost or at FVOIC as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Under SLFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of SLFRS 9 are not separated. Instead, the hybrid financial instruments as whole is assessed for classification.

Business model assessment

The company will make an assessment of the objective of the business model which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

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Notes to the Financial Statements

2 BASIS OF PREPARATION (CONTD)

(b) New standards and amendments - issued but not effective nor early adopted in 2023 (contd)

(iii) Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (contd)

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Impact assessment

This standard will affect the classification and measurement of financial assets held as follows:

- Trading assets and derivative assets held for risk management, which are classified as held-for-trading and measured at FVTPL under LKAS 39, will also be measured at FVTPL under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- Held-to-maturity investment securities measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as available-for-sale under LKAS 39, may under SLFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.
- The majority of the equity investment securities that are classified as available-for-sale under LKAS 39 will be measured at FVTPL under SLFRS 9. However, some of these equity investment securities are held for long-term strategic purposes and will be designated as at FVOCI on initial recognition.

Impairment - Financial assets, loan commitments and financial guarantee contracts

SLFRS 9 replaces the "incurred loss" model in LKAS 39 with a forward-looking "expected credit loss" model. This will be required considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL s), which will be determined on a probability-weight basis.

The new impairment model applies to financial assets that are debt instruments that are not measured at FVTPL.

Under SLFRS 9, no impairment loss is recognised on equity investments.

SLFRS 9 requires a loss allowance to be recognised at an amounts equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The company will recognise loss-allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount will be 12-month ECLs.

- debt investment securities that are determined to have low credit risk at the reporting date. The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade"; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

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(iii) Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments effective from 1 January 2026

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

(iv) SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7. Furthermore, the IASB has made minor amendments to LKAS 7 and LKAS 33 Earnings per Share.

SLFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

The Company is in the process of assessing the impact of the new accounting standards, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cashflows and the additional disclosures required. The Company is also assessing the impact on how information is grouped in the financial statements.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to LKAS 7 and LKAS 33, as well as the revised LKAS 8 and SLFRS 7, become effective when an entity applies SLFRS 18. SLFRS 18 requires retrospective application with specific transition provisions.

(v) SLFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards

SLFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- It is a subsidiary (this includes an intermediate parent)
- It does not have public accountability, and
- ts ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES

This note provides a list of the material accounting policies adopted in the preparation of the financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Business combinations under common control

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction.

The Company accounts for such transactions applying the following principals:

- The acquiring / remaining entity is the entity first controlled by the parent of the entities that are combined.
- The results of the business under common control are combined retrospectively as if both entities (acquirer and acquiree) had always been combined.
- The assets and liabilities combined are accounted for and presented based on carrying values as appearing in the separate financial statements of the entities being combined. Adjustments are made where necessary to the financial information of the receiving entity to make its accounting policies consistent to that of the acquiring entity. No adjustments are made to reflect fair values and no new assets and liabilities of the acquiree are recognised at the date of the business combination.
- Any difference between the consideration given (where applicable) and the aggregate book value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

3.2 Foreign currency translation

Items included in the financial statements of each of the company is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency.

3.2.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains / (losses).

3.3 Financial assets and financial liabilities

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

3.3.1 Financial assets

(a) Initial recognition and measurement

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 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 Company'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 amortised cost.

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Financial assets are classified into the following specified categories:

- Fair value through profit or loss (either as held for trading or designated at fair value through profit or loss) (FVTPL);
- Loans and receivables ;
- Held to maturity financial assets (HTM);and
- Available-for-sale financial assets (AFS).

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The Company's existing types of financial assets and their possible classifications are shown in the table below:

Financial asset	Category
Treasury bond	Available for sale
Unit trust	Fair value through profit or loss
Corporate debt	Available for sale
Fixed deposit	Loans and receivable
Reverse repurchase agreements	Loans and receivable
Staff loans	Loans and receivable
Reinsurance receivable	Loans and receivable
Premium receivable	Loans and receivable
Cash and cash equivalent	Loans and receivable
Other assets	Loans and receivable

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date.

The financial assets include cash and short-term deposits, loans and receivables, quoted and unquoted financial instruments.

(b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- 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 upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

The Company evaluated its financial assets at fair value through profit and loss (held for trading) whether the intend to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.3 Financial assets and financial liabilities (contd)

3.3.1 Financial assets (contd)

- Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the asset is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Company evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

- 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 recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(c) Derecognition 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 derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) The Company has transferred substantially all the risks and rewards of the asset; or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

(d) Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.3 Financial assets and financial liabilities (contd)

3.3.1 Financial assets (contd)

- Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset derecognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(f) Fair value of financial instruments

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, net assets, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

The fair value of repo and call deposits with credit institutions is their carrying value. The carrying value is the cost of the investment 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 reporting date.

If the fair value can not 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.

3.3.2 Financial liabilities

Classification and subsequent measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss (held for trading or designated at fair value through profit or loss) and financial liabilities at amortised cost. Financial liabilities of the Company includes amounts due to banks, customer deposits, etc.

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The subsequent measurement of financial liabilities depends on their classification.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

(b) Financial liabilities at amortised cost

Financial liabilities not classified as fair value through profit or loss are classified as amortised cost liabilities. Such financial liabilities are subsequently measured at amortised cost using the EIR method.

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

3.4 Recognised fair value measurement

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements to provide an indication about the reliability of the inputs used in determining fair value. The company has classified its financial instruments into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in 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 and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the company's best estimate of the most appropriate model assumptions.

The following table provides an analysis on different basis used by the Company in assessing the fair value of financial instruments.

Instrument	Valuation technique	Fair value hierarchy
Treasury bond	Using quoted market prices (unadjusted) in an active market	Level 1
Treasury bill	Using quoted market prices (unadjusted) in an active market	Level 1
Corporate debentures	Published market prices	Level 2
Unit trust	Published net asset values	Level 2

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

There were no transfers between Level 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist (significant unobservable adjustments or assumptions are required to reflect difference between the instruments), option pricing models and other valuation models.

(ii) Determination of fair value

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and is recognised in profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the Company will receive from the re-insurer.

3.5 Reinsurance

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

The Company also assumes reinsurance risk in the normal course of business non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised 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.

3.6 Premium receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in the income statement. Premium receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are held for the purpose of meeting short-term cash commitments.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents. In the statement of financial position, bank overdrafts are seperately shown in current liabilities.

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3.8 Other debtors and amounts receivable from related companies

Other debtors and dues from related parties are recognised at cost less allowances for bad and doubtful receivables.

3.9 Intangible assets

3.9.1 Basis of recognition

Software

Costs associated with maintaining software programmes are recognised as an expenses as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Contractual Relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognized at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

Cost for the facilitation fee of contractual relationships is recognized as intangible assets since the following criteria are met:

- It is probable that future economic benefits that attributable to the contractual relationship will be flow to the entity through introductions of new insurance policies by the counterparty.
- Cost of the asset can be measured reliably since the facilitation fee is agreed at the initial stage of the agreement with counterparties.

Amortisation method and useful life

The Company amortises intangible assets with a limited useful life using the straight line method over the period as follows:

- IT development and software 05 - 10 Years
- Contractual Relationships Over the period of agreement

3.10 Property, plant and equipment

3.10.1 Basis of recognition

Property and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

3.10.2 Basis of measurement

An item of property and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.10 Property, plant and equipment (contd)

3.10.2 Basis of measurement

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within 'other income' in profit or loss. When revalue assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.10.3 Subsequent cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured.

The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

3.10.4 Depreciation

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation is calculated by using the straight-line method on the cost of all property and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets.

The estimated useful lives of property, plant and equipment are as follows:

The class of tangible assets	Useful life
Improvements on buildings under lease	Over the period of lease
Office Equipment	05 years
Furniture and fittings	05 years
Computer equipment	04 years
Motor vehicles	04 years

Useful lives, depreciation method and residual amounts of property and equipment are reviewed at each financial year end and adjusted prospectively if appropriate. Such a review takes into consideration the nature of the assets, their intended use including but not limitative to the closure of operations and the evolution of the technology and competitive pressures that may lead to technical obsolescence.

3.10.5 Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in income statement when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

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3.10.6 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3.11 Right-of-Use Asset

The right -of-use asset includes head office and branches that are operated on lease buildings.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis over an average rate of 10% to 20%.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.12 Other assets

Other assets include other debtors and receivables, advances, deposits, prepayments, taxation receivables, inventory and amounts receivable from related companies.

(a) Advances, deposits and prepaid expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as advances, deposits and prepaid expenditure. Such expenditure is written off over the period, to which it relates, on a time proportion basis.

(b) Inventories

Inventories include all consumable items that are stated at the lower of cost and net realisable value.

3.13 Liabilities and provisions

3.13.1 Insurance contract liabilities

(a) Unearned premiums – Non Life Insurance

Unearned premiums 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 1/365 basis except for the marine policies in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

The basis of calculating unearned premiums for marine policies are as follows,

Class of the policy	Basis
Marine	60% in the same month 40% after eleven months of underwriting the policy

Change in reserve for unearned insurance premium represents the net portion of the gross written premium transferred to the unearned premium reserve during the year to cover the unexpired period of the polices.

(b) Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised 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 reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

(c) Provision for gross incurred but not reported claims

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 reporting 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.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency / Severity method.

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(d) Provision for gross incurred but not reported claims

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

(e) Title insurance reserve

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period.

Unearned premium for title is calculated on 05 year basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(d) Title insurance reserve

If the respective loan subjected to the title insurance policy issued is settled before the maturity, full premium of such policies remaining as at the date of settlement of such loan is recognised as profits upon confirmation from the respective bank.

3.13.2 Provisions (excluding Insurance contracts)

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.14 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of income in the periods during which related services are rendered by employees.

Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF managed by the Central Bank of Sri Lanka and have no legal or constructive obligation to pay any further amounts.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.14 Employee benefits (contd)

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes at the rate of 3% of the salaries of each employee to the ETF managed by the Central Bank of Sri Lanka.

(b) Defined benefit plans

Gratuity is a defined benefit plan. Provision has been made in the accounts for retiring gratuities. An actuarial valuation of the retirement benefit is performed by a qualified actuary as at the statement of financial position date using the Projected Unit Credit (PUC) method in terms of Sri Lanka Accounting Standards 19 - Employee Benefits. The provision is not externally funded.

Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested.

(c) Defined benefit plans

However, as per the payment of Gratuity Act No.12 of 1983, the liability arises only upon completion of five years of continued service.

The actuarial valuation involves making assumptions on the discount rate, salary increment rate and balance service period of the employees. Due to the long term nature of the plans these assumptions and estimates are subject to significant uncertainty.

3.15 Lease liabilities

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets.

3.16 Interest bearing borrowing

Interest bearing borrowings of the Company comprise of bank overdrafts. The relevant fees and expenses are charged to income statement.

3.17 Other liabilities

Other liabilities include payables to life insurance policyholders (claims payable), Agents / Brokers (commission payable), reinsurers and other creditors (including accrued expenditure). These are stated at their historical value, which is deemed to be their fair value.

3.18 Income recognition

3.18.1 Gross written premium

Gross insurance written premiums (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis. Rebates that form a part of the premium rate, such as no claim rebates, and cancellations are deducted from GWP.

GWP comprise of the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

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3.18.2 Product classification

Insurance contracts

According to Sri Lanka Accounting Standards SLFRS 4 requires contracts written by insurer to be classified as either insurance contracts or investment contracts. Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policyholders. The Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as insurance contracts under 'SLFRS 4 - Insurance Contract'. Thus the Company does not have any investment contracts within its product portfolio as at the reporting date.

3.18.3 Premium ceded to reinsurers

Gross reinsurance premium comprises the total reinsurance premium payable for the whole cover provided by contracts entered into the period and net of any reversals relating to prior period is recognised on the date on which the policy commences.

3.18.4 Fees and commission income

Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

3.18.5 Investment income

Interest income

Interest income are recognised within 'investment income' in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

Dividend income

Dividend income is recognised when the Company's right to receive the payment is established. For equity securities this is the ex-dividend date.

Realised gains and losses

Realised gains and losses on investments recorded in the income statement, 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 amortised cost and are recorded on the occurrence of the sale transaction.

3.18.6 Other income

Other income is recognised on an accrual basis and it includes income from disposal of property, plant and equipment, exchange gains etc.

Classification: Confidential

Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.19 Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not , related 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 recognised in respect of direct insurance 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 valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends. Claims outstanding are assessed by the review of individual claim files and estimating changes in the ultimate cost of settling claims.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example - subrogation).

3.19.1 Reinsurance claims

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

3.19.2 Salvage and subrogation reimbursements

While 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.

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.20 Deferred Cost

3.20.1 Deferred Acquisition Cost (DAC)

Cost of acquiring new business including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new business are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expenses when incurred. Subsequent to initial recognition deferred acquisition costs (DAC) is amortised over the period on the basis unearned premium is amortised.

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 amortisation period) and are treated as a change in an accounting estimate.

DAC is reviewed for impairment at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value and impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either expired or cancelled.

3.20.2 Reinsurance commissions

Commission receivable on outward reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Classification: Confidential

3.21 Borrowing costs

All Borrowing Costs are expensed as and when they are incurred except where they are directly attributable to the acquisition or construction of a qualified asset as required by 'LKAS 23 - Borrowing Cost'.

3.22 Current and deferred income tax

3.22.1 Income tax

The tax expense for the period comprises current and deferred tax.

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period, applicable as at the date of statement of financial position or although enacted subsequently are applicable to the current period. Accordingly, provision for taxation is computed at 30% (2022 up to September 24% & rest at 30%) on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

3.22.2 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.23 Basic earnings per share

Company presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.24 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the 'LKAS - 37 on Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless its occurrence is remote.

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Notes to the Financial Statements

3 SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTD)

3.25 Events after reporting date

The Directors give due consideration to and where necessary adjustments or disclosures are made in the current financial statements in respect of material post statement of financial position events as appropriate.

3.26 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS / LKAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively. Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these financial statements.

3.26.1 Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of outstanding claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not yet reported at the date of statement of financial position IBNR.

The Company establishes IBNR reserves, to recognise the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognise the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Company relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Company also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported. It can take a significant period of time before the ultimate claims cost can be established with certainty.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Changes in assumptions may lead to changes in the non-life insurance liability over time. Furthermore, some of these assumptions can be volatile.

The insurance contracts are issued under fronting arrangements whereby it is as clearly declared and agreed in the fronting policy, that payment and recognition of any claim under a fronting arrangement is made conditional upon the said reinsurer or the consortium of reinsurers confirming their respective liabilities to the Company to the full extent of their shares in the risks underwritten.

This fronting policy is issued for and on behalf of the fronting company (Insurer) on 100% fronting basis and any liability is falling ceded to the fronting company.

The claim liability is recognised only to the extent of the confirmation of the claim liability, by the reinsurer.

3.26.2 Deferred policy acquisition costs

Deferred policy acquisition costs (DAC) is an asset and represent costs of acquiring insurance that are deferred and amortised. This vary with and are primarily related to the production of new and renewal business and consist with commissions, underwriting and agency expenses.

Deferred policy acquisition costs are deferred only to the extent that they are recoverable from future policy income. The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition.

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The Company performs an impairment review on DAC at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. No such indication of impairment was experienced during the year.

3.26.3 Fair value of financial instruments

Fair values of financial assets and liabilities are determined using quoted market prices where available.

There are certain financial assets and financial liabilities for which fair value cannot be derived from active markets and they are determined using a variety of valuation techniques that include the use of discounted cash flow models and / or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.26.4 Valuation of defined benefit obligation - gratuity

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and the long-term nature, such estimates are subject to significant uncertainty and the obligation is highly sensitive to the changes of these estimates and assumptions.

3.26.5 Deferred tax assets and liabilities

Deferred tax assets are recognised if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realisation. The utilisation of deferred tax assets arising from temporary differences depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled.

Certain management judgments are involved when determining the amount of deferred tax to be recognised based on the timing and future taxable profits.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the interpretation had an impact on its financial statements.

3.26.6 Impairment of financial assets

Impairment evaluation is a complex process that involves significant judgments and uncertainties that may have a significant impact on Company's financial statements. The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counter-party, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgment and other information available prior to the issuance of the financial statements.

Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry performance, financing and operational cash flows and changes in technology.

3.26.7 Provisions for liabilities and contingencies

The Company is subject to legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding when making provisions. The time for concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on due process in the respective legal jurisdictions.

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Notes to the Financial Statements

4 INTANGIBLE ASSETS

As at 31 December		2025	2024
	Note	LKR '000	LKR '000
Cost		**2,520,755**	2,416,579
Accumulated amortisation and impairment		**(1,501,138)**	(1,309,480)
		1,019,617	1,107,099

Cost	Software	Software Working Progress	Total
	LKR '000	LKR '000	LKR '000
As at 31 December 2023	2,092,841	211,187	2,304,028
Additions	856	111,694	112,551
Impairement	-	-	-
As at 31 December 2024	2,093,697	322,881	2,416,579
Additions	-	104,176	104,176
Impairement	-	-	-
As at 31 December 2025	2,093,697	427,057	2,520,755
As at 31 December 2023	1,098,098	-	1,098,098
Amortisation charge for the year	211,382	-	211,382
Accumulated amortisation on			
impairement of assets	-	-	-
As at 31 December 2024	1,309,480	-	1,309,480
Amortisation charge for the year	191,658	-	191,658
Accumulated amortisation on			
Impairement of assets	**-**	**-**	**-**
As at 31 December 2025	1,501,138	-	1,501,138
Net book value as at 31 December 2024	784,216	322,881	1,107,098
Net book value as at December 2025	592,559	427,057	1,019,617

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognized at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

5 PROPERTY, PLANT AND EQUIPMENT

As at 31 December		2025	2024
	Note	LKR '000	LKR '000
Cost	5.1	**1,123,606**	1,284,990
Accumulated depreciation and impairment	5.2	**(847,929)**	(786,678)
Net book value		**275,677**	498,312

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	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Improvements on building under leasehold property	Total
5.1 Cost						
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January 2024	247,030	395,643	272,220	12,587	365,159	1,292,638
Additions	15,907	5,827	8,304	-	8,266	38,305
Disposals	(3,515)	(7,000)	(35,336)	-	(102)	(45,953)
As at 31 December 2024	259,422	394,470	245,188	12,587	373,323	1,284,990
Additions	7,551	1,925	1,130	-	5,752	16,358
Disposals	(33,666)	(72,310)	(10,476)	-	(61,290)	(177,742)
As at 31 December 2025	**233,307**	**324,085**	**235,842**	**12,587**	**317,785**	**1,123,606**

	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Improvements on building under leasehold property	Total
5.2 Accumulated depreciation						
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January 2024	128,877	220,301	202,689	12,587	76,648	641,103
Depreciation charge for the year	46,784	67,031	31,410	-	37,988	183,212
Accumulated depreciation on						
Disposal of assets	(3,480)	(5,527)	(28,563)	-	(67)	(37,637)
As at 31 December 2024	172,181	281,805	205,536	12,587	114,569	786,678
Depreciation charge for the year	45,364	64,211	20,502	-	37,403	167,480
Accumulated depreciation on						
Disposal of assets	(20,575)	(44,304)	(10,432)	-	(30,919)	(106,230)
As at 31 December 2025	**196,970**	**301,712**	**215,606**	**12,587**	**121,053**	**847,928**
Net book value 2024	**87,241**	**112,665**	**39,652**	**-**	**258,754**	**498,312**
Net book value 2025	**36,337**	**22,373**	**20,236**	**-**	**196,732**	**275,678**

6 RIGHT-OF-USE ASSET / LEASE LIABILITY

This note provides information for leases where the Company is a lessee.

6.1 Amounts recognised in the statement of financial position

As at 31 December	2025	2024
	LKR '000	LKR '000
Right-of-use assets		
As at 1 January	**797,273**	1,037,052
Additions / adjustments	**311,907**	35,473
Depreciation	**(281,748)**	(275,252)

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Notes to the Financial Statements

As at 31st December	**827,432**	797,273

As at 31 December	2025	2024
	LKR '000	LKR '000
Lease liabilities		
Lease liabilities - Current	**245,862**	195,205
Lease liabilities - Non-Current		
1 - 2 Years	**472,658**	535,711
More than 2 Years	**70,708**	196,784
	789,228	927,700

The above Right-of-use assets solely constitute of leased building premises which are utilised by Head office and branches of the Company.

6.2 Amounts recognised in the statement of income

As at 31 December	2025	2024
	LKR '000	LKR '000
Depreciation charge of right-of-use assets	**281,748**	275,252
Interest expense (included in note 30)	**141,287**	236,153
Expense relating to short-term leases and low value assets (included in other operating, administrative and finance charges - note 30)	**20,682**	7,388
The total cash outflow for leases	**356,397**	415,081

6.3 Extension and termination options

Extension and termination options are included in the lease agreement. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable by both the Company and by the respective lessor.

6.4 Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of the building and premises, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension option in the lease have not been included in the lease liability, because the Company has determined that it could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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7 DEFERRED TAX ASSET / LIABILITIES

Deferred income tax assets and liabilities are set-off when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

As at 31 December	2025	2024
	LKR '000	LKR '000
Deferred income tax assets		
On bad debt provision	**38,188**	57,032
On retirement benefit obligations	**143,878**	117,566
On tax losses	**681,912**	464,404
On lease liability	**236,769**	278,310
On available-for-sales reserve	**57,838**	-
Total deferred income tax assets	**1,158,585**	917,311
Deferred tax liabilities		
On available-for-sales reserve	**-**	(78,259)
On right-of-use assets	**(248,229)**	(228,540)
On property, plant and equipment and intangible assets	**(7,927)**	(13,324)
Total deferred income tax liabilities	**(256,156)**	(320,123)
Net deferred income tax assets	**902,429**	597,189

As at 31 December	2025	2024
	LKR '000	LKR '000
As at 1 January	**597,189**	263,147
Deferred tax (income) / charge recognised in statement of income		
On retirement benefit obligations	**46,239**	5,459
On property, plant and equipment and intangible assets	**5,397**	127,335
On bad debt provision	**(18,843)**	(44,522)
On tax losses	**217,508**	264,604
On Right-of-use asset	**(61,230)**	49,770
	189,070	402,646
Deferred tax income recognised in statement of other comprehensive income		
On retirement benefit obligations	**(19,927)**	(29,972)
On available-for-sales reserve	**136,096**	(38,633)
	116,169	(68,605)
As at 31 December	**902,429**	597,189

Classification: Confidential

Notes to the Financial Statements

8 FINANCIAL INVESTMENTS

(a) The financial investments of the Company are summarised by measurement category in the table below:

As at 31 December	2025	2024
	LKR '000	LKR '000
Loans and receivables	**100,636**	101,698
Available-for-sale financial assets	**16,195,554**	17,303,714
Total financial investments	**16,296,190**	17,405,412

(b) The following table compares the fair values of the financial investments with their carrying values:

As at 31 December	2025		2024	
	LKR '000	LKR '000	LKR '000	LKR '000
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and receivables	**100,636**	**100,636**	101,698	101,698
Available for sale financial assets	**16,195,554**	**16,195,554**	17,303,714	17,303,714
	16,296,190	**16,296,190**	17,405,412	17,405,412

As at 31 December	2025		2024	
	LKR '000	LKR '000	LKR '000	LKR '000
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
(a) Loans and receivables				
Placements with banks and financial institutions	**100,636**	**100,636**	101,698	101,698
Total	**100,636**	**100,636**	101,698	101,698
(b) Available for sale financial assets				
Investment in government securities	**16,190,036**	**16,190,036**	16,842,418	16,842,418
Investment in unit trust	**5,518**	**5,518**	-	-
Corporate debentures	**-**	**-**	461,296	461,296
Total	**16,195,554**	**16,195,554**	17,303,714	17,303,714

9 REINSURANCE RECEIVABLE

As at 31 December	2025	2024
	LKR '000	LKR '000
Reinsurance receivables on outstanding claims	**7,627,908**	1,053,773
Reinsurance receivables on settled claims	**2,815,236**	1,243,237
Total reinsurance receivables	**10,443,144**	2,297,010

10 PREMIUM RECEIVABLES

As at 31 December		2025	2024
	Note	LKR '000	LKR '000
Premium receivables		**3,710,080**	3,169,867
Allowance for impairment loss	10.1	**(127,295)**	(190,106)
Total premium receivables		**3,582,785**	2,979,761

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10.1 Movement in allowance for impairment loss

As at 31 December	2025	2024
	LKR '000	LKR '000
Opening balance	**190,106**	372,600
Write - off during the year	**-**	(99,427)
Reversal of over provision	**(62,811)**	(83,069)
Closing balance	**127,295**	190,106

11 INSURANCE CONTRACTS - DEFERRED EXPENSES

The deferred acquisition costs comprise of agents' commissions. These costs are deferred and amortised over the terms of related policies.

As at 31 December	2025	2024
	LKR '000	LKR '000
Deferred expenses	**1,119,217**	785,110
Opening balance	**785,110**	661,014
Expenses deferred during the year	**1,910,397**	1,648,053
Amortized during the year	**(1,576,290)**	(1,523,957)
Closing balance	**1,119,217**	785,110

12 AMOUNTS DUE FROM RELATED PARTIES

As at 31 December	2025	2024
	LKR '000	LKR '000
Amounts due from related parties	**-**	92,449

Allianz Life Insurance Lanka Limited was a subsidiary of the Company until July 2025. During the year, the Company disposed of its entire equity interest in Allianz Life Insurance Lanka Limited, following which it ceased to be a subsidiary. As at reporting date, amounts due from Allianz Life Insurance Lanka Limited is recognized under other assets.

13 OTHER ASSETS

As at 31 December		2025	2024
		LKR '000	LKR '000
Other debtors and receivables		**1,431,303**	558,169
Advances, deposits and prepayments		**245,899**	213,202
Other tax receivables	**13.1**	**301,367**	168,457
Inventory		**33,268**	13,445
Loans given to staff		**4,426**	4,934
Total other assets		**2,016,263**	958,207

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Notes to the Financial Statements

13 PREMIUM RECEIVABLES (CONTD)

13.1 Other tax receivables

As at 31 December	2025	2024
	LKR '000	LKR '000
Withholding tax recoverable	**15,409**	6,881
VAT recoverable	**285,958**	161,576
	301,367	168,457

14 CASH IN HAND AND BALANCES AT BANK

In preparation of cash flow statement, cash and cash equivalents include cash in hand and balance at bank net of outstanding bank overdrafts. Cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

As at 31 December	2025	2024
	LKR '000	LKR '000
Cash in hand and balance at banks	**709,202**	1,169,199
Bank overdrafts	**(250,236)**	(17,550)
Total cash and cash equivalents for the purpose of statement of cash flows	**458,966**	1,151,649

15 STATED CAPITAL

As at 31 December	2025	2024
	LKR '000	LKR '000
The stated capital of the Company	**8,619,972**	8,619,972
No. of fully paid ordinary shares of the Company as at the year end ('000)	**675,164**	675,164

16 REVENUE RESERVES

16.1 Retained earnings

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**1,588,696**	1,554,881
Loss for the year	**(871,523)**	(52,431)
Actuarial gains on defined benefit plans	**(49,796)**	116,218
Aggregate tax effect of items recognised in other comprehensive income	**(19,927)**	(29,972)
Balance as at 31 December	**647,450**	1,588,696

16.2 Available for sale reserve

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**100,279**	(213,495)
Net change in fair value of available-for-sale financial assets	**22,148**	352,407
Reclassification of deferred tax recognised in other comprehensive income	**136,096**	(38,633)
Balance as at 31 December	**258,523**	100,279
Total revenue reserves	**905,973**	1,688,975

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17 INSURANCE LIABILITY - NON LIFE

As at 31 December		2025	2024
	Note	LKR '000	LKR '000
Reserve for gross claims outstanding	17.1	**10,472,233**	4,592,638
Net reserve for claims Incurred But Not Reported (IBNR)	17.2	**893,684**	954,410
Provision for net unearned premiums	17.3	**6,669,563**	5,408,667
		18,035,480	10,955,715

The claim liability including IBNR claims and premium liability have been actuarially valued for the year 2025 by the appointed external Actuary, M/S N M G Financial Services Consulting Pte Ltd, Singapore. The valuation is based on internationally accepted actuarial methods.

The Company has performed the Liability Adequacy Test (LAT) in respect of insurance provisions of non life as required by 'SLFRS 4 - Insurance Contracts' with the assistance of the above appointed external Actuary of the Company. Accordingly it was confirmed by the Actuary that the insurance provisions recorded by the Company are adequate to meet the insurance liabilities as of the reporting date.

17.1 Gross claims outstanding

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**4,592,638**	3,494,829
Claims incurred during the year	**15,527,866**	8,677,465
Claims paid during the year	**(9,648,271)**	(7,579,656)
Balance as at 31 December	**10,472,233**	4,592,638

17.2 Reserve for IBNR

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**954,410**	900,623
Change in IBNR	**(60,726)**	53,787
Balance as at 31 December	**893,684**	954,410

17.3 Provision for net unearned premiums

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**5,408,667**	4,985,167
Premiums written in the year	**13,596,375**	11,567,082
Premiums earned during the year	**(12,335,479)**	(11,143,582)
Balance as at 31 December	**6,669,563**	5,408,667

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Notes to the Financial Statements

18 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December	2025	2024
	LKR '000	LKR '000
Retirement benefit obligations	**479,594**	391,887
Retirement benefit obligations - gratuity		
Balance as at 1 January	**391,887**	473,592
Provision recognized during the period	**72,621**	100,213
Actuarial loss / (gain) on change in financial assumptions	**49,796**	(116,218)
Benefits paid during the period	**(34,710)**	(65,700)
Balance as at 31 December	**479,594**	391,887
Amounts recognized in the income statement		
Net interest cost	**42,266**	59,199
Current service cost	**30,355**	41,014
Amount recognized in the income statement	**72,621**	100,213
Amounts recognized in the other comprehensive income statement		
Actuarial gain on obligations - due to change in demographic assumptions	**35,374**	536
Actuarial gain on obligations - due to change in financial assumptions	**(17,859)**	(78,158)
Actuarial loss on obligations - due to experience	**32,281**	(38,597)
	49,796	(116,218)

As at 31 December 2025, the gratuity liability was actuarially valued under the Project Unit Credit Method by M/S K.A. Pandit Consultants and Actuaries, India.

Principal actuarial assumptions used are as follows:

As at 31 December	2025	2024
(a) Discount rate	**9.80%**	11.00%
(b) Salary increase	**6%**	8%
(c) Employee turnover rate		
For services up to 4 years	**27.10%**	24.0%
For services 5 years and above	**12.70%**	6.0%
(d) Retirement age	**60 years**	
(e) Weighted Average Duration of the Defined Benefit Obligation	**6**	9

Maturity analysis of projected benefit obligation: from the employer

As at 31 December	2025	2024
	LKR '000	LKR '000
1st following year	**81,532**	44,761
2nd following year	**66,607**	33,796
3rd following year	**62,157**	34,170
4th following year	**66,864**	31,594
5th following year	**63,134**	42,318
Sum of years 6 to 10	**238,640**	236,128
Sum of years 11 and above	**242,034**	687,271

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Sensitivity analysis

As at 31 December	2025	2024
	LKR '000	LKR '000
Delta effect of +1% change in discount rate	**(19,198)**	(24,782)
Delta effect of -1% change in discount rate	**21,016**	28,039
Delta effect of +1% change in salary increment rate	**21,592**	28,587
Delta effect of -1% change in salary increment rate	**(20,035)**	(25,652)
Delta effect of +1% change in employee turnover rate	**4,209**	6,153
Delta effect of -1% change in employee turnover rate	**(4,624)**	(6,862)

19 INSURANCE CONTRACTS - DEFERRED REVENUE

As at 31 December	2025	2024
	LKR '000	LKR '000
Balance as at 1 January	**490,100**	465,216
Net change in reserve	**91,068**	24,884
Balance as at 31 December	**581,168**	490,100

The deferred revenue arises as a result of the amortisation of reinsurance commission received.

20 REINSURANCE PAYABLES

As at 31 December	2025	2024
	LKR '000	LKR '000
Allianz SE and other Allianz entities	**1,746,975**	1,614,216
National Insurance Trust Fund (NITF)	**(21,048)**	283,676
Other foreign / local reinsurers	**1,027,724**	336,253
	2,753,651	2,234,145

21 OTHER LIABILITIES

As at 31 December		2025	2024
	Note	LKR '000	LKR '000
Acquisition cost payable		**290,373**	204,138
Government levies payable		**15,554**	102,408
Lease liabilities	21.1	**789,228**	927,700
Other creditors including accrued expenses	21.2	**4,842,970**	3,426,672
		5,938,125	4,660,918

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Notes to the Financial Statements

21.1 Lease liabilities

As at 31 December	2025	2024
	LKR '000	LKR '000
Amount initially recognised	**927,700**	1,106,012
Reassessment of / addition to liabilities	**(64,656)**	(232,371)
Finance cost	**141,287**	236,153
Repayments	**(215,103)**	(182,094)
	789,228	927,700

21.2 Other Creditors including accrued expenses

As at 31 December	2025	2024
	LKR '000	LKR '000
Other creditors	**1,939,722**	2,141,529
Accrued expenses	**2,903,248**	1,285,143
	4,842,970	3,426,672

22 GROSS WRITTEN PREMIUM

Premium income for the year by major classes of business are as follows:

(a) Class - wise

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Fire	**4,288,048**	3,456,433
Motor	**9,928,077**	8,075,829
Marine	**388,739**	365,687
Medical	**1,912,704**	1,905,133
Miscellaneous	**1,227,819**	1,058,002
Total for the year	**17,745,387**	14,861,084

GWP has been adjusted for Co Insurance.

(b) Premium ceded to reinsurers

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Allianz SE Reinsurance Branch Asia Pacific	**848,604**	454,912
National Insurance Trust Fund (NITF)	**1,942,830**	2,547,626
Other foreign / local reinsurers	**1,357,578**	291,464
	4,149,012	3,294,002
Net written premium	**13,596,375**	11,567,082

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23 NET CHANGE IN RESERVE FOR UNEARNED PREMIUM

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Change in unearned premium provision arising on:		
Gross written premium	**(1,571,643)**	(419,125)
Premium ceded to reinsurers	**310,747**	924,142
Net change in reserve for unearned premium	**(1,260,896)**	505,017

24 INSURANCE CLAIMS AND BENEFITS (NET)

Year ended 31 December		2025	2024
	Note	LKR '000	LKR '000
Gross claims paid			
Fire		**2,922,072**	1,094,239
Motor		**5,046,801**	4,336,492
Marine		**182,877**	108,845
Health		**1,728,326**	1,732,301
Miscellaneous /others		**367,190**	350,047
		10,247,266	7,621,924
Less: recoveries from salvage sales		**(598,995)**	(42,268)
Gross claims paid	17.1	**9,648,271**	7,579,656
Claims recovered from reinsurers		**(618,221)**	(268,215)
		9,030,050	7,311,441
Gross change in contract liabilities		**6,272,891**	1,169,691
Change in contract liabilities ceded to reinsurers		**(7,028,157)**	(550,242)
Allocation of overhead expenses related to claims		**873,404**	863,602
Net benefits and claims		**9,148,188**	8,794,492

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Notes to the Financial Statements

25 UNDERWRITING AND NET ACQUISITION COST

Year ended 31 December	Note	2025 LKR '000	2024 LKR '000
Underwriting and policy acquisition cost		**1,910,397**	1,648,053
Reinsurance commission		**(1,158,741)**	(1,038,892)
Change in net deferred acquisition			
Cost for insurance contracts	25.1	**(243,039)**	236,532
Allocation of overhead expenses		**3,313,767**	3,211,217
		3,822,384	4,056,910

25.1 Change in deferred acquisition cost for insurance contracts

Commission cost	**(334,108)**	(131,170)
Commission income from reinsurers	**91,069**	367,702
	(243,039)	236,532

26 INVESTMENT INCOME

Year ended 31 December	Note	2025 LKR '000	2024 LKR '000
Investment income from loans and receivables	26.1	**18,370**	24,417
Investment income from available for sale financial assets	26.2	**1,472,792**	2,103,889
		1,491,162	2,128,306

26.1 Loans and receivables

Placements with banks and financial institutions	**18,189**	24,127
Staff loans	**181**	290
	18,370	24,417

26.2 Available-for-sale financial assets

Investment in government securities	**1,420,627**	2,047,875
Corporate debentures	**52,165**	56,014
	1,472,792	2,103,889

27 NET REALISED GAINS/(LOSSES)

Year ended 31 December	2025 LKR '000	2024 LKR '000
Disposal of property and equipment	**11,601**	(5,494)
	11,601	(5,494)

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28 FEES AND COMMISSION INCOME

Year ended 31 December		2025	2024
	Note	LKR '000	LKR '000
Policy and related fees		**719,702**	610,556
		719,702	610,556

29 OTHER OPERATING (EXPENSES)/INCOME

Year ended 31 December	2025	2024
	LKR '000	LKR '000
(Loss)/gain on foreign exchange transactions	**(535,138)**	143,631
Miscellaneous income	**531,201**	393,995
	(3,937)	537,626

Above miscellaneous income mainly consists of income earned from the auto centre, income from servicing of fund policies & sundry income.

30 EXPENSES BY CATEGORY

Allocation of indirect expenses among functional areas

The Company implemented allocation of directly attributable indirect expenses among functional areas of claims, acquisition and administration with effect from the year ended 31 December 2021, as the management believe this will provide more meaningful information to the users of the financial statements..

Accordingly, indirect expenses incurred by cost centers involved with policy acquisition and underwriting functions were recorded under underwriting and policy acquisition cost; indirect expenses incurred by cost centers involved with claims related functions were recorded under insurance claims and benefits; and indirect expenses incurred by cost centers involved with administration related functions were recorded under other operating and administration expenses.

Breakdown of indirect expenses recorded under other operating, administration and finance charges are as follows:

Year ended 31 December		2025	2024
	Note	LKR '000	LKR '000
Staff expenses	30.1	**1,144,214**	952,342
Auditors' remuneration		**12,570**	14,127
Legal fees		**(4,269)**	(17,759)
Administration and establishment expenses		**235,443**	93,584
Selling expenses		**(142,733)**	18,242
Interest expenses on lease liabilities		**141,287**	236,153
Government levies		**161**	9,627
Depreciation of property, plant and equipment		**111,992**	129,995
Depreciation of right-of-use asset		**77,125**	70,772
Amortisation of intangible assets		**193,187**	211,647
Software maintenance		**706,224**	966,427
Other costs		**168,829**	177,227
Other operating, administrative and finance charges		**2,644,029**	2,862,384

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Notes to the Financial Statements

30.1 Staff expenses

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Wages and salaries	**437,924**	357,086
Defined contribution plan costs	**63,166**	99,488
Defined benefit plan costs	**14,915**	21,996
Allowances	**117,107**	124,057
Other staff costs	**511,101**	349,715
	1,144,214	952,342
Number of staff	**1,308**	1,390

31 INCOME TAX EXPENSE

Year ended 31 December	Note	2025	2024
		LKR '000	LKR '000
Current tax charge			
Income tax on current year's profits		-	-
Provision for pending income tax assessments		**-**	84,384
		-	84,384
Deferred income tax			
Deferred tax related to the current year		**(189,070)**	(402,646)
Total income tax expense recognised in the current year		**(189,070)**	(318,262)

31.1 Numerical reconciliation of income tax expenses

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Accounting loss before tax	**(1,060,594)**	(370,695)
Aggregate disallowed items	**1,075,149**	1,022,178
Aggregate allowable expenses/Investment income	**(2,211,319)**	(3,062,200)
Assessable business loss	**(2,196,764)**	(2,410,717)
Assessable business loss	**(2,196,764)**	(2,410,717)
Loss claimed for the year	**1,491,157**	2,128,014
Taxable loss	**(705,607)**	(282,703)
Statutory tax rate	30%	30%
Current income tax expense	-	-

Provision for taxation is computed at 30% on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

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32 BASIC EARNINGS PER SHARE

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Amount used as the numerator		
Net loss attributable to ordinary shareholders	**(871,523)**	(52,432)
Number of ordinary shares used as denominator		
Weighted average number of ordinary shares in issue (note 15)	**675,164**	675,164
Basic loss per share (Rs)	**(1.29)**	(0.08)

33 RELATED PARTY DISCLOSURES

33.1 Transactions with Group Companies

Company	Relationship	Nature of Transaction	Transaction	Balance as at 31 December	
			Amount	2025	2024
Allianz SE	Parent Company	Reinsurance arrangement	85,150	**(169,372)**	(254,522)
Allianz Global Corporate and Specialty AG	Group Company	Reinsurance arrangement	(12,368)	**(109,415)**	(97,047)
Allianz China General Insurance Company Ltd	Group Company	Reinsurance arrangement	-	**488**	488
Allianz Jingdong General Insurance Company Ltd.	Group Company	Reinsurance arrangement	(54,245)	**(54,231)**	15
Allianz AG	Group Company	Reinsurance arrangement	-	**(203,130)**	(203,130)
Allianz Australia Ltd	Group Company	Reinsurance arrangement	188	**-**	(188)
Allianz Global Corporate & Specialty SE- Hong Kong	Group Company	Reinsurance arrangement	(43,138)	**(43,107)**	32
Allianz Belgium SA	Group Company	Reinsurance arrangement	(786)	**(5,188)**	(4,402)
Allianz Technologies SE - Germany	Group Company	Technology Assistance	(313,371)	**(919,170)**	(605,799)
Allianz Technologies SE - India	Group Company	Technology Assistance	-	**-**	-
Allianz SE Singapore Branch	Group Company	Technical Assistance	(304,432)	**(671,571)**	(367,139)
Allianz Technologies SE Singapore Branch	Group Company	Technology Assistance	85,008	**(1,127,080)**	(1,212,088)
Allianz Technologies - Thailand	Group Company	Technology Assistance	-	**-**	-
Allianz Technologies SE - Switzerland Branch	Group Company	Technology Assistance	(26,092)	**(58,132)**	(32,039)

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Notes to the Financial Statements

Company	Relationship	Nature of Transaction	Transaction	Balance as at 31 December	
			Amount	2025	2024
Allianz Global Corporate & Specialty - Zurich	Group Company	Reinsurance arrangement	(44,305)	**(113,722)**	(69,417)
Allianz Global Corporate & Specialty SE India Branch	Group Company	Reinsurance arrangement	(80,709)	**(219,078)**	(138,369)
Allianz General Insurance Company (Malaysia) Berhad	Group Company	Reinsurance arrangement	16,974	**(7,839)**	(24,813)
			-		
Allianz Global Corporate & Specialty SE - Germany	Group Company	Reinsurance arrangement	53,932	**(54,514)**	(108,447)
Allianz Global Corporate & Specialty SE UK Branch	Group Company	Reinsurance arrangement	(1,570)	**(17,013)**	(15,443)
Allianz Global Corporate & Specialty SE- France	Group Company	Reinsurance arrangement	(22,514)	**(43,609)**	(21,095)
Allianz Global Risks US Insurance Co. (USA)	Group Company	Reinsurance arrangement	(569)	**(1,957)**	(1,388)
Allianz Suisse Versicherungs-Gesellschaft AG	Group Company	Reinsurance arrangement		**(26,631)**	
Allianz Risk Transfer AG- Liechtenstein	Group Company	Reinsurance arrangement		**(1,191)**	
				(3,845,461)	(3,154,791)
Amounts due to related parties on technical assistance				**(3,412,664)**	(2,416,400)
Reinsurance payable				**(1,859,536)**	(1,461,734)
Reinsurance receivable				**1,426,739**	723,343
				(3,845,461)	(3,154,791)

The transaction mentioned above should be read in conjunction with the reinsurance receivable and reinsurance payables in the statement of financial position

34 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Chief Executive Officer and Key Employees of the Company have been classified as KMP of the Company.

The detail of transactions with KMP's are as follows;

Year ended 31 December	2025	2024
	LKR '000	LKR '000
Short term employee benefits	**152,000**	136,200

The directors fees of Independent Non Executive Directors for the year ended 31 December 2025 for Allianz Insurance Lanka Limited amount to LKR 9.6 Mn (2024: LKR 6.1Mn). There were no other transactions with KMP in their individual capacity for the year ended 31 December 2025

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35 COMMITMENTS AND CONTINGENCIES

The Company has obtained a Bank Guarantee facility from M/S Seylan Bank PLC for the value of LKR 24 million in order to satisfy an order given by Hon. High Court Judge in relation to Court case with regard to Lagaan International Limited. Further, Company has obtained Bank guarantees from Sampath Bank PLC for LKR 4.9 million for tender quotes..

The Company does not have significant capital expenditure commitments as at the reporting date.

The Company has underwritten a risk of business interruption policy in 2019 and due to a dispute of an additional cover provided in relation to loss of profits during the first quarantine curfew from March - May 2020, the Insured has instituted a legal action and the Company is confident that there is no liability as per the terms of the policy and the case also is at the preliminary stage. Hence no provision has been made against this claim.

Tax Assessments

The Company has received Corporate Income Tax (CIT) assessments for the years of assessments (Y/A) 2015/2016, 2016/2017, 2017/2018 , 2018/2019 & 2020/2021. No Assessment issued for the Y/A 2021/2022. Additionally, VAT assessments for the tax periods of 2nd, 3rd, & 4th quarters of 2016; 1st & 3rd quarter of 2017, and 1st, 2nd & 3rd quarter of 2018 have been received. Assessments for VAT on Financial Services (VAT on FS) for years 2014, 2017, 2018, 2021 & 2022 and Nation Building Tax on Financial Services (NBT on FS) for all four quarters of 2017 have also been received. Company has received favourable decision from TAC for VAT on FS and NBT on FS for year 2014, 2017. Respectively, Though IRD has challenge it at court of appeal. Management, along with the tax advice received and the stand taken by the industry, believes the services provided by the company do not fall into the definition of supply of financial services as specified in the VAT Act No 14 of 2002.

The total assessment value including penalty/interest is LKR 4.8bn including VAT and NBT on FS. Majority of the tax audits are pertaining to year 2016 to 2018. The company has properly adhered to the appeal procedures and complied with the relevant notices in relation to these assessments. Said appeals are now at the hearing before the Commissioner General. Hence, the Management and the Company's Tax Consultant view the probability of the Company having to settle any of these tax assessments as remote. Throughout the fiscal year 2024, company adeptly resolved a collective total of two tax cases. Further, in the absence of determination by the Commissioner General within the period of two years, the appeal shall be deemed to have been allowed for corporate tax matters relating to the years of assessments of 2017/2018, 2016/2017 & 2015/16. Accordingly, any possibility of cash outflows in relation to these assessments is remote, and thus no provisioning has been made. In case the determinations made in this regard at the inland revenue department level are against the Company, management intends to take legal actions through court proceedings, where progressive appeals can go up to the level of the Supreme Court.

Further, in the absence of determination by the Commissioner General within the period of two years, the appeal shall be deemed to have been allowed for corporate tax matters relating to the years of assessments of 2017/2018, 2016/2017 & 2015/16. Accordingly, any possibility of cash outflows in relation to these assessments is remote, and thus no provisioning has been made. In case the determinations made in this regard at the inland revenue department level are against the Company, management intends to take legal actions through court proceedings, where progressive appeals can go up to the level of the Supreme Court.

Litigations and claims

In the opinion of the directors in consultation with the Company's lawyers and advisors, other litigation and claims currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

All pending litigations for claims have been evaluated and adequate provisions have been made where necessary in the financial statements

36 EVENTS OCCURRING AFTER THE REPORTING DATE

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements. There were no material events occurring after the reporting date which require adjustments or disclosures in the Financial Statements.

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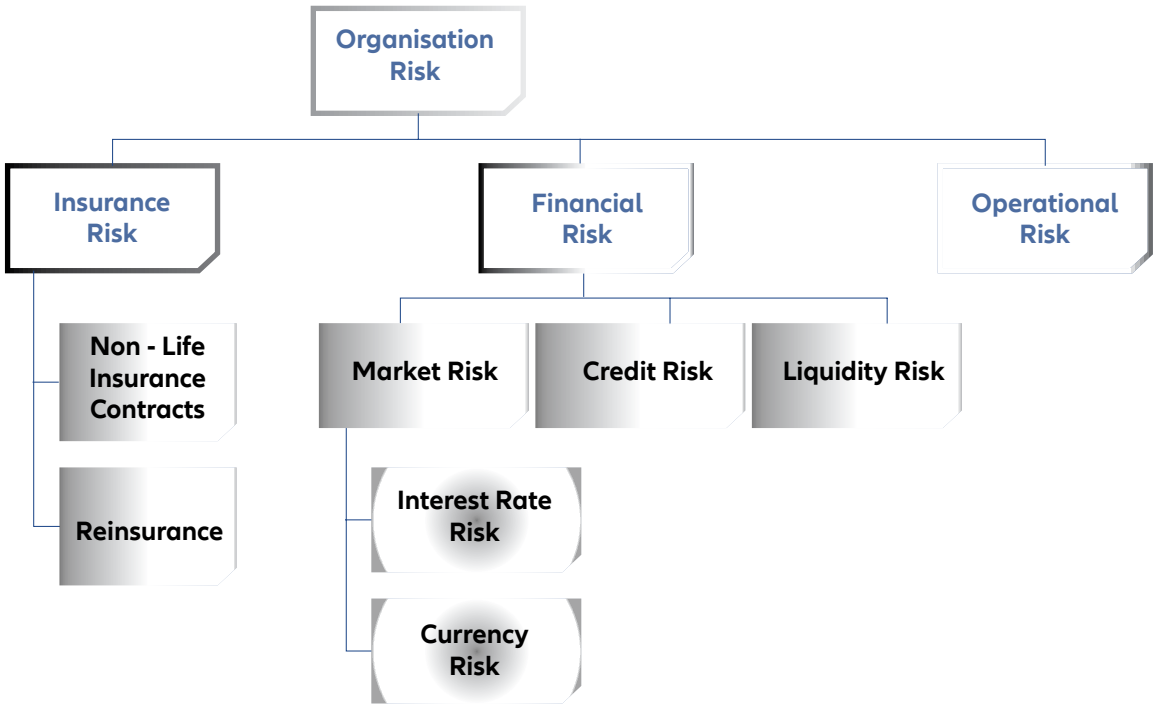
Notes to the Financial Statements

37 RISK MANAGEMENT

Introduction and overview

As an insurer, the Company is exposed to multiple risks and the following chart shows all those risks.



This note presents information about Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks, and the manner in which the Company manages its capital.

Risk management

Being an insurance company, acceptance and active management of risks are core competencies of Allianz. This implies that the major mission for risk management is adequate risk steering, as opposed to mere risk avoidance or minimization. Risk management therefore is an integral part of the management and control system, ensuring the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management, including the efficient allocation of capital and the optimization of key performance measures through consistent consideration of risk-return implications.

Risk management framework

The key elements of the risk management framework are:

- Promotion of a strong risk management culture supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the company to protect the capital base and to support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

The Company's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows the Company to detect potential deviations from the predetermined risk tolerance level at an early stage.

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The four primary components of the Risk Management framework include:

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, and strategic or tactical asset allocation. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Financial risk management

Risk reporting and monitoring: A comprehensive qualitative and quantitative risk reporting and monitoring framework provides transparency and risk indicators to senior management on the overall risk profile and whether it falls within delegated limits and authorities.

Risk Strategy and Risk Appetite: The risk strategy clearly defines the Company's risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within the risk tolerance.

Communication and transparency: A transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial objectives, including failure to exploit opportunities.
The management has the overall responsibility for the establishment and oversight of the Company's risk management framework and thus, their approval is necessary for the risk management strategy and risk policies pertaining to all activities of the Company.

The Company has a Risk Management Team and the members are proposed by the Company's Managing Director. Its existence is a requirement of the Allianz Group Risk Policy. The main responsibilities of the Risk committee include:

- Promoting the Allianz risk culture and developing risk management talent for the Company.
- Pre-approving the Company's risk management policy, risk strategy / appetite and carrying out reviews to ensure alignment with local regulatory and Allianz Group requirements.
- Monitoring the approved risk tolerance and exposures to individual risks.
- Determine management actions for non-compliance of risk owners to limits or the risk policy.
- Request, follow-up and assess contingency and action plans in case of (imminent) limit breaches. Review the risk management function's effectiveness and development in the context of regulatory and Allianz Group requirements.
- Report to the Allianz Asia Pacific Risk Management team on a quarterly basis and escalate material issues to the Board of Directors.

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Notes to the Financial Statements

37 RISK MANAGEMENT (CONTD)

(a) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

- Meet regulatory solvency requirements and the internal threshold set by Allianz Asia Pacific, thereby providing a degree of security to policyholders.
- Efficient allocation of capital to support business development by ensuring that returns on capital employed meet the requirements of shareholder and policyholders.
- Financial flexibility by maintaining a strong liquidity position.
- Alignment of asset and liability profiles by minimizing asset-liability duration mismatches.
- Maintain financial strength to support business growth and to satisfy the requirements of the policyholders, regulators and other stakeholders.

The operations of the Company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. Solvency Margin, Approved Assets Requirements of IRCSL) to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as they arise.

The Company has been in compliance with all these regulatory requirements throughout the financial year to the best of our knowledge.

The Company maintains its capital as per the regulatory requirements of the IRCSL. The Company has a Stated Capital of Rs.8,620 Mn and a Total Available Capital (TAC) exceeding - the current minimum Total Available Capital requirement of Rs. 500 Mn.

(b) Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. The capital requirements are routinely forecasted on a periodic basis by the management. The solvency margins are calculated on a monthly basis and shared with the management.

(c) Regulatory framework

The insurance regulator of the Country, the Insurance Regulatory Committee of Sri Lanka (IRCSL) is primarily interested in protecting the rights of policyholders and monitors the Company closely to ensure that it is satisfactorily managing affairs for the benefit of policyholders. At the same time, they are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks, natural disasters, etc.

Thus, the operations of the Company are subject to regulatory requirements of the IRCSL as well as various other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue etc. The Company is also regulated by the Companies Act No. 07 of 2007.

The IRCSL decided to implement a Risk Based Capital (RBC) framework in Sri Lanka to monitor insurance companies in the country, replacing the previous solvency regime. The RBC framework came into effect from January 2016. The Company has set up processes in place and ensured adherence to these requirements.

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37.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company considers insurance risk to be a combination of the following components of risks:

- Product design risk;
- Underwriting and expense overrun risk;
- Claims risk

(a) Product design risk

The Company principally issues the following types of Non-Life Insurance contracts.

- Motor
- Fire
- Marine
- Medical
- Miscellaneous Others

	31 December 2025		31 December 2024	
	Gross Written Premium (LKR Mn)	%	Gross Written Premium (LKR Mn)	%
Motor	**9,928**	**56%**	8,076	54%
Fire	**4,288**	**24%**	3,456	23%
Marine	**389**	**2%**	366	2%
Medical	**1,913**	**11%**	1,905	13%
Miscellaneous	**1,228**	**7%**	1,058	7%
Total	**17,745**	**100%**	14,861	100%

The significant risks arising under the Non-Life Insurance portfolio emanates from changes in the climate leading to natural disasters, behavioral trends of people due to changing life styles, the steady escalation of costs in respect of spares in the auto industry and terrorist activities. A long tail claim which takes time to finally settle is also exposed to risk of inflation.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes, flood damage, etc.).

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Notes to the Financial Statements

37 RISK MANAGEMENT (CONTD)

37.1 Insurance risk (contd)

(a) Product design risk (contd)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes. The Company uses its own risk management framework to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these assessments could fail or that claims arising from an un-assessed event is greater than those arising from an assessed event.

Some of the specific actions by the Company to mitigate Non-Life Insurance Risks are shown below.

(b) Underwriting and expense over-run risk

The Company's underwriting process is governed by the by the internal underwriting procedure manual / Allianz standard of underwriting. Some of the actions undertaken to mitigate underwriting risks are detailed below:

- Investments are made on the training and development of underwriting and claims management staff, including those attached to the distribution network.
- Strict controls are maintained on the issue of temporary cover notes and also limiting them to 60 days validity period.
- Application of Four-Eye principle on underwriting process.
- Pre-underwriting inspections are made on new business over a predetermined threshold to evaluate risk prior to acceptance.
- Post-underwriting reviews are conducted to ensure that set guidelines have been observed.
- Adequate reinsurance arrangements are in place and reviews are undertaken to ensure the adequacy of these covers.
- Financial authority limits are in place clearly prescribing the limits in respect of each underwriter based on the sum assured.

(c) Claims risk

Some of the actions undertaken to mitigate claims risks is detailed below:

- Claims are governed by the internal claims manual.
- Motor and medical claims intimation are carried out through a 24 hour fully-fledged call center.
- Assessments are carried out by in-house as well as independent assessors / loss adjustors working throughout the island on a 24 hour basis.
- Claims are assessed immediately and reserved accordingly.
- The service of a qualified independent actuary is obtained annually to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims.
- Financial authority limits are set, providing maximum limit to the Managing Director, Assistant General Manager - Technical and Chief Finance Officer. Financial authority limits are reviewed annually and a quarterly audit is conducted to ensure compliance.

The table below sets out the concentration of Non-Life Insurance contract liabilities by type of contracts. This includes Unearned Premium, Insurance Contracts - Deferred Acquisition, Claims outstanding and IBNR / IBNER Reserves.

Refer note 17 to the financial statements, which shows the gross claim liability and the reinsurance component

Following table summarizes the outstanding Claims position as at 31 December;

	31 December 2025			31 December 2024		
Non-life Insurance Claims Reserve	**Gross claims**	**Reinsurance**	**Net**	**Gross claims**	**Reinsurance**	**Net**
Claims Outstanding	**10,472,233**	**(7,627,908)**	**2,844,325**	4,592,638	(1,053,773)	3,538,865
IBNR/IBNER Reserve	**(1,022,021)**	**1,915,705**	**893,684**	(364,679)	1,319,089	954,410
Total	**9,450,212**	**(5,712,202)**	**3,738,010**	4,227,959	265,316	4,493,275

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The following table shows the claims development trend of the company in relation to accident year and reporting periods;

	Current estimate of cumulative claims incurred				
Accident year / reporting period	1	2	3	4	5
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2020	6,891,423	6,733,659	6,924,124	6,828,100	7,274,025
2021	5,724,942	6,040,366	6,233,411	6,275,639	6,291,910
2022	6,604,026	6,903,737	6,935,039	6,987,002	
2023	7,030,119	7,102,021	7,083,955		
2024	7,587,924	7,663,181			
2025	14,884,874				

Key assumptions for valuation of liabilities

i Loss development factors – is based on weighted averages except where,

- the weighted average is contrary to a trend in the recent years
- payments in particular years clearly out of lines relative to those in other years

ii Claim settlement rates – 'speed of settlement' is derived by dividing the cumulative claim paid to date for each accident year by the corresponding projected ultimate loss.

iii Weightings – Having used a variety of valuation methodologies, applied different weights to each method across accident years as appropriate.

iv Ultimate loss ratios – The final ultimate loss ratios for various accident years have been computed by applying credibility weightings to the results from various methodologies.

v Expense rate - Case reserves and IBNR claim reserves include an allowance for claim handling expenses.

vi Discounting – A risk free interest rate curve is applied for discounting liability cash flows.

vii Net to Gross – Comparison has been made for Net-to-Gross ratios for earned premium, claim paid, claim reported and claim outstanding

viii Risk Margin – Based on the Stochastic Ladder approach, computed risk merging to achieve a 75% confidence level on the claim liability Based on the observed relationship between an accident year's ultimate loss ration with trended ultimate loss ratios to achieve a 75% confidence level on the Unexpired Risk Reserve.

ix Large claims – Where it is considered appropriate, implicit allowance was made for large claims by selecting appropriately adjusted link ratios.

x Reinsurance and recoveries – There is no significant change in the reinsurance arrangement for the latest financial year.

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Notes to the Financial Statements

37 RISK MANAGEMENT (CONTD)

37.1 Insurance risk (contd)

(c) Claims risk (contd)

Impact on Claim Liability to Changes in Key Variables

		Undiscounted			
Variable	Change in Variable	Central Estimate of Claim Liability (incl CHE)	75% Claim Liability	Change in CE Claim Liability (incl CHE)	Change in 75% Claim Liability
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Original		3,859,346	4,335,942		
CHE	10%	4,074,837	4,578,054	215,491	242,112
CHE	-10%	3,751,600	4,214,886	(107,745)	(121,056)
ULR %	10%	5,026,587	5,640,083	1,167,241	1,304,141
ULR %	-10%	2,692,104	3,031,800	(1,167,241)	(1,304,141)
PRAD	100%	3,859,346	4,812,537	-	476,596
PRAD	-50%	3,859,346	4,097,644	-	(238,298)

Impact on Premium Liability to Changes in Key Variables

		Undiscounted	
Variable	Change in Variable	URR at 75% Confidence Level	Premium Liability (PL)
	LKR '000	LKR '000	LKR '000
Original		6,148,658	6,148,658
URR %	10%	6,946,043	6,946,043
URR %	-10%	5,351,274	6,131,515
Expenses	10%	7,435,827	7,435,827
Expenses	-10%	5,789,854	6,131,515
PRAD	100%	6,891,147	6,891,147
PRAD	-50%	5,777,414	6,131,515

37.2 Reinsurance risk

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. A proportional reinsurance arrangement includes both quota share and facultative treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance programmes, which are primarily excess–of–loss reinsurance arrangements, are designed to mitigate the Company's net exposure to large single and catastrophic losses. Retention limits on the excess–of–loss reinsurance programmes vary by product line.

Premium ceded to the reinsurers is in accordance with the terms of the programmes already agreed based on the risks written by the insurance companies. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company. Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

37.3 Financial risks

The Company is exposed to a range of financial risks through its financial assets and liabilities, which include:

- Market risk
- Credit risk
- Liquidity risk

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37.3.1 Market risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors, including interest rates, foreign exchange rates and equity prices. As the Company does not hold any equity securities in its portfolio, it does not have any exposure on equity price risk.

(a) Interest rate risk

Interest rate risk is the risk of interest rate volatility adversely affecting the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The company monitors its interest rate risk on a monthly basis by analyzing the movement in the interest rate-sensitive asset duration, the allocation to interest-rate sensitive assets, and the sensitivity of interest rate movements on the solvency margin. The report is reviewed by the local Chief Risk Officer and the Allianz Asia Pacific Risk Team.

The Company's exposure to fair value interest rate risk arising from its financial assets and financial liabilities is as follows:

	Net assets value (LKR '000)	
As at 31 December	2025	2024
Interest rate		
+ 500 basis points	**814,534**	(316,713)
- 500 basis points	**(814,534)**	345,048

(b) Currency risk

The risk of fluctuation of fair values or future cash flows of a financial instrument due to a change in exchange rates, is referred to as currency risk.

The Company's principal transactions are carried out in Sri Lankan Rupees and hence, its exposure to foreign exchange risk arises primarily with respect to the US Dollar and Euro denominated assets maintained in order to honor liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business and to settle inter-company and other operational liabilities that are denominated in foreign currency. However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

	31 December 2025		31 December 2024	
	Amount in Foreign Currency	LKR Amount	Amount in Foreign Currency	LKR Amount
	USD '000	LKR '000	USD '000	LKR '000
Assets / (liabilities)	**(17,410)**	**(5,398,088)**	(13,861)	(3,742,782)

	Impact on PBT	Impact on Equity	Impact on PBT	Impact on Equity
	LKR'000	LKR'000	LKR'000	LKR'000
5% Strengthening of Sri Lankan rupee	**269,904**	**269,904**	202,837	202,837
5% Weakening of Sri Lankan rupee	**(269,904)**	**(269,904)**	(202,837)	(202,837)
+ / - % Impact on Profit	**-25.4%**	**-56.7%**	54.7%	-36.3%

Year end closing exchange rate 1$ = Rs. 310.06 (2024 Rs.292.67)

37.3.2 Credit risk

Credit risk is counter-party default risk, and includes the risk of failure of financial institutions with which the Company has placed deposits / investments to meet obligations, and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivable, and failure of employees to meet loans provided by the company.

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Notes to the Financial Statements

37 RISK MANAGEMENT (CONTD)

37.3.2 Credit risk (contd)

In addition to strict limits on single counter-party exposure, the Company follows a prudent credit policy which limits its investments to high grade corporate credit in line with the Allianz Group policy, and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis by the CRO, and any deviations require special approval. The Company's investment approach is also guided and monitored by Allianz Insurance Management Singapore as per Allianz Group policies on investment.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present or default on benefits that are under reinsurance treaties in-force. The Company's exposure to reinsurance risk is minimal, as majority of the reinsurance is placed with Allianz Re, and with reinsurers with strong credit ratings approved by the Group.

Credit risk exposure on financial assets

	31 December 2025	31 December 2024
	LKR '000	LKR '000
Financial investments	**16,296,190**	17,405,412
Reinsurance receivable	**10,443,144**	2,297,010
Premium receivables	**3,582,785**	2,979,761
Amounts due from related parties	**-**	92,449
Other debtors and receivables	**1,431,303**	558,169
Loans given to staff	**4,426**	4,934
Cash and Cash Equivalents	**709,202**	1,169,199
	32,467,050	24,506,934

Credit risk exposure on financial investments

Financial Instruments	Government Guaranteed	AAA+ to AA-	A+ to A-	BBB+ to BB+	Unrated	Total
31 December 2025	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Government securities	**16,190,036**	**-**	**-**	**-**	**-**	**16,190,036**
Unit trust	**-**	**-**	**5,518**	**-**		**5,518**
Corporate debentures	**-**		**-**		**-**	**-**
Placements with banks & financial institutions	**-**	**-**	**100,636**	**-**	**-**	**100,636**
Total	**16,190,036**	**-**	**106,154**	**-**	**-**	**16,296,190**

Financial Instruments	Government Guaranteed	AAA+ to AA-	A+ to A-	BBB+ to BB+	Unrated	Total
31 December 2024	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Government securities	16,842,418	-	-	-	-	16,842,418
Unit trust	-	-	-	-		-
Corporate debentures	-		461,296		-	461,296
Placements with banks & financial institutions	-	-	101,698	-	-	101,698
Total	16,842,418	-	562,994	-	-	17,405,412

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Ratings represent the local ratings given by Fitch Ratings Lanka Limited.

The table below provides information regarding the credit risk exposure on other assets of the Company as at 31 December by classifying assets according to their due period.

31 December 2025	< 180 days	180 to 365 days	> 365 days	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Reinsurance receivable				
- Non Life	7,979,123	705,252	1,758,767	10,443,142
Premium receivables				
- Non Life	3,354,291	153,052	75,443	3,582,786
Total	11,333,414	858,304	1,834,209	14,025,927
% Distribution	80.80%	6.12%	13.08%	100.00%

31 December 2024	< 180 days	180 to 365 days	> 365 days	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Reinsurance receivable				
- Non Life	534,715	142,405	1,144,567	1,821,687
Premium receivables				
- Non Life	3,002,545	(14,210)	(349,636)	2,638,699
Total	3,537,260	128,195	794,931	4,460,386
% Distribution	79.30%	2.87%	17.82%	100.00%

As at 31 December 2025, reinsurance receivables amounted to LKR 1,758Mn were past due but not impaired (2024 - LKR 1,144Mn). These relate to parties where there was no recent history of default.

Allowances for impairment loss is identified amounted to LKR 127Mn for premium receivable as at 31 December 2025. (2024 -LKR 190Mn).

37.3.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated liabilities due to lack of funds or having to meet these obligations at excessive cost.

The table below summarizes the maturity profile of the financial assets of the company based on their contractual amounts due. The Company maintains a portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. Some of the specific actions by the Company to mitigate the liquidity risk are shown below;

- Assets are categorized into different tiers based on liquidity and a minimum allocation to each tier has been specified in the Company's investment policy statement.
- Cash outflows identified in advance are matched through short term deposits.
- The Company maintains a foreign currency deposit which can be liquidated in the event of unexpected cash outflows.

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Notes to the Financial Statements

37 RISK MANAGEMENT (CONTD)

Maturity Analysis of Financial Assets and Liabilities 2025

	Less than 1 year	1-3 years	More than 3 years	No Maturity	Carrying Value
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets					
Investment in government securities	10,771,513	2,107,905	3,310,619	-	16,190,036
Corporate debentures		5,518	-		5,518.00
Placements with banks & financial institutions	100,636	-	-	-	100,636
Total undiscounted assets	10,872,149	2,113,423	3,310,619	-	16,296,190
Liabilities					
Other liabilities	(5,394,759)	(472,658)	(70,708)	-	(5,938,125)
Bank overdraft	(250,236)	-	-	-	(250,236)
Total undiscounted liabilities	(5,644,995)	(472,658)	(70,708)	-	(6,188,363)

Maturity Analysis of Financial Assets and Liabilities 2024

	Less than 1 year	1-3 years	More than 3 years	No Maturity	Carrying Value
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets					
Investment in government securities	13,704,514	1,177,478	1,960,425	-	16,842,418
Corporate debentures	461,295				461,296
Placements with banks & financial institutions	101,697	-	-	-	101,698
Total undiscounted assets	14,267,506	1,177,478	1,960,425	-	17,405,412
Liabilities					
Other liabilities	(3,798,745)	(687,230)	(250,847)	-	(4,736,822)
Bank overdraft	(17,550)	-	-	-	(17,550)
Total undiscounted liabilities	(3,816,295)	(687,230)	(250,847)	-	(4,754,373)

37.4 Operational risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in direct consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

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Company's Risk Management team assesses all foreseeable risk involved in its operation and they develop and implement action plan to control those identified operational risk. These action plans recommended by the team is to manage the operational risk in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is cost effective.

Compliance with recommended action plans are supported by periodic reviews undertaken by Senior Manager Risk and Control and the Compliance Officer. The results of internal reviews are discussed frequently and necessary actions are taken.

Moreover, business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

37.5 Financial assets and liabilities

37.5.1 Fair value hierarchy for assets carried at fair value

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents an analysis of financial Investments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2025	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available for Sale				
- Investment in government securities	**16,190,036**	**-**	**-**	**16,190,036**
- Corporate debentures	**-**	**5,518**	**-**	**5,518**
Total	**16,190,037**	**5,518**	**-**	**16,195,554**

As at 31st December 2024	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available for Sale				
- Investment in government securities	16,842,418	-	-	16,842,418
- Corporate debentures	-	461,296	-	461,296
- Unit trust	16,842,418	461,296	-	17,303,714
Total				

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Ten Year Summary

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statement of Income										
Gross Written Premium	**17,745,387**	14,861,084	13,373,548	15,675,470	13,589,025	15,183,386	19,640,360	17,733,187	6,020,890	4,576,123
Net Earned Premium	**12,335,476**	12,072,099	11,021,891	12,036,250	11,341,159	13,844,465	17,314,401	13,666,565	3,413,816	2,400,551
Income from Investments and Other Income	**(4,149,014)**	(3,294,002)	4,694,050	3,311,796	1,449,425	2,152,800	2,534,661	2,327,064	426,512	261,045
Insurance Claims and Benefits (net)	**(9,148,188)**	(8,794,494)	(8,490,177)	(8,302,526)	(5,512,174)	(7,349,023)	(14,684,693)	(9,135,373)	(2,311,185)	(1,814,727)
Underwriting and net acquisition cost	**(3,822,384)**	(4,056,910)	(4,294,088)	(4,101,296)	(3,226,843)	(2,488,900)	(2,945,206)	2,073,154	(243,768)	49,085
Expenses	**(2,644,026)**	(2,862,384)	(3,775,816)	(4,171,096)	(2,663,038)	(4,024,271)	(4,178,556)	(3,884,757)	(1,101,328)	(858,319)
Profit Before Taxation	**(7,428,135)**	(6,935,691)	(844,139)	(1,226,872)	1,388,529	2,135,072	(1,959,392)	900,346	184,346	37,635
Income Tax Expenses	**189,071**	318,263	(81,613)	146,028	(361,122)	(401,079)	347,570	(139,903)	(51,753)	(13,933)
Net Profit for the year	**(871,523)**	(52,432)	(925,753)	(1,080,844)	1,027,407	1,733,993	(1,611,822)	760,443	132,593	23,702
Statement of Financial Position										
Assets										
Investments	**16,296,188**	17,405,412	17,753,046	17,791,340	16,993,642	16,681,040	16,925,306	20,033,369	3,050,035	2,005,969
Property, Plant and Equipment	**275,675**	498,312	651,536	210,189	267,866	345,828	453,189	593,663	90,794	105,704
Right-of-use asset	**827,432**	797,273	1,037,052	1,025,513	368,510	368,420	512,183	-	-	-
Intangible Assets	**1,019,617**	1,107,098	1,205,930	1,471,947	1,400,508	1,312,889	968,158	872,137	17,411	43,194
Reinsurance Receivables	**8,645,832**	2,297,010	1,821,687	2,006,609	1,687,789	1,703,348	1,679,055	1,929,573	763,921	1,044,035
Premium Receivables	**3,582,784**	2,979,761	2,977,218	4,684,959	3,619,242	4,233,320	5,229,130	6,660,658	2,440,764	1,573,724
Other Assets	**5,088,252**	1,835,766	2,204,983	1,835,068	1,512,848	1,983,404	2,414,692	2,259,098	91,481	58,356
Insurance Contract - Deferred Expenses	**-**	-	-	-	-	-	-	1,005,959	303,085	208,380
Income tax refund due	**-**	372,242	387,229	244,305	-	-	-	-	-	-
Deferred Tax Assets	**1,119,217**	597,189	263,147	523,958	104,482	90,461	547,942	70,980	17,983	50,406
Cash and Cash Equivalents	**709,202**	1,169,199	971,144	1,790,585	1,831,624	1,406,489	1,429,424	617,850	128,959	121,294
Total Assets	**37,564,199**	29,059,262	29,272,970	31,584,473	27,786,511	28,125,199	30,159,079	34,043,287	6,904,433	5,211,062

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Liabilities and Shareholders' Equity										
Liabilities										
Insurance Provision-General	**18,035,480**	10,955,715	9,380,619	10,647,937	9,981,321	11,639,410	14,430,006	13,872,520	3,897,918	3,077,685
Reinsurance Creditors	**2,451,849**	2,234,145	3,898,840	4,173,142	2,122,108	1,312,570	537,015	737,262	492,249	716,432
Employee Benefits	**479,594**	391,887	473,592	294,800	312,817	398,967	360,053	331,705	24,852	17,801
Other Liabilities	**6,821,095**	5,151,018	5,555,703	5,896,749	2,745,354	2,800,173	4,278,717	7,294,678	805,208	262,151
Income tax payables	**-**	-	-	-	108,336	193,273	242,494	-	-	-
Bank Overdraft	**250,236**	17,550	2,859	71,044	226,049	221,574	654,189	692,885	112,518	163,522
Total Liabilities	**28,038,254**	18,750,314	19,311,612	21,083,672	15,495,985	16,565,967	20,502,474	22,929,050	5,332,745	4,237,591
Shareholders' Equity										
Stated Capital	**8,619,972**	8,619,972	8,619,972	8,619,972	8,619,972	8,619,972	8,619,972	8,619,972	905,500	500,000
Revenue Reserves	**905,974**	1,688,975	1,341,386	1,880,830	3,670,554	2,939,260	1,036,633	2,628,996	653,269	522,117
Fair Value Reserve	**-**	-	-	-	-	-	-	(134,731)	15,606	-48,646
Total Shareholders' Equity	**9,525,946**	10,308,947	9,961,358	10,500,802	12,290,526	11,559,232	9,656,605	11,114,237	1,574,375	973,471
Total Liabilities and Shareholders' Equity	**37,564,200**	29,059,261	29,272,970	31,584,473	27,786,511	28,125,199	30,159,079	34,043,287	6,904,433	5,211,062

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Branch Network

S/N	Branch	Occupancy	Relocated Branch	Address	RSM/HOB	Contact No.
1	Akkaraipattu	General		Main Street, Kalmunai Road, Akkaraipathu	A R Ashraff	773662306
2	Aluthgama	General		No 4 1/1, Depo Junction, Poorwarama Road, Aluthgama	Chadisa Prabodha	773063706
3	Ambalangoda	General		No. 37/ 2/1, Edwin Studio Building, New Road, Ambalangoda	Rusiru Fernando	775841888
4	Ambalanthota	General		No. 76 / B, Tangalle Road, Ambalantota	P M B P Chaminda	773020469
5	Ampara	General		1st floor Sumadura Building, D.S.Senanayake Veediya, Ampara	W P S Jayalath	777481920
6	Anuradhapura	General	Thambuttegama	No. 523/1, 1st Floor, Maithreepala Senanayake Mawatha, Anuradhapura	G M R Anuradha Gaspe	775693865
7	Auto Center (Garege)	General		No. 67, W. A. D. Ramanayake Mawatha ,Colombo 02 (Auto Centre)		
8	Badulla	General		No.315, New Passara Road, Badulla	P P D V Pathirana	778652919 / 720100762
9	Balangoda	General	Kahawatta	No.84/1, Barnes Ratwatte Mawatha, Balangoda	S R V D N Vithanage (Balangoda) /Sampath Wickramarathna (Kahawatta)	777261861/ 722313098
10	Bambalapitiya	General	Pettah Development / Wellawatta	No. 125, Galle Road,Bambalapitiya, Colombo 04	S M S Saleem	777381761
11	Bandarawela	General		No. 35/10, Police Hill, Welimda Road, Bandarawela	D.P.Gayan Maduranga	773930968
12	Battaramulla	General		No.743/12, Thalangama North, Battaramulla	S. I. Hettiarachchi	777331682
13	Batticaloa	General		No.26/28, Biley Road, Batticaloy	Thayalaseelan Mathushan	771354157
14	Chavakachcheri	General		No . 121, Pillayar & Sons Building, Kandy Road, Chavakachcheri	K Ragukulanath	767251506
15	Chilaw	General		No 63, Kurunegala Road, Chilaw	A B T U Udayanga	777237744
16	Chunnakam	General		No. 103, KKS Road, Chunnakam	V Tharshan	777789266
17	Dambulla	General	Galewala	No. 738, Anuradhapura Road, Dambulla	B S Rajapaksha	773206244
18	Eheliyagoda	General	Avissawella	No,367 2/1, Madanayaka Building,Main Street, Eheliyagoda	M.D Kithsiri	779280153
19	Elpitiya	General		No. 44 A 2/1, Pituwala Road, Elpitiya	Nishantha Gunathilake	764231298
20	Embilipitiya	General	Tangalle	No.01 A, Hospital Road, New Town , Embilipitiya	W N C K Weerathunga	772962436
21	Galle	General		No. 135, Wakwella Road, Galle	Nuwan Senavirathna	774708960
22	Gampaha	General		No. 06, Asoka Garden, Colombo Road, Gampaha	Tharanga Wannigama	767950840
23	Gampola	General		No. 73/1/2, Nuwara Eliya Road, Gampola	Ashoka Gnarathna	767781975
24	Hanwella	General		No 137/3, Avissawella Road, Hanwella	K D I Anuradha	777449929
25	Hatton	General		No.259, Dimbula Road, Hatton	E L B Amunugama	777840694
26	Horana	General		No.132/1, Anguruwathota Road, Horana	C L Kalamullage	773758140
27	Ja-ela	General		No: 170/B- 1/1, Negombo Road, Ja ela	H. G. L. P. Kumarasingha	777431727

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S/N	Branch	Occupancy	Relocated Branch	Address	RSM/HOB	Contact No.
28	Jaffna	General		No.165, Manipay Road, Jaffna	Y .Yaltharan	766203058
29	Kadawatha	General	Kiribathgoda	No-151/1A,Kandy Road, Kadawatha	"K. D. A. S. Dilhara (Kadawatha) / H. G. L. P. Kumarasingha (Kiribathgoda) "	771164273 / 777431727
30	Kaduwela	General		No. 510, Avissawella Road Kaduwela	Sanjeewa Welagedara	773020522
31	Kalmunai	General		No 174,Main Street, Batticaloa Road, Kalmunai	Vacant	
32	Kalutara	General		No. 338/1/1, Galle Road, Kaluthara South, Kalutara	H W C Sanjeewa	773790229
33	Kandy	General	Pilimathalawa	No 17, Kumara Veediya, Kandy	Minthaka Kannangara (Kandy) /A M G T Abeykoon (Pilimathalawa)	777426265/ 764230963
34	Kegalle	General		No. 611, Kandy Road, Meepitiya, Kegalle	Buddika Mahanama	772347014
35	Kekirawa	General		No. 15, EDC Arcade, Thalawa Road, Kekirawa	Chathura Aluthgedara	777061784
36	Kilinochchi	General		A9 Road, Karadippokku, Kilinochchi	S Rajanthan	772893223
37	Kottawa	General		No. 132 A,Sri Lanka Red Cross Building, High Level Road, Kottawa	C R Bamunuarachchi	773682257
38	Kuliyapitiya	General	Giriulla / Nikaweratiya	No. 272 /1, Madampe Road, Kuliyapitiya	Indika Ekanayaka	772629405
39	Kurunegala	General		No.171 , Colombo Road, Kurunegala	I D Gunasinghe Idirideera	0769640935/ 0773457548
40	Maharagama	General	Kalubowila	No. 134 C 2/2, High level Road, Maharagama	K I G Kumara	777901368
41	Mahiyanganaya	General		N0 4, Gemunu Building, Kandy Road (South). New Town, Mahiyanganaya	D M K R S Dissanayake	776419452
42	Matale	General		No: 237 1/1, Main Street , Matale	D. A. E. W. M. K. Medawala	772940479
43	Matara	General	Akuressa	No 48, Park Road, Uyanwatta Road, Matara	Kasun Liyanage (Mathara)/ R C Rangana (Akuressa)	765284329/ 776737907
44	Mathugama	General		No. 121A, Agalawatta Road, Mathugama	P. I. Samarasinghe	716816942
45	Medawachchiya	General		No.70, Jaffna Road, Medawachchiya	S M P S K Jayathunga	702684484
46	Moneragala	General		No. 236, Kachcheriya Junction, Wellawaya Road, Moneragala	D M P Bandula Adhikarithilaka	713537003
47	Mulathive	General		Ward No-07 Mullaitivu Road,(Next to post office) Puthukkudiyiruppu Mullaitivu	B Venuthash	777351987

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Branch Network

S/N	Branch	Occupancy	Relocated Branch	Address	RSM/HOB	Contact No.
48	Nawalapitiya	General		No.88, Gampola Road, Nawalapitiya	D P Medagedara	716664488
49	Negombo	General		No. 229, St Joseph Road, Negombo	Jagath Pannala	778249293
50	Nelliyadi	General		No. 157/1, Jaffna road, Nelliyadi	Vacant	
51	Nittambuwa	General		No. 570/B Kandy Road, Nittambuwa	Buddika Roshan Priyadarshana	777121754
52	Nugegoda	General		No-296,High Level Road,Gamsabha Junction, Nugegoda	E N S Fernando	778952569
53	Nuwaraeliya	General	Welimada	No,13/7 Parkwood Complex, Park Road, Nuwara Eliya	E L B Amunugmama Look Over (N'eliya) / J.M.K Jayasingha (Welimada)	777840694 / 773020537
54	Panadura	General	Bandaragama / Moratuwa	No. 229/1, A.S. Building Galle Road, Panadura	W B P M Fernando	770550487
55	Piliyandala	General		No.24 1/A, Vidyala Mawatha, Piliyandala	Sarath Chinthan Muhandiramge	777748538
56	Polonnaruwa	General	Dehiaththakandiya / Hingurakgoda	No 491, 28th Mile Post, Polonnaruwa	P P P M L P Kumarasinghe	767057353
57	Puttalam	General		No 128 A 1/2,Dewshan Building, Kurunegala Road, Puttalam	P S A L Rathnayake	773509464
58	Ratnapura	General	Kalawana	No.37/1/2, Bandaranayake Mawatha, Ratnapura	K H Nishmantha Jayanath (Rathnapura) / Pubudu Amaradasa (Kalawana)	0773837051 / 768732161
59	Thanamalwila	General		No. 35D, Wellawaya Road, Thanamalwila	J.Nadeera Dissanayeka	779954421
60	Tissamaharama	General		No. 142/1, Hambantota Road, Tissamaharama	P. G. K. Indrajith	773020457
61	Trincomalee	General		No.286 1/1, North Coast Road, Trincomalee	Sanjeewa Fernando	776134802
62	Union Place	General	Pettah Corporate (Kotahena) / -City 01 Office /City 3 Office/Customer Care Centre	No.323 , Union Place Colombo 02	Tharanga Wannigama	767950840
63	Vavuniya	General		No.30, 1st Cross Street, Vavuniya	E Jaresanan	777747297
64	Warakapola	General		No 183, Kandy Road Warakapola	W T A K Wickramasinghe	714234304
65	Wellawaya	General		Opposite New Filling Station, Monaragala Road, Wellawaya	L Y Supun Tharuka	740438989
66	Wennappuwa	General		Victory Building, Chillaw Road, Wennappuwa	G U N Jayarathne	773551696

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Glossary

Acquisition Expenses

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.

Actuarial Valuation

An analysis performed by an Actuary at a specific date, that compares the assets and liabilities to determine if the company holds adequate assets to fund the required liabilities.

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 Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

Claims

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 (IBNR)

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

Claims Outstanding Reserve

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

Commission

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

Deferred Acquisition Cost

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.

Earnings Per Share (EPS)

Profits of the Company after tax and after the transfer to Life Fund divided by the number of issued ordinary shares.

Ex-Gratia Payment

A voluntary payment made by the insurer in response to a loss for which it is not technically liable under the terms of the issued insurance policy.

Gross Written Premium

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

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision

This comprises the gross claims reserve, unearned premium reserve net of re-Insurance and the deferred acquisition expenses.

Liability Adequacy Test (LAT)

A periodical assessment of the sufficiency of insurance contract liabilities against the actuarial valuation liabilities.

Net Written Premium

The remaining balance of the Gross Written Premium after the deduction of any premium expenses ceded to reinsurers.

Premium Ceded to Reinsurers

The premium expense of the Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

Reinsurance

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

Reinsurance Commission

Commission/discount obtained in respect of reinsurance premium expense to reinsurers.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include asset depreciation risk, credit receivables risk, underwriting risk and off-balance-sheet risk.

Risk-Based Capital Adequacy Ratio (CAR)

The CAR is a measurement of available capital expressed as a percentage of risk weighted credit exposures.

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Glossary

Reinsurance Premium

The premium payable to the reinsurer

Technical Reserve

This comprises of the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition costs.

Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Unearned Premium

The portion of insurance premiums that have been collected by an insurance company but have not yet been "earned" by providing coverage for the corresponding period.

Unearned Premium Reserve

A fund kept by General insurer to service the insurance policy for the remaining cover period after the reporting date.

Key Insurance Ratios

Net Claims Ratio = $\frac{\text{Net Claims Incurred x 100}}{\text{Net Earned Premium}}$

Premium Expense Ratio = $\frac{\text{Net Expense Incurred x 100}}{\text{Net Earned Premium}}$

Combined Ratio = $\frac{\text{(Net Incurred Claims \& Expenses) x 100}}{\text{Net Earned Premium Risk-based}}$

Capital Adequacy Ratio (CAR) = $\frac{\text{Total Available Capital x 100}}{\text{Risk Based Capital Require}}$

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Notes

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Corporate Information

GENERAL

Name of the Company :
Allianz Insurance Lanka Limited

Company Registration Number : PB 5179

Legal Form : Company

Tax Payer Identification Number (TIN) : 134051795

Vat Registration Number : 134051795 - 7000

Registered Office : Level 26-27, One Galle Face Tower, No 1A, Centre Road, Colombo 02, Sri Lanka

Contact Details : 0112303300

Accounting Year End : 31st December

BOARD OF DIRECTORS :

Name	Role
Deepthi Prasad Lokuarachchi	Independent/Non-Executive Director
Nawalage Therese Manouri Shiromal Cooray	Independent/Non-Executive Director
Sriyan Joseph de Silva	Independent/Non-Executive Director
Sigurd Ekkehard Volk	Non-Executive Director
Prashant Grover	Non-Executive Director/ Chief Operating Officer
Don Tiburtius Sujeewa Handapangoda Mudalige	Independent/Non-Executive Director

BOARD SUB COMMITTEES IF ANY

Audit Committee

1. Mr. Sriyan De Silva Wijeyeratne (Chairperson) ID
2. Mr. Sujeewa Mudalige ID
3. Mr. Deepthi Lokuarachchi

Nomination & Governance Committee

1. Ms. Shiromal Cooray (Chairperson) ID
2. Mr. Sujeewa Mudalige ID
3. Mr. Sigurd Volk NED

Board Risk & Control Committee

1. Mr. Deepthi Lokuarachchi (Chairperson) ID
2. Mr. Sriyan De Silva Wijeyeratne ID
3. Mr. Sigurd Volk NED

Proposed Board Remuneration Committee

1. Mr. Sujeewa Mudalige ID (Chairperson)
2. Ms. Shiromal Cooray ID
3. Mr. Sigurd Volk NED

External Auditor :

Deloitte Partners

COMPANY SECRETARIES :

SN Law Corporate Secretaries (Pvt) Ltd

Address: HQ Colombo, Level 4, No. 464A, T.B. Jayah Mawatha, Colombo 10

Tel: +94112103050 **Fax:** +94112692592 **Email:** snlaw@snlaw.lk

TAX CONSULTANT :

Amarasekera & Company,
Address: No. 55 1/5 & No. 55 1/3, Iceland Building, Galle Road, Colombo 03 ,

Lingesh - +9477 449 4649

Principal Officer : Prashant Grover

Chief Financial Officer : Gayani Tharangika

Compliance Officer : Summaiya Macan Markar

BANKERS :

Citibank
The Hongkong & Shanghai Banking Corporation Ltd
Standard Chartered Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC
National Development Bank PLC
Nations Trust Bank PLC
Peoples' Bank (USD)
Hatton National Bank
Seylan Bank PLC
DFCC Bank PLC
Pan Asia Banking Corporation

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